

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION FOR INCREASE IN RATES DOCKET NO. 080677-EI  
BY FLORIDA POWER & LIGHT COMPANY.

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2009 DEPRECIATION AND DISMANTLEMENT DOCKET NO. 090130-EI  
STUDY BY FLORIDA POWER & LIGHT  
COMPANY.



VOLUME 32

Pages 4275 through 4350

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PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING: CHAIRMAN MATTHEW M. CARTER, II  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER KATRINA J. McMURRIAN  
COMMISSIONER NANCY ARGENZIANO  
COMMISSIONER NATHAN A. SKOP

DATE: Saturday, September 5, 2009

TIME: Commenced at 9:30 a.m.  
Concluded at 12:54 p.m.

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

REPORTED BY: JANE FAUROT, RPR  
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PARTICIPATING: (As heretofore noted.)

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

1  
2 (Transcript follows in sequence from  
3 Volume 31.)

4 **CHAIRMAN CARTER:** We are back on the record.  
5 And when we last left, Mr. Wiseman, you were on  
6 cross-examination. You may proceed.

7 **MR. WISEMAN:** Thank you, Mr. Chair.

## CROSS-EXAMINATION

8  
9 **BY MR. WISEMAN:**

10 **Q.** Ms. Deaton, you have a document before you  
11 that has been marked for identification as Exhibit 487  
12 with the short description of GBRA Ignores Depreciation.  
13 Do you have that?

14 **A.** Yes.

15 **Q.** And did you discuss this exhibit with anyone  
16 during the break?

17 **A.** No.

18 **Q.** Okay. Now, can you take a look at the  
19 exhibit, and would you agree that what will happen under  
20 GBRA -- I believe, first of all, the first unit that FPL  
21 would propose to put into rate base through the GBRA  
22 mechanism is West County Unit 3, is that right?

23 **A.** Yes.

24 **Q.** Okay. So when West County Unit 3 gets put  
25 into rate base, that is going to produce an increase to

1 base rates, right?

2 A. Yes.

3 Q. And that would be reflected in this graph by  
4 that sort of first step up in the staircase above --  
5 right where the dotted line starts, right?

6 A. I'm not sure what the relationship between the  
7 increase cost of service due to capital additions and  
8 this large sloping line of unrecognized depreciation,  
9 since it is going in in June of 2011.

10 Q. I'm not asking you about that part it.

11 A. Okay.

12 Q. All I'm saying is rates will be set in this  
13 case at whatever level they are set at, correct?

14 A. That is correct.

15 Q. And then when you put -- if you get the GBRA  
16 mechanism approved, when you put West County Unit 3 into  
17 rate base through the GBRA mechanism, the base rate will  
18 go up by some amount, correct?

19 A. That is correct.

20 Q. Okay. And then I think there are two more  
21 units that are supposed to go into service through the  
22 GBRA mechanism through 2015. I believe one is Cape  
23 Canaveral and the other is Riviera Beach, is that  
24 correct?

25 A. Yes.

1           **Q.**   And so when Cape Canaveral -- whichever one is  
2 next, whenever that goes into rate base through the GBRA  
3 mechanism, that base rate will go up again, correct?

4           **A.**   That is correct. It will go up further to  
5 match the cost of the plant.

6           **Q.**   Okay. And what you have told us previously is  
7 that depreciation will not -- there will be no  
8 adjustment to base rates to reflect depreciation that  
9 has accumulated since the setting of rates in this case?

10          **A.**   No adjustment for depreciation for other plant  
11 items, no adjustment for other plant items that have  
12 gone into service, such as transmission and  
13 distribution, or any other adjustments. These are  
14 limited to the plants that are going into service to  
15 recognize their costs.

16          **Q.**   All right. So you would agree that until and  
17 unless FPL files another rate case, that depreciation  
18 that continues to accumulate will be unrecognized, and  
19 base rates will go up as FPL adds new generation to its  
20 rate base, isn't that right?

21          **A.**   We are only identifying these plants, the cost  
22 of these plants that are going in service. And if the  
23 Commission has surveillance reporting requirements  
24 that -- if we are overearning, GBRA doesn't change. I  
25 think Witness Ousdahl has testified that GBRA will not

1 effect earnings. In fact, it brings us back to the  
2 middle.

3 And this, you know, talks about unrecognized  
4 depreciation, it also doesn't talk about unrecognized  
5 other plant additions, or increased O&M, or anything  
6 else that is reported in the monthly surveillance  
7 reports.

8 **MR. WISEMAN:** Mr. Chair, I would ask that I be  
9 given a yes or no answer to the question.

10 **CHAIRMAN CARTER:** Ms. Deaton, if you can  
11 answer yes or no, please answer yes or no.

12 **THE WITNESS:** Yes. GBRA does not recognize  
13 depreciation of other plant items, it doesn't recognize  
14 increase to other plant items, it doesn't recognize  
15 increased O&M expenses to other plant items. It only  
16 recognizes the cost of the plant.

