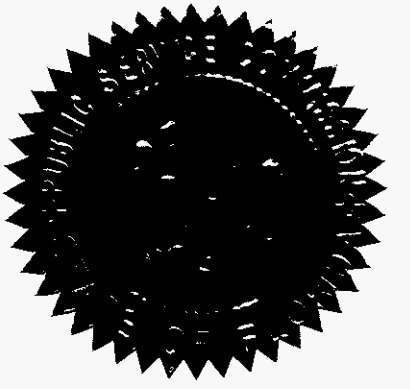
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 090172-EI

In the Matter of:

PETITION TO DETERMINE NEED FOR FLORIDA ENERGYSECURE PIPELINE BY FLORIDA POWER & LIGHT COMPANY./



VOLUME 1

(Pages 1 through 220)

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PROCEEDINGS:	HEARING
COMMISSIONER PARTICIPATING:	CHAIRMAN MATTHEW M. CARTER, II COMMISSIONER LISA POLAK EDGAR COMMISSIONER KATRINA J. McMURRIAN COMMISSIONER NANCY ARGENZIANO COMMISSIONER NATHAN A. SKOP
DATE:	Monday, July 27, 2009
TIME:	Commenced at 9:40 a.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	LINDA BOLES, RPR, CRR Official FPSC Reporter (850) 413-6734

PARTICIPATING:

JOHN T. BUTLER, ESQUIRE, and SCOTT GOORLAND, ESQUIRE, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420, representing Florida Power & Light Company.

GARY V. PERKO, ESQUIRE, and CAROLYN RAEPPLE, ESQUIRE, Hopping Law Firm, Post Office Box 6526, Tallahassee, Florida 32314, representing Florida Power & Light Company.

FLOYD R. SELF, ESQUIRE, and ROBERT J. TELFER, III, ESQUIRE, Messer, Caparello & Self, P.A., 2618 Centennial Place, Tallahassee, Florida 32308, representing Florida Gas Transmission, LLC.

MARTHA CARTER BROWN, ESQUIRE, and ANNA WILLIAMS, ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, representing the Commission Staff.

MARY ANNE HELTON, DEPUTY GENERAL COUNSEL, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, appearing as advisor to the Commission.

I N D E X

EXHIBITS

NUMBER:		ID.	ADMTD.
1	Comprehensive Exhibit List	9	9
2	Staff's Non-confidential Composite Exhibit #2 stipulated	9	10
3	Staff's Confidential Composite Exhibit #3 stipulated	9	10
4	Parties' and Staff's Composite Exhibit #4 stipulated	9	10
5	SF-1	30	132
6	RGS-1	135	175
7	RGS-2	135	175
8	(Confidential) RGS-3	135	175
9	(Confidential) RGS-4	135	175
13	RM-1	179	
14	RM-2	179	
15	RM-3	179	
16	RM-4	179	
17	RM-5	179	
18	RM-6	179	
19	RM-7	179	
20	RM-8	179	
21	RM-9	179	
22	RM-10	179	
23	RM-11	179	
24	RM-12	179	

EXHIBITS

NUMBER:		ID.	ADMTD.
25	RM-13	179	
26	RM-14	179	
27	RM-15	179	
28	RM-16	179	
29	RM-17	179	
30	RM-18	179	
31	RM-19	179	
32	RM-20	179	
33	RM-21	179	
95	(Confidential) Interrogatory No. 20	71	132

P R O C E E D I N G S

CHAIRMAN CARTER: With that, Commissioners, we are -- staff, would you.please read the notice.

MS. WILLIAMS: By notice issued June 17th, 2009, this time and place has been set for an administrative hearing in Docket No. 090172-EI, petition to determine need for Florida EnergySecure Pipeline by Florida Power & Light Company. The purpose of the hearing is set out in the notice.

CHAIRMAN CARTER: Thank you. Let's take the appearances of the parties.

MR. BUTLER: John Butler on behalf of Florida Power & Light Company. Also appearing for Florida Power & Light Company will be Gary Perko and Carolyn Raepple of the Hopping, Green & Sams firm, and Scott Goorland of FPL.

MR. SELF: Good morning, Commissioners. Floyd Self and Robert J. Telfer of the Messer, Caparello & Self Law Firm, appearing on behalf of Florida Gas Transmission.

MS. BROWN: And Martha Carter Brown and Anna Williams on behalf of the Commission staff. And, Mr. Chairman, if I might introduce our legal intern, Jason Arnold. He's been with us for the summer and has helped on this case.

CHAIRMAN CARTER: Welcome, Jason. Welcome.

MS. HELTON: Mary Anne Helton, advisor to the Commission.

CHAIRMAN CARTER: Thank you. Staff, are there any preliminary matters?

MS. BROWN: No, Commissioners, there really are no preliminary matters. No witnesses have been excused. I would point out that the notice of the hearing provides for public testimony.

There is one stipulated issue, Issue 12, which the Commission could address after public testimony, if there is any.

CHAIRMAN CARTER: Okay. Let's see. Are there any members of the public that came to testify today? Any members of the public? Any public testimony?

Okay. Hearing none, Ms. Brown.

MS. BROWN: All right. Mr. Chairman, Issue 12, which is on Page 13 of the Prehearing Order, is stipulated. Staff recommends that the Commission approve the stipulation as proposed.

CHAIRMAN CARTER: Just outline it. Just kind of run it down.

MS. BROWN: Commissioner, yes. Issue 12 deals with notice where the parties and FP&L have agreed to provide notice of the costs of the proceeding and detail

the final cost within 90 days of completion of the project.

CHAIRMAN CARTER: Mr. Butler, is that correct?

MR. BUTLER: That is correct, yes.

CHAIRMAN CARTER: Mr. Self?

MR. SELF: Yes.

CHAIRMAN CARTER: Commissioners, any questions or concerns?

Staff, your recommendation on --

MS. BROWN: Staff recommends that the stipulation be approved.

CHAIRMAN CARTER: Commissioner Edgar?

COMMISSIONER EDGAR: Mr. Chairman, I would move that we adopt the proposed stipulation.

COMMISSIONER SKOP: Second.

CHAIRMAN CARTER: It's been moved and properly seconded. Commissioners, any further questions, any discussion, any debate?

Hearing none, all in favor, let it be known by the sign of aye.

(Unanimous affirmative vote.)

All those opposed, like sign. Show it done.

Staff, you're recognized.

MS. BROWN: Next, Mr. Chairman, we have the Comprehensive Exhibit List that staff has passed out for

the Commissioners' convenience. It's in your books, the first volume. We ask that you mark and move the exhibit list itself into the record as Exhibit 1. And we --

CHAIRMAN CARTER: One second. Hang on a second.

MS. BROWN: Okay.

CHAIRMAN CARTER: Any objection of the parties to moving the exhibit list in?

MR. SELF: No objections.

MR. BUTLER: No objection.

CHAIRMAN CARTER: Show it done.

(Exhibit 1 marked for identification and admitted into the record.)

You may proceed.

MS. BROWN: We also ask that Staff's Stipulated Nonconfidential Composite Exhibit be marked as Exhibit 2, Staff's Stipulated Confidential Composite Exhibit be marked as Exhibit 3, and the parties' and staff's Composite Deposition Exhibit be marked as Exhibit 4.

CHAIRMAN CARTER: That's marked for identification.

(Exhibits 2, 3, and 4 marked for identification.)

MS. BROWN: We ask that those stipulated

exhibits be moved into the record at this time.

CHAIRMAN CARTER: Is there any objection of the parties? Mr. Butler?

MR. BUTLER: No objection.

CHAIRMAN CARTER: Mr. Self?

MR. SELF: No objection.

CHAIRMAN CARTER: Without objection, show it done.

(Exhibits 1, 2, 3, and 4 admitted into the record.)

You may proceed.

MS. BROWN: All other exhibits on the exhibit list should be marked as indicated and moved into the record after each witness has testified.

CHAIRMAN CARTER: Okay. Any preliminary matters before we proceed to opening statements?

MR. BUTLER: Mr. Chairman?

CHAIRMAN CARTER: Mr. Butler, you're recognized.

MR. BUTLER: Very briefly. Just I would note the -- FPL filed on Thursday of last week a notice of amended position on Issues 14 and 15. It was after the Prehearing Order had been issued, so the Prehearing Order doesn't reflect those changed positions.

Ms. Brown, do they have copies in their

materials? We can certainly provide copies to the Commissioners, if it's appropriate. But I just wanted to be sure that you were aware that we had filed that change of position on Issues 14 and 15.

MS. BROWN: Why don't you pass out the position. I'm afraid that I dropped the ball on that.

CHAIRMAN CARTER: Okay. No problem. We'll get it done.

Make sure you leave one for Commissioner Argenziano as well.

Mr. Self, do you have this?

MR. SELF: Yes, sir.

CHAIRMAN CARTER: Okay. Mr. Butler, you may proceed.

MR. BUTLER: Thank you. There are -- I don't have any further preliminary matters.

CHAIRMAN CARTER: Okay. So this will be added on to our list of issues. Anything -- Mr. Self, any, any preliminary matters before we proceed?

MR. SELF: The only thing, Mr. Chairman, which I don't think is going to be an issue, is one of our witnesses is flying in this morning. I doubt we'll get to him this morning. But just in case, you know how weather and planes can be, in case he's delayed.

CHAIRMAN CARTER: Yes, I do. That will be

fine.

Okay. Staff or the parties, any other preliminary matters before we proceed to opening statements?

MS. BROWN: Not that I'm aware of, Mr. Chairman.

CHAIRMAN CARTER: Hang on a second. Mr. Butler is trying to get your attention there.

MS. BROWN: I don't think there are any further preliminary matters.

CHAIRMAN CARTER: Okay.

MS. BROWN: And I guess we're ready for opening statements, and the Prehearing Order states that parties may have up to ten minutes a side for opening statements.

CHAIRMAN CARTER: Okay. Let's proceed.

MR. BUTLER: Thank you. Good morning, Mr. Chairman and Commissioners.

FPL is seeking an affirmative determination of need for the Florida EnergySecure line, a 280-mile intrastate natural gas pipeline that will initially serve the needs of FPL's highly efficient modernized combined cycle plants at Cape Canaveral and Riviera Beach, and ultimately will serve FPL's growing gas requirements for decades to come.

FPL decided to proceed with the EnergySecure line only after a detailed analysis showed that it is the most economic alternative, yet the benefits go well beyond economics. The EnergySecure line captures a once-in-a-generation opportunity where there is sufficient natural gas transportation requirements to economically justify construction of a new geographically separate pipeline in Florida.

Natural gas supplies are primarily delivered into Florida by two major interstate pipeline systems: Florida Gas Transmission and Gulfstream Natural Gas. As a third uniquely routed major pipeline in the state, the EnergySecure line will increase the deliverability of natural gas, enhance competition for both natural gas transportation and gas supply into Florida, provide FPL with access to additional sources of natural gas, improve the reliability of gas deliveries into Florida by reducing vulnerability to disruptions on the existing pipeline systems, and provide significant investment and economic activity in the numerous counties and the state as a whole.

There is a clear and unavoidable need for the additional gas transportation capacity that the EnergySecure line will provide. FPL is an industry leader in demand-side management and is actively

cultivating and pursuing additional renewable generation. These efforts by themselves, however, are not enough. FPL must continue building large baseload capacity additions, which will result in over 1.6 billion cubic feet per day of incremental natural gas needs by 2030, almost double FPL's current needs.

The existing natural gas transmission capacity in Florida is inadequate to meet those incremental needs. Moreover, continuing to increase FPL's reliance on Gulf area pipelines and gas supplies would not be in the best interest of FPL, its customers or the State of Florida.

FPL conducted a solicitation that sought proposals from a wide range of major players in the gas pipeline industry, excuse me, asking them to think creatively about how best to meet FPL's gas requirements. FPL specifically requested that all participants include a proposal that would provide access to natural gas supplies at Transco Station 85 with gas sourced out of the Midcontinent, giving access to new and growing unconventional sources of supply.

FPL received and evaluated more than 60 proposals. As a result of its evaluation, FPL determined that the EnergySecure line, in conjunction with an interstate pipeline that would be built and

operated by what we have called Company E for confidentiality purposes, is the most cost-effective alternative available for transporting clean natural gas to meet FPL's planned needs and provide the greatest supply diversity and reliability.

The EnergySecure line and Company E pipeline are sized to provide an initial capacity of 600 million cubic feet per day, which is the smallest initial capacity that is cost-effective for a new pipeline into Florida. The incremental cost of building the EnergySecure line at an initial capacity of 600 million cubic feet per day instead of 400 million cubic feet per day is only $15 million.

About two-thirds of this initial capacity will be used by FPL's Cape Canaveral and Riviera Beach plants, where the modernized facilities will reduce emissions by utilizing natural gas instead of fuel oil. The additional one-third of the initial capacity will also be utilized in FPL's system, as it will be FPL's most cost-efficient pipeline capacity and likely will displace contracted capacity on the FGT and/or Gulfstream pipelines.

When FPL's needs exceed 600 million cubic feet per day initial capacity of the EnergySecure line, the line can be expanded at low cost by adding compression

up to an ultimate capacity of approximately 1.25 billion cubic feet per day.

FPL's economic analysis shows that the combination of the EnergySecure line and Company E pipeline is the most cost-effective way to meet FPL's gas requirements under a wide range of scenarios. It is important to recognize that all of those scenarios include booking and recovering the full cost of the EnergySecure line as electric plant-in-service from the day the line goes into service in 2014.

However, FPL will offer the temporary excess capacity on the EnergySecure line to other shippers in Florida, either directly via an electronic bulletin board or by releasing some of FPL's capacity commitments on existing pipelines. All revenues from these short-term capacity sales will be returned to FPL's customers through the fuel clause, which will help defray the cost of the EnergySecure line to customers, making it even more cost-effective than we have modeled for the purposes of this proceeding and thus substantially increasing the line's economic advantage over the alternatives.

Of course, even if the economics were neutral, the other benefits of the EnergySecure line, supply diversity, reliability, et cetera, would still make it

the clear choice for meeting FPL's growing natural gas needs.

Recovery of the EnergySecure line costs through electric base rates is appropriate. It's consistent with the Uniform System of Accounts and it's essential to FPL's decision to move forward with this project. FPL is building the EnergySecure line for one purpose and one purpose only: To meet the gas requirements of its electric power plants. As such, the EnergySecure line is no different than other supporting equipment that is required to operate those plants, all of which FPL recovers through electric rates.

The fact that the capacity of the line initially exceeds FPL's needs does not change that conclusion. FPL and other investor-owned utilities often build power plants whose capacity initially exceeds their reliability requirements because it is ultimately more cost-effective to build a larger plant than it would be to size the plant only for immediate capacity requirements.

The initial excess capacity from such plants is also often marketed to wholesale purchasers in order to help bring down the cost of the utility's retail customers. FPL is doing the exact same thing with the EnergySecure line and should recover its costs in the

same manner.

The EnergySecure line will promote healthy competition in a market that currently only has two major pipelines, FGT and Gulfstream. This new pipeline will give FPL valuable negotiating leverage. In fact, just the prospect of building the EnergySecure line has already created a competitive dynamic. FGT has steadily reduced the price of its proposal once it became evident that FPL was seriously considering building an interstate -- or intrastate pipeline as the most cost-effective alternative. While FGT may assert that its price adjustments were related solely to market conditions, it is hard to believe that FGT would have lowered its prices in the absence of competitive pressures to do so.

Now as a disappointed bidder, FGT has criticized FPL's decision to proceed with the EnergySecure line on several grounds, none of them valid. I will briefly address FGT's principal criticisms.

FGT complains that FPL did not evaluate its best proposal against the EnergySecure line. In fact, FPL has evaluated FGT's latest updated proposal and found the EnergySecure line to be more advantageous to FPL's customers by between 115 and $400 million. FGT

also complained that it did not have the opportunity to use an existing FPL 18-inch pipeline connected -- to connect to the Riviera plant, as FPL intends to do for the EnergySecure line.

This is disingenuous, because FPL -- or FGT has known of the 18-inch pipeline for years and could have easily asked FPL for permission to use it. Nothing in the solicitation process would have precluded FGT from such an approach. In any event, FPL reanalyzed FGT's proposal using the 18-inch pipeline and found that the EnergySecure line is still the most economic and best choice for FPL's customers.

FGT next suggests that FPL would be better off accessing Midcontinent shale gas and other non-Gulf sources by interconnecting with the Perryville Station through the Southeast Supply Header, or SESH, rather than at Station 85. FGT misses the point by trying to make this an either/or choice. FPL recognizes value in Perryville and already relies on it heavily by virtue of its current SESH capacity.

However, the EnergySecure line's interconnection to Station 85 not only provides access to Station 85, but also provides additional access to Perryville through Company E's pipeline network. Furthermore, if FGT were to access onshore supplies via

Perryville rather than Station 85, as FPL requested, the economic advantage of the EnergySecure line would actually improve by more than $100 million due to the cost of additional capacity that would be required on SESH.

In short, moving FGT's delivery point to Perryville would serve only to add costs to FGT's project and deprive FPL and its customers of important supply diversity.

FGT criticizes the gas forecasts that FPL used in its economic analyses, while offering no alternative of its own, excuse me, despite being directly asked by staff to do so. FPL uses a consistent methodology to forecast fuel prices and utilizes reputable well-established organizations for inputs.

FGT argues that FPL's long-term gas prices should be higher because gas supplies could become scarcer. However, given the significant technology advances in horizontal drilling, the proliferation of unconventional gas supplies throughout North America and the number of LNG terminals being developed around the country, there is ample reason to expect that gas supplies will remain plentiful.

In any event, the results of FPL's economic analysis would not materially change due to differences

in gas prices. A 10 percent increase in natural gas prices would change the cost differential between the EnergySecure line and the FGT alternative by only about $5 million. And here's the kicker. Using high gas prices, as FGT suggests, would actually increase the economic advantage of the EnergySecure line.

Finally, FGT argues that the load forecast used in FPL's economic analysis is too high, again without offering a viable alternative. FPL's long-term load forecast is reasonable and consistent with what FPL has used in other recent filings, including the 2009 Ten-Year Site Plan. It is based on the University of Florida's population forecast, adjusted to take into account UF's consistent trend of under forecasting. And FPL's adjustment was very conservative, less than the five-year average of UF's under forecast. Even as modestly adjusted, FPL's forecast remains within the band of UF's current long-term forecast. FGT is simply wrong to suggest that FPL's load forecast is unreasonable.

In conclusion, the EnergySecure line will provide reliable, diverse gas supply for Florida's power plants at the lowest overall cost to FPL customers. Nothing raised by FGT meaningfully calls that conclusion into question. The Commission should grant an

affirmative determination of need for the EnergySecure line and determine that the project is properly booked and treated as electric plant for all purposes under Chapter 366.

Thank you.

CHAIRMAN CARTER: Thank you, Mr. Butler.

Mr. Self, you're recognized.

MR. SELF: Thank you, Mr. Chairman. Good morning, Commissioners.

There's really only one thing you need to remember about this case, and that is that FPL will not build this 300-mile-long pipeline unless you agree to put the entire $1.6 billion cost into the electric rate base. What this tells you is that notwithstanding everything FPL may say about the demand projections and the importance of this particular pipeline, this pipeline is really not in the best interest of its customers.

Approving this pipeline as proposed and placing it in the electric rate base will impose 50 percent more cost on FPL's customers through at least 2020. Moreover, under FPL's preferred analysis, which is seriously flawed, shows that the total end to end pipeline does not become cost-effective until at least 2041, and you will hear how it may -- how it will never

be more cost-effective than the FPL proposal.

Let me just take a couple of minutes to kind of outline some of the more serious consumer problems with this multi-billion-dollar proposal.

First, it's undisputed that the actual approved demand for natural gas transportation is substantially less than what FPL wants to build. You will hear that FPL needs a total of only 400 million cubic feet of natural gas transportation to serve the Cape Canaveral and Riviera Beach plants. However, FPL's pipeline is designed to deliver 1.25 billion cubic feet of gas, although initially it will only provide 600 million cubic feet, or about 50 percent more than what's needed through at least 2020. To justify this excess 200 million, FPL spins off several options, none of which are viable or economic for consumers.

FPL cannot sell excess capacity off its pipeline because the pipeline is only going to be connected to three FPL plants. FPL will tell you that it will release other gas transportation, but releasing excess capacity does not help customers because the gas being released is substantially cheaper than the cost that FPL will incur to transport gas over its own pipeline.

The other aspect of the demand analysis is the claim that this pipeline needs to be built now in order to serve FPL customers for the next 40 years. It's undisputed that Florida's population growth is flat and that FPL is actually a net customer loss situation today. Nevertheless, FPL has unilaterally adjusted its forecast upward beginning in 2012 to justify new gas-fired electric plants.

But even if FPL does experience the big bounce up in population in 2012 as they're assuming, under FPL's own forecasts FPL is still not going to need any new gas generation plant or pipelines to serve such plants until at least 2021. The bottom line is that FPL is asking you to certify a need for the next 30 years.

Now you would not certify a need for a power plant that far out and make customers pay for it now, and you certainly should not certify and make customers pay for such transportation decades in advance either.

The second key issue in this case is whether this is the right pipeline to meet future demand. Since even FPL acknowledges that its pipeline is too big through at least 2020, FPL attempts to justify the $1.6 billion price tag, which, by the way, the pipeline by itself cannot deliver one drop of gas, because they're telling you that they're going to connect this

pipeline to a new upstream interstate pipeline.

Now the problem is the only way Company E can build the interstate pipeline is by FPL agreeing to pay for 600 million cubic feet of capacity per day, which, as we've discussed, is already 50 percent more than what it actually needs.

Now in an attempt to make the whole deal more attractive, FPL strings together a convoluted analysis of natural gas supplies to make you think you're getting something that is otherwise not available from the incumbent pipeline systems. Cutting through, cutting through the clutter of Transco Station 85 versus Citronelle, here's what you need to know. The originating points of the Company E pipeline and the FGT pipeline are less than 80 miles apart, and both have access to the same diverse sources of natural gas supply, including shale gas.

So fundamentally the real question is which pipeline is more effective for customers? Again, by FPL's own admission, FGT provided the lowest overall cost alternative to supply the 400 million cubic feet that is actually needed and which has been certified by you, and which is all that's needed through at least 2020.

Now the third main issue in this case is the

rate base question and whether FPL's pipeline, if approved, would be subject to Chapter 368, which is the pipeline regulatory statute.

To say that what FPL is asking for is unprecedented does not begin to describe what FPL is seeking from you. From all the evidence there is not a single regulatory body in the United States that has ever approved a 300-mile natural gas transportation pipeline as a part of an electric utility's rate base. You cannot and should not be the first. There is no legal, regulatory, economic or public policy reason for you to put a natural gas transportation pipeline in an electric plant rate base.

In fact, these types of fuel transportation systems have historically been in separate corporate affiliates, and there are a number of Florida electric utilities which have supplied their fuel through separate affiliate transportation entities. And with the pipeline in a separate corporate entity if otherwise approved, then it would clearly meet the definition of a natural gas transportation company as set forth by the Legislature in Chapter 368.

In the final analysis, this is not a once-in-a-lifetime opportunity. During a time of unprecedented growth in Florida, the gas transportation

needs of FPL's customers have been reasonably, reliably and economically met with incremental additions to the natural gas transportation systems. These large-scale redundant systems will continue to evolve and grow to meet the future transportation needs of Florida.

FPL has admitted that the new gas generation plants can be built in three to five years and that new gas transportation facilities can also be built in three to five years. So even if FPL's forecast proved true in the coming decades -- and there's way too many ifs in those forecasts -- but even if FPL is right, there is an opportunity each and every year for the decades to come to reasonably and efficiently build natural gas transportation to serve the power plants that may in the future be authorized.

This Commission has never approved decades' worth of capacity years in advance on the basis of a utility's own economic analysis that takes 30 years to become cost-effective, and there's no reason to do so now.

You should not commit the consumers of Florida to an excessive, overbuilt, unnecessary $1.6 billion pipeline, plus the secret costs of the additional interstate pipeline, especially when there is a significantly less costly alternative. More

importantly, you should not add insult to injury by rolling the $1.6 billion cost into the electric rate base. Make the best choice for consumers and reject the certificate of need that FPL is seeking.

Thank you.

CHAIRMAN CARTER: Thank you, Mr. Self. Aside from your witness who is flying in, are all of the other witnesses in the, in the room?

Would you have all the witnesses stand, please, so we can swear you in.

MR. BUTLER: Mr. Chairman, just I would note, I don't think we have all of our witnesses here. Certainly we can swear in the ones who are here, but I don't believe all of them are --

CHAIRMAN CARTER: Okay. Just remember, as we get to those witnesses, if they have not been sworn in, I'm going to hold the lawyers responsible for bringing that to the, to the bench's attention.

(Witnesses collectively sworn.)

Thank you. You may be seated.

Call your first witness.

MR. BUTLER: Thank you, Mr. Chairman. FPL would call Mr. Sam Forrest.

SAM FORREST

was called as a witness on behalf of Florida Power &

Light Company and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. BUTLER:

Q. Mr. Forrest, have you been sworn?

A. I have.

Q. Okay. Thank you. Would you please state your name and address for the record?

A. Yes. Sam Forrest. Business address is 700 Universe Boulevard in Juno Beach, Florida, 33408.

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

A. I am Vice President of the Energy Marketing and Trading Business Unit of Florida Power & Light.

Q. Have you prepared and caused to be filed 26 pages of prefiled direct testimony with attached Exhibit SF-1 and seven pages of prefiled supplemental testimony in this proceeding?

A. I have.

Q. Did you also prepare and cause to be filed errata to your testimony on July 24, 2009?

A. Yes.

Q. Okay. Do you have any further changes or revisions to your prefiled direct or supplemental testimony?

A. No, I do not.

Q. Okay. With those changes, if I asked you the same questions contained in your direct and supplemental testimony, would your answers be the same today?

A. Yes, they would.

MR. BUTLER: Okay. Mr. Chairman, I'd ask that Mr. Forrest's direct and supplemental testimony be inserted into the record as though read.

CHAIRMAN CARTER: The prefiled testimony of the witness will be inserted into the record as though read.

MR. BUTLER: I would also note that Mr. Forrest's Exhibit SF-1 has been identified as Exhibit 5 on Staff's Comprehensive Exhibit list.

CHAIRMAN CARTER: For the record for identification, Exhibit Number 5.

(Exhibit 5 marked for identification.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF SAM FORREST

DOCKET NO. 09_____-EI

Q. Please state your name and business address.

A. My name is Sam Forrest. 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 Vice President of the Energy Marketing & Trading (EMT) Business Unit.

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

A. I am responsible for the overall direction and management of the EMT Business Unit, which handles FPL's short-term and long-term fuel management and operations. These fuels include natural gas, residual and distillate fuel oils and coal. Additionally, EMT is responsible for FPL's fuel hedging program, long-term fuel transportation and storage contracts, power origination activities and short-term power trading and operations. EMT is an active participant in the daily spot natural gas supply market throughout the southeastern United States.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science in Electrical Engineering from Texas A&M University and a Masters of Business Administration from the University of Houston. Prior to being named Vice President of EMT for FPL in June 2007, I was employed by Constellation Energy Commodities Group (CECG) as Vice President, Origination. In this capacity, I was responsible for managing a team of power originators marketing structured electric power products in Texas, the Western United States and Canada. Prior to my responsibilities with CECG in the West, I was responsible for CECG business development activities in the Southeast U.S.

Before joining CECG, from 2001 to 2004, I held a variety of energy marketing and trading management positions at Duke Energy North America (DENA). Prior to DENA, I was employed by Entergy Power Marketing Corporation (EPMC) in several positions of increasing responsibility, including Vice President - Power Marketing, following EPMC's entry into a joint venture with Koch Energy Trading.

From 1996 to 1998, I was Director of Installations at Dealer Solutions, a successful start-up organization in the automotive industry. My staff was responsible for installing a customized software application across the U.S.

From 1987 to 1996, I worked for AlliedSignal Aerospace at the Johnson Space Center in Houston, Texas in increasing roles of responsibility. My last role there was as Branch Leader of engineers responsible for implementing change requests to NASA ground support equipment, including the Mission Control Center and Software Production Facility.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibit which is attached to my testimony:

- SF-1 Florida EnergySecure Line Fact Sheet and Map

Q. What is the purpose of your testimony in this proceeding?

A. FPL is seeking an affirmative determination of need to develop, construct and operate the Florida EnergySecure Line (or the "Project"), a new Florida intrastate natural gas pipeline, which will serve the needs of FPL's Cape Canaveral Next Generation Clean Energy Center and Riviera Beach Next Generation Clean Energy Center (respectively, CCEC and RBEC; collectively, the "Modernization Projects"), as well as other current and future gas transportation needs of FPL and the state of Florida. Generally, my testimony provides: (1) an overview of FPL's request; (2) a description of the benefits the Florida EnergySecure Line will provide for FPL's customers and the state; and (3) the adverse consequences of delaying or denying approval of the Project. I also address these key considerations concerning the Project: (1) the importance of the Florida EnergySecure Line in supplying natural gas transportation to FPL's CCEC and RBEC facilities; (2) the need to provide for

increased reliability of the natural gas infrastructure in Florida; (3) the need to continue to diversify sources of gas supply to Florida; and (4) the potential to expand this new resource to meet future natural gas needs of the state.

Q. Please provide an overview of the testimony filed on FPL's behalf.

A. The testimony submitted on behalf of FPL in this proceeding is offered to explain and support:

1) The need for incremental natural gas transportation capacity in Florida, specifically in FPL's service territory;

2) The benefits of the Florida EnergySecure Line, including its role in improving the deliverability and reliability of natural gas transmission in Florida;

3) The Project's access to adequate and diverse natural gas supplies and upstream natural gas transmission pipeline capacity;

4) The safety and integrity FPL will employ in constructing and operating the Florida EnergySecure Line;

5) The Project's capability to accommodate FPL's projected load growth;

6) The Florida EnergySecure Line's favorable economics for natural gas transmission within Florida; and

7) The unique opportunity Florida has at this time to expand the existing pipeline infrastructure into and within Florida, which may not present itself again for some time.

Q. Please identify FPL's witnesses in this proceeding and the areas they cover.

A. The following is a listing of FPL's witnesses and the areas they cover (note: listed in anticipated order of appearance):

- Robert G. Sharra, Director, Project Development, FPL – FPL's current firm natural gas transportation commitments; detailed description of the Florida EnergySecure Line and its upstream sources of supply;
- Clinton M. Collins, Director, FPL Group, US Gas Assets – Operational and construction details of the Florida EnergySecure Line; pipeline safety and integrity; and projected cost of the Project;
- Heather C. Stubblefield, Manager, Project Development, FPL – FPL's solicitation process and evaluation of proposals; and inputs to the economic analysis of the Florida EnergySecure Line and alternatives;
- Dr. Rosemary Morley, Director, Load Forecasting and Analysis, FPL – FPL's load forecast;
- Juan E. Enjamio, Supervisor - Integrated Analysis, Resource Analysis and Planning, FPL – Need for additional natural gas transmission capacity for FPL under FPL's long term resource plan and two alternate resource plans including the addition of reasonably anticipated levels of renewable resources and demand side management (DSM); evaluation of the total cost to FPL's customers of the Florida EnergySecure Line and alternatives for meeting the need for additional natural gas transmission capacity; and projecting the

approximate bill impact of the Florida EnergySecure Line to FPL's customers;

- Timothy C. Sexton - Vice President, Gas Supply Consulting, Inc – Overview of existing natural gas infrastructure in Florida; need for additional natural gas transportation capacity in Florida; description of upstream natural gas supplies and capacity; third-party review of FPL's solicitation analysis; improvement of reliability and economics of natural gas transportation in Florida resulting from the Florida EnergySecure Line.

SUMMARY OF FPL'S REQUEST

Q. Please summarize FPL's need determination request in this proceeding.

A. On September 12, 2008, the Florida Public Service Commission ("FPSC" or "Commission") approved the need for modernizations at FPL's Cape Canaveral and Riviera Plants. The Modernization Projects will result in new natural gas combined cycle facilities that require approximately 400 million cubic feet of natural gas per day (MMcf/d). FPL does not currently have enough firm gas transportation capacity under contract to meet this increased need for natural gas in addition to its already substantial gas transportation requirements. Accordingly, FPL sought proposals from a wide range of firms in the natural gas transportation industry to meet this increased need. FPL evaluated these proposals and compared them to a potential project in which

FPL would build and operate an intrastate pipeline to transport natural gas to FPL's generating units and to other delivery points within Florida.

FPL has determined that this self-build alternative, the Florida EnergySecure Line, is the most strategic and cost-effective solution available to meet the natural gas demands of the Modernization Projects, as well as having the overall effect of strengthening Florida's natural gas infrastructure and positioning it to meet future natural gas transportation needs. Consequently, FPL seeks from the Commission an affirmative determination of need for the Florida EnergySecure Line.

Furthermore, it is important to understand there is no viable "do nothing" alternative in this case. The need for additional gas at the CCEC and RBEC facilities, or any future natural gas-fired generating units, dictates significant pipeline infrastructure must be added, whether it is through new infrastructure such as the Florida EnergySecure Line or a substantial upgrade of existing pipelines.

Q. Please describe FPL's energy resource needs as they relate to the need for the Florida EnergySecure Line.

A. As discussed by FPL witness Enjamio, from 2013 through 2040 FPL will need 17,357 MW of incremental gas-fired capacity, including 1,610 MW to replace expiring purchase power agreements (PPA), to continue to meet its reliability criteria. At the same time, FPL continues to advance energy

efficiency and load management techniques through industry-leading conservation efforts and other DSM programs, and actively cultivates and pursues the development of additional renewable generating capacity within Florida. For example, FPL estimates that it can offset approximately 1,121 MW of resource needs through energy efficiency and DSM gains between 2009 and 2018. Regarding renewable resources, FPL has already received approval by the Commission to develop 110 MW of solar projects at FPL's DeSoto, Space Center and Martin sites. Those projects are taken into account in all of the scenarios under which FPL evaluated its resource needs. Beyond those projects, FPL cannot predict the precise outcome of the Renewable Portfolio Standard (RPS) proposals being discussed in Florida or in the U.S. Congress. But we do expect to see some form of RPS in place over the near to midterm planning horizon. Accordingly, one of the scenarios under which FPL has evaluated the need for additional generating resources assumes the addition of 3,290 MW of incremental renewable resources from 2010 through 2040.

These efforts by themselves, however, are not enough to meet FPL's resource commitments. As a result, FPL must also construct large, baseload natural gas-fueled generation additions if the Company is to continue providing reliable service at reasonable prices. A key component of that resource mix is the Modernization Projects which, by themselves, will require approximately 400 MMcf/d.

Q. Please provide an overview description of the Florida EnergySecure Line.

A. The Florida EnergySecure Line is an approximately 300-mile natural gas pipeline connecting at a receipt point near Florida Gas Transmission, LLC's (FGT) Compressor Station 16 (FGT Station 16), located near Starke, Florida in Bradford County, to a termination point at FPL's Martin Plant located near Indiantown in Martin County. There are additional delivery points at FPL's modernized CCEC and RBEC facilities. The 30-inch diameter Florida EnergySecure Line will have an initial capacity of 600 MMcf/d, with a delivery capability of 200 MMcf/d to the CCEC and 200 MMcf/d to the RBEC. The remaining 200 MMcf/d will be delivered to FPL's Martin Plant for reliability purposes, but will also be offered to other entities within Florida. The 200 MMcf/d delivered to the Martin Plant can displace deliveries from FGT or Gulfstream to that site, which can then be redirected to other FPL facilities or to other entities within the state. As discussed in FPL witness Sharra's testimony, FPL is currently seeking public and regulatory input on the proposed corridor which is subject to change based on public input and the Natural Gas Transmission Pipeline Siting Act (NGPSA) application review process. A Fact Sheet and Map of the Florida EnergySecure Line containing additional information on the Project are attached to my testimony as Exhibit SF-1.

Q. What is the relationship between the timing of the Modernization Projects and the Florida EnergySecure Line?

A. The CCEC and RBEC are currently expected to be in service by June 2013 and June 2014, respectively. The Florida EnergySecure Line is currently scheduled to be in operation in January 2014.

While not a permanent solution, FPL has developed appropriate plans that will allow the gas needs of the CCEC to be met utilizing existing delivery rights during the interim period until the Florida EnergySecure Line is operational. Those plans are covered in more detail by FPL witness Sharra.

Q. Please describe the importance of proceeding expeditiously with the permitting process for the Florida EnergySecure Line.

A. The permitting of a Florida-based intrastate pipeline is a relatively new process within Florida, as siting a pipeline under the NGPSA has only been attempted once previously. There is the potential for possible unforeseen issues. Therefore, it is important to start the permitting process now in order to build in adequate buffers in the schedule for contingencies. Initiating the permitting process now will best position the Company to meet the gas requirements of the Modernization Projects, regardless of the ultimate in-service dates for these projects.

Q. Where will the Florida EnergySecure Line obtain its upstream supply?

A. As discussed by FPL witness Stubblefield, FPL has executed a Letter of Intent (LOI) with a third party natural gas transmission company (referred to as

"Company E" for confidentiality purposes) to negotiate a Precedent Agreement based upon the proposal submitted by Company E in response to FPL's Solicitation Letter. The LOI expresses FPL's and Company E's intent to negotiate a Precedent Agreement on or before October 1, 2009 that would provide for 600 MMcf/d of gas transportation from Transcontinental Gas Pipe Line Company's (Transco) Station 85 to be delivered to the Florida EnergySecure Line at FGT Station 16, beginning on January 1, 2014. The agreement will provide for the necessary access to natural gas supply and delivery rights required to deliver natural gas into the Florida EnergySecure Line. The agreement will be similar to FPL's current firm transportation agreements with FGT and Gulfstream. I will refer to the Company E pipeline that will supply the Florida EnergySecure Line as the "Upstream Pipeline."

Q. Can the capacity of the Upstream Pipeline and the Florida EnergySecure Line be expanded economically to accommodate future growth in gas requirements?

A. Yes. As FPL's load growth increases and creates the need for additional generation on its system, the Florida EnergySecure Line will be capable of expanding to as much as 1.25 billion cubic feet per day (Bcf/d). These future expansions will come at a greatly reduced price to our customers as there will be minimal infrastructure required to add the additional capacity. FPL will likewise have access to additional capacity on the Upstream Pipeline to supply the Florida EnergySecure Line's expanded capacity.

Q. Is FPL qualified to construct and operate the Florida EnergySecure Line?

A. Yes. As discussed by FPL witness Collins, FPL has built a number of transmission and piping systems with much more complex operating and engineering conditions than the proposed Project. FPL has demonstrated in previous projects its ability to engineer and construct numerous electric transmission corridors and generating plants throughout Florida. In many respects, a gas pipeline construction project is very similar to a transmission line construction project which involves similar land and permitting issues, as well as many of the same construction techniques. FPL brings established project management skills, a highly-qualified staff, and the necessary ancillary support services, procedures and staff to undertake projects of this magnitude. FPL is also making use of key personnel within affiliate companies that have years of experience in the design, construction and operation of pipelines throughout North America.

Q. Please summarize why the Commission should grant an affirmative determination of need for the Florida EnergySecure Line.

A. As explained in the testimonies of FPL witnesses Sharra and Sexton, natural gas is currently delivered to FPL from the U.S. Gulf Coast on-shore and off-shore regions via two interstate pipelines: FGT and Gulfstream Natural Gas System, L.L.C. (Gulfstream). There are two other pipelines that deliver gas to Florida (Gulf South Pipeline Company, LP and Southern Natural Gas Company's (SNG) Cypress Pipeline), but as discussed in FPL witness

Sexton's testimony, those pipelines do not provide for the gas supply dynamics required by FPL.

While FGT and Gulfstream have provided reliable service to FPL over the years, the demands on both pipelines from FPL and other users have continued to grow. In fact, FGT's existing firm capacity is fully subscribed and a significant percentage of the firm capacity on its recently-announced 820 MMcf/d Phase VIII expansion has been subscribed as well. By mid-2009, Gulfstream's firm capacity likewise will be fully subscribed. Added together, FPL's modernized CCEC and RBEC facilities, each with a firm capacity demand of 200 MMcf/d, necessitate an expansion of the gas transportation infrastructure in Florida. Neither FGT's nor Gulfstream's existing pipelines nor currently planned upgrades to their pipelines can meet the firm gas requirements of FPL's Modernization Projects.

It is important to understand there is no viable "do nothing" alternative in this case. The need for additional gas at CCEC and RBEC, or any future natural gas-fired generating units, dictates significant pipeline infrastructure must be added, whether it is through new infrastructure such as the Florida EnergySecure Line or a substantial upgrade of existing pipelines. Once either path is taken, FPL expects that it will be a long time before future gas requirements will again require comparably substantial new gas transportation infrastructure. Thus, if the Commission does not grant the need for the

Florida EnergySecure Line, the opportunity to capture the benefits described in FPL's testimony will be lost for many years to come.

Q. How did FPL determine the Florida EnergySecure Line was the best alternative to meet its projected load growth?

A. As described in FPL witness Enjamio's testimony, even with conservation, renewables and nuclear expansion, FPL will continue to rely on natural gas-fueled generation for the foreseeable future to meet customer demand. Therefore, it is imperative that FPL consider alternatives to maintain reliability of the gas supply. Consequently, FPL analyzed the various alternatives available for incremental firm capacity through a comprehensive solicitation process. Ultimately, this solicitation process (described by FPL witness Stubblefield) and an economic analysis of the resulting alternatives (described by FPL witness Enjamio) led FPL to conclude that the Florida EnergySecure Line in combination with the Upstream Pipeline offered FPL and its customers the most strategic and cost-effective solution to meet the gas supply needs now and into the future.

Q. What scenarios did FPL look at to analyze the different proposals submitted in response to their solicitation?

A. In addition to FPL's long-term resource plan described by FPL witness Enjamio, two alternate scenarios were developed to analyze firm gas transportation alternatives. These alternate scenarios are the Renewable Portfolio Standard (RPS) Scenario resource plan (RPS Scenario) and the Nuclear Delay Scenario resource plan (Nuclear Delay Scenario). The RPS

Scenario assumes that the state will adopt an RPS rule with a target of 20% renewable energy by 2020, constrained by a 2% cap on increased retail revenues. In addition, because of the licensing and construction uncertainties surrounding new nuclear construction, FPL developed the Nuclear Delay Scenario that assumes a four year delay in the construction of the Turkey Point Units 6 and 7 until 2022 and 2024, respectively.

Q. Will FPL reduce its current capacity on the FGT or Gulfstream transportation systems if the Florida EnergySecure Line is approved?

A. No. FPL has numerous long-term firm transportation agreements with both FGT and Gulfstream to meet gas requirements for other existing FPL facilities that are not impacted by a decision to proceed with the Florida EnergySecure Line. In fact, FGT and Gulfstream currently provide gas supplies to FPL and other generation facilities throughout the state and will continue to do so for many years to come.

Q. Is it possible to meet the needs of 400 MMcf/d for FPL's CCEC and RBEC with the FGT and/or Gulfstream pipelines as they are currently configured?

A. No. FPL's current facilities at Cape Canaveral and Riviera Beach have low gas-pressure requirements due to the nature of the technology used on these older conventional steam units. The plants are currently connected to FGT and are served contractually at low pressure (less than 100 pounds per square inch). The new modernized CCEC and RBEC units, however, will require a much higher inlet pressure that cannot be served with the existing pipeline

infrastructure. Additionally, the need for 400 MMcf/d must be met with increased supply beyond what FPL has currently contracted. The combination of the need for both a delivery system with a higher pressure capability and increased capacity dictates new infrastructure.

Q. How does FPL plan to use the 200 MMcf/d of initial capacity on the Florida EnergySecure Line beyond the 400 MMcf/d required for the CCEC and RBEC Modernizations?

A. The remaining 200 MMcf/d will be delivered to the Martin Plant, where it will displace deliveries from FGT or Gulfstream that can then be redirected to other FPL facilities or to other entities within the state. FPL will market the 200 MMcf/d to other entities within the state to help meet their needs and to further increase the reliability of the fuel infrastructure on a statewide basis. Revenues received from any such sales would flow back to the benefit of FPL's retail customers via the Fuel Cost Recovery Clause and would offset a portion of the costs associated with the pipeline.

Eventually, FPL expects that its own gas requirements will utilize the full capacity of the pipeline and likely warrant expansion of that capacity over time, which can be done inexpensively when compared to other alternatives.

BENEFITS OF THE FLORIDA ENERGYSECURE LINE

Q. What benefits will result from the Florida EnergySecure Line being built?

A. Construction of the Florida EnergySecure Line will provide the following benefits for FPL's customers and the state of Florida:

- Increased reliability of natural gas transmission within Florida;
- Increased deliverability of natural gas within Florida with the addition of 600 MMcf/d of new gas supply;
- Enhanced reliability and options in the event of any interruption on either of the existing Gulfstream or FGT pipelines;
- Additional diversification of the gas supplies available to Florida;
- Provision of the most cost-effective solution to meet the needs of the modernizations, as well as other natural gas delivery needs of the state;
- Creation of efficiencies of pipeline to pipeline and gas to gas competition; and
- The Florida EnergySecure Line will provide growth in state and local economies, new construction jobs, as well as substantial local purchases of materials and supplies.

Q. Please describe how the Florida EnergySecure Line will improve the reliability, deliverability and integrity of natural gas transmission within the state of Florida.

A. FPL, as well as the rest of Florida, is already heavily dependent on both the FGT and Gulfstream systems. With the estimated 2011 completion of FGT's Phase VIII project, FPL will have 1.274 Bcf/d of firm gas transportation on that pipeline, which represents approximately 66% of FPL's peak gas supply. Similarly, by the end of 2009, Gulfstream will supply 695 MMcf/d of FPL's gas load, representing 33% of FPL's peak gas supply. Together, this is almost 2 Bcf/d, which on a peak day at maximum flow serves approximately three million FPL customers, all relying on two interstate pipelines whose available natural gas transportation capacity is almost fully subscribed.

Currently, approximately 53% of all energy generated on FPL's system is produced using natural gas. This is expected to increase to 63% by 2011 and would continue to grow as additional gas-fired generation is added to meet the resource needs of the state, in conjunction with wind, nuclear and solar projects aggressively being pursued to meet the power supply needs within FPL's service territory. FPL's dependence on natural gas could grow to as high as 69% in 2018 under the nuclear delay scenario described earlier. Additionally, FPL is among the largest users of natural gas in the United States. In 2007, FPL burned 450 Bcf of natural gas, which ranks number one in the country among users of natural gas to generate electricity according to

the Department of Energy's (DOE) Energy Information Administration (EIA).

By facilitating the introduction of a third major interstate pipeline into Florida and offering a uniquely routed pipeline that has the potential to be connected at multiple points with the existing infrastructure of the state, the Florida EnergySecure Line will increase the reliability of the natural gas infrastructure of Florida and reduce Florida's overall capacity concentration on the FGT and Gulfstream pipelines. The resulting integrated pipeline system will enhance reliability of pipeline operations and provide additional options in the event of any interruption on either of the existing Gulfstream or FGT pipelines, as well as make gas available when and where it is needed within the state.

As described by FPL witness Sharra, the interconnection of the Florida EnergySecure Line with the Upstream Pipeline and FGT in the northern part of the state, and the opportunity to interconnect with FGT and Gulfstream at the Martin Plant in the southern part of the state, will provide significant operational flexibility. As planned and unplanned outages occur on any of the pipelines, the ability to receive gas through existing delivery rights within the state will ensure reliable delivery of service. Additionally, as greater than 50% of FPL's gas supply comes from the Gulf of Mexico, having a unique physical pipeline route receiving gas from on-shore sources will reduce the dependence on the Gulf of Mexico and will provide further protection against weather-related supply disruptions to which the Gulf supply is extremely

susceptible.

Q. Please describe how the Florida EnergySecure Line will improve the diversity of supply of natural gas coming into the state.

A. As explained by FPL witness Sexton, fuel reliability and operational flexibility would be enhanced by the Florida EnergySecure Line through diversification of FPL's sources of natural gas supply. The proposed pipeline into Florida would be largely supplied from unconventional shale gas production discoveries in Texas, Arkansas, Oklahoma and Louisiana. The addition of the Upstream Pipeline as a major supply source into Florida will give FPL, as well as other natural gas users in Florida, access to unconventional shale gas in the Mid-Continent, liquefied natural gas (LNG), and traditional Gulf Coast supply through a large existing pipeline infrastructure. The Upstream Pipeline also provides access to newly developing and existing LNG regasification facilities. Having access to several supply basins, which the Upstream Pipeline offers, protects against declining production in a given supply basin.

Q. Please explain how the Florida EnergySecure Line will improve the economics of gas delivery within the state.

A. As demonstrated in the testimony of FPL witnesses Enjamio and Sexton, the Florida EnergySecure Line is the most cost-effective, economically beneficial solution to meet FPL's future gas requirements for FPL's customers, even before taking into account the potential for offsetting revenues from sales of capacity to third parties and its other reliability and diversity benefits. Using the conventional measure of the cumulative net present value of revenue

requirements (CPVRR), FPL witness Enjamio projects that the Florida EnergySecure Line will reduce costs for FPL's customers by between $204 million and $513 million, compared to the next-best gas transportation alternative. This range of values was independently corroborated by FPL witness Sexton using a different valuation methodology than the CPVRR method. Thus, the Project has lower long term life-cycle costs as compared to multiple smaller expansions of the existing pipeline infrastructure every two to three years as new generation is added.

Q. Are there other economic benefits associated with the Florida EnergySecure Line?

A. Yes. As has been mentioned previously in my testimony, there will be an opportunity to market the initial 200 MMcf/d of excess transportation to other entities within the state. FPL witness Sexton will describe different scenarios for capturing value through this marketing effort, showing a potential range of $220 million to $660 million of additional value. This range of values would be in addition to the overall economics described by FPL witness Enjamio and would be returned to FPL's retail customers through the Fuel Cost Recovery Clause. While it is not possible to predict the extent of any such opportunities, it is important to emphasize that this range of possible benefits would be in addition to the Florida EnergySecure Line's overall economic benefit to customers that is described by FPL witness Enjamio.

Additionally, with FPL in an ownership position, the Florida EnergySecure Line will allow for greater influence over the timing, location and cost of future expansions, thus providing for significant long term customer benefits. Future expansions of the Florida EnergySecure Line up to 1.25 Bcf/d are extremely cost effective and will be among the least expensive transportation contracts in FPL's supply portfolio.

Finally, as described in FPL witness Sharra's testimony, projects such as the Florida EnergySecure Line and the Southeast Supply Header (SESH) can create market dynamics that have a significant positive impact on the economics of the overall portfolio. While other alternatives FPL has considered also offer the diversity that comes from accessing supplies at Transco Station 85, the Florida EnergySecure Line also is unique among the alternatives in establishing a new natural gas receipt point in northern Florida through a potential interconnection with FGT Station 16.

Q. Please describe other benefits that the Florida EnergySecure Line will bring to the state of Florida.

A. Construction and operation of the Florida EnergySecure Line will provide a much-needed boost to state and local economies in the form of new construction jobs and substantial local purchases of materials and supplies. At a time when Floridians are feeling the effects of the current economic slowdown, this Project will have significant positive impacts. As discussed in FPL witness Sharra's testimony, there will be over 3,500 direct construction

jobs created in Florida from the Florida EnergySecure Line and the state and local economic impact of construction and non-construction could reach $1.2 billion. Additionally, this Project will generate over $400 million in life-cycle tax benefits to local governments, while generating approximately $20 million in Florida Sales and Use tax revenues.

Florida will also benefit from the environmental benefits that the Florida EnergySecure Line will facilitate. The gas that it supplies to the CCEC and RBEC will allow them both to displace the burning of fuel oil and to burn natural gas more efficiently, thereby supporting FPL's and Florida's long term plan to reduce greenhouse gas emissions. Additionally, to minimize environmental and other impacts, the proposed corridor of the Florida EnergySecure Line would locate much of the Project along an existing Commission-approved FPL transmission corridor. FPL witnesses Sharra and Collins will discuss this in greater detail.

Finally, in contrast to the existing four pipelines serving the Florida market, the Florida EnergySecure Line will be regulated by this Commission. Therefore, the state will have control over the rates charged, the siting of the pipeline (through the Florida Department of Environmental Protection NGPSA process), and expansion approval authority.

Q. Has the Commission previously recognized the need to encourage pipeline infrastructure in Florida?

A. Yes. In approving both Progress Energy Florida's (PEF) and FPL's contracts for gas deliveries via the SESH, the Commission previously recognized the need to increase the reliability of gas supply by gaining access to more on-shore gas, thus reducing the likelihood of disruptions due to weather events. Additionally, the Commission recognized that diversifying by supply basin is important, because diversification increases reliability of supply and the number of suppliers, which potentially can lead to fuel savings passed on to FPL customers.

Three recent orders illustrate the Commission's commitment to expanding and diversifying the sources of gas supply to Florida. In Order No. PSC-07-0294-PAA-EI, Docket No. 060793-EI, at page 5, the Commission said: "[w]e believe diversifying by supply basin is important. Such diversification increases reliability of supply. Also, diversification increases the number of suppliers, which potentially could lead to fuel savings. Furthermore, having access to several supply basins protects against declining production, temporary or permanent, in a particular basin."