17 **MR. WISEMAN:** All right. If I could have  
18 marked as the next exhibit in order --

19 **CHAIRMAN CARTER:** Number 488, Commissioners.  
20 Number 488.

21 **MR. WISEMAN:** And the short title for this is  
22 FPL's Surveillance Report for April 2009.

23 (Exhibit Number 488 marked for  
24 identification.)

25 **CHAIRMAN CARTER:** You may proceed.

1                   **MR. WISEMAN:** Thank you, Mr. Chair.

2                   **BY MR. WISEMAN:**

3                   **Q.** Ms. Deaton, could you refer to Schedule 2,  
4 Page 3-A of 3, which I think is the seventh page of the  
5 document. Let me know when you have that.

6                   **MS. CLARK:** Mr. Wiseman, would you repeat  
7 where you want us to be?

8                   **MR. WISEMAN:** Yes. It's Schedule 2, Page 3A  
9 of 3. And I have it as the seventh page, excluding the  
10 cover sheet. Ms. Clark, do you have that?

11                   **MS. CLARK:** Thank you.

12                   **BY MR. WISEMAN:**

13                   **Q.** Ms. Deaton, do you have that page?

14                   **A.** Yes, I do.

15                   **Q.** Now, do you see that there is a column, it is  
16 the fourth column over that says depreciation and  
17 amortization?

18                   **A.** Yes.

19                   **Q.** And then down at the bottom there is a row  
20 that says pro forma system per books adjusted. Do you  
21 see that?

22                   **A.** Yes.

23                   **Q.** And it states here that the annual amount of  
24 depreciation on FPL's system is approximately  
25 \$765 million. Do you see that?



1           **A.**    I don't know if this is an annual number or  
2 not.

3           **Q.**    Would it appear to you to be something other  
4 than an annual number?

5           **A.**    It says April 2009.

6           **Q.**    So you don't know whether this is an annual  
7 number?

8           **A.**    No.

9           **MR. WISEMAN:** Let's go forward. It is what it  
10 is. It's an official report filed with the Commission.  
11 Could I have marked for identification --

12           **CHAIRMAN CARTER:** Number 489.

13           **MR. WISEMAN:** And the short title of this is  
14 GBRA Add Ons.

15           **CHAIRMAN CARTER:** Say, again?

16           **MR. WISEMAN:** GBRA Add Ons.

17           **CHAIRMAN CARTER:** GBRA Add Ons.

18           **MR. WISEMAN:** Yes. And, I'm sorry, this was  
19 489?

20           **CHAIRMAN CARTER:** Yes, sir, 489. You may  
21 proceed.

22           **MR. WISEMAN:** Thank you, Mr. Chair.

23                   (Exhibit Number 489 marked for  
24 identification.)

25

1 **BY MR. WISEMAN:**

2 Q. Ms. Deaton, the document that has been marked  
3 for identification as Exhibit Number 489 is SFHHA  
4 Interrogatory Number 39. Do you have that?

5 A. Yes, I do.

6 Q. And you sponsored the answer to this  
7 interrogatory, correct?

8 A. Yes, I did.

9 **MS. CLARK:** Mr. Chairman, I just want to -- I  
10 just looked at one of the interrogatories in this one.  
11 I object to the description of this. I have  
12 no objection to it being a response to interrogatory,  
13 but I object to the characterization of it. If  
14 Mr. Wiseman is willing to take that description off.

15 **MR. WISEMAN:** I am happy with whatever  
16 description you want on it.

17 **CHAIRMAN CARTER:** Let's go with FPL Response  
18 to SFHHA Interrogatory Number 39.

19 You may proceed.

20 **BY MR. WISEMAN:**

21 Q. Ms. Deaton, you sponsored the answer to this  
22 interrogatory, correct?

23 A. Yes.

24 Q. Now, the interrogatory asked whether FPL  
25 intends to include in the GBRA costs associated with

1 transmission and/or distribution capital additions,  
2 right?

3 **A.** That is correct.

4 **Q.** And then in your answer, it is the third  
5 sentence of the answer, it says, "Therefore, those  
6 transmission facilities that are required to  
7 interconnect and integrate the power plant to an  
8 existing transmission network nor approved pursuant to  
9 the Florida Power Plant Siting Act are recoverable  
10 through GBRA." Do you see that?

11 **A.** Yes, I do.

12 **Q.** And I want to focus on the phrase, "And  
13 integrate the power plant to an existing transmission  
14 network." Am I correct that by that phrase you are  
15 referring to transmission network upgrades?

16 **A.** Yes, I am.

17 **MR. WISEMAN:** All right. Now, if I could have  
18 marked as another exhibit, this would be --

19 **CHAIRMAN CARTER:** Number 490. 490. Short  
20 title?

21 **MR. WISEMAN:** GBRA capital additions.