Similarly, the Commission stated in Order No. PSC-06-1057-FOF-EI, Docket No. 060001-EI, at page 6, that: "[i]t is appropriate to diversify by supply basin and to pick up additional supply basins given the current dependence by

Florida utilities on the Gulf of Mexico and Mobile Bay area for supply, because those two areas are showing a decline in production."

Finally, the Commission's December 2007 "Review of 2007 Ten-Year Site Plans for Florida's Electric Utilities," states the following at page 15: "[a]s the state's dependence on natural gas–fired generation continues to grow, gas supply and deliverability become increasingly important. Therefore, utilities should continue evaluation of natural gas supply and delivery options, such as liquefied natural gas, alternate gas pipelines, and natural gas storage. Having multiple options can serve as risk mitigation to unforeseen supply and delivery disruptions."

CONSEQUENCES OF DELAY OR DENIAL

Q. What would be the adverse consequences of delay in issuing an affirmative determination of need?

A. Any significant delay in the construction and in-service dates of the Florida EnergySecure Line could jeopardize FPL's ability to supply natural gas to the Modernization Projects in sufficient quantity and at the required gas pressure when those projects go into service.

Q. What would be the adverse consequences of denying an affirmative determination of need?

A. The important thing to appreciate in this case is there is no viable "do nothing" alternative. Currently, the Cape Canaveral and Riviera Plants are connected to the east leg of FGT's pipeline system. Current contractual requirements only require a delivery pressure of 50 pounds per square inch. FGT's pipeline infrastructure must be upgraded to ensure delivery of 400 MMcf/d of natural gas to the modernized CCEC and RBEC facilities, at a much higher delivery pressure than is currently guaranteed by FGT.

If a determination of need is not granted in this case, FPL will most likely contract with Company B for an expansion of their system with an increase in delivery capability of 400 MMcf/d and with substantial infrastructure increases needed to ensure proper operation of the Modernization Projects. While this would meet the gas needs of the CCEC and RBEC, it would do so at a higher life-cycle cost and would forfeit the numerous benefits of the Florida EnergySecure Line that I described above. The substantial reliability benefits that will be realized by a third major pipeline into the state of Florida, which accesses new gas supplies from sources outside of the Gulf of Mexico, will be lost.

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

SUPPLEMENTAL TESTIMONY OF SAM FORREST

DOCKET NO. 090172-EI

MAY 29, 2009

Q. Please state your name and business address.

A. My name is Sam Forrest. 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 Vice President of the Energy Marketing & Trading ("EMT") Business Unit.

Q. Have you previously submitted direct testimony in this proceeding?

A. Yes. My direct testimony was submitted on April 7, 2009.

Q. Have your position, duties, or responsibilities changed since you last filed testimony in this docket?

A. No.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to explain FPL's proposed ratemaking treatment for the Florida EnergySecure Line and to describe how FPL would make excess transportation capacity on the Florida EnergySecure Line available to third party shippers. Finally, I will address why the

establishment of a separate entity is unnecessary, would unnecessarily create affiliate transactions, and add additional costs to FPL's customers.

Q. What ratemaking treatment does FPL propose for the Florida EnergySecure Line?

A. FPL proposes to include all prudently incurred costs for the Florida EnergySecure Line in FPL's electric utility rate base. As discussed in the supplemental testimony of FPL witness James K. Guest, this ratemaking treatment is appropriate because the predominant purpose of the Florida EnergySecure Line is to serve the natural gas transportation needs of FPL's electric generating units.

From the outset, 400 million cubic feet per day ("MMcf/d") of the Florida EnergySecure Line's initial 600 MMcf/d of capacity will serve FPL's modernized Cape Canaveral and Riviera Beach units, which will generate enough electricity to serve approximately 527,000 customers. Moreover, as discussed in the direct testimony of FPL witness Juan E. Enjamio, under FPL's base case scenario, from 2013 FPL's gas need would grow by approximately 1.6 billion cubic feet per day ("Bcf/d") by 2030 and approximately 2.8 Bcf/d by 2040. Thus, it is not a matter of "if" but "when" FPL will require additional natural gas transportation capacity equal to or exceeding the full capacity of the Florida EnergySecure Line for its own needs as an electric utility. As the Florida Public Service Commission ("FPSC" or "Commission") recognized in Order No. PSC-97-0659-FOF-EM, Docket No.

961512-EM, at page 4, "it is not unusual for a utility to grow into the capacity of a large generating unit." The Florida EnergySecure Line should be viewed the same way because it will serve the immediate and long-term natural gas transportation needs of FPL's generation fleet to meet the growing electrical demands of FPL's customers.

Q. Would FPL pursue the Florida EnergySecure Line if the Commission excluded any portion of the prudently incurred costs of the project from FPL's electric utility rate base?

A. No. The Florida EnergySecure Line was not developed as a strategic investment asset for FPL Group, Inc. Rather, it was developed to meet FPL's obligation to serve for the benefit of FPL's customers. FPL's goal is to provide clean energy service at an affordable price to our electric customers, while ensuring the highest level of reliability. The Florida EnergySecure Line would further this goal because, as discussed throughout my direct testimony, it provides the most cost-effective option for meeting FPL's immediate and long-term gas transportation needs, while increasing the diversity of natural gas supply and adding to the reliability of the natural gas delivery system infrastructure. FPL's customers will benefit directly from these economic and strategic advantages.

Additionally, as discussed in the direct testimony of FPL witness Robert G. Sharra, FPL may be in a position to sell, directly or indirectly, capacity of the Florida EnergySecure Line that initially exceeds FPL's electric-generation gas

requirements. Any revenues resulting from capacity releases or off-system transportation sales facilitated by the Florida EnergySecure Line will flow back to the benefit of FPL's customers through the Fuel Cost Recovery Clause. FPL's proposed pipeline is the most cost-effective option for customers irrespective of whether FPL makes any sales of excess capacity to third parties, and any such sales will only serve to improve the economics of the pipeline for FPL's customers.

Q. How does FPL plan to make excess capacity on the Florida EnergySecure Line available to other entities in Florida?

A. FPL can either sell the excess capacity on the Florida EnergySecure Line to third party shippers or it can utilize the excess capacity for its own needs and release a like amount of capacity on either the Florida Gas Transmission Company ("FGT") or the Gulfstream Natural Gas System ("Gulfstream") pipelines to third party shippers. In all likelihood, FPL will retain and use most of the Florida EnergySecure Line's excess capacity at the Martin Plant and make an off-setting amount of capacity available off of either the FGT or the Gulfstream systems due to their more comprehensive connectivity within the state.

With respect to the option of releasing capacity on either FGT or Gulfstream, FPL would follow the Federal Energy Regulatory Commission's ("FERC") capacity release requirements to market the excess capacity. FERC has very strict, standardized capacity release posting and bidding requirements in order

to ensure that capacity is awarded in an open and nondiscriminatory manner and FPL would strictly adhere to these requirements. Capacity must be posted and accessible to all interested parties on the pipeline's Electronic Bulletin Board. Although the releasing party can set parameters for the release of capacity, such as the term of the release, such parameters must be nondiscriminatory. FERC also dictates the rules surrounding the capacity release auction so that all releasing shippers abide by the same procedures for the auction and award of capacity. With that being said, FPL does not intend to make long term releases of its FGT or Gulfstream capacity as these original contracts were purchased for specific delivery needs. FPL would look to make short-term releases to bring additional value to its customers.

To the extent that opportunities arise for FPL to sell excess capacity directly off of the Florida EnergySecure Line, FPL would make the capacity available in an open, transparent and non-discriminatory manner.

Q. What transportation rates would you anticipate for off-system sales to third parties?

A. If FPL finds itself in a position to make sales of Florida EnergySecure Line capacity directly to third parties, it would seek approval from the FPSC for a tariff pursuant to which FPL could negotiate rates for those sales consistent with the principles of the Natural Gas Transmission Pipeline Intrastate Regulatory Act ("NGPIRA") in Chapter 368, Part II, of the Florida Statutes. These rates would be regulated by the FPSC.

Q. Please explain further how the Commission would have the opportunity to review rates charged by FPL for any off-system sales.

A. FPL's proposed primary use of the pipeline is to serve FPL's native load and not to engage in the transmission or delivery for sale of natural gas for compensation. For that reason, FPL would not be a "natural gas transmission company" under the NGPIRA. However, if FPL markets gas transportation service to third parties, the Company will file a separate petition with the Commission requesting approval of tariffs in accordance with the principles set forth in the NGPIRA. The tariffs would specify the general terms, conditions, and rules under which FPL would provide transportation service, but the rates and charges would be negotiated individually with each customer subject to the FPSC's oversight. After executing a transportation service agreement, FPL and the third party customer would file an affidavit with the FPSC affirming the reasonableness of the rates in accordance the principles set forth in the NGPIRA.

Q. Does FPL believe it would be appropriate to address, in this proceeding, whether limits should be imposed on FPL's ability to offer service to third parties in order to address concerns about potential impacts to other gas entities?

A. No. Consistent with prior Commission practice, the Commission can and should address the appropriateness of any such limitations when it reviews FPL's tariff filing, which will specify the terms, conditions, and rules under

which FPL would provide service to third parties. It is unnecessary and would be premature to address such issues in the context of this need proceeding.

Q. Should the Commission require FPL to establish a separate entity if it engages in any sales of excess capacity to third parties?

A. No. The primary purpose of the proposed pipeline is to provide gas to FPL's combined cycle plants. Within a relatively short period of time, FPL will fully utilize the entire capacity of the pipeline. Any sales made prior to that time would go directly to the benefit of FPL's customers. The establishment of a separate entity is not necessary to achieve this benefit. Furthermore, establishing a separate entity could unnecessarily trigger affiliate transaction rules and generate legal, administrative, and on-going expenses that ultimately would be passed on to FPL's customers. These additional costs are unnecessary because the Commission will have regulatory oversight through the review of any tariffs governing any sales of excess capacity. FPL would still maintain accounting records related to the pipeline to permit the identification of depreciation, operation and maintenance, and other costs to develop a cost of service applicable to the pipeline.

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to determine need for Florida EnergySecure Pipeline by Florida Power & Light Company	Docket No: 090172-EI Served: July 24, 2009

ERRATA SHEET

DIRECT TESTIMONY OF SAM FORREST

EXHIBIT #	PAGE #	CORRECTION
SF-1	4 of 5	Replace "$1.588" with "$1.531"

The Revised Exhibit is attached.

Respectfully submitted this 24th day of July, 2009.

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CHAIRMAN CARTER: You may proceed.

MR. BUTLER: Thank you.

BY MR. BUTLER:

Q. Mr. Forrest, would you please summarize your direct and supplemental testimony?

A. Yes.

Chairman Carter, Commissioners, good morning. Thank you for the opportunity to address you today.

The purpose of my direct and supplemental testimony is to provide an overview of FPL's request for an affirmative determination of need for the Florida EnergySecure line. This request is as much about the future of gas supply in Florida as it is for the immediate need to supply gas to the modernizations at Cape Canaveral and Riviera Beach.

FPL's goal is provide clean energy service at an affordable price to its customers while ensuring the highest level of reliability. FPL believes the proposed intrastate natural gas pipeline helps meet this goal by increasing the reliability of the natural gas infrastructure in Florida, by continuing to diversify sources and physical location of gas supply, and through the potential to expand this new resource to meet future natural gas needs.

The modernizations of FPL's Cape Canaveral and

Riviera plants will result in new natural gas generating facilities that require approximately 400 million cubic feet of natural gas per day. FPL does not currently have enough firm gas transportation capacity under contract to meet this increased need in addition to its already substantial gas transportation requirements.

FPL is already very dependent on natural gas as a fuel source. By 2011 it is projected that natural gas-fired generation will supply over 60 percent of FPL's energy needs, all being directly supplied by the two incumbent pipelines, FGT and Gulfstream. FPL will have roughly 1.3 billion cubic feet of firm transportation service on FGT once their Phase 8 expansion is complete in 2011. Gulfstream will supply an additional $700 million cubic feet of FPL's daily gas load. Together this is almost 2 billion cubic feet per day, which on a peak day at maximum flow will serve approximately 3 million FPL customers, all relying on two pipelines whose available gas transportation capacity is almost fully subscribed.

By facilitating the introduction of a third major pipeline into and within Florida and offering a uniquely routed pipeline that has the potential to be connected at multiple points with the existing gas infrastructure of the state, the Florida EnergySecure

line will increase the reliability of gas delivery within Florida.

FPL conducted a comprehensive pipeline solicitation aimed at increasing access to onshore supply basins while adding to the reliability of the natural gas delivery system. Through this solicitation process FPL determined that a self-built alternative, the Florida EnergySecure line, when combined with the proposal from Company E is the most strategic and cost-effective solution available to meet the natural gas demands of the modernization projects, as well as having the overall effect of strengthening Florida's natural gas infrastructure and positioning it to meet future natural gas transportation needs.

Understand this is not a core business strategy for FPL, but rather a unique situation where a self-built project provides the most benefits over the long term. The combined proposals of the Florida EnergySecure line with upstream transportation service provided by Company E offered the reliability and diversity of supply benefits FPL sought, while improving competition in Florida for the supply and transportation of natural gas. The combined proposals also offer the greatest economic benefit for FPL's customers, with well over $100 million in savings when compared to the next

closest alternative.

While the proposed pipeline into Florida would be largely supplied from unconventional shale gas production in Texas, Arkansas, Oklahoma and Louisiana, the addition of the upstream pipeline would also provide access to liquified natural gas and traditional Gulf Coast supply through a large existing pipeline infrastructure. Having access to several supply basins, which the upstream pipeline offers, protects against declining production in a given supply basin.

FPL has proposed the Florida EnergySecure line as an electric utility rate based asset, as the purpose of this pipeline is to serve FPL's electric generation fleet. However, FPL is committed to ensuring any temporary excess pipeline capacity available on FPL's system as a result of the installation of the Florida EnergySecure line will be offered to other entities in the state in an open and nondiscriminatory basis.

Any revenues resulting from sales off of the new line from capacity releases on FGT or Gulfstream will flow back to FPL's customers through the fuel cost recovery clause. It is important to note, however, that FPL's proposed pipeline is the most cost-effective solution for its customers, irrespective of whether FPL makes any sales of excess capacity to third parties.

Any such sales will only serve to improve the economics of the pipeline for FPL's customers.

There is not a viable do-nothing alternative in this case. The need for additional gas at the modernization projects dictates significant pipeline infrastructure must be added, whether it is through new infrastructure such as the Florida EnergySecure line or a substantial upgrade of the existing pipelines.

FPL believes the Florida EnergySecure line is the best proposal for our customers to meet this incremental need and also meet the strategic benefits of fuel reliability and diversity. Thank you.

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

CHAIRMAN CARTER: Just before you go, Mr. Self, hang -- just hold on for a second.

Staff, when we finish with this witness, I'll come back to you for Witness Collins. Okay? I'll come back to you.

MS. BROWN: Actually, Mr. Chairman, Witness Collins has not been excused.

CHAIRMAN CARTER: Okay. Then I don't have to worry about it then.

MS. BROWN: All right.

CHAIRMAN CARTER: Mr. Self, you may proceed.

MR. SELF: Thank you, Mr. Chairman. Before I start, Mr. Chairman, with your permission, we have a confidential document that is, I believe, part of the stipulated Exhibit Number 2 or 3.

If I can just ask staff counsel for a moment, I don't see on the list that all of the confidential interrogatory responses are listed there on Page 4 of your document, but certainly with respect to the enumeration of the responses it otherwise falls within that.

MS. BROWN: Mr. Self, turn to Page 6 of the exhibit list.

MR. SELF: Right.

MS. BROWN: Where we have the confidential composite exhibit. And are you telling me that these are not listed there?

MR. SELF: Yes. Like the one I'm going to look at is FPL's response to FGT's first set of interrogatories, Interrogatory Number 20.

MS. BROWN: All right. Well, I think probably the best thing to do in this instance is to introduce them at the time as you're crossing Mr. Forrest.

MR. SELF: Okay. Thank you.

With that, Mr. Chairman, I'd like to pass out this confidential --

CHAIRMAN CARTER: You may proceed.

MR. SELF: So, Martha, we want to give this a number; is that what you're telling me?

MS. BROWN: Yes.

MR. SELF: Okay.

MS. BROWN: Yes. And --

MR. SELF: Mr. Chairman, could we get the next number, please?

CHAIRMAN CARTER: Okay. Let's kind of turn on over to the --

MS. BROWN: That's Number 95.

CHAIRMAN CARTER: Okay. Hang on a sec.

This will be marked for identification as Exhibit Number 95. And you had a nice -- you said -- what did you say, Mr. Self? You said --

MR. SELF: Yeah. For the record, Mr. Chairman, this is FPL's response to FGT's first set of interrogatories, Interrogatory Number 20, which is confidential.

CHAIRMAN CARTER: How about we say Confidential Interrogatory Number 20?

MR. SELF: That's great.

CHAIRMAN CARTER: Commissioners, okay?

(Exhibit 95 marked for identification.)

MR. SELF: I apologize for that confusion, Mr.

Chairman.

CHAIRMAN CARTER: That's okay. That's all right. I try to specialize in brevity. You may proceed.

MR. SELF: Thank you.

CROSS EXAMINATION

BY MR. SELF:

Q. Good morning, Mr. Forrest. Floyd Self representing FGT.

A. Good morning.

Q. You have before you, Mr. Forrest, a red folder with a document that FPL has identified as containing confidential information. I want to ask you a couple of questions about that number, but I obviously do not want you to disclose the number.

A. Okay.

Q. Now the confidential information on this document is the projected total cost of the Company E proposed pipeline that will connect to the new FPL intrastate pipeline; is that correct?

A. That is correct.

Q. So this cost would be in addition to the approximately $1.6 billion cost of FPL's proposed pipeline; correct?

A. That is correct. I would say that the

$1.6 billion has been lowered with our -- I believe when we filed our rebuttal testimony we also provided new economics. This number has been lowered as well with that same, that same update. But, but you are correct in terms of this is in addition to.

Q. Okay. When you combined these two costs, and, again, please don't verbally say what that total is, it's FPL's position that the expenditure of this total amount of money is in the long run cheaper for ratepayers than the $1 billion pipeline proposed by FGT; is that correct?

A. That is correct, yes.

Q. Now part of the reason FPL contends that the multi-billion-dollar cost for ratepayers is better for ratepayers is because the pipeline is physically designed to ultimately carry 1.25 billion feet of gas; is that correct?

A. Well, that's what allows, I guess, fairly inexpensive, as is mentioned in our -- in numerous testimonies that have been provided by FPL, I guess what we describe as inexpensive expansions of the system. They are, you know, as, as the -- once the initial infrastructure has been added, adding additional infrastructure to increase the capacity of the pipeline come at a very reduced cost to that initial installation

cost.

Q. Does the FGT proposed pipeline have the same basic specification as the combined FPL Company E pipeline? And by that I mean specifically does the FGT pipeline initially deliver 600 million cubic feet that could then be upgraded to 1.25 billion feet?

A. Which pipeline was that?

Q. FGT.

A. FGT's proposal was for 400 million cubic feet a day.

Q. And this basic design that you're proposing, the 600 million today upgradeable to 1.25 billion, the FGT proposal does not have those specifications because those exact specifications were not specifically solicited; isn't that true?

A. FPL Witness Stubblefield can go through the details of the solicitation process in much greater detail than I can. But at a high level, we started off in early 2008 talking to a number of pipeline companies, sort of prequalifying folks for interest in their, you know, wanting us to deliver natural gas to, to the modernization project. So we started off by talking to a number of companies. And when we were doing that, it was during the, I guess the 2008 Ten-Year Site Plan was available, which had us projected to build a couple of

more combined cycle facilities after the modernizations but prior to the addition of Turkey Point 6 and 7 new nuclear.

So at that time we were talking about anywhere from 800 million cubic feet a day to 1.2 billion cubic feet a day of gas infrastructure required to support just our growth, not the state's growth, but just FPL's growth by about 2018 or so. Subsequent to that obviously with the economy and with load projections lowering, we consistently updated each of the potential participants in this process to lower those needs. We ourselves looked at a 400 a day solution, we looked at a 600 million a day solution, and ultimately came upon the 600 million a day solution as proposed.

MR. SELF: Excuse me. Mr. Chairman, I really don't think the witness's answer has at all been responsive to the question I asked. First, I never heard him say yes or no. And then he's describing the entire solicitation process. I didn't ask him about that. I merely asked him if, if this is what was bid, and it seems to me that's a yes or no kind of question.

CHAIRMAN CARTER: Mr. Forrest, if you could answer yes or no, you may do so.

THE WITNESS: Sure.

CHAIRMAN CARTER: And then you'll be able to

explain your answer. But it would be most helpful to --

THE WITNESS: Can you ask, reask your question?

BY MR. SELF:

Q. Sure. Did the FGT proposal -- strike that.

The FGT proposal does not have the same specification, 600 million now, 1.25 billion later, because those specifications were not specifically bid, yes or no?

MR. BUTLER: I'm sorry. I'd ask for clarification. You say they were not specifically bid. Do you mean did FPL specifically ask for them or did FGT specifically provide that in its response?

BY MR. SELF:

Q. Did FPL specifically ask for a proposal for 600 -- a pipeline that would deliver 600 initially, that would be upgradeable to 1.25 billion?

A. No. However, I will say that through the solicitation process -- and, again, Ms. Stubblefield will go through it in much greater detail -- we asked for everything from 400 million cubic feet a day all the way up to 1.2 billion cubic feet a day, and really everything kind of in between there. We asked for what I'll describe as an -- the upstream pipeline section, so that's the interstate pipeline section, and it might

actually be helpful to go to the map here and show this.

It's already on. Okay.

What I'll describe as the upstream section of this pipeline, from Transco Station 85 down to FGT Station 16, I'll describe this as the upstream portion of the pipeline. Everything within the State of Florida from Station 16 down would be considered to be the downstream side of the proposal. And then just from Transco Station 85 all the way down to the modernizations, we'll just describe that as the interstate solution.

So there were really three different requests that were made from counter-parties to make sure that we, we got the best and most complete proposals from everyone.

So specifically we didn't ask for at the, at the end of the day a 600 a day solution with the ability to grow up to 1.2 billion cubic feet. But throughout this process, which again was probably, you know, I would describe it as maybe an eight- to ten-month process, everybody had an opportunity to propose anything from 400 million cubic feet a day all the way up to the full Bcf and beyond.

MR. BUTLER: Mr. Chairman? I'm sorry. Mr., Mr. Forrest is referring to an exhibit that's to

Mr. Sexton's testimony, Exhibit TCS-9. I don't know if you have copies of that available conveniently to you there. But if you don't and would like a copy of what is blown up over here on the board, I'd be happy to distribute these.

CHAIRMAN CARTER: If you have a portable copy, make sure you give one to Mr. Self, and we'd be more than happy to look at it.

MR. BUTLER: Yes. Thank you.

CHAIRMAN CARTER: I thought it was a map of Iraq for a moment there, the way you had it.

(Laughter.)

Mr. Self, you may proceed.

MR. SELF: Thank you, Mr. Chairman. Just for the record, Mr. Chairman, there are a number of witnesses that have different maps, which I'm assuming those witnesses may or may not get into based upon what the cross-examination is.

CHAIRMAN CARTER: That'll be fine. You may proceed.

MR. SELF: Thank you.

BY MR. SELF:

Q. Now, Mr. Forrest, the FGT proposal is only for 400 million cubic feet a day of gas, which is what the Cape Canaveral and Riviera Beach modernization projects

combined will require; correct?

A. Correct.

Q. And in terms of existing or approved gas-fired electric plant, except for the Cape and Riviera plants, FPL already has under contract sufficient gas transportation to fuel those other power plants; correct?

A. Currently, yes. And with the expansion of FGT's Phase 8 project, which will deliver an additional 400,000 per day, that should be enough gas to supply all of our needs at that time, and that's 2011 time frame.

Q. So that covers all of your authorized power plants as of today; correct?

A. Correct. Including West County 1, 2, and 3, which are in various stages of construction. Correct.

Q. Okay. Now in order to fuel the modernization programs for the Cape Canaveral and Riviera Beach plants, did FPL plan 20 years ago for the gas transportation capacity to serve those two plants?

A. Not that I'm aware of, no.

Q. Ten years ago?

A. Again, not that I'm aware of. I've been with FPL for about two years, so.

Q. All right. In fact, in your 2008 application for approval of those modernization proposals, didn't

FPL indicate that it was still considering its options for gas transportation for those two plants?

A. That is correct.

Q. And if FPL's petition is approved in this docket, there will be sufficient time to build the transportation capacity to serve those two plants; correct?

A. Yes.

Q. And, likewise, if the Commission denies your pipeline and FPL contracts with FGT to build the transportation capacity to serve those two plants, there is sufficient time to build that capacity on a timely basis as well; correct?

A. That is, that is my understanding. Yes.

Q. Now once the Cape and Riviera plants come online in 2013 and 2014, FPL is not anticipating any new gas generating plant coming online until 2021; correct?

A. That is correct. I believe that's the, that is in Witness Enjamio's original direct testimony. That's correct.

Q. All right. And so FPL is going to have 200 million cubic feet of excess gas available to it every day until that next new gas generating plant comes online in 2021; correct?

A. That is correct. And that is built into the

economic analysis that demonstrates that on a life cycle basis the FPL proposal in combination with the Company E proposal is the most cost-effective proposal by over $100 million. There is no, there is no credit given at all to that excess 200 during the initial years.

Q. So the point is you're paying for the 200 million, and it's FPL's position that, notwithstanding the fact that you're buying 200 million cubic feet of gas every day that you don't need, under FPL's position that's still more economic?

A. Yes, that is correct. I think it might be helpful -- we filed a late-filed exhibit. I guess it wasn't late-filed. It was a response to a staff Interrogatory Number 145, which laid out the capital costs. I'm not sure if we have that available to look at.

Q. Well, I'm not asking you about the capital costs at this time.

A. Well, I think it's important to understand how the capital costs work. We were, we're talking about a 400,000 a day pipeline versus a 600,000 a day pipeline, with, with maybe a misunderstanding that, you know, a 400 a day pipeline is two-thirds of the capital cost of a, of a, of a 600 a day pipeline. I think the exhibit itself, or the interrogatory response itself is fairly

telling in terms of how much a pipeline costs and how much it takes to add compression to that facility.

MR. SELF: Well, but -- Mr. Chairman, obviously this witness has filed extensive testimony. There's extensive interrogatory responses. I'd really like for him to just focus on the questions that are being asked, if I may, please.

CHAIRMAN CARTER: Mr. Forrest, stay, try to stay focused.

MR. BUTLER: Mr. Chairman, I'm sorry.

CHAIRMAN CARTER: Mr. Butler.

MR. BUTLER: I do have to respond to Mr. Self's comment. I think Mr. Forrest's answer is precisely focused. He's trying to explain why building, you know, 600 MMcf per day instead of 400 MMcf per day initial capacity makes sense, which is exactly the line of questioning that Mr. Self is pursuing. So the fact that it goes in a direction Mr. Self doesn't like is not something that makes it inappropriate testimony.

CHAIRMAN CARTER: Not necessarily inappropriate testimony. But if you kind of stay focused, that would be helpful. Because I'm sure with the volume of exhibits and witnesses and their testimony here, we can get there. So let's move forward.

Mr. Self, you're recognized.

MR. SELF: Thank you, Mr. Chairman.

BY MR. SELF:

Q. Now a condition of Company E building the new upstream pipeline is that FPL must commit to taking 600 million cubic feet a day of gas and paying the demand charge associated with that 600; correct?

A. That is correct. As with any intra -- interstate pipeline that was, that was offered into the solicitation process, for new infrastructure there was very little interest in the pipeline community offering 400,000 a day into the, into the process. That is correct.

Q. And just to be clear, the -- I think we've previously -- you indicated that the next gas generating plants come online in 2021; correct?

A. I believe that is correct.

Q. And those power plants have not been approved by this Commission yet; correct?

A. That's correct.

Q. Assuming all of FPL's forecasts are correct, when would you expect FPL to petition this Commission for a determination of need to construct, say, the plant that's supposed to be on, in service in 2021?

A. I would assume, you know, as with any power plant that we bring in front of this Commission,

probably, you know, three to five years prior to that, depending upon what the purpose of it is to serve and, and just exactly when the need is. We'd be in there three to five years in advance of that.

Q. So that would be somewhere in the 2016 to 2019 time frame?

A. Okay.

Q. And I understand that FPL -- under FPL's proposals and forecasts, the FPL pipeline will not require its first upgrade until 2023; correct?

A. Of -- I'm sorry. Could you ask the question again? I'm not sure which --

Q. Sure. The first incremental upgrade to the FPL pipeline is not scheduled under your current forecast to occur until 2023; is that correct?

A. I'd have to see Mr. Enjamio's exhibit to know that for sure, but that sounds about right. Yes.

Q. Okay. I want to ask you a couple of sort of broad questions about your supplemental direct testimony for a moment, if I may.

My first question is how many affiliate companies does FPL have?

A. I don't know the answer to that question.

Q. Are there any that you're aware of?

A. Any affiliate companies of FPL?

Q. Yes.

A. Yes.

Q. Okay. And do you know whether FPL's regulated utility operation buys or sells goods or services to any of those affiliated companies?

A. Yes.

Q. And do you know how many affiliate companies there are in FPL Group?

A. No, I do not.

Q. But there are some?

A. Yes.

Q. And do you know how many of those affiliates FPL would buy or sell goods and services from?

A. No, I do not.

Q. You would certainly agree with me that one of the FPL witnesses in this proceeding is employed by FPL Group; correct?

A. That is correct. Yes.

Q. All right. At this time I'd like to turn specifically to your supplemental direct on Page 7, and specifically I want to talk about Lines 10 through 12.

A. Okay.

Q. Have you quantified the expenses associated with the legal, administrative and other expenses associated with having the pipeline in a separate

entity?

A. No, we have not.

Q. Now I'd like to kind of change gears for a moment here and ask you, are you familiar with a mechanism that was created in the stipulation to FPL's 2005 rate case that allowed for generating plant to be automatically included in base rates, avoiding the need for a concurrent rate case? And I think generically this is known as a generation base rate adjustment.

CHAIRMAN CARTER: Mr. Self, break it down. I think you gave him like multiple questions, and we want to kind of break it down here. Okay?

BY MR. SELF:

Q. Let's try the end question first. Are you familiar with something known as a generation base rate adjustment?

A. Generally, yes.

Q. Okay. Do you recall when we took your deposition a couple of weeks ago -- well, maybe the easiest thing is do you have a copy of your deposition transcript with you?

A. I do not. No.

Q. Does your counsel have a copy of your deposition transcript?

CHAIRMAN CARTER: Mr. Butler, do you have a

copy of his deposition?

MR. BUTLER: A copy of Mr. Forrest's deposition?

CHAIRMAN CARTER: Yes, sir.

MR. BUTLER: Yes.

CHAIRMAN CARTER: Yes, sir. Let's do this. Let's do this, Commissioners. Let me give you a stretch break and give Linda an opportunity to update her communication system there. Let's, let's take five. We'll be back at ten of. Thank you.

(Recess taken.)

Okay. We are back on the record.

Mr. Self, you're recognized.

MR. SELF: Thank you, Mr. Chairman. I appreciate that.

BY MR. SELF:

Q. Mr. Forrest, I believe now you have a copy of your deposition --

A. Yes, I do.

Q. -- transcript. And we're looking at Page 54, down at the bottom of that page. I asked you a question about whether you would file a rate case to recover the costs of the intrastate pipeline. Could you please read your answer at Lines 22 to 24 there?

A. Yes.

"The latter. We would file a rate case at the time or whatever the appropriate mechanism is at that time, but not until it goes into service."

Q. Okay. Thank you. Would the generation rate base adjustment be one of the mechanisms at that time that you're contemplating for recovering the costs of this pipeline?

A. No, not that I'm aware of. No.

Q. But it certainly is your intent to have the pipeline classified as electric utility plant; correct?

A. That is correct.

Q. So what other mechanisms might you be contemplating, if you know of any?

A. I don't have any other mechanism in mind. I'm not sure what comes out of our existing rate case or anything else. The primary -- or actually as it is currently designed, the sole, I believe, mechanism available to us would be a rate case.

Q. Okay. If the Commission finds that there's sufficient demand for a new pipeline, would that be a good result for FPL?

A. I'm not sure I understand the question.

Q. Well, if the Commission makes an affirmative finding that there is sufficient demand to build a new pipeline, would that be a good result for FPL?

A. Well, I think it would be a good result for FPL's customers.

Q. Okay. And if the Commission determined that FPL's pipeline as proposed and the Company E pipeline was the best way to serve that demand, that would be a good result as well, would it?

A. Again, yes, for FPL's customers, absolutely.

Q. All right. But a finding that the pipeline should be in a separate corporate entity and that all of the costs of building, maintaining and operating that pipeline should be in a separate entity, if that finding is made, FPL will not build the pipeline; correct?

A. That is what we have said, yes, that is correct. We believe we have an obligation to provide reliable service, reliable electric service to our customers. In meeting that obligation, we, we have to study long-term investments on any, any asset, whether that be a, a generator or a pipeline or a transmission line. And when we make the appropriate decision to the benefit of our customers, our investors, you know, they expect to be adequately and fully compensated for that investment.

You know, if it's suggested that we would keep some portion of the asset out of, out of rate base, by definition our customers or our investors are not being

adequately and fully compensated, and as such we would not pursue the project.

MR. SELF: Mr. Chairman, just for the record, the deposition transcript is a part of that giant composite Exhibit Number 4. I just wanted to state that for the record.

Thank you, Mr. Forrest. I have no further questions.

THE WITNESS: Okay.

CHAIRMAN CARTER: Commissioners, I want to go to staff unless -- I want to go to staff, and then I'll come back to the bench.

Staff, you're recognized.

CROSS EXAMINATION

BY MS. BROWN:

Q. Good morning, Mr. Forrest. How are you?

A. I'm well. Thank you.

Q. Good. Now I think you've stated FPL's position that the EnergySecure line would be placed in FPL's rate base and entitled to earn a return on equity as approved by the PSC; correct?

A. That is correct.

Q. Can you -- you talked with Mr. Self just a second ago about when you would come in for a rate case to recover the costs of the project, and you said when

the project is placed in service. Could you tell us what the current proposed in-service date of the project is?

A. Currently proposed as January 1st of 2014.

Q. Okay. Now if you'd turn to Page 11 of your direct testimony. You indicate that FP&L will have access to additional capacity on the upstream pipeline. And we wanted to ask is the upstream pipeline, to your knowledge, reserving additional capacity should you need additional capacity in the future, which it seems to me you're contemplating?

A. If I understand your question correctly, would they have capacity available for us beyond the 600 that is contemplated?

Q. Yes. Thank you for phrasing my question much better than I did.

A. I was just making sure I was clear.

The upstream supply, the Company E proposal is for 600 a day starting on January 1st of 2014 as well, or starting around 2014. I'm not sure of the specific date of the start.

But the, their project as proposed is expandable, but I wouldn't say that they are reserving anything for us, nor have we committed to buy anything from them beyond the initial 600. If at such time that

we need additional gas, we will go back to them and, and talk to them about potential supply, but we'll talk to others as well. And -- I'm sorry.

Q. No. That's okay. Please finish.

A. I was just going to say, and we'll make the appropriate decision at that time, whatever it is, whether we want to go back to Station 85 or to Perryville or to Zone 3. You know, there's all kinds of different supply points, and we'll make that assessment at that appropriate time.

Q. Well, at that time, if you did go back to the upstream pipeline and ask for additional capacity, wouldn't they have to apply to FERC for an expansion project and have it approved before additional capacity would be available?

A. That is my understanding. Yes.

Q. Would you agree that the major benefit to FPL's shareholders if this project is completed is the increase in FPL's rate base?

A. I would say probably any question around rates is probably just a little bit outside of the scope of my personal area of expertise.

Q. Well, then, let's, let's turn to your deposition transcript on Page 63, Lines 1 through 14.

Are you there?

A. Yes.

Q. And there you were asked the question, "Could you similarly list the major benefits to FPL's shareholders if the project is completed?"

Could you read that answer?

A. Yes, ma'am.

"Well, I guess the one benefit is it's an increase in our rate base and that would be the benefit. I mean, this is -- this was not developed as a strategic alternative to enter the gas business, so to speak. We're not looking to enter the gas business. This was a specific unique opportunity to propose a project that wound up being the best alternative for our customers, and that's specifically why it was proposed, was for our customers."

Q. But you did say in the beginning of that answer that the benefit would be an increase in FPL's rate base; correct?

A. Yes, I did. Yes, ma'am. I am certainly not a rates expert nor do I understand how that works. This was an attempt to be responsive, I suppose.

Q. Okay. Do you agree that since the proposed pipeline is within the jurisdiction of the Florida Public Service Commission, the Commission will have oversight of all costs, cost overruns and prudence of

the project?

A. Yes. Yes, we do.

Q. Okay. In your deposition at Page 63, Line 25, through Page 64, Lines 1 and 2, you state that you are not sure that there are risks associated with the EnergySecure line that you wouldn't associate with other pipelines as well. Do you see that?

A. That is correct.

Q. Wouldn't you agree though that FPL and thus its ratepayers would have more implied liability risks if it owned the pipeline than if it leased capacity on other companies' pipelines?

A. What, what type of risks?

Q. What do I mean by implied liability risks?

A. Yes, ma'am.

Q. I mean explosions, other unforeseen *force majeure* events that might occur.

A. Yeah. I think I follow your questioning. Yes. I mean, if it's, if it's owned and operated by FPL, there is a risk associated with that. Yes.

Q. Okay. Thank you.

How does FP&L plan to ensure against those risks?

A. I'm not sure the final decision has been made: Either through self-insurance or insuring the pipeline

with an outside entity. We have discussed both. I'm not sure a final decision has been made.

MS. BROWN: Mr. Chairman, if I might just have a minute.

CHAIRMAN CARTER: Take your time. Nobody leaves. This is kind of a run-in-place.

(Pause.)

BY MS. BROWN:

Q. Mr. Forrest, we're passing out some responses to staff's discovery.

A. Okay.

Q. We probably don't need to address every one, but I wanted everyone to have a copy for reference if we need it.

CHAIRMAN CARTER: Okay.

MR. BUTLER: Ms. Brown, is this part of the composite exhibit, discovery?

MS. BROWN: Yes, it is. It's already been introduced into the record.

MR. BUTLER: Okay.

CHAIRMAN CARTER: This is just for ease of cross-examination; is that right?

MS. BROWN: Yes.

CHAIRMAN CARTER: Okay.

Commissioners, while they're passing that out,

just for planning purposes -- I didn't do it this morning. Let me do it now to give you some kind of -- I know that you have other things that you're going to try to do during the, the lunch hour. Just for planning purposes, we'll probably take a lunch break around 12:30 and come back at 1:45. So that'll give you an opportunity to kind of plan from there. Okay?

Ms. Brown.

BY MS. BROWN:

Q. Mr. Forrest, you just said that you haven't made any final decisions on how you would insure against the risks of the pipeline. Would you agree that there are several different alternatives?

A. Yes. That's my understanding. Yes.

Q. Can you describe them?

A. That is probably outside the scope of my area of expertise.

Q. Well, then who do you think could answer these questions? I don't mind reserving them as long as I know somebody can answer them along the way.

A. That's a good, that's a good question.

Q. I mean, I could have you read the responses to the interrogatories.

A. Yeah. I mean, we could, we could do that. I would probably defer to Witness Collins.

Q. Okay. Well, let's -- we'll try that.

A. Okay.

MR. BUTLER: Mr. Chairman?

CHAIRMAN CARTER: Mr. Butler.

MR. BUTLER: I would note that the exhibits that were passed out by staff here, I'm sorry, the interrogatory answers that were passed out by staff, some of these were sponsored by Mr. Sharra. It may be appropriate -- we'll try to get with staff in the time between witnesses, but it may be that some of these it makes sense to raise with Mr. Sharra.

CHAIRMAN CARTER: Okay. Thank you, Mr. Butler. And also too, if some other witness comes up, just give them a heads up on what may be appropriate for the witness. We'll do that. Thank you.

MR. BUTLER: Thank you.

MS. BROWN: Thank you, Mr. Butler.

CHAIRMAN CARTER: Ms. Brown.

BY MS. BROWN:

Q. Would you agree that increasing the rate base by the approximate 1.5 billion cost of the proposed pipeline improves the financial wherewithal and financial strength of FPL?

A. Again, from my deposition, I assume, again, probably an attempt to be responsive as opposed to being

the expert on the subject. I would probably defer that to a, to a rates expert.

Q. Well, why don't we read your deposition again.

A. Well, yes, certainly I will.

Q. You can turn to Page 64, Lines 14 through 17.

A. "Will the proposed pipeline make FPL financially stronger?"

And my response was, "I think any time you increase your rate base, it improves the financial wherewithal of the company."

Q. I think that's, that'll probably be fine.

A. Okay.

Q. Also in that deposition at Page 64, Lines 3 to 13, you stated that the proposed pipeline will not increase or decrease the financial risks to FP&L and its shareholders; correct?

A. That was my response, yes.

Q. Okay.

MR. BUTLER: I'm sorry. Ms. Brown, where are you reading in his deposition?

MS. BROWN: Page 64, Lines 3 through 13.

MR. BUTLER: Okay. Thank you. I guess I would prefer, if possible, Mr. Forrest to simply read in his answer, if that's what you're referring him back to, or you read it to him.

MS. BROWN: Sure.

BY MS. BROWN:

Q. You want to turn to Page 64?

A. Yes, I'm there. You want the question and the answer or just --

Q. Yes, the question and the answer.

A. All right. Thank you.

It says: "Will the proposed pipeline increase or decrease the financial risk to FPL and its shareholders?"

"I don't know that it" -- my response was, "I don't know that it does necessarily either increase or decrease. I think what it, what it does is it certainly for our customers puts control of the delivery of gas into our hands. You know, at least as it pertains to this portion of gas supply for the 600 million of day one of install, it gives us the opportunity to gain control of that gas."

Q. All right. Thank you.

Are you aware of any investor-owned monopoly electric utility that has a minimum of 100 miles of high pressure, large diameter, long distance transmission pipeline included in its electric base from which it earns an overall rate of return?

A. I am not familiar with any, any utility that

does. I don't know if there is or is not one. I might add, I don't know what the -- I don't believe that there's any limit to the size of it. If it's for the primary purpose of delivering gas to a particular natural gas-fired generator, electric generation, that there is any limit to the, to the size. But I'm not aware of one that is larger or smaller than.

Q. All right. Thank you.

A. You're welcome.

Q. Now currently FPL recovers all its costs for transporting natural gas through the fuel clause; is that correct?

A. Yes. For the contracts that we have signed with FGT, Gulfstream, and on the Southeast Supply Header, SESH, we recover those through the fuel clause. That is correct.

Q. And FPL does not earn a rate of return on the transportation of natural gas currently; correct?

A. That is correct. For those three contracts, that is correct.

Q. If FPL builds this pipeline and its proposal to include it in electric rate base is approved, FPL will for the first time be earning a rate of return on the transportation of natural gas; correct?

A. I might defer the specifics of that to, to

Mr. Sharra.

Q. All right.

A. As I'm not entirely positive if our existing oil and gas line, the 18-inch line that's referred to in this case is in base rates or if it's passed through the fuel clause. I'm not entirely sure of that, or any other gas or oil facilities that we have.

Q. Right. And that's the 36-mile line?

A. That is correct.

Q. Okay. All right. We'll ask Mr. Sharra that.

In fact, I think if you'll give me just a minute, we may save the rest of our questions for Mr. Sharra.

I have now three oddball questions that we don't know who, who can answer, so perhaps you all can, can help. If you can't answer them, Mr. Forrest, just direct us to who can.

A. Okay.

Q. Okay. Has FP&L included costs related to FPL's proposed EnergySecure line in its rate case filing in Docket Number 080677-EI?

A. No, we have not.

Q. Not in account 183.560?

A. I'm not sure of a specific account. No.

Q. Okay. Based on FPL's proposed accounting

treatment, will FPL begin to accrue AFUDC on costs incurred beginning January 2010?

A. I would defer that question to, to, I believe, Mr. Sharra.

Q. Okay. Under FPL's proposal, will FPL continue to accrue AFUDC -- well, this may be deferred to Mr. Sharra as well.

See, I'm glad I asked you. And that's all the questions we have. Thank you, Mr. Forrest.

CHAIRMAN CARTER: Thank you.

Commissioner Skop, you're recognized, sir.

COMMISSIONER SKOP: Thank you, Mr. Chairman.

Good morning.

THE WITNESS: Good morning.

COMMISSIONER SKOP: Just if I could draw your attention to Page 6 of your prefiled testimony, Lines 17 through 19, please.

THE WITNESS: Okay.

COMMISSIONER SKOP: And starting on Line 18 you stated that "FPL does not currently have enough firm gas transportation capacity under contract to meet this increased need for natural gas resulting from the modernization projects that will be coming online."

I guess my question would be, does this conclusion encompass the additional firm capacity that

FPL has already contracted for under the expansion to the FGT Phase 8 pipeline?

THE WITNESS: That is correct. That is correct.

COMMISSIONER SKOP: Okay.

THE WITNESS: The -- to be clear, Commissioner, the Phase 8 expansion on FGT's system is to supply additional gas to the West County 3 -- or not additional gas, but to supply gas to West County 3, to supply additional gas to West County 1 and 2 beyond what was purchased. I believe our original purchase from Gulfstream, I believe, was 345,000 a day. Those units can actually run up to 200,000 a day each, so that was additionally on the Phase 8. We bought some additional gas for West County 1 and 2 as well as to deliver on a firm basis to the Turkey Point facilities. So all in, it was the 400,000 need on --

COMMISSIONER SKOP: Okay. Thank you. And I just wanted to turn your attention to Interrogatory Number 157 that I guess Ms. Brown had mentioned. And do you have that in front of you?

THE WITNESS: I believe I do.

COMMISSIONER SKOP: Okay.

THE WITNESS: One fifty --

COMMISSIONER SKOP: 157.

THE WITNESS: 157. Yes.

COMMISSIONER SKOP: Okay. And this, I guess, touches upon something in Mr. Sharra's testimony where he spoke about the 36-mile dual fuel pipeline between the Riviera Beach terminal and the Martin plant. Are you familiar with that pipeline?

THE WITNESS: Yes, I am.

COMMISSIONER SKOP: With respect, I guess, to the question presented in the interrogatory, staff had asked whether FPL was aware of any investor-owned utility that had a minimum of a 100-mile contiguous (phonetic) interstate pipeline, and it also was brought up by Mr. Self's question about that this had been never, never been done before in terms of putting it into base rates.

Are you aware for Item 4, being the 36-mile pipeline from the Riviera to the Martin plant, is that currently included in FPL's base rates, that pipeline itself?

THE WITNESS: I am not aware. I actually deferred to Mr. Sharra on the, on that particular item with Ms. Brown.

COMMISSIONER SKOP: Okay. I'll just reserve my questions for him.

Thank you, Mr. Chair.

CHAIRMAN CARTER: Thank you. Anything further from the bench? Just, Commissioners, while you -- I'll come back to you just in case you want a last-minute question.

I just had one question in the context of the capacity about -- I think Mr. Self asked you a series of questions regarding the initial bids, and I think that you said that you were not part of that -- you knew globally how it worked, but you really weren't into, to use my terms, into the weeds of the, of the contract and process in terms of the proposals that were submitted.

Do you know why the decision was made to go from an initial 400,000 -- let me get, see if I can check my notes here -- to go from 400 million cubic feet to 1.6 billion?

THE WITNESS: Yes. The initial proposals that were received, we received proposals from both of the incumbents, FGT and from Gulfstream, for a complete supply of 400,000 a day to meet the needs of the modernizations. The, you know, the capital costs incurred -- when we look at our own project, the Florida EnergySecure line, I'll speak specifically to that. Looking at the Florida EnergySecure line, we initially looked at a proposal that could deliver 400,000 a day, but the incremental costs incurred to go to a 600,000 a

day solution were, you know, miniscule in looking at the overall -- and I'll walk you through the, the actual numbers here for a second.

The -- there's really two different pipeline diameters that we could look at to deliver 400,000 a day. There's a 24-inch pipeline and a 30-inch pipeline. Obviously a 30-inch pipeline is going to have greater throughput in the long run and have more long-term scalability in just the economies of scale allowing you to do greater things with that pipe.

But just looking at a 24-inch pipeline delivering only 400,000, or 400 million cubic feet a day as designed, if we were just to lay -- instead of proposing today a 30-inch, we propose a 24-inch going to Canaveral, Martin, and Riviera, the capital cost of that project would be $1.36 billion. Okay? So it's 1.36.

The 30-inch/600 a day proposal that we have in front of the Commission for approval, the capital cost on that 30-inch/600 million cubic foot a day is 1.53 billion. It's $170 million of incremental costs. And I don't mean to dismiss the $170 million as being miniscule. It's not miniscule. But what you gain for spending that additional dollars is, is absolute scalability in the long run. And that's, that's how when, when Mr. Stelf (sic.), excuse me, when Mr. Self

spoke to the combined proposal from Company E, the confidential document that you looked at earlier, along with our own proposal, how the capital costs, when you compare that to FGT's $1 billion, I believe they've said, proposal, that's how these things work out is that in the long run this thing is highly scalable and very inexpensively.

A 30-inch -- and this is another comparator -- a 30-inch/400 a day project can be installed for $1.52 billion, or 1.516 to be specific. Again, our proposal for 600 a day is 1.53. It's a difference of $15 million. And how you get that is it's the exact same pipe, it's the exact same process to install it. You have to dig a trench, lay the pipe, weld it, test it, go through that entire process. It's the addition of one turbine in the compressor station. It's a $15 million turbine is what allows you to grow from 400,000 a day to 600,000 a day on a 30-inch pipe.

And we do consider that to be a minor expense. It's 1 percent of the overall cost is what allows you to go from that 400,000 a day to 600,000 a day solution.

So, you know, I felt like there was some confusion as, as to a 400,000 a day project, you know, costing two-thirds of what a 600,000 a day does. They basically cost the same amount. That's why we've

proposed a 600,000 a day solution. It just provides good sense.

So then as you scale this project further, so once you go to 800,000 a day or a Bcf a day, a 30-inch pipeline will allow you to deliver all the way up to 1.2 Bcf a day before you have to ever add any additional pipe to the mainline. Those are hundred-million-dollar expansions, not billion-dollar expansions that we're looking at now.

You know, FGT's proposal to add 400,000 a day is about a billion dollars. And that's because they've already gone through the, what I'll describe as the inexpensive compression expansions of their system. Now every time they come back to, to do an addition for FPL or for anybody else in the state, they have to add hundreds of miles of pipe in some cases or several miles of pipe that wouldn't be required, you know, at least along the mainline in the proposal that we've put in front of the Commission. They're very inexpensive expansions over time.

CHAIRMAN CARTER: Let me ask you this, and if you're not the right witness, then fine. But I think also in response to some questions that Mr. Self asked you, if I heard you right, and of course my writing has gone cold on me, so I can't really read it right now, is

that there's a discourse about the savings to the ratepayers or customers. I think you said savings to the customers.

THE WITNESS: That's correct. There's a projected savings to our customers.

CHAIRMAN CARTER: Walk me through that. I wanted to follow that train of thought with you on that. Walk me through that, how that works.

THE WITNESS: Okay. The specifics of how it works I would defer to Witness Enjamio --

CHAIRMAN CARTER: Okay.

THE WITNESS: -- who actually ran all of the analysis and is responsible for --

CHAIRMAN CARTER: Witness?

THE WITNESS: Enjamio.

CHAIRMAN CARTER: Okay.

THE WITNESS: Good Lord, please don't ask me to spell it.

CHAIRMAN CARTER: Okay. I'll wait. Mr. Butler, you can help me.

THE WITNESS: E-N-J-A-M-I-O, I believe.

But, but at a high level, the way the analysis is run is to look at a 40-year time horizon. It's a customer present value revenue requirements analysis. So he looks at all the dollars that your customers will

spend with, with different scenarios run.

So we looked at it with the FGT -- it's part of our overall system. It's a complete dispatch of the entire system over 40 years. So he, he looks at the incremental cost to our customers of having the FGT proposal in place and the complete cost of having the FPL proposal in place along with the Company E. And then as expansions are needed, those expansions are added in, and then he just continues to run the analysis.

And ultimately what it shows is basically on a present value basis, over the course of that analysis, the FPL proposal along with the Company E upstream proposal is $118 million, I believe is the number, $118 million better than the FGT proposal.

CHAIRMAN CARTER: Okay. Now let me, let me use my country perspective on this. Is that -- I guess what you're saying, and let me kind of say this and then I may have a question on that, is that in the process, and again, I'm not going to get into the weeds of the contracting because you said that's not your deal in terms of the proposals that were submitted and all, but I guess from a high level standpoint, as you looked at it, you're saying that the cost of contracting with FGT to expand their capacity to bring additional gas to the

plants and versus the company going out with this other perspective and building the pipeline is cheaper.