22 **CHAIRMAN CARTER:** Let's hang on a second  
23 before we write the title down to see if Ms. Clark has  
24 an objection to it. Why don't we go with FPL Response  
25 to SFHHA POD Number 84.

1                   You may proceed.

2                   **MR. WISEMAN:** Thank you.

3                   (Exhibit Number 490 marked for  
4 identification.)

5                   **BY MR. WISEMAN:**

6                   **Q.** Now, you have before you a document that has  
7 been marked for identification as Exhibit Number 490,  
8 which is FPL's Response to SFHHA POD Number 84, correct?

9                   **A.** Yes.

10                  **Q.** And that POD asked FPL to describe each  
11 project including its estimated capital costs, the  
12 recovery of which you anticipate could be initiated  
13 through the GBRA during the period January 1, 2010  
14 through December 31, 2015, correct?

15                  **A.** Yes.

16                  **Q.** Okay. Now, can you refer to page -- the first  
17 page of the attachment, which is a page that contains  
18 data related to the West County Unit 3 project?

19                  **A.** Uh-huh, yes.

20                  **Q.** Okay. Now, it shows there that of the amount  
21 of capital additions -- first of all, am I correct this  
22 shows the total amount of capital additions that FPL, at  
23 least as of the time this answer was prepared,  
24 anticipated would be proposed to be put into rates  
25 through the GBRA mechanism, right?

1           **A.**    These are the capital additions that were  
2 presented in the need determination, and those would be  
3 the capital additions that we would base the GBRA on.

4           **Q.**    Okay.  And for transmission interconnection  
5 and integration, there is a figure there of  
6 \$41.6 million, correct?

7           **A.**    That is correct.

8           **Q.**    Can you tell me of that \$41.6 million, how  
9 much of that relates to network upgrades?

10          **A.**    I have that data.

11                   **MR. BUTLER:**  Mr. Wiseman, just to follow the  
12 terminology on the schedule, you would be asking about  
13 the transmission integration component as opposed to the  
14 transmission interconnection component?

15                   **MR. WISEMAN:**  Yes.

16                   **THE WITNESS:**  Actually, they did not provide  
17 me West County 3.  I have Cape Canaveral and Riviera  
18 here.

19                   **MR. WISEMAN:**  Well, I will ask you those in a  
20 second, but if I could ask a question of counsel if they  
21 would -- if we would be able to get into the record the  
22 amount of the costs for West County Unit 3 that are  
23 associated with transmission integration?  I had talked  
24 to FPL about this specific request before and thought  
25 the witness would be prepared to answer these questions.

1           **MR. BUTLER:** We wouldn't object to providing  
2 that breakout for West County. She has it for the other  
3 units and apparently just doesn't have it for West  
4 County.

5           **THE WITNESS:** Yes. I don't know why West  
6 County 3 is missing.

7           **CHAIRMAN CARTER:** You may proceed.

8           **MS. CLARK:** I believe the answer is yes.

9           **MR. WISEMAN:** Thank you.

10          **CHAIRMAN CARTER:** That's what I thought it  
11 was.

12          **MR. WISEMAN:** I thought we had -- yes, fine.

13 **BY MR. WISEMAN:**

14           **Q.** Can you turn to the second page for Cape  
15 Canaveral? Of the \$33 million referred to for  
16 transmission interconnection and integration, how much  
17 of that relates to integration or network upgrades?

18           **A.** \$8.1 million.

19           **Q.** All right. And for Riviera, which is the  
20 third and final page of the attachment, of the  
21 \$132 million listed there, how much is for integration  
22 or network upgrades?

23           **A.** 110 million.

24           **Q.** All right. Now, will you accept, subject to  
25 check, the costs of the three projects that are listed

1 in this response, specifically West County Unit 3, Cape  
2 Canaveral, and Riviera Beach total \$3,255,000,000?

3 A. Three billion, how much?

4 Q. 3,255,000,000.

5 A. That's close.

6 Q. So that is a yes?

7 A. Subject to check.

8 Q. Okay. And that is the amount that FPL would  
9 propose to be added to rate base under the GBRA  
10 mechanism between 2010 and 2015, correct?

11 A. That is not the revenue requirements. These  
12 are the capital costs.

13 Q. I didn't say the revenue requirement. I said  
14 the rate base, I believe.

15 A. Right.

16 Q. Okay. So just so the record is clear, that is  
17 the amount, the \$3,255,000,000 is the amount that FPL  
18 projects would be added to rate base through the GBRA  
19 mechanism between 2010 and 2015, right?

20 A. Yes.

21 Q. Okay. Now, will you accept, subject to check,  
22 that if that amount were offset by depreciation for the  
23 years 2012 through 2015, using \$765 million as the  
24 annual amount of depreciation, that would reduce the  
25 increase to rate base by -- I'm sorry, \$2,295,000,000?

1           **A.**    No, I don't know how much other plant  
2 additions