I mean, that's from a -- that's about as kind of commonsensical as I can break it down. Is that, is that -- did I read that right?

THE WITNESS: Yeah. I hate to describe it as cheaper per se.

CHAIRMAN CARTER: Okay. More, more economical. How about that?

THE WITNESS: It's more economic. It is. A couple of things in play. One is when FGT proposed their Phase 8 expansion, which is what Commissioner Skop referred to earlier, we were the anchor tenant of that, of that particular project. It's a 400,000 a day solution delivering gas to, to Martin County essentially. That, that project is a $2.5 billion project. Okay. So it sort of gives you the scope of the project that they're looking --

CHAIRMAN CARTER: What size is that pipe? Excuse me. Don't lose your train of thought, but what size is that pipe?

THE WITNESS: That's an 800,000 a day pipeline.

CHAIRMAN CARTER: So that's a 30-inch?

THE WITNESS: I'll --

CHAIRMAN CARTER: Oh, okay. Go ahead.

THE WITNESS: I'll defer to the experts. But what I will say is I wouldn't describe it as what size is that pipe.

CHAIRMAN CARTER: We're talking about the capacity?

THE WITNESS: Only because they have a significant amount of infrastructure in place. So they've got, you know, compressor stations all along the Panhandle down into Florida. They have a number of areas where they have multiple sections of pipe running side by side by side. This Phase 8 expansion would add a significant amount more pipe along with upgraded compressor stations and potentially another compressor station in addition to what they already have. That project is only about 75 percent subscribed, as I understand it.

So they have about 200 million, roughly speaking, and Witness Sexton can speak more specifically about what they do have available. But they have roughly about 25 percent of that pipe is available.

Part of what they have proposed to us in their most recent proposal actually included part of that capacity as well. So it's -- their existing proposal to us, as I understand it, was a billion dollars, but

they're also taking credit for what they spent on the Phase 8 and haven't (phonetic) added that into the amount. So I'm not sure how that math works necessarily, but that sort of gives you an idea of their last couple of expansions and the dollars spent to make that work.

But by contrast, what we're proposing with this 30-inch/600 million cubic foot a day pipeline, the next expansion to go to 800 million a day is about $125 million is my understanding. Now that doesn't include any interconnects or laterals that would have to be built. But just in terms of the mainline expansion, it's about $125 million.

To go to the next quantity, to go up to a billion or, you know, if that's where we're headed, that next, that next 200 a day to get to the billion is another $125 million.

So that's how, when you look at it on a life cycle basis, adding in this inexpensive capacity later on really makes up for, you know, what is being spent up-front to make this work.

CHAIRMAN CARTER: Okay. Commissioner Skop.

COMMISSIONER SKOP: Thank you, Mr. Chairman. I just had a few more questions that I did not get to previously.

Mr. Forrest, I guess I just wanted to cover three additional points. First and foremost, the contingency planning regarding getting firm gas supply -- I guess the subject of this need determination proceeding.

But in order to get gas supply, firm gas supply to both the modernization plants in Riviera Beach and Cape Canaveral, three things need to happen first and foremost. You need the upstream pipeline to be completed, you need a need determination from this Commission, and then the pipeline itself would need to be constructed by the in-service date of January 1, 2014; is that correct?

THE WITNESS: That is correct, Commissioner.

COMMISSIONER SKOP: Okay. With respect to the upstream pipeline, given the current natural gas pricing, is that pricing sufficient to support continued development, exploration and delivery of the nontraditional sources of natural gas, i.e., the shale from the Midcontinent to that, I guess, Transco 85?

THE WITNESS: Yeah. We believe it is. Witness Sexton can go through sort of the prevalence of that shale gas, development, rig counts, how all that kind of factors into our long-term analysis. He can go through that in some detail for you.

But at a high level, absolutely, we do believe that it does support at least maintaining where we are today and growing from there.

One of the unique things about Station 85 is that a number of producers, actual independent producers of this shale gas, the Mid-Continent shale gas, a number of producers have taken out pipeline capacity to get specifically to Station 85. There is about 3 Bcf of new pipeline capacity entering the Station 85 market with no significant additional takeaway capacity being built away from there other than what we have proposed and Transco's own work around that station as well.

But of that, of that 3 Bcf coming into Station 85, you know, roughly 80 percent of it or so has been subscribed to producers that are looking to push their gas as far east as they can. That's one of the things, as we interviewed a number of pipeline companies as well as a number of independent producers discussing, you know, the relevance of Station 85 in terms of how it might fit into our portfolio, it was one of the things that really highlighted for us that producers are serious about their own gas as well as selling at Station 85 was the fact that they were willing to take out these long-haul capacity contracts.

COMMISSIONER SKOP: Okay. Thank you. And

with respect to the construction of this pipeline if it were approved by the Commission, what would happen if there were a substantial construction delay, to the extent that this Commission has previously approved about $2.5 billion for both of the modernization plants that are scheduled to come online, and what is the contingency plan if construction delays were to occur associated with this pipeline?

THE WITNESS: Right. It's a question that we have definitely contemplated ourselves. There's a couple of things that we have done.

One is we've started this process really five years prior to, or four and a half years prior to the gas being needed. Part of that being the -- just the regulatory process for the Natural Gas Transmission Pipeline Siting Act is fairly untested, so we wanted to make sure we gave ourselves a fair amount of time to get through that process and then to get through the construction process as well.

The short answer is we've done contingency planning around both Cape Canaveral and Riviera with respect to workarounds that are potentially -- we put in place, which would allow us to get gas there in the short term. Now, again, that would be, you know, depending upon whether the upstream supply was there on

January 1st of '14, we would have the incremental gas to be able to deliver it. Or if it wasn't there by January 1st of 2014, we could at least -- the Canaveral and Riviera units would by far be the most efficient on our system, so they're going to get dispatched prior to the rest of our gas fleet. We could at least move gas up to those facilities and work in the interim until we get the overall pipeline online.

I would say probably Witness Sharra can get into that in terms of the workarounds in a little more detail.

COMMISSIONER SKOP: Okay. Thank you. And then three more additional questions.

I don't know if you have it before you, but do you have Mr. Langston's direct testimony?

THE WITNESS: I do not.

COMMISSIONER SKOP: Mr. Butler, can I give you my copy, generally speaking. And I guess I just want him to agree or disagree with the statements there.

MR. BUTLER: Sure.

COMMISSIONER SKOP: Okay. I don't have my document in front of me, so I'm going to go from memory. But I believe it's on Page 9 of 45 of Mr. Langston's testimony, if I'm correct. And he suggests that with some minimal additions, i.e., additional compression,

the excess capacity on Phase 8 could be used to meet the need of the Riviera plant. Based on the lines that I have highlighted there, would you agree or disagree with Mr. Langston's assertion?

THE WITNESS: Yeah. I would, I would agree with what he says there. If I could just caveat that.

COMMISSIONER SKOP: And on that, on top of that, is, is that a stopgap solution, i.e., a Band-Aid, or is more additional gas going to be required?

THE WITNESS: I don't know if I would describe it as a stopgap. I'm not sure FGT has interest -- and I don't want to speak for any of the FGT folks, but I'm assuming they don't want to make a one- or two-year sale with that Phase 8 capacity. I'm sure they're looking to, to sell it on a longer term basis. I'm assuming a stopgap, as you refer to it, would be a, you know, a year or two until we got ours online.

COMMISSIONER SKOP: What I meant by that would be, that would be firm capacity limited to the extent that I think they're looking for an additional 200,000 or 200 million. I think I got that right. It's hard. I don't have it in front of me. Yes. That additional capacity, and that would be all they'd be able to deliver in terms of additional incremental capacity. So they would not be able to deliver as much throughput as,

say, a new pipeline would. Is that your understanding of that?

THE WITNESS: Well, that is, that is my understanding. I will say that -- this kind of goes to my earlier point. When they proposed their Phase 8 expansion, they actually built, as I understand it, or have proposed to build a 30-inch pipeline, which will connect their, their western leg to their eastern leg going north of Lake Okeechobee. That's a 30-inch pipeline, which, you know, from my earlier discussion, really is kind of oversized for a 400,000 a day delivery, which, which is what that pipeline will deliver under Phase 8. So they have the ability to deliver additional gas through that pipe. They have oversized it. And it sort of goes to our own point as to why a 30-inch pipeline with 600,000 a day is the right number. Just scalable, it's -- they can, they can grow it.

Their Phase 8 capacity, again, Witness Sexton can probably go into that, what is available on the Phase 8 capacity in a little more detail than I can. But that Phase 8 capacity I think is what they've suggested here is available to deliver down using that new 30-inch pipeline that they're building for Phase 8, which would then go into, into the Riviera facility.

But it also misses the fact that the 18-inch line that we're utilizing as part of our proposal still requires a substantial amount of capital investment in order to make that solution work. So that's not, that's not accounted for here.

COMMISSIONER SKOP: Okay. And to that point, the, the dual fuel line that you just mentioned, that does not currently have the lateral over to Riviera Beach; is that correct?

THE WITNESS: I believe it, it does. Again, I'll defer the specifics of the engineering design to Mr. Sharra, not to continue to dump into his lap, but he is the expert on it.

COMMISSIONER SKOP: Okay.

THE WITNESS: But there is a way to get over to the, at least the 45th Street terminal.

COMMISSIONER SKOP: It's very close.

THE WITNESS: Which is very close. It's within 3 miles, I believe.

COMMISSIONER SKOP: Okay. And then one final question. Mr. Butler mentioned this in his opening statement, and in your testimony it's referred to in multiple places, but we talk about the new pipeline being able to displace existing capacity either on the FGT or Gulfstream Pipeline.

You know, I know that if additional capacity was displaced -- in your prefiled testimony it talks about, you know, off-system sales or being able to sell that capacity to others. What about the, the sunk costs in terms of what was initially required to reserve that capacity? Are we essentially, you know, displacing capacity that a premium has already been paid for for that capacity?

THE WITNESS: The answer to your question is, is, yes, that those costs would continue to be paid for. So when we looked at the project again, you know, a 400,000 a day solution was essentially the same capital costs for us as it was for a 600,000 a day solution. So this -- the notion of excess per se almost comes not free of charge but relatively inexpensively in the grand scheme of the overall project.

It's the same way that -- not to speak again for Company E, because that's their own business, but they have a certain revenue requirement, and that's how they establish their rate is, is through that revenue requirement, similar to how the utility would do it under their ratemaking.

But when, when Company E sets their rate, whether they do it on 400,000 or they do it on 600,000, they still have the same revenue requirement at the end

of the day. So it just changes the denominator. It would just cause your pricing to go up, and it's not exactly 50 percent, but it's roughly 50 percent is about the price of the increase by having a lower denominator, the 400,000 a day. That's where we got to the 600,000 a day solution. It's just the right thing to do. It makes the most sense from a long-term growth perspective.

You know, as that, as that pertains to the overall project, you know, it just provides a tremendous amount of growth in the future, both, both on their system and our system. Again, they're sizing their project similarly to how we are, which would allow them to grow into it as well. Whether they sell it to other entities in the State of Florida or they sell it to FPL, ultimately it just provides for additional gas into the state coming in from a different third unique supply, supply point.

COMMISSIONER SKOP: Thank you.

CHAIRMAN CARTER: Thank you, Commissioner. Commissioners, anything further?

MR. SELF: Mr. Chairman?

CHAIRMAN CARTER: Mr. Self.

MR. SELF: If I could please request, just for clarification purposes with respect to Commissioner

Skop's question, I don't think the page -- so the record is clear when we're reading this transcript later, if we could identify what page. If the witness could say what page.

COMMISSIONER SKOP: That's fine with me.

THE WITNESS: What are you -- I'm sorry.

MR. BUTLER: You need us to refer to the page number in Mr. Langston's testimony?

THE WITNESS: That's Page 9 of 45 on Mr. Langston's. I'm sorry.

COMMISSIONER SKOP: So I was correct earlier.

THE WITNESS: You were.

CHAIRMAN CARTER: Is that clear enough, Mr. Self?

MR. SELF: Yes.

CHAIRMAN CARTER: That's clear enough for you?

MR. SELF: Thank you.

CHAIRMAN CARTER: Okay. Hearing nothing further from the bench, Mr. Butler, you're recognized for redirect.

MR. BUTLER: Thank you.

REDIRECT EXAMINATION

BY MR. BUTLER:

Q. Mr. Forrest, you were just asked by Commissioner Skop about the costs that -- I guess he, I

think he referred to them as sunk costs that would be, have been paid for, excuse me, the existing commitments on the FGT and Gulfstream lines that might be released to, for third-party sales in the event of, or during the period of excess capacity.

Are those sunk costs taken into account in FPL's economic analysis of the EnergySecure line that shows it to be approximately $100 million superior to the FGT proposal?

A. Yes, they are. The analysis, and, again, Mr. Enjamio can get through it in more, in more detail, but the analysis assumes on day one a need of 400,000 a day. So, again, by definition there's 200,000 a day of excess capacity available on our system. We don't defer any costs. We don't, we don't hide the fact that there is this excess. It's taken all into full account with respect to the analysis itself.

So the cost that we have on FGT, the cost that we have on Gulfstream both, as well as the small additional cost on our own capital project are all factored into the analysis. There's no deferral of those costs. There's no pulling it out and assigning it somewhere different.

And with all of that still intact, it still shows that the FPL project, in combination with Company

E, is still the best proposal by the some hundred million dollars that you, that you mentioned.

Q. Thank you. Mr. Forrest, Ms. Brown asked you a couple of questions about the recovery of, excuse me, sorry, of charges paid for transportation capacity to the existing pipelines that's recovered through the fuel clause, and she contrasted that to the EnergySecure line where there would be a return paid on the investment in the pipeline. Do you remember those questions?

A. Yes.

Q. Okay. What is your understanding as to whether, when FPL customers are paying a charge that FPL has had to pay in turn to FGT or Gulfstream, whether those charges reflect a return to FGT and Gulfstream on the pipeline investment?

A. Yes, I believe they would include a rate of return for the, for their parent company.

Q. And that return, would that return be recovered through the charge through the fuel clause for that transportation capacity?

A. Yes. It all, it all comes in in the form of one demand charge. So whatever, you know, their revenue requirements are based on, you know, their capital outlay, their O&M charges, the facilities included in the project as well as their own rate of return. So it

would all be reflected in the demand charge that we then pass through the fuel clause. So, yes, it does include a rate of return.

Q. Ms. Brown also asked you whether if the Company E upstream pipeline were expanded in the future to provide more than 600 MMcf to FPL, that there would be need to be FERC approval for the expansion. Do you remember those questions?

A. Yes.

Q. Okay. Would expansions of FGT or any other incumbent pipeline that provides gas to FPL in order to provide additional supplies to FPL also require FERC approval?

A. That is my understanding. Yes.

MR. BUTLER: Mr. Chairman?

CHAIRMAN CARTER: Yes, sir.

MR. BUTLER: I am going to distribute a copy of Interrogatory Number 145, the answer to Interrogatory 145, which is part of the composite exhibit too that staff has identified and the parties have stipulated to. But just for clarification, there have been I think at least two runs through what this interrogatory shows regarding the comparison of the 400 to 600 MMcf pipeline economics. And I'd ask Mr. Forrest simply to describe briefly, because I know he's already run through some of

this with you, but I'd like for him to describe briefly what this interrogatory shows so that you can see on paper at the same time that he is explaining the comparison of the different pipeline sizes and costs.

MR. SELF: Mr. Chairman, I --

CHAIRMAN CARTER: Mr. Self.

MR. SELF: Yeah. I think I need to object. This is already in the record. This is, strikes me as trying to -- it goes far beyond the scope of redirect. He's asking additional questions about information that's already otherwise in the record.

MR. BUTLER: Mr. Chairman?

CHAIRMAN CARTER: Yes, sir.

MR. BUTLER: I'm not asking Mr. Forrest to introduce any new information into the record. First of all, as Mr. Self acknowledges, the exhibit itself already is in the record. But what Mr. Forrest did in response to your questions was kind of run through orally, without the benefit of the exhibit before you or of the interrogatory answer before you and the other Commissioners, the logic and the information that was presented here. And I'm simply asking Mr. Forrest to briefly describe what the interrogatory answer shows, where hopefully doing so with the tables and the information included here before you would make it

clearer and easier to understand.

MR. SELF: And, Mr. Chairman, again, this is already in the record. They've got testimony for nine witnesses that they're presenting here today that discuss all of these, all of this information multiple times already. I -- this just seems far beyond the scope of, of redirect.

CHAIRMAN CARTER: I think that there's -- let me hear from Ms. Helton first, because I'm thinking that some of the questions that I had asked are related to this and some of the questions that were asked from the bench. And obviously the Commissioners will give it whatever weight it deserves. So I don't think there's any, any harm in letting it in.

Ms. Helton?

MS. HELTON: Mr. Chairman, if I understand correctly what Mr. Butler has told you, he's simply going over again questions that you asked him about and clarifying and making sure that he got the information he gave you correct. And if it would help you, I think it's appropriate for him to answer these questions.

CHAIRMAN CARTER: I do remember asking the question about the capacity. You guys remember when I was asking about that? And, as I said, we can give it the weight, whatever weight it deserves. It's already

as an exhibit and all, but it does help.

You may proceed.

THE WITNESS: Okay. Thank you. There are five cases presented here, and I'll go through each one of them hopefully fairly quickly.

The two 24-inch cases show the costs, the capital costs associated with doing a 24-inch pipeline at either 400 or 600 million cubic feet a day. And the capital costs are the fixed pipe and everything that goes into the fixed capital of the project, along with the labor to install it.

It shows you how much horsepower is needed from a compression perspective, the cost, the capital cost of that compression, which totals the total capital cost. There's a column in there that says Annual Fuel Costs. I'll talk about that briefly in a second, but ignore that. It's not part of the total capital costs. AFUDC and then the total cost in the right-hand column.

So a 24-inch/400 million a day project is $1.36 billion. The 24-inch/600 a day solution comes up to 1.438. Now as designed by us at the operating pressures that we have designed, that 24-inch pipeline is essentially full at the 600 a day level. Any additional expansion beyond 600 million a day on a 24-inch pipeline would require the installation of

additional pipeline.

So we would have to go back in, disrupt the right-of-way, disrupt the landowners, lay new pipe in the ground. And that essentially is kind of how FGT adds incremental capacity to their system is by continually adding additional pipe, higher compression and just continuing to add on to their system. So there's, there's, you know, sections of their, their, their pipeline that have three or four pipes laying side by side by side to get up to the maximum quantities that they need to deliver.

On the 30-inch, that's the last three that are shown there, there's a 400 a day, a 600 a day, and then the maximum throughput of a 30-inch pipeline, again, at the pressures we have designed, is 1.25 billion cubic feet a day. So you're able to expand that 30-inch pipeline all the way up to 1.25 before you would ever have to add that additional pipe on the mainline to deliver additional volumes of gas. So this thing is highly expandable well beyond what a 24-inch can do.

And you can see on the right-hand side what the total cost of each of these facilities is. The 30-inch at 400 a day is 1.56 -- 516, excuse me. The 600 a day total is 1.531. So there's only $15 million of incremental capital costs required to go from 400 to

600, and that's the 15 that I mentioned earlier and that Mr. Butler mentioned in his opening statement.

Finally, the 30-inch at 1.25 billion cubic feet a day totals 1.72. Now I mentioned 125 million for a couple of expansions. I believe this assumes that all of it was installed on day one. It doesn't show like sort of the incremental cost of adding it over time, so -- but the expansions to get up to that full 1.25 are very inexpensive, again, when you compare it to the overall capital cost of the project.

In that Annual Fuel Cost column, it shows what using additional horsepower from a fuel consumption perspective does to, does to the costs. So at a 600 a day solution, the 24-inch pipeline at our fuel projection spends about $26 million a year just running the compressors. So that's just the variable cost of running the compression stations.

By contrast, a 30-inch at 600 a day is about $8 million a year. So when you contrast the 24- and the 30-inch pipelines, there's about $18 million in difference just in fuel costs, which, which, you know, on a present value basis more than makes up for the difference in the install cost of those two projects.

And that's, that's why we lean towards the 30-inch project and that's why we went with the 600 a

day. It just, it just fit right when you looked at the overall project. It just had, it had good scalability in the long run and it made good sense for our customers in the short term too.

MR. BUTLER: Thank you. That's all the redirect that I have.

CHAIRMAN CARTER: Okay. Exhibit s?

MR. BUTLER: Move the admission of Exhibit 5.

CHAIRMAN CARTER: Are there any objections? Without objection, show it done.

(Exhibit 5 admitted into the record.)

MR. SELF: And FGT would move Exhibit 95.

MR. BUTLER: No objection.

CHAIRMAN CARTER: Without objection, show it done.

(Exhibit 95 admitted into the record.)

Do we have anything -- do we have anything further for this witness? Will this witness come back for rebuttal or is --

MR. BUTLER: He will be back for rebuttal, yes.

CHAIRMAN CARTER: Okay. Okay. So you're on recess. You're not exactly excused.

THE WITNESS: All right. Thank you.

CHAIRMAN CARTER: Call your next witness.

MR. BUTLER: Thank you.

MR. PERKO: Thank you, Mr. Chairman. FPL calls Mr. Robert Sharra.

CHAIRMAN CARTER: Mr. Sharra, while you're coming up, you know that they deferred a lot of things that you're the go-to guy, so.

COMMISSIONER SKOP: Mr. Chair, could I also get my document back from Mr. Forrest?

CHAIRMAN CARTER: Oh, yeah. Mr. Forrest, would you give Commissioner Skop back his document?

Hang on one second, Mr. Perko.

(Pause.)

Okay. Mr. Perko, you may proceed.

MR. PERKO: Thank you.

ROBERT SHARRA

was called as a witness on behalf of Florida Power & Light Company and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. PERKO:

Q. Mr. Sharra, could you please state your full name and business address for the record.

A. My name is Robert Sharra, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. And, Mr. Sharra, have you been sworn today?

A. Yes, sir, I have.

Q. Mr. Sharra, did you cause to be filed and, prepare and cause to be filed in this proceeding direct testimony consisting of 23 pages?

A. Yes, sir, I did.

Q. And did that testimony also include exhibits prelabeled RGS-1, RGS-2, RGS-3 and RGS-4 that have been now identified on staff's Comprehensive Exhibit List 6 through 9?

A. Yes, sir.

Q. Do you have any changes or corrections to your prefiled direct testimony?

A. I believe there was one noted change that was part of errata. I don't have that with me. That changed the total capital cost of the project.

Q. That change is included in the errata that we submitted on July 24th?

A. Yes, sir.

Q. Thank you. Other than that change included in your errata, if I were to ask you the questions in your testimony today, would your answers be the same?

A. Yes, sir.

Q. And do you have any changes to the exhibits that I identified?

A. No, sir.

MR. PERKO: At this time, Your Honor, we would ask that Mr. Sharra's prefiled direct testimony be included in the record as if read.

CHAIRMAN CARTER: The prefiled testimony of the witness will be inserted into the record as though read.

(Exhibits 6, 7, 8 and 9 marked for identification.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF ROBERT G. SHARRA

DOCKET NO. 09_____-EI

Q. Please state your name and business address.

A. My name is Robert G. Sharra. 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 Director of Project Development in the Energy, Marketing & Trading (EMT) Business Unit.

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

A. I manage EMT's project development group, the department within EMT that is responsible for the long-term analysis of gas supply, the long-term contracting for physical natural gas transportation and storage capacity to meet the needs of FPL's generation plants and the development of FPL's long-term fuel price forecast.

Q. Please describe your educational background and business experience.

A. I earned a Bachelor of Arts degree from Edinboro State University in Edinboro, Pennsylvania. For the last 20 years, my background has been in project management and development of power plants and associated energy facilities both in North America and internationally. Prior to joining FPL in

2007 and being appointed to my current position, I was employed by Consumers Energy as Director of Development where I was responsible for the development of fossil power plant generation and early stage international development. From 1996 to 2005, I was responsible for the management of development opportunities for DTE Energy Services, a non-regulated subsidiary of DTE Energy.

Q. Are you sponsoring any exhibits?

A. Yes. I am sponsoring the following exhibits which are attached to my direct testimony:

- RGS-1 Map of the Florida EnergySecure Line Proposed Corridor
- RGS-2 Illustrative Map of the "Company E" Upstream Pipeline Project to be interconnected with the Florida EnergySecure Line
- RGS-3 "Company E" Fact Sheet (Confidential)
- RGS-4 Report entitled "The Economic & Tax Benefits of FPL's Proposed Natural Gas Pipeline," prepared by Fishkind & Associates, Inc. (Confidential)

Please note that Exhibit RGS-1 is a map provided in accordance with Rule 25-22.091(2)(f), Florida Administrative Code, but the pipeline corridor is subject to change through the regulatory siting process under the Natural Gas Transmission Pipeline Siting Act (NGPSA).

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to support FPL's request that the Florida Public Service Commission ("FPSC" or the "Commission") grant an affirmative determination of need for the Florida EnergySecure Line (the "Project"), a 30-inch diameter intrastate pipeline originating near Florida Gas Transmission, LLC (FGT) Compressor Station No. 16 in Bradford County, Florida (FGT Station 16), and terminating at FPL's Martin Plant in Martin County. The Florida EnergySecure Line will have an initial capacity of 600 million cubic feet per day (MMcf/d) and an in-service date of January 2014. Specifically, I will: (1) summarize FPL's existing firm natural gas transportation capacity; (2) describe the proposed Florida EnergySecure Line being developed by FPL in conjunction with a new upstream interstate pipeline (Upstream Pipeline), which will be owned and operated by a third party natural gas transmission company (referred to as Company E for confidentiality purposes) to deliver new natural gas transportation capacity to FPL's highly efficient, lower-emission Cape Canaveral Next Generation Clean Energy Center and the Riviera Beach Next Generation Clean Energy Center (respectively, CCEC and RBEC; collectively, the Modernization Projects); (3) outline the Florida EnergySecure Line's capability to increase its capacity at a later time at very low cost; (4) describe the economic and tax benefits the Florida EnergySecure Line brings to the community; and (5) describe the adverse consequences of delaying or denying the need determination of the Florida EnergySecure Line.

Please note that for purposes of my testimony one MMcf/d equals 1,000 MMBtu/d, based on an assumed heat content of 1,000 Btu per cubic foot of natural gas.

Q. Please summarize your testimony.

A. The Florida EnergySecure Line, in concert with the Upstream Pipeline, captures a once-in-a-generation opportunity where there are sufficient and immediate natural gas transportation needs (i.e., the Modernization Projects) to economically justify construction of a new, geographically separate pipeline into Florida. FPL continues to evaluate ways to increase renewable generation cost-effectively, augment demand side management (DSM) and expand its nuclear generating capability. Even with these efforts, however, FPL will need additional clean-burning, natural gas-based generation in the foreseeable future.

Currently, the natural gas infrastructure in Florida is unable to meet FPL's or Florida's future firm natural gas transportation needs. The two major natural gas providers, FGT and Gulfstream Natural Gas Systems, L.L.C. (Gulfstream), while dependable suppliers for many years, no longer have sufficient firm capacity available on their systems, nor the ability to expand their systems at a competitive cost. As it stands, neither FGT nor Gulfstream possess the current operational capability to supply the increased firm transportation volumes and increased delivery pressures for the modernized CCEC and RBEC facilities, as these generating units require a more advanced

natural gas delivery system. To meet the new gas requirements, these incumbent pipeline companies would require substantial upgrades to their existing systems. Moreover, the current natural gas infrastructure in Florida relies on gas supplies originating from the Gulf Coast region, which is susceptible to supply disruptions due to severe weather events.

The Florida EnergySecure Line, in concert with the Upstream Pipeline, not only meets the immediate needs of FPL's CCEC and RBEC facilities, it also addresses many of the challenges that are inherent in the incumbent pipeline systems in Florida by (1) obtaining a higher percentage of its supplies from sources other than the Gulf of Mexico, i.e. Mid-Continent shale gas, (2) having the capability of incrementally expanding its maximum capacity up to 1.25 billion cubic feet per day (Bcf/d) at a low cost; and (3) increasing pipeline competition within Florida.

If the need for the Florida EnergySecure Line is not approved, the numerous benefits of the Project will not be realized. In particular, FPL and its customers would be denied the opportunity to pursue the most long-term, cost-effective solution of meeting FPL's natural gas needs while increasing natural gas reliability and supply diversity in Florida.

FPL'S EXISTING NATURAL GAS TRANSPORTATION CAPACITY

Q. Please summarize FPL's existing contractual firm natural gas transportation rights.

A. Currently, natural gas supplies are delivered into Florida by four interstate pipeline systems: FGT's and Gulfstream's pipeline systems, Southern Natural Gas Company's (SNG) Cypress Project and Gulf South Pipeline Company, L.P. (Gulf South). As explained by FPL witness Sexton, however, the Cypress Pipeline only has direct deliveries to the Jacksonville market and Gulf South only provides direct deliveries to the Pensacola market. By contrast, the FGT and Gulfstream systems extend into various markets within Florida and provide approximately 90% of the gas transportation capacity available in the state. FPL currently holds firm contractual natural gas transportation rights on both the FGT and Gulfstream systems, but not on Cypress or Gulf South.

The FGT pipeline, which extends from southern Texas to Florida, is designed to transport natural gas supplies received in Texas, Louisiana, Mississippi and Alabama for delivery to markets within Florida. While FPL's pipeline capacity rights on the FGT system vary slightly by season, FPL currently has firm transportation agreements in place with FGT for a total of 874 MMcf/d during the peak summer season. This represents approximately 40% of FGT's

design transportation capacity into Florida. In addition, FPL has executed a precedent agreement with FGT to acquire 400 MMcf/d of additional capacity on FGT's recently-announced Phase VIII expansion project. Thus, after FGT's Phase VIII expansion project is placed in service in the spring of 2011, FPL will hold a total of 1.274 Bcf/d of firm transportation capacity on the FGT system during the peak summer demand season, representing approximately 42% of FGT's total transportation capacity into Florida. At this capacity, sufficient natural gas can be provided on FGT's system to generate electricity to serve approximately two million FPL customers.

The Gulfstream pipeline, which is designed to transport natural gas from various receipt points in the Mobile Bay area, extends from Alabama, across the Gulf of Mexico, to its terminus at FPL's West County Energy Center (WCEC) in Palm Beach County, Florida. FPL currently holds 535 MMcf/d of firm transportation capacity on Gulfstream. Further, per contractual agreements, this quantity will rise to 695 MMcf/d beginning June 1, 2009, when Gulfstream's Phase III expansion is completed, which will represent approximately 56% of Gulfstream's design capacity. At this capacity, sufficient natural gas can be provided on Gulfstream's system to generate electricity to serve approximately one million FPL customers.

Q. Is there a need to upgrade the natural gas pipeline infrastructure to meet FPL's future natural gas transportation needs?

A. Yes. FPL continues to evaluate ways to increase use of renewable energy resources cost-effectively, including solar and wind resources, but base-load natural gas generation is and, for the foreseeable future, will continue to be a critical component of FPL's efforts to meet customer demands while minimizing greenhouse gas emissions. In order for FPL to continue to meet its natural gas requirements, FPL relies on its combined natural gas transportation rights under contract with FGT and Gulfstream as valued suppliers. However, the current FPL initiatives to install highly-efficient clean natural gas generation at the CCEC and RBEC require expanded and upgraded gas delivery systems beyond the capabilities of the existing and proposed expansions of FGT's and Gulfstream's systems. By facilitating the introduction of a third major natural gas pipeline into Florida, the proposed Florida EnergySecure Line will provide a solution for diversity and reliability of supply and for upgraded pressure and delivery capabilities.

Q. Are there other benefits associated with introduction of new pipeline infrastructure into Florida?

A. Yes. The Florida EnergySecure Line should increase competition within the region. Projects similar to the Florida EnergySecure Line have created market dynamics that have significantly impacted the economics of the overall portfolio. As an example, FPL entered into a transportation agreement with the Southeast Supply Header (SESH) pipeline project, which began delivering

natural gas (sourced from on-shore production fields in Texas and Louisiana) into FGT and Gulfstream beginning in September 2008. Once these deliveries began, FGT and Gulfstream customers who purchased natural gas in the Mobile Bay area experienced over a 50% drop in the overall basis premium (current premium for Mobile Bay supplies above NYMEX Henry Hub). FPL projects that this differential could result in customer savings in excess of $50 million in 2009 alone, essentially paying the annual fee for the SESH pipeline. This is in addition to the many reliability and diversity benefits the SESH pipeline brings to FPL's portfolio.

DESCRIPTION OF THE FLORIDA ENERGYSECURE LINE

Q. Please describe the proposed Florida EnergySecure Line.

A. The Florida EnergySecure Line will be an intrastate pipeline located entirely within Florida. The initial facility, which will support commercial operation of FPL's Modernization Projects, will consist of approximately 280 miles of 30-inch mainline pipe, approximately 23 miles of 20 to 24-inch laterals, and two compressor stations. The proposed intrastate pipeline will be owned by FPL. The Florida EnergySecure Line will interconnect with a new Upstream Pipeline to be owned and operated by Company E to provide additional access to Mid-Continent natural gas supplies.

Q. What is the projected in-service date of the Florida EnergySecure Line?

A. The in-service date for the Florida EnergySecure Line is currently projected to be January 2014. As the Florida EnergySecure Pipeline will be placed in service approximately six months after the CCEC's projected in-service date, FPL will install natural gas boost compression at CCEC to ensure reliable gas supply via FGT's existing pipeline system during the interim period. The capital and operating costs of the CCEC boost compression have been included in the economic evaluation discussed in the testimony of FPL witness Enjamio.

Q. What customers will the Florida EnergySecure Line serve?

A. All gas delivered on the pipeline will be consumed within the state of Florida. Initially, the Florida EnergySecure Line will serve primarily the natural gas transportation needs of FPL's Modernization Projects, with these facilities requiring approximately 400 MMcf/d in total, or nearly two-thirds of the pipeline's initial capacity. The remaining 200 MMcf/d will be delivered to FPL's Martin Plant for reliability purposes, but will also be offered to other entities within the state. The 200 MMcf/d delivered to FPL's Martin Plant can displace deliveries from FGT or Gulfstream to that site, which can then be redirected to other FPL facilities or to other entities within the state.

The pipeline will continue to serve FPL's customers as additional natural gas generation facilities are added to meet customer demand over the useful life of the Project, which is estimated to be in excess of 40 years. In the near term,

the Florida EnergySecure Line will be available to serve the needs of other Florida customers through the sale of available transportation capacity. In addition, any unused transportation capacity could be used to help meet natural gas system reliability requirements during an unforeseen delivery system interruption by back feeding gas through the potential southern Florida hub interconnection with FGT and Gulfstream at the FPL Martin Plant as described below. Interconnections to deliver gas to FGT and Gulfstream would require blanket certificate approval from the Federal Energy Regulatory Commission (FERC).

Q. Will sales of available transportation capacity to third parties benefit FPL's customers?

A. Yes. FPL's customers will benefit from sales of all or a portion of the remaining capacity to third parties because revenues from any such sales will be credited to FPL's customers through the Fuel Cost Recovery Clause.

Q. Will the Florida EnergySecure Line be interconnected to other pipeline facilities?

A. The proposed Florida EnergySecure Line will be able to connect to interstate pipelines at the northern and southern ends of the Project, allowing for an integrated pipeline system in Florida. At the north end, the Florida EnergySecure Line will interconnect with the Upstream Pipeline and potentially with the existing FGT pipeline. In addition, there is the possibility that the Florida EnergySecure Line could interconnect with SNG's Cypress Project, creating the option to access liquefied natural gas (LNG) from the

Elba Island facility located in Savannah, Georgia. At the south end, the Florida EnergySecure Line could in the future interconnect with the FGT and Gulfstream pipelines at FPL's Martin Plant. Interconnecting the Florida EnergySecure Line with FGT, Gulfstream and the new Upstream Pipeline would increase the operational flexibility of the entire natural gas system in Florida.

A map is attached to my testimony as Exhibit RGS-1, which shows the proposed corridor of the Florida EnergySecure Line. As stated earlier, the specific route of the Project is the subject of the NGPSA process administered by the Florida Department of Environmental Protection (DEP). FPL will be engaging regulatory agencies and the public for input on this preliminary proposed corridor in advance of filing an NGPSA application.

As a point of clarification, the Florida EnergySecure Line will not connect to the Gulf South pipeline because it only reaches into the far western edge of the Florida panhandle and does not provide connection to a viable receipt point for FPL.

Q. Please provide a general description of the proposed location, from origination to terminus, of the Florida EnergySecure Line.

A. The mainline of the Florida EnergySecure Line will be located entirely within Florida, commencing at a point near FGT Station 16 in Bradford County, Florida. Commencement of the new pipeline at this location will create a

northern Florida receipt hub or interconnection point for the proposed Upstream Pipeline, the existing FGT pipeline, the Florida EnergySecure Line and, potentially, the Cypress Pipeline. This new north Florida hub will enhance the reliability of natural gas supplies, as well as increase pipeline-to-pipeline supply competition. During normal operations, natural gas will flow south from the area of Transcontinental Gas Pipe Line's (Transco) Station 85 via the Upstream Pipeline into Florida and connect with the new Florida EnergySecure Line for delivery to FPL and other Florida customers. During times when natural gas supply or gas transportation may be interrupted into the state of Florida, interconnections between the Upstream Pipeline, FGT and Florida EnergySecure Line near FGT Station 16 would permit operational flexibility to potentially deliver and/or receive natural gas to supply FPL's plants and other customers based on the specifics of the supply and demand requirements.

From the vicinity of FGT Station 16, the mainline will extend southeast to FPL's Martin Plant where, with FERC approval, it could be interconnected with the existing Gulfstream and FGT pipelines to create a southern Florida natural gas pipeline hub. This interconnectivity would allow for an increased collective reliability of the flow of clean natural gas fuel for energy facilities and customers in south Florida. Should an unforeseen supply or system interruption occur, fuel flow could be managed through reallocation or redirection of natural gas supplies.

Beginning at the Martin Plant, FPL will utilize an existing high pressure natural gas/oil pipeline that extends southeast to FPL's existing 45th Street Terminal located at 2400 Port West Boulevard in the City of Riviera Beach in Palm Beach County. Utilizing this existing 36-mile section of oil/gas pipeline will eliminate the need for new construction between these two points and thereby minimize environmental impacts in this sensitive and populous area. The existing oil/gas pipeline, which has already been permitted, is not part of FPL's need determination request.

As part of the Project, FPL will construct a 17-mile lateral pipeline to the CCEC, as well as a new 3-mile lateral from the 45th Street Terminal to the RBEC. Additionally, FPL will install permanent compression at the 45th Street Terminal and will upgrade an existing 3-mile natural gas-only lateral that connects the 45th Street Terminal to the FGT pipeline system. Additional laterals may be added at a later date to serve future generation facilities or customers.

Q. Has FPL identified a proposed corridor for the Florida EnergySecure Line?

A. Yes. The proposed corridor would co-locate, where possible, in FPL's existing 230kV and 500kV transmission corridors or other existing utility corridors. As proposed, approximately 250 miles of mainline pipeline and laterals would be co-located with FPL's existing transmission corridor and/or

other utility rights-of-way, minimizing the Project's impact as compared to a new green field pipeline.

The final location of the Florida EnergySecure Line corridor, however, is subject to the outcome of the regulatory process administered by the DEP and ultimately decided by the Governor and Cabinet sitting as the Natural Gas Transmission Pipeline Siting Board.

Q. Are there any proposed alternate corridors currently being considered for the Florida EnergySecure Line?

A. There are no proposed alternate corridors at this time. However, as part of the NGPSA process FPL will solicit input on the proposed corridor and will evaluate this input as part of a comprehensive analysis of alternative corridors. Through the NGPSA stakeholder engagement and outreach process, including open houses, FPL is seeking input from regulatory agencies and the public on the results of our preliminary recommendation. From the results of this process, FPL will identify a preferred corridor and any alternate corridors in our NGPSA application.

Q. How did FPL determine the appropriate size and initial capacity of the Florida EnergySecure Line?

A. FPL conducted an in-depth evaluation of pipeline design alternatives to select an optimum pipeline system: (1) to meet FPL's current transportation capacity requirements for the Modernization Projects; (2) to economically increase capacity over time through the addition of compression, as additional natural-

gas fired generation is needed; and (3) to minimize the cost and impact on FPL's customers. Based on FPL's evaluation, the 30-inch Florida EnergySecure Line with its initial capacity of 600 MMcf/d meets the 400 MMcf/d pipeline capacity needs of the Modernization Projects while optimizing the initial capital cost and variable cost of operation of the pipeline. Furthermore, as discussed by FPL witness Stubblefield, based on discussions with respondents to FPL's solicitation, 600 MMcf/d is the minimum quantity necessary for suppliers to commit to build a new interstate pipeline into Florida.

The selection of a 30-inch pipeline diameter for the Florida EnergySecure Line was based on a cost-benefit analysis of larger and smaller diameter piping systems. A pipeline with a smaller diameter than 30 inches (e.g., 24-inches) would be close to full effective capacity at flows of 400 to 600 MMcf/d, just enough for the Modernization Projects. Although compression could be added to a smaller pipeline, variable operating costs are significantly higher and are considered an economic operations penalty, limiting capacity growth and flexibility. FPL also evaluated a larger diameter piping system to consider even larger economies of scale. Given the current load growth projections, however, the period of time to fully utilize this larger system's initial capacity is too uncertain and the burden on customers potentially too high.

FUTURE PIPELINE EXPANDABILITY

Q. Can the Florida EnergySecure Line be expanded at a later date?

A. Yes. A 30-inch pipeline can transport approximately 600 MMcf/d with approximately 20,000 horsepower (HP) of compression. Pipeline transportation capacity can be increased in nominal increments of 200 MMcf/d through the addition of approximately 18,000 HP of compression for each expansion, to a maximum capacity of 1.25 Bcf/d. By comparison, incumbent pipeline companies could not add such capacity without either (1) installing new pipe, or (2) if feasible, adding compression that would have considerably higher variable operating costs than the Florida EnergySecure Line.

Because only additional compression would be needed to add capacity to the Florida EnergySecure Line, incremental expansions of this Project are much more cost-effective than installing new pipeline infrastructure to provide additional capacity at a later date. The economies of scale result from the relatively low additional cost of capital to install each incremental compression expansion. The initial Florida EnergySecure Line cost of $1.588 billion includes all required facilities to interconnect and deliver 600 MMcf/d of natural gas. Each incremental expansion requires only the compression necessary to flow an additional 200 MMcf/d, plus interconnection costs at a new location. Contingent on the specifics of the

additional compression, including year of installation and related costs, the location and other remaining details of the installation, we currently estimate costs varying between $125 million to approximately $200 million for each upgrade. Thus, an initial 200 MMcf/d expansion at a cost of $125 million would represent a 33% increase in capacity (600 MMcf/d to 800 MMcf/d) for an increased investment of slightly less than 8%.

DESCRIPTION OF THE COMPANY E UPSTREAM INTERSTATE PIPELINE

Q. Please describe Company E's proposed Upstream Pipeline.

A. The Upstream Pipeline will be a new interstate pipeline originating from an interconnection with Transcontinental Gas Pipe Line at Transco Station 85, located in Choctaw County, Alabama, and terminating at the point of interconnection with the Florida EnergySecure Line near FGT Station 16, in Bradford County, Florida. An illustrative map showing the general location of the Upstream Pipeline Project is attached as Exhibit RGS-2 to my testimony.

Q. Who will own and operate the Upstream Pipeline?

A. The Upstream Pipeline will be owned and operated by a major natural gas transmission company identified as Company E for confidentiality purposes. Confidential Exhibit RGS-3 provides a description of the company and its experience with natural gas pipelines. Company E is a large, financially

strong, experienced provider, owner and operator of natural gas pipelines with a solid track record of pipeline development, construction and operations.

Q. Will the construction of the Upstream Pipeline require regulatory approval?

A. Yes. The Upstream Pipeline will require federal certification by FERC pursuant to the provisions of the Natural Gas Act (NGA). Company E currently plans to file its application for a certificate of public convenience and necessity with FERC in the fall of 2011 on schedule to meet the required January 2014 in-service date. The Upstream Pipeline is not a part of this need application before the FPSC.

Q. Is the Upstream Pipeline expected to be the primary supply source for the Florida EnergySecure Line?

A. Yes. The Upstream Pipeline will be the primary link in the upstream transportation of the Florida EnergySecure Line's gas and will transport nearly all of the volumes reaching the Project. In addition, by potentially creating a northern Florida interconnection, it will be possible to access gas supply from FGT or Cypress as market conditions and physical delivery capabilities warrant.

Q. What is expected to be the supply source for the Upstream Pipeline?

A. As described in more detail by FPL witness Sexton, the Upstream Pipeline will be interconnected with the facilities of other interstate pipeline companies at Transco Station 85, including Transco, Boardwalk Pipeline Partners, L.P., Gulf Crossing Pipeline, and Kinder Morgan's Midcontinent Express Pipeline.

FPL identified Transco Station 85 as the best location to provide access to new gas supplies for a number of reasons. By interconnecting with the other pipelines via the Upstream Pipeline at Transco Station 85, the Florida EnergySecure Line will have direct access to natural gas volumes originating outside of the Gulf region, including the Barnett Shale and Bossier Sands in northeastern Texas, the Caney/Woodford Shale in southeastern Oklahoma, the Fayetteville Shale in southern Arkansas and the Haynesville Shale in northern Louisiana. This additional access to Mid-Continent gas reserves will increase the diversity and reliability of Florida's natural gas supplies.

ECONOMIC AND TAX IMPACT OF THE FLORIDA ENERGYSECURE LINE

Q. Have the potential economic and tax impacts of the Florida EnergySecure Line been estimated?

A. Yes. FPL contracted with Fishkind & Associates, Inc. (Fishkind & Associates), a noted economic and financial consulting firm, to estimate the potential economic and tax benefits resulting from the construction of the Florida EnergySecure Line. Under my direction, Fishkind & Associates analyzed potential economic and tax impacts at the state and county level using estimated capital costs, allocated on a county-by-county basis, provided by FPL. As explained in the report (Confidential Exhibit RGS-4), Fishkind & Associates projects the creation of (i) 3,500 direct construction jobs resulting

from the installation of the Project, and (ii) over 7,600 total direct and indirect jobs through the multiplier effect of direct spending from wages and output during construction of the Florida EnergySecure Line. Fishkind & Associates also estimates that construction of the pipeline will generate approximately $20 million in Florida sales and use tax and contribute over $400 million in tax benefits to local governments over the projected 40 year useful life of the Project. In total, through the indirect effects of direct spending from wages and output during construction, the pipeline's installation is estimated to generate an overall economic impact of $1.2 billion.

ADVERSE CONSEQUENCES OF DELAY OR DENIAL

Q. In the event that a determination of need for the Florida EnergySecure Line is denied or significantly delayed, what consequences do you foresee?

A. If this Project is not approved or is significantly delayed, alternative means of natural gas delivery system upgrades will be required to provide the additional natural gas deliveries at the upgraded pressures required to serve FPL's Modernization Projects and future gas transportation needs. In the short term, installation of on-site compression combined with reallocation of FPL's existing gas delivery rights would permit operation of the Modernization Projects, but only on a sub-optimal basis. Recognizing that this can only be a short-term solution, FPL must employ other more permanent alternatives to

address FPL's long-term natural gas transportation needs. As there are changes in any of a number of underlying factors, including load growth, technology, or operation of the existing FPL generation units, FPL will need to secure additional natural gas delivery capacity. Failure to upgrade both the volume and pressure would directly impact both the reliability and cost to operate the current FPL generation facilities and the ability to expand natural gas generation in the future as required.

Further, expansion of one of the incumbent pipeline delivery systems (FGT or Gulfstream), which were alternatives considered in the evaluation of this Project, would make adding a new physical pipeline into Florida economically infeasible for many years to come and fail to take advantage of a unique opportunity to strengthen the natural gas infrastructure in the state. As FPL witness Stubblefield explains, results of the competitive solicitation for a third major pipeline into Florida indicated a 600 MMcf/d capacity as the minimum size to attract proposals for a new pipeline.

Expansion of one of the incumbent systems would not provide the economic, reliability and security benefits of a third pipeline. As FPL witness Sexton explains, FPL's load concentration on the two incumbent pipelines is unprecedented in North America. FPL currently produces more gigawatt hours of electricity from natural gas than the next four utilities combined. A key consideration for this Project is not that the current systems have been

anything other than reliable, but rather upgrading and expanding the physical pipeline infrastructure and gas supply diversity are essential. Furthermore, the Florida EnergySecure Line is a $1.588 billion project, the construction of which will provide a significant immediate and on-going boost to Florida's economy. As discussed above, this large infrastructure investment also will provide significant tax benefits to state and local governments. The loss of revenues into the state of Florida realized by cancelling the Project's proposed expenditures on labor and materials would be substantial. Failing to approve the Project would deprive the state of various economic benefits at a time when both the state and country most need new economic boosts and job creating opportunities.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to determine need for Florida EnergySecure Pipeline by Florida Power & Light Company	Docket No: 090172-EI Served: July 24, 2009

ERRATA SHEET

DIRECT TESTIMONY OF ROBERT G. SHARRA

PAGE #	LINE #	CORRECTION
17	20	Replace "$1.588" with "$1.531"

Respectfully submitted this 24th day of July, 2009.

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BY MR. PERKO:

Q. Mr. Sharra, could you please provide your summary of your testimony?

A. I would like to. Thank you.

Good morning, Chairman Carter and Commissioners. Thank you for the opportunity to address you today.

The purpose of my testimony is to support FPL's request that the Commission grant an affirmative determination of need for the proposed Florida EnergySecure line, a unique and important project to initially serve the natural gas transportation requirements of FPL's modernizations at the Cape Canaveral Clean Energy Center and the Riviera Beach Clean Energy Center. I would also like to focus on key components of the project and explain the benefits to FPL's customers in the state.

The Florida EnergySecure line is a new intrastate pipeline to be located entirely within Florida commencing in Bradford County and extending southeast to its terminus at FPL's Martin plant. The initial facility will consist of approximately 280 miles of mainline pipe, approximately 23 miles of laterals and two compressor stations.

The modernizations are replacing 1960s era oil

and gas fueled steam units. The current natural gas delivery systems were not designed to serve the increased natural gas pressures or flows required by today's highly efficient gas turbine technology. Neither of the two incumbents, either FGT or Gulfstream, currently serving FPL plants have the capacity nor the facilities to meet these increased delivery requirements without a major capital upgrade and expansions of their systems. Therefore, a do-nothing scenario is not an option.

With the modernizations coming into service in 2013 and 2014, an additional 400 million cubic feet per day of firm pipeline capacity is required. Moreover, it is FPL's expectation that a significant portion of future generation expansions will also be required, which will require -- I'm sorry -- which will also be fueled by natural gas, which will require even greater transport, transport capacity.

Depending upon the pace of the economic recovery and the progress of identified nuclear plant additions, additional transport capacity could be required as early as 2018.

The Riviera Beach modernization will be served by an existing high pressure oil, natural gas pipeline owned and operated by FPL that currently connects the

Martin plant with FPL's 45th Street terminal. By utilizing that existing pipeline segment, FPL will avoid the need to build over 36 miles of new pipeline through environmentally sensitive areas in western Palm Beach County. Further, collocating the EnergySecure line in the existing transmission rights-of-ways minimizes impact on the environment and minimizes impact to residents in proximity to the pipeline route.

The Florida EnergySecure line presents a unique opportunity to anchor a new geographically separate third pipeline into Florida, improving the physical reliability and security of the gas transport system.

In recent history it has been the significant gas transportation requirements of FPL that have anchored the expansions of the two incumbent pipeline systems that currently provide essentially all of FP&L's natural gas transport capacity and provide a significant portion of the gas transport capacity for the balance of the state. This time, however, we believe FPL has a better solution for FPL's customers and the state.

FPL's solution, the Florida EnergySecure line as a third major pipeline into peninsular Florida, eases the supply concentration on the two incumbent pipelines of approximately 2 billion cubic feet per day. Such

load concentration is unprecedented in the North American electric utility industry. By April 2011 when the latest expansion of the FGT system comes online, the majority of FPL's 4.5 million customers will receive electricity generated from gas delivered through just these two incumbent pipelines.

In addition, this project will access additional natural gas receipt points, creating much needed competition for gas suppliers and bring increased market competition dynamics into play. A broad portfolio of gas suppliers over a geographically diverse area reduces the risk of interruption of supply or delivery from any one production area.

Finally, FPL has the proven experience to successfully manage and execute complex schedule and budget driven energy projects to make the Florida EnergySecure line a reality and to bring the benefits this pipeline represents to the customers of FPL and the State of Florida.

Thank you.

MR. PERKO: I'm sorry. Mr. Chairman, it occurred to me that we have some confidential exhibits for Mr. Sharra, which we can distribute in the red folders at this time, if that would be your pleasure.

CHAIRMAN CARTER: Mr. Self, what do you think

would be most convenient in how we do that? Are you going to --

MR. SELF: I'm not going to ask him about those, so I don't need them at this time.

MR. PERKO: That's fine.

CHAIRMAN CARTER: Okay. Hang on one second.

Commissioner Skop?

COMMISSIONER SKOP: Thank you, Mr. Chair.

Mr. Self, also the prior confidential exhibit, are you going to use that one, or can we give those back to you?

MR. SELF: Yes, we meant -- we'll get those at the break from you. Thank you.

CHAIRMAN CARTER: Okay. Thank you.

Mr. Self, you may proceed.

MR. SELF: Thank you.

CROSS EXAMINATION

BY MR. SELF:

Q. Good morning, Mr. Sharra. I'm Floyd Self, representing FGT.

A. Good morning.

Q. In your summary you said that there was the potential for new capacity being needed in 2018. Do you recall that statement?

A. Yes, sir, I do.

Q. Are you talking about new gas generating plant that would come on in 2018?

A. Yes, sir, I am. The reference is related to the nuclear delay case.

Q. Okay. But at this point in time your Ten-Year Site Plan, for example, does not show a plant coming online in 2018; correct?

A. That is correct.

MR. SELF: Okay. Thank you very much.

No further questions, Mr. Chairman.

CHAIRMAN CARTER: Thank you, Mr. Self.

Commissioners, I'm going to -- I'll go to staff.

Staff, you're recognized.

MS. BROWN: Excuse me, Mr. Chairman.

CROSS EXAMINATION

BY MS. BROWN:

Q. Hi, Mr. Sharra.

A. Good morning.

Q. I just have a very few sort of cleanup questions for you.

CHAIRMAN CARTER: Martha, pull your mike -- get a little closer to your mike. There we go.

BY MS. BROWN:

Q. I just have a very few cleanup questions for

you.

CHAIRMAN CARTER: Thank you.

BY MS. BROWN:

Q. You just mentioned that there will be additional receipt points for the delivery of natural gas with respect to the upstream pipeline and the EnergySecure pipeline; is that correct?

A. Yes, ma'am.

Q. Other than the delivery point for the Riviera Beach and Cape Canaveral plant, are there any other delivery points projected to be constructed as part of the EnergySecure line?

A. The EnergySecure line will have three connection points as originally designed: The Cape Canaveral Clean Energy Center, the Riviera Beach Clean Energy Center, as you've referenced, and the Martin plant, the FPL Martin plant.

Q. And that's it?

A. Initially those three delivery points are what have been identified.

Q. Okay. Thank you.

Now we asked Mr. Forrest about earning a rate of return on the transportation of natural gas through the pipeline, that this would be the first time for FP&L to earn a rate of return on the transport -- on the

transportation of natural gas; is that correct?

A. Yes, ma'am.

Q. And then I think on redirect Mr. Forrest said whether or not FPL or some other pipeline owns the pipeline, the ratepayer would be charged a rate of return for the transportation of natural gas; correct?

A. Yes, ma'am. My understanding is that if we purchase natural gas transportation services from a third party, for example, FGT or Gulfstream, that in the sale price or the demand charge, if you will, of that is embedded all the costs of running the business, including a return of and on capital.

Q. So really ratepayers should be indifferent to who owns the pipeline, as long as they are paying fair market price; correct?

A. I would think the logic of that would be correct.

Q. If FPL owns the pipeline though, the company will benefit from the rate of return it will earn on its investment, where if some other company owned the pipeline, the associated costs would simply be passed through to ratepayers and FPL would not have the opportunity to earn a profit; correct?

A. I believe that's an accurate statement.

MS. BROWN: May we just have one minute?

CHAIRMAN CARTER: Okay. Let's just take a minute. We won't leave. Just everybody hold your places.

(Pause.)

BY MS. BROWN:

Q. Mr. Sharra, let me ask you a question about FERC regulated pipelines. Are they put at risk if the line is not fully subscribed?

A. I am not -- I would not propose that I would be an expert in FERC regulated pipelines and that business. But my understanding would be that they, that there, there are two types of negotiations that go on on FERC regulated pipelines. One would be a negotiated rate with shippers and the other is a recourse rate. And my understanding is that if a, if a pipeline fails to fully subscribe the pipeline, it is at risk.

Q. Thank you. Now two, two oddball questions that were punted to you.

Based on FPL's proposed accounting treatment, will FPL begin to accrue AFUDC on costs incurred beginning January 1, 2010?

A. Yes, ma'am. I would like to reference some notes I have, as I'm not by any means an expert in utility accounting. But it is my understanding that there is a proposed adjustment in a rate case to move

the pipeline cost out of Account 183 and move it into a construction work in process, or a CWIP account. This would allow FPL to accrue AFUDC from January 1st, 2010, through the in-service date, which is projected to be January 1st, 2014.

Q. So then my understanding is that FP&L has included costs related to the EnergySecure line in its rate case filing.

A. No, ma'am. That's not my understanding. And subject to clarification, it's my understanding there are no pipeline costs included in FPL's rate case.

Q. But there is a proposal to move the cost out of Account 183 and put it in CWIP?

A. That is my understanding.

Q. Okay. All right. Will FP&L continue to accrue AFUDC until the EnergySecure line is placed in service in 2014?

A. Yes, ma'am. That is my understanding.

Q. Okay.

A. Subject to further clarification.

MS. BROWN: All right. That's all the questions we have. Thank you.

CHAIRMAN CARTER: Commissioner Skop, you're recognized.

COMMISSIONER SKOP: Thank you, Mr. Chair.

Good morning, Mr. Sharra.

THE WITNESS: Good morning.

COMMISSIONER SKOP: If I could ask you to turn to your Exhibit RGS-1, please.

THE WITNESS: Bear with me one second, please.

COMMISSIONER SKOP: And I think that shows the big map behind you, although my eyes are not what they were, once were.

THE WITNESS: Yes, sir.

COMMISSIONER SKOP: I just want to understand. I thought this was a useful graphic, but -- because it answers some of the questions that I would have otherwise asked you.

But am I correct to understand that following the intrastate pipeline down from the FGT Station 16 to the lateral, the first lateral that you get to is what connects to the Canaveral facility; is that correct?

THE WITNESS: Yes, sir. Is this working now?

COMMISSIONER SKOP: Yes.

THE WITNESS: Yes, sir. That is correct.

COMMISSIONER SKOP: Okay. And then following the green dotted line down, you come to the Martin plant where the gold line shows the existing FPL gas/oil pipeline; is that correct?

THE WITNESS: Yes, Commissioner. The proposed

Florida EnergySecure line would terminate at the Martin plant and would interconnect with, as you say, the gold line, which is the 18-inch 36-mile segment which goes from the Martin plant to the FPL 45th Street terminal.

COMMISSIONER SKOP: Okay. And then there would be one additional lateral from the 45th Street terminal over to the Riviera Beach plant; is that correct?

THE WITNESS: Yes, sir. Yes, Commissioner. There would actually be two laterals. There would be a three-mile lateral running from the 45th Street terminal into the Riviera Beach Clean Energy Center. We would also propose to construct a second lateral that would run from the 45th Street terminal back to the FGT mainline at the turnpike.

COMMISSIONER SKOP: Thank you. And with respect to the existing gas/oil line, I guess Mr. Forrest did defer to you on this, and it was the subject of a staff question, but on staff's Interrogatory Number 157 the question was posed, "Is FPL aware of any investor-owned electric utility that has a minimum of 100 miles of contiguous interstate -- or intrastate pipeline facilities included in its base rate for which it earns an overall rate of return, and, if so, please provide the details." And it has a response.

But what I'm concerned about is the existing gas/oil line from the Martin plant to the 45th Street terminal. And I guess what I was wondering is are those -- obviously a capital investment was made for that, that line, and is that encompassed to your knowledge within existing base rates?

THE WITNESS: I am not able to address that question. I know Mr. Forrest did direct the, the question my way. I would believe that Witness Morley may be better prepared to answer that.

COMMISSIONER SKOP: Okay. Well, I guess it would seem to me to be somewhat important to the extent that Mr. Self in his opening statement suggested that there was precedent value that attached to the fact that this had never been done before. And what I'm trying to establish is whether in fact this existing 36-mile pipeline obviously has to be recovered in costs somewhere. I would assume it would be base rates, given the, probably the time it was put into service as opposed to a clause. But it would be interesting to track that down. So I'll defer to, to that witness.

THE WITNESS: Thank you.

COMMISSIONER SKOP: I guess -- let me see if I have any additional questions.

The one additional question I did have, and

this was somewhat of a point of confusion from a question that I heard our staff ask, and I just want to clarify. If I heard your prior response correctly, that consumers would be indifferent as to who actually owned the pipeline, whether it be Gulfstream, FGT, or FPL, to the extent that if a third party owns the pipeline, their return on equity is actually embedded in the demand charges that the utility has to pay and is passed through to the consumers; is that correct?

THE WITNESS: I believe that would be correct, yes, Commissioner.

COMMISSIONER SKOP: Okay. So if FPL were granted need and built the pipeline and earned a return on investment on the pipeline, that would be analogous to exactly what's happening with the third-party pipelines, it's just -- but their ROE is embedded, whereas yours is more transparent; is that correct?

THE WITNESS: I believe that's the case. I believe where the difference would come and where the customers of FPL in the State of Florida would not be indifferent (phonetic) is when the next expansion would come, because I believe, as Witness Forrest had described in great detail, the benefits of being able to expand the 30-inch line.

COMMISSIONER SKOP: Okay. And not to have

that -- if I understand the testimony, and I'll let that speak for itself and the witnesses, but it seems to me that FPL is asserting that those future expansions would be borne at a much lower cost than is typically incurred by the third-party providers today; is that correct?

THE WITNESS: That is my understanding, yes, Commissioner.

COMMISSIONER SKOP: Okay. All right. And then I guess one final question, with respect to the embedded ROE that the third-party providers, you know, recover in what they charge FPL, is FPL aware of, of what that embedded ROE might be to the extent that -- would FPL's existing ROE be lower than what is currently recovered through a third-party pipeline provider?

THE WITNESS: I am not personally familiar with the ROE that would be embedded either in the FGT or any other interstate pipeline company.

COMMISSIONER SKOP: Okay. All right. Thank you.

Actually one follow-up question. On the interstate pipeline companies, those are traditionally regulated by FERC; is that correct?

THE WITNESS: Interstate pipeline companies are traditionally regulated by FERC. Yes, sir.

COMMISSIONER SKOP: Okay. And generally

speaking, in terms of -- well, I won't go there. I'll just try and find the answer a different way. Thank you.

CHAIRMAN CARTER: Thank you, Commissioner.

Commissioners, anything further from the bench?

Okay. Mr. Perko.

MR. PERKO: No redirect.

CHAIRMAN CARTER: Okay. Exhibits.

MR. PERKO: Commissioner, at this time -- or, Mr. Chairman, at this time we would introduce FPL Exhibits 6, 7, 8 and 9 into the record.

CHAIRMAN CARTER: Mr. Self?

MR. SELF: No objections.

CHAIRMAN CARTER: Without objection, show it done. Exhibits 6, 7, 8 and 9.

(Exhibits 6, 7, 8 and 9 admitted into the record.)

And I presume this witness will also be coming back for rebuttal?

MR. PERKO: That's correct.

CHAIRMAN CARTER: So you'll be on recess.

COMMISSIONER SKOP: Mr. Chair?

CHAIRMAN CARTER: Commissioner Skop.

COMMISSIONER SKOP: Thank you, Mr. Chair.

I don't want to go into the rebuttal testimony, but I do want to ask two additional questions, I'm sorry, that I -- actually, hold on. There's a lot of paper in front of me this morning, so I apologize.

Mr. Sexton (sic.), I guess in your rebuttal testimony you get into some additional analysis that you've done. But generally speaking, it seems that you've compared using the existing fuel forecast along with what various scenarios A, B, and C in terms of cases that FPL might do with the existing or excess capacity on the proposed pipeline; is that correct? I want to make sure I've got the right witness, but I believe I do.

THE WITNESS: You may be referring to Witness Sexton, who is looking at upstream receipt points, deliverability, although I did --

COMMISSIONER SKOP: I'm sorry. I'm looking at S and getting very confused. So I apologize. I probably have like 3,000 pieces of paper in front of me. So my apologies, and I'll reserve that for Mr. Sexton.

Generally speaking though on one final question, with respect to FERC regulating interstate pipelines, I think the analogy -- and feel free to answer if you're able to -- but historically FERC has

been very liberal with ROEs granted to interstate pipelines or interstate transmission; is that your general understanding?

THE WITNESS: I'm afraid I can't address that topic.

COMMISSIONER SKOP: All right. Thank you.

CHAIRMAN CARTER: Thank you.

Commissioners, anything further for this witness?

Okay. You're on recess.

You may call your next witness.

And to the parties, just be advised of the time constraints that I've put in, because we do want to allow you an opportunity to take a break, as well as the Commissioners to take a break and our staff to get a break and come back in.

You may proceed.

MR. GOORLAND: Good morning, Mr. Chairman and Commissioners. Scott Goorland for Florida Power & Light. FPL calls Dr. Rosemary Morley.

And while, while she's setting up, I'll note that Ms. Morley was not one of the folks in the room this morning who was sworn in.

CHAIRMAN CARTER: Okay. So I'll need to swear Ms. Morley in.

And, Ms. Morley, before I swear you in -- Dr. Morley, before I swear you in, I've got to let you know that they've deferred a lot of stuff to you. They said you're the witness, you're the witness. So would you please stand and raise your right hand?

(Witness sworn.)

Please be seated.

You may proceed.

ROSEMARY MORLEY

was called as a witness on behalf of Florida Power & Light Company and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

Q. Dr. Morley, would you please state your name and business address.

A. Rosemary Morley, 700 Universe Boulevard, Juno Beach, Florida.

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

A. I'm employed by Florida Power & Light as the Director of Load Forecasting.

Q. And have you prepared and caused to be filed 28 pages of prefiled direct testimony in this proceeding?

A. Yes, I have.

Q. And did you also cause to be filed errata to your testimony on July 24th, 2008?

A. Yes, I did.

Q. And do you have any further changes or revisions to your prefiled direct testimony?

A. No, I do not.

Q. And with those changes, if I asked you the same questions contained in your direct testimony, would your answers be the same?

A. Yes, they would.

Q. And are you also sponsoring any exhibits to your direct testimony?

A. Yes, I am.

Q. And do those exhibits consist of 21 pages shown as RM-1 through RM-21, also identified as staff's exhibit s, on staff's exhibit list as Numbers 13 through 33?

A. Yes, I am.

MR. GOORLAND: And, Mr. Chairman, I ask that Ms. -- Dr. Morley's prefiled direct testimony be inserted into the record as though read.

CHAIRMAN CARTER: The prefiled testimony of the witness will be inserted into the record as though read.

(Exhibits 13 through 33 marked for

identification.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF DR. ROSEMARY MORLEY

DOCKET NO. 09_____-EI

Q. Please state your name and business address.

A. My name is Dr. Rosemary Morley, and my business address is Florida Power & Light Company, 700 Universe Blvd., 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 Director of Load Forecasting and Analysis.

Q. Please describe your duties and responsibilities as FPL's Director of Load Forecasting and Analysis.

A. I am responsible for the development of FPL's peak demand, energy, customer and economic forecasts.

Q. Please describe your educational background and professional experience.

A. I hold a bachelor's degree (B.A.) with honors in economics from the University of Maryland and a master's degree (M.A.) in economics from Northwestern University. In 2005, I earned a Doctorate in Business Administration (D.B.A.) from Nova Southeastern University. I began my career with FPL in 1983 as an Assistant Economist. I have since held a variety of positions in the forecasting, planning, and regulatory areas.

Between 1996 and 2007, I was the Rate Development Manager for FPL. During that time, I testified on a number of issues, including the forecast of billing determinants by rate class and the Company's load research studies. I am a member of the National Association of Business Economists and the Institute of Business Forecasting and Planning.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits which are attached to my direct testimony:

- RM-1 Actual and Forecasted Summer Peak (MW)
- RM-2 Summer Peak Forecasting Error
- RM-3 Annual Percent Change in Florida's Population
- RM-4 Historical Population Growth
- RM-5 Annual Change in Population, Long-term Moving Averages
- RM-6 University of Florida's Population Under-Forecast
- RM-7 Total Average Customers
- RM-8 Real Household Disposable Income
- RM-9 Real Price of Electricity
- RM-10 Impact of the Appliance Efficiency Standards
- RM-11 New Wholesale Contracts
- RM-12 Summer Peak Load per Customer (kW)

- RM-13 Summer Peak Load (MW)
- RM-14 Long-Term Growth in Summer Peak (MW)
- RM-15 Changes in Forecasted Summer Peak Since the 2008 Ten-Year Site Plan
- RM-16 Winter Peak Load (MW)
- RM-17 Long-Term Growth in Winter Peak (MW)
- RM-18 Net Energy for Load Use Per Customer (kWh)
- RM-19 Net Energy for Load (GWh)
- RM-20 Long-Term Growth in Net Energy for Load (GWh)
- RM-21 Changes in Forecasted Net Energy for Load Since the 2008 Ten-Year Site Plan

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to (i) describe FPL's load forecasting process, (ii) identify the underlying methodologies and assumptions, (iii) present FPL's long-term load forecast and (iv) describe how that forecast differs from the load forecast filed in the 2008 Ten-Year Site Plan.

Q. Please summarize your testimony.

A. My testimony examines the factors which drive FPL's customer and load growth. Based on reasonable assumptions and recognized forecasting methods, FPL's forecast shows that the conditions leading to declines in load growth recently experienced will dissipate in the next few years. Although below the level assumed in the 2008 Ten-Year Site Plan, substantial long-run

growth is still projected for the system. Between 2008 and 2018, FPL is projecting a 2.2% annual increase in the summer peak, or a cumulative increase of 5,083 MW. Over the longer term, the absolute increase will be even more substantial. Between 2008 and 2025, FPL is projecting a 2.3% annual increase in the summer peak, or a cumulative increase of 9,913 MW. By 2030, the summer peak is projected to reach 33,931 MW or a cumulative increase of 12,871 MW over the 2008 summer peak.

BACKGROUND

Q. What principles does FPL rely on in developing its load forecast?

A. FPL relies on three principles in developing its load forecast. First, a load forecast depends on an understanding of the underlying data. As a result, the most relevant and timely data should be carefully examined. This includes a review not only of the variables to be forecasted, but also of the factors which may influence future values. Accordingly, FPL reviews demographic and economic projections from a number of industry experts, including the University of Florida and Global Insight. Second, a load forecast should be based on statistically sound models. In this regard, FPL relies on econometrics as the primary tool for projecting future levels of customers and sales. An econometric model is a numerical representation, obtained through statistical estimation techniques, of the degree of relationship between a dependent variable, e.g., net energy for load (NEL), and the independent

(explanatory) variables. FPL has consistently relied on econometric models for various planning purposes and the modeling results have been reviewed and accepted by the Florida Public Service Commission ("FPSC" or "Commission") in past proceedings. Third, a load forecast must reflect sound judgment. While intangible, sound judgment is critical, particularly during periods of rapid change and uncertainty.

Q. What are the principal components of the long-term load forecast?

A. The principal components of the long-term forecast are total customers, summer peak, winter peak and NEL. The summer peak, winter peak and NEL are forecasted on a per customer basis. Thus, the customer forecast in combination with the summer peak per customer forecast yields the summer peak forecast. A similar approach is used in forecasting the winter peak and NEL.

Q. How accurate has FPL's load forecast been historically?

A. Based on a review of FPL's Ten-Year Site Plans, the accuracy of the short-term forecast has been very good with a one year-ahead error in absolute terms of 2.3% since 1989. Longer-term accuracy has proven more challenging, with a ten year-ahead forecasting error in absolute terms of 10.5%.

Q. Why has the longer term accuracy proven more challenging?

A. The factors driving the demand for electricity (e.g., population growth, the economy, the price of electricity) are subject to increasing uncertainty as the forecasting horizon expands. For example, customer growth next year will be

influenced by next year's population growth, which in turn will be influenced by actual population levels this year. However, a forecast of customer growth ten years from now must consider multiple years of population growth and this year's actual population level is likely to have a progressively smaller impact on future population growth as time goes on.

Q. Has there been any pattern in the direction of variances in the long-term forecast?

A. Yes. Based on the Ten-Year Site Plans filed between 1989 and 1999, the long-term summer peak has been consistently under-forecasted. This is illustrated by Exhibits RM-1 and RM-2, which compare actual peaks with what had been forecasted for that year ten years prior. Given the recent slowdown in load growth, the direction of future forecasting errors is subject to great uncertainty. On the other hand, as I discuss later in my testimony, the recent slowdown in load growth has been influenced by factors which are expected to dissipate over time and return FPL's load growth to more historically typical levels. To the extent the rebound in usage exceeds current expectations, future values for the summer peak may again exceed forecasted levels.

CUSTOMER GROWTH FORECAST

Q. How many customers receive their electric service from FPL and where are they located?

A. FPL currently serves about 4.5 million customers. This amounts to a population of almost nine million people. FPL's service territory covers approximately 27,650 square miles within peninsular Florida, which ranges from St. Johns County in the north to Miami-Dade County in the south, and westward to Manatee County. FPL serves customers in 35 counties within this region.

Q. What customer growth has FPL experienced historically?

A. FPL has historically experienced significant customer growth, averaging a 2.6% annual growth rate since 1980 or an average increase of 83,000 customers per year. Cumulatively, more than 2.3 million customers have been added since 1980, more than doubling FPL's customer base.

Q. What customer growth has FPL experienced recently?

A. By historical standards, FPL has experienced minimal customer growth since 2007. During 2008, FPL's customer base increased by only 0.3% or 13,000 customers. The slowdown in customer growth has been driven by the short-term reductions in population growth stemming from the current recession.

Q. How does FPL forecast customer growth?

A. As noted above, customer growth is primarily determined by changes in population. Accordingly, FPL forecasts total customers using an econometric model with population and seasonal factors as the explanatory variables.

Q. What population growth has Florida experienced historically?

A. Florida has experienced substantial long-term population growth. The State's population has nearly doubled since 1980, an increase of over nine million. As Exhibit RM-3 shows year-to-year growth has been cyclical with population growth falling during recessions and rebounding thereafter. In addition, over the long-term the annual percentage rate of population growth has tended to drift downward over time. However, in absolute terms, the annual increase in population growth has been more stable. Exhibit RM-4 shows that annual absolute increases in population have been very large until the current recession. A moving average of a series is sometimes calculated to distinguish the underlying trend in a series from its cyclical pattern. As Exhibit RM-5 shows, on a moving average basis, the annual increase in Florida's population growth has been fairly consistent, averaging between 300,000 and 350,000 in most years since 1985.

Q. What source does FPL rely on for its population projections?

A. FPL relies on population projections produced by the Bureau of Economic and Business Research of the University of Florida. In addition, FPL reviews other factors which may influence population projections, including economic forecasts and historical trends in population growth.

Q. How accurate has the University of Florida been in its population projections?

A. On the one hand, the University of Florida's short-term forecasting accuracy has been impressive. Based on population projections since 1991, the University of Florida has on average forecasted population on a year-ahead basis within 0.9% of actuals. However, longer-term forecasting has proven more challenging. Based on population projections since 1991 and a ten-year forecasting horizon, the University of Florida has on average forecasted long-term population within 5.9% of actuals. Moreover, these long-term population projections from the University of Florida have been consistently below actuals. Exhibit RM-6 shows that since 1991 the forecast error has averaged nearly a million people short of actual, based on a ten-year forecasting horizon. Of course, it is not known whether this trend in under-forecasting long-term population growth will continue. Nevertheless, historical performance suggests that there has been some tendency to underestimate long-term population growth.

Q. How often does the University of Florida revise its population projections?

A. Population projections from the University of Florida have been somewhat dynamic in recent years. The University of Florida typically projects statewide population growth at least once a year. Between November 2007 and October 2008, the University of Florida released four sets of baseline population projections. In each case, the revised population projections

indicated a progressively lower outlook for the state's population growth. The October 2008 population projections were the most recent projections available at the time FPL developed its load forecast.

Q. What is the short-term outlook for population growth in the University of Florida's October 2008 projections?

A. The University of Florida's October 2008 baseline projections indicate record low growth through 2010. Specifically, the University of Florida estimates the State's population grew by only 127,000 in 2008 versus a long-run average between 300,000 and 350,000. The University of Florida projects a continuation of this trend in 2009 with a projected population increase of only 75,000.

Q. What explains this substantially lower than average growth in the short-term?

A. According to the Office of Economic and Demographic Research, the current economic recession accounts for much of this slowdown. Historically, most of Florida's population growth has come from net migration (the number of permanent residents moving into versus out of the state). Much of the State's in-migration, in turn, has been driven by job growth. The current recession has significantly reduced employment opportunities and therefore curtailed the migration of job seekers into the state. In addition, the nationwide housing slump has made it difficult for both retirees and working age adults to relocate to Florida. Consequently, the University of Florida is projecting minimal net

migration through 2010. As the economy improves after 2010, the University of Florida is projecting a modest increase of in-migration.

Q. What is the long-term outlook for population growth in the University of Florida's October 2008 projections?

A. Over the long-term, the University of Florida is projecting that the State's population growth, both in terms of percentage growth and absolute numbers, will remain below historical averages. As shown in Exhibit RM-3, the University of Florida's October 2008 projections show that even with a rebound in population growth in 2012 and 2013, the percentage increase will remain at historic lows. The University of Florida's projected 1.65% population growth in 2012 is the highest growth rate in the forecasting horizon. This peak rate of population growth in the forecasting horizon is below the low-point in population growth experienced during any prior recession since 1970. In terms of absolute increases, the University of Florida is projecting that population growth peaks at 321,000 in 2013 and the rate of increase declines thereafter. As a result, the University of Florida's projected population growth is less than 255,000 between 2008 and 2018. By contrast, the State's long-term population growth has averaged between 300,000 and 350,000.

Q. Is FPL proposing any adjustments to the University of Florida's October 2008 population projections?

A. Yes. FPL is proposing to adjust the population projections between 2012 and 2022 based on the more robust population growth which has historically

occurred after recessions. Due to the current economic recession, many baby boomers are delaying retirement. When the economy recovers, an increase in the in-migration of retirees could be expected. A silver lining in the current housing contraction is an improvement in the relative affordability of housing in Florida. Florida has experienced larger decreases in home prices relative to most areas of the country. This improvement in the relative affordability of housing should make Florida a more attractive destination for both retirees and working age adults when the economy recovers. In addition, recent national surveys suggest that despite the recession-induced slowdown in mobility, almost one-half of all Americans are expressing an interest in moving within the next five years. Moreover, these same national surveys show that Americans continue to rank Florida as one of the most desirable places to live in the country. Thus, the data suggest that there is a degree of pent-up demand in terms of in-migration which should be taken into account. FPL's adjustment to the University of Florida's population forecast takes this pent-up demand into account.

Q. Is the population forecast reflecting FPL's adjustment consistent with historical trends?

A. Yes. With FPL's adjustment, the projected population growth in the long-term returns to a more historically typical level of 335,000 between 2008 and 2018. As shown in Exhibit RM-5, FPL's projected level of population growth is consistent with long-term patterns in population growth. By contrast, the population forecast from the University of Florida suggests the level of

population growth, on a moving average basis, will be permanently below its historical average. At the same time, as shown in Exhibit RM-3, FPL's projected population growth reflects the long-term trend of a gradual deceleration in the percentage rate of growth following a post-recession rebound in population.

Q. Have electric utilities in Florida ever utilized population projections that differ from the baseline projections developed by the University of Florida?

A. Yes. A review of the 2008 Ten-Year Site Plans shows that electric utilities have utilized population projections that differ from the baseline projections developed by the University of Florida. In some cases, utilities use an alternative vendor. However, in other cases, utilities develop their own population projections either by blending alternative projections or by incorporating input from in-house experts. For example, one utility develops its own population projections by combining high-band, low-band and baseline population projections from the University of Florida with weights based on historical growth rates. In FPL's case, the University of Florida's baseline population projection was used in the 2008 Ten-Year Site Plan. However, this was not always the case. In past years, FPL has developed its own population projections and in some cases utilized the University of Florida's high-band projections.

Q. What is FPL's forecast of total customers?

A. As shown on Exhibit RM-7, the total number of customers is projected to increase at an annual rate of 1.6% between 2008 and 2018 or about 79,000 customers per year. This absolute level of customer growth is maintained over the longer-term even as the percentage increase gradually declines. Total customer growth between 2008 and 2025 is projected to increase at an annual rate of 1.5% or about 79,000 customers per year.

Q. How does FPL's forecast of total customers compare with historical trends?

A. FPL's forecast of total customers is consistent with a long-run trend that indicates a gradual deceleration in percentage growth rates over time. Nevertheless, the absolute increases in customers projected are comparable to the levels experienced historically.

Q. Is FPL's projected number of total customers reasonable?

A. Yes. In the short-term, the forecast incorporates the most recent population projections from the University of Florida available at the time the forecast was developed. The longer term forecast is consistent with long-term average population growth. The customer forecast is also based on sound statistical methods previously reviewed and approved by the Commission. In addition, a comparison of the forecasted number of total customers with long-term trends indicates that the forecast is reasonable.

SUMMER PEAK DEMAND FORECAST

Q. What growth in summer peak demands has FPL experienced historically?

A. Summer peak demands have grown at an average annual rate of 2.8% or 408 MW per year since 1980. Effectively, this rate means that FPL's summer peak demand has been doubling every 25 years.

Q. What factors accounted for this growth?

A. Population growth and an expanding economy are the two principal drivers behind this growth. During much of this time, Florida was one of the fastest growing states in the country. Population growth, in turn, spurred economic growth. As described by the Office of Economic and Demographic Research, population growth has traditionally been one of the primary drivers of the state's economic growth. Net migration, in particular, stimulated demand for housing and services, key sectors of the state's economy. An expanding economy stimulated demand for goods and services of all kinds, including electricity.

Q. What growth in summer peak demand has FPL experienced recently?

A. Summer peak demand has been stagnant since 2005. The 2008 summer peak, for example, was more than 1,000 MW below its 2005 level.

Q. What factors explain the stagnant growth in the summer peak demand in recent years?

A. To a large extent, the factors which have driven long-term growth have also been depressing the short-term growth in the summer peak demand. Reduced population growth and the economic slowdown are responsible for much of the stagnation in the summer peak demand. The housing crisis has also reduced electricity demands temporarily. By contrast, changes in the appliance stock, which also reduce peak demands, are likely to have a more long-term effect. FPL's forecasting methodology strives to take into account both the short-term and long-term factors likely to influence summer peak demand.

Q. What is FPL's method of forecasting summer peak demand?

A. The primary determinants of summer peak demand include the economy, weather, the price of electricity, changes in the appliance stock and the addition of new wholesale contracts. Accordingly, FPL forecasts summer peak per customer using an econometric model with explanatory variables representing the economy, weather and the real price of electricity. In combination with the customer forecast, the projected summer peak per customer yields a preliminary projection of the summer peak. The preliminary projection is then adjusted for changes in the appliance stock, the temporary effects of the current housing crisis and the addition of new wholesale contracts in order to obtain the forecasted summer peak demands.

Q. What is FPL's outlook for real household disposable income?

A. As shown in Exhibit RM-8, real household income is projected to grow at an annual rate of 1.3% between 2008 and 2018. As the impact of the current slowdown dissipates the annual growth between 2008 and 2025 rises to 1.6%.

Q. How does FPL's forecast of real household disposable income compare with long-term growth experienced historically?

A. As shown in Exhibit RM-8, the 1.3% projected annual growth between 2008 and 2028is below the 2.0% average growth experienced since 1982. Nevertheless, the forecasted absolute increase in real household disposable income is close to its historical average. Over the longer-term, real household disposable income is projected to increase at an annual rate of 1.6% between 2008 and 2025. As shown in Exhibit RM-8, the absolute increases in real household disposable income between 2008 and 2025 are projected to exceed the average growth experienced since 1982.

Q. What weather assumptions did FPL assume for the summer peak projections?

A. In its summer peak projections, FPL uses the average temperature on the day of the peak and the sum of the cooling degree hours in the day prior to the peak. In forecasting these weather variables, FPL relies on a normal weather outlook. Normal weather is based on historical averages since 1989.

Q. What pricing assumptions did FPL assume for the summer peak projections?

A. FPL uses the real price of electricity as an explanatory variable in forecasting energy use per customer. The real price of electricity is determined by adjusting the nominal price for inflation. The forecasted price of electricity is consistent with fuel cost projections incorporated in FPL's most recent fuel filing. As shown in Exhibit RM-9, the real price of electricity is projected to increase at an annual rate of 1.6% between 2008 and 2018. Over the longer term, a 1.1% increase in the real price of electricity is projected between 2008 and 2025.

Q. How does FPL capture the influence of changes in the appliance stock and efficiency standards in its forecast?

A. FPL incorporates changes in the appliance stock into its econometric model. FPL relies on estimates developed by ITRON, a leading energy consulting firm. ITRON's estimates quantify the reduction in energy use resulting from federally-mandated efficiency standards, such as those codified in the National Energy Policy Act (NEPACT) and the Energy Independence and Security Act (EISA). ITRON's estimates also incorporate the impact of compact fluorescent light bulbs, which are projected to significantly reduce lighting loads in advance of the new incandescent standards required in EISA.

Q. Are there any other factors influencing summer peak demands?

A. Yes. The housing crisis has had an impact on electricity usage. This is most directly seen in the number of homes left vacant as a result of the housing

crisis. This increase in the number of empty homes has spurred an unprecedented increase in the number of inactive meters. In many cases, however, these empty homes continue to be counted as active FPL accounts because the electricity has not been disconnected. By maintaining an active electric account, the owners of these homes are able to show the home to potential buyers and avoid the mildew damage that occurs without proper ventilation. Accordingly, an adjustment has been made to the projected 2009 and 2010 summer peak to account for this phenomenon. The influence of empty homes is expected to dissipate in 2011 and after 2012 no impact on the summer peak is projected.

Q. Is FPL making any adjustments for the addition of new wholesale contracts in its forecast?

A. Yes. FPL is adjusting its load forecast to include three new wholesale contracts. First, a 75 MW power sale to Seminole Electric Cooperative is projected for the period December 2008 through December 2009. Second, partial requirements service to the Lee County Cooperative begins in 2010. Lee County is projected to add 212 MW to the summer peak in 2010. Lee County is projected to begin full requirements service in 2014 when its summer peak contribution increases to 853 MW. Finally, a 200 MW contract with Seminole Electric Cooperative is projected to begin in 2014. Exhibit RM-11 shows the new wholesale load FPL is projecting. An adjustment was also made for the termination of the Key West power sales agreement in 2013.

Q. Is FPL making any other adjustments to its forecast of summer peak demands?

A. Yes. FPL is also adjusting its forecast of summer peak demands for the impact of plug-in hybrid vehicles. By 2018, about 49 MW of additional load is projected as a result of plug-in hybrids. By 2025, that amount is expected to increase to almost 200 MW. Nevertheless, plug-in hybrids are not expected to add more than 1% to summer peak demand until 2030.

Q. What is FPL's forecast for the summer peak demand per customer?

A. As shown in Exhibit RM-12, summer peak demand per customer is projected to remain flat through 2013. Due to the addition of new wholesale load, summer peak per customer is forecasted to increase significantly in 2014. Thereafter, moderate growth is projected. Summer peak per customer is projected to increase by 0.6% between 2008 and 2018. This represents an increase from the 0.2% growth rate experienced historically. The addition of new wholesale load is primarily responsible for the higher than historical growth rates.

Q. What is FPL's forecast for the summer peak demands?

A. As shown in Exhibit RM-13, summer peak demands are projected to increase at an annual rate of 2.2% between 2008 and 2018 or an annual increase of 508 MW. This amounts to a cumulative increase of 5,083 MW over the 2008 summer peak. Between 2008 and 2025, summer peak demands are projected to increase at an annual rate of 2.3% or an annual increase of 583 MW. By 2025, the cumulative increase over the 2008 summer peak is projected to be

9,913 MW. As shown in Exhibit RM-14, by 2030 the summer peak is expected to reach 33,931 MW, a 12,871 MW increase over the 2008 summer peak.

Q. Are FPL's demand-side management (DSM) programs reflected in this forecast of summer peak demands?

A. Existing programs and participation levels are included in this forecast of summer peak demands. Incremental DSM is not reflected in this forecast of summer peak demands. As discussed by FPL witness Enjamio, in the resource planning process, incremental DSM is treated as an additional supply-side resource option.

Q. How does FPL's forecast for the summer peak demands compare with historical trends?

A. The initial years of the forecast are consistent with the minimal growth in summer peak that FPL has experienced since 2006. The forecast of the summer peak between 2008 and 2018 is consistent with two long-term trends, namely that the percentage increases in load tend to decelerate over time while the absolute level of increase remains high. Accordingly, the summer peak averaged a 2.8% growth rate between 1980 and 2008, which is somewhat higher than the 2.2% rate projected between 2008 and 2018. At the same time, the summer peak averaged an annual increase of 408 MW between 1980 and 2008, which is less than the 508 MW projected between 2008 and 2018.

Q. How does FPL's forecast for the summer peak demands compare with the previously-filed forecast of summer peak demands?

A. Due largely to lower loads in the initial years of the forecast, FPL's forecast of summer peak demands is lower than the forecast filed in the 2008 Ten-Year Site Plan. FPL witness Stubblefield discusses how the reduction in the load forecast relative to the one filed in the 2008 Ten-Year Site Plan affected the scenarios requested in the Bid Solicitation process. Exhibit RM-15 compares FPL's forecast of summer peak demands with the forecast filed in the 2008 Ten-Year Site Plan. The Exhibit shows that by 2018, FPL's forecast of summer peak demand is 3,182 MW below the level forecasted in last year's Ten-Year Site Plan. Nevertheless, after the economy and population growth rebound, both sets of forecasts share similar percentage growth rates.

Q. Is FPL's projected summer peak demand reasonable?

A. Yes. FPL's projected summer peak demand is based on reasonable assumptions, is consistent with historical experience, and relies on the forecasting methods previously reviewed and accepted by the Commission.

WINTER PEAK DEMAND

Q. What is FPL's process for forecasting winter peak demands?

A. Like the system summer peak model, the winter peak model is also an econometric model. The winter peak model is a per-customer model that includes two weather-related variables: the average temperature on the peak

day and heating degree hours the day before and the morning of the peak. The model also has an economic term, real household disposable income. In addition, adjustments are made to the projected winter peak demand for changes in appliance efficiency, the temporary impact of empty houses and for additional wholesale contracts.

Q. What is FPL's projected winter peak demand?

A. As shown in Exhibit RM-16, the winter peak demand is projected to increase at an annual rate of 2.7% or 541 MW annually between 2008 and 2018. Slightly higher absolute increases are projected over the longer term. The winter peak demand is projected to increase at an annual rate of 2.4% or 525 MW annually between 2008 and 2025. As shown in Exhibit RM-17, the winter peak is expected to reach 29,352 MW by 2030, an 11,297 MW increase over the 2008 winter peak.

Q. How does FPL's forecast of winter peak demands compare with historical trends?

A. Since 1980, the winter peak has increased at an average annual rate of 2.2% or 297 MW a year. This historical growth rate is influenced by the unusually mild winter peaks experienced in recent years. Temperatures on the day of the winter peak have been higher than normal since 2004. As a result, the forecasted growth rates in the winter peak are somewhat higher than the 1980 through 2008 average growth rate.

Q. Is FPL's projected winter peak demand reasonable?

A. Yes. FPL's projected winter peak demand is based on reasonable assumptions, is consistent with historical experience and relies on the forecasting methods previously reviewed and accepted by the Commission.

FORECAST OF NEL

Q. How does FPL forecast energy sales?

A. FPL forecasts energy sales using an econometric model for NEL, which is the energy generated net of plant use. An econometric model for NEL is more reliable than models for billed energy sales because the explanatory variables can be better matched to usage. This is so because the NEL data do not have to be attuned to account for billing cycle adjustments, which might distort the real time match between the production and consumption of electricity.

Q. What growth in NEL has FPL experienced historically?

A. Between 1980 and 2008, NEL grew at an annual rate of 3.0%. Effectively, this rate meant FPL's NEL has been doubling every 23 years.

Q. What factors accounted for this growth?

A. Consistent with the historical increases in summer peak demands previously discussed, population growth and an expanding economy are the two principal drivers behind the growth in NEL FPL has experienced historically.

Q. What growth in NEL has FPL experienced recently?

A. FPL's NEL declined in 2008 following below average growth in 2006 and 2007. The cyclical declines in population and economic growth we are currently experiencing have contributed to the stagnation in NEL in recent years.

Q. What are the primary determinants of energy use per customer?

A. The primary determinants of energy use per customer include the economy, weather, the price of electricity, changes in the appliance stock and the addition of new wholesale contracts. Accordingly, FPL's forecast of energy use per customer reflects each of these factors. FPL forecasts energy use per customer using an econometric model with explanatory variables representing a number of these factors. The remaining factors are used to adjust the results of the econometric model.

Q. How does FPL measure the influence of the economy in forecasting energy use per customer?

A. FPL measures the influence of the economy using real household disposable income, consistent with its summer peak demand model.

Q. How does FPL measure the influence of weather in forecasting energy use per customer?

A. FPL measures the influence of weather based on cooling and heating degree hours. Historical cooling and heating degree hours are explanatory variables in the energy use per customer model. The forecasted number of cooling and heating degree hours is based on twenty year averages.

Q. What pricing assumptions did FPL assume in forecasting energy use per customer?

A. FPL uses the real price of electricity as an explanatory variable in forecasting energy use per customer. The real price of electricity is consistent with assumptions used in the summer peak model. In the case of energy use per customer, the real price of electricity is based on a rolling 12-month average.

Q. What adjustments are made in forecasting NEL?

A. Consistent with the adjustments used in forecasting summer peak demands, adjustments are made for changes in the efficiency of the appliance stock, for the temporary impact of empty homes, for the addition of new wholesale contracts and for plug-in hybrids. The adjustment for empty homes is a short-term adjustment which does not affect NEL after 2011. The additional load from plug-in hybrids is expected to be at or below 1% of NEL through 2030.

Q. What is FPL's forecasted energy use per customer?

A. As shown in Exhibit RM-18, FPL is forecasting almost flat energy use per customer through 2013. With the addition of new wholesale load, energy use per customer increases significantly in 2014. Moderate growth is projected thereafter. Between 2008 and 2018, a 0.1% annual growth in energy use per customer is projected. This growth rate is projected to increase to 0.4% between 2008 and 2025.

Q. What is FPL's forecast of NEL?

A. As shown in Exhibit RM-19, FPL is forecasting an annual increase of 1.8% in NEL between 2008 and 2018 with NEL reaching 132,136 GWh in 2018.

Between 2008 and 2025, a 2.0% annual growth rate is expected with NEL reaching 154,863 GWh by 2025. As shown in Exhibit RM-20, by 2030 NEL is expected to reach 167,114 GWh, a 56,111 GWh increase from the level in 2008.

Q. How does FPL's forecast of NEL compare with historical trends?

A. The forecast of net energy between 2008 and 2018 is consistent with two long-term trends, namely that the percentage increases in load tend to decelerate over time while the absolute level of increase remains high. Accordingly, net energy averaged a 3.0% growth rate between 1980 and 2008, significantly higher than the 1.8% rate projected between 2008 and 2018. At the same time, NEL averaged an absolute annual increase of 2,234 GWh between 1980 and 2008, which is close to the 2,113 GWh projected between 2008 and 2018.

Q. How does FPL's forecast of NEL compare with the previously filed forecast?

A. Due in part to lower growth in the initial years of the forecast FPL's forecast of NEL is below the levels assumed in the 2008 Ten-Year Site Plan. FPL witness Stubblefield discusses how the reduction in the load forecast relative to the one filed in the 2008 Ten-Year Site Plan affected the scenarios requested in the Bid Solicitation process. As shown in Exhibit RM-21, the level of NEL in 2018 in the current forecast is 31,978 GWh below the level assumed in the 2008 Ten-Year Site Plan by 2018. Nevertheless, long-term growth remains robust under the current forecast.

Q. Is FPL's NEL forecast reasonable?

A. Yes. The forecast reflects a careful review of the factors influencing energy use per customer. The forecast is based on sound statistical methods previously reviewed and approved by the Commission. In addition, a comparison of the forecast with historical trends suggests that the forecast is reasonable.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to determine need for Florida EnergySecure Pipeline by Florida Power & Light Company	Docket No: 090172-EI Served: July 24, 2009

ERRATA SHEET

DIRECT TESTIMONY OF DR. ROSEMARY MORLEY

PAGE #	LINE #	CORRECTION
21	10	strike "supply side", replace "option" with "in the resource plan"

Respectfully submitted this 24th day of July, 2009.

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Attorneys for Florida Power & Light Company

BY MR. GOORLAND:

Q. Dr. Morley, have you prepared a summary of your direct testimony?

A. Yes, I have.

Q. Would you please provide your summary to the Commission?

A. Yes.

Good morning, Commissioners. The purpose of my testimony is to address Florida Power & Light's --

CHAIRMAN CARTER: Dr. Morley, excuse me. Would you pull the mike a little closer to you? There you go.

THE WITNESS: Is that better?

CHAIRMAN CARTER: Yes, ma'am. Would you mind starting over?

THE WITNESS: Not at all.

CHAIRMAN CARTER: Thank you.

THE WITNESS: Good morning, Commissioners. The purpose of my testimony is to address Florida Power & Light Company's forecast of customers, sales and peak demands.

FPL's forecast reflects a careful consideration of the factors influencing the long-term growth of our customers, sales and peak demands. In developing the forecast, we have reviewed economic and

demographic projections from a number of noted sources and performed a thorough examination of current and past patterns and growth.

FPL's forecast acknowledges the seriousness of the economic downturn we are currently experiencing. At the same time, we must recognize the strong long-term growth Florida has historically experienced, growth that even the most seasoned experts have repeatedly underestimated.

Accordingly, our forecast takes into account the effects of the recession we are currently experiencing and also takes into account reasonable assumptions regarding Florida's long-term economic and demographic growth.

In addition to long-term economic and demographic growth, other key assumptions in our sales and peak demand forecasts are trends in appliance efficiency standards and changes in the composition of our wholesale contracts. As such, our forecast recognizes factors that may increase or decrease the long-term sales and peak growth.

These key assumptions are incorporated into econometric models in order to derive our load forecast. Econometric modeling is the industry standard for utility forecasting, and these models have been reviewed

and accepted by the Commission in FPL's past filings.

Based on statistically verified econometric models and reasonable assumptions regarding population growth, the economy and appliance standards, FPL's load forecast represents a realistic and balanced projection of long-term growth.

While the initial years of the forecast are significantly below the levels forecasted in last year's Ten-Year Site Plan, substantial long-term growth is still projected. Between now and 2018, FPL's summer peak demand is expected to increase by more than 5,000 megawatts, a cumulative increase of 24 percent over the 2008 level.

Large increases in sales are also projected, with a cumulative increase of 21,000 megawatt hours between 2008 and 2018, a cumulative increase of 19 percent. Over the long term the cumulative growth is even larger. By 2030 the summer peak demand is projected to increase by over 60 percent relative to the 2008 level, while energy sales are projected to increase by over 50 percent.

In conclusion, FPL's forecast calls for robust long-term growth in customers, sales and peak demands. This concludes my summary.

MR. GOORLAND: And at this time I tender the

witness for cross-examination.

CHAIRMAN CARTER: Mr. Self.

MR. SELF: We have no questions for this witness, Mr. Chairman.

CHAIRMAN CARTER: Staff?

CROSS EXAMINATION

BY MS. BROWN:

Q. Good afternoon, Ms. Morley.

A. Good afternoon.

Q. I was just trying to check whether it was morning or afternoon.

I have a few questions to ask about the origin of the forecast that you've used in this docket.

Would it be correct to say that in the normal course of business you produce your short- and long-term load forecast on an annual basis and that those forecasts are included as part of FPL's Ten-Year Site Plan filed with the Commission?

A. Yes. And, in fact, the forecast in this docket is the, is our forecast we used in the 2009 Ten-Year Site Plan.

Q. Okay. Did you file testimony in FPL's current rate case, Docket 080677?

A. Yes, I did.

Q. And is it true that your testimony in that

docket is to present the load forecast used there, and that that forecast is the same as the forecast used in this docket?

A. Yes, that is true.

Q. You did not file testimony in this year's nuclear power plant cost recovery filing; correct?

A. That's correct.

Q. Are you aware that the long-run forecast of summer peak demand contained in your 2009 Ten-Year Site Plan is used as an input into the economic feasibility analysis of the nuclear plants in that docket?

A. Yes. That's my understanding.

Q. Did you file testimony in the West County Energy Center Unit 3 power plant need determination?

A. Yes, I did.

Q. And in that docket what were FPL's population projections based on?

A. Those population projections were based on the November 2007 estimates from the University of Florida.

Q. And in that docket -- and I guess I should name the docket, it's 080203 -- did FP&L modify the University of Florida's projections?

A. No, we did not. And the reason we didn't is because those projections from the University of Florida were not substantially below the long-run growth we have

historically experienced; whereas in this case, the University of Florida is forecasting not just slower growth from the current recession but actually a permanently lower level of growth going out ten years and so forth. So in this case we did modify the forecast from the University of Florida.

Q. In your testimony at Page 9, Lines 6 through 9 -- let me know when you're there.

A. Did you say Page 9?

Q. Uh-huh.

A. I am there.

Q. You indicate that based on ten-year forecasting horizon, U.S. population projections have, since 1991 have been within 5.9 percent of the actual population growth; is that correct?

A. Yes. And to clarify, it isn't that they've been within. They have been below. In fact, they, their forecast from the University of Florida, their long-term forecast going out ten years has been consistently below the actual population level.

Q. And just to clarify for the purposes of this docket, if we were to look at a ten-year forecasting horizon, what year would we look at?

A. We would be looking at 2018, consistent with the current 2009 Ten-Year Site Plan.

Q. Now I have a question, part of which refers to your rebuttal testimony.

MS. BROWN: And if, if I have permission, I would like to ask, or we can defer until we get to rebuttal.

CHAIRMAN CARTER: Let's, let's check with both of the parties before we do that. We'll ask Mr. Butler first and then we'll ask Mr. Self.

Mr. Butler? I'm sorry.

MR. BUTLER: I am flexible to go either way, but I guess my preference would be to defer it to rebuttal. I mean, that way you're not sort of getting ahead of yourself, and certainly can reference back to what is raised in the direct.

CHAIRMAN CARTER: Okay. Mr. Self?

MR. SELF: I don't have a preference, Mr. Chairman. I do recognize that as a general proposition there may be questions in direct that sort of lead into rebuttal. Certainly when there's rebuttal questions, you may have to kind of reference some direct in order for the question to make sense. Whatever works.

CHAIRMAN CARTER: Why don't we do this, why don't we just do it at, during rebuttal. Okay?

MS. BROWN: That's fine. That's fine.

BY MS. BROWN:

Q. During your, during your deposition you indicated that your load forecasts are used to determine what is needed in terms of future generation; correct?

A. Yes.

Q. Your load forecast was used to determine the generation expansion plan that was used by Witness Enjamio to evaluate the cost-effectiveness of the EnergySecure pipeline; correct?

A. That's correct. Of course, Witness Enjamio would have to address the details of that.

Q. Sure. During your deposition you also indicated that you would expect the forecasting error to increase as the forecasting horizon becomes greater; correct?

A. Yes.

Q. And is this in part because an error in the short-term forecast becomes compounded as you go out in time?

A. I'm not sure. I think, you know, if the question has to do with our short-term forecasting error, the fact is that our forecast, our sales forecast for 2009 is, is very close to, to actuals. So I think based on that I certainly would not expect to see any compounding.

Q. But in general wouldn't you agree with that

proposition?

A. Yes. And in fact I think what I may have mentioned during the deposition is that FPL has also had a tendency to under forecast long-term peak. And as we go further out in time from five years to ten years, that tendency gets larger.

Q. Do you believe that there are unique challenges in forecasting short-term population growth at this time, given the recession, which you indicated is more severe than those seen over the last 25 years?

A. I would say no. Again, based on the accuracy of our short-term sales forecast, which has been very accurate, I think if there are challenges in the short-term forecast, we're meeting them.

I would like to say that while our short-term forecast for the sales is right on, is we actually ended up under forecasting the summer peak this year. We had some unusually warm weather and we actually ended up having a higher peak than forecasted. I think it was about 1,200 megawatts higher. That really would have been the level we forecasted for 2013. And, again, that's really more a function of the weather, not a function of the customer forecast or the population forecast, which, you know, we think we've otherwise got a really good handle on the short-term forecast.

CHAIRMAN CARTER: Ms. Brown, before you go further, let's do this, kind of --

MS. BROWN: Actually, Mr. Chairman, we're done.

CHAIRMAN CARTER: Okay. All right then. Well, let's do this. Commissioners, before we come back to the bench, we'll go ahead on and take our break and come back. That will give the parties an opportunity and as well as our staff an opportunity to kind of get their thoughts and everything together.

With that, pursuant to what I said before, we'll come back at 1:45. We're on recess.

(Recess taken.)

(Transcript continues in sequence with Volume 2.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, LINDA BOLES, RPR, CRR, Official Commission 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' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 30th day of July, 2009.

Linda Boles

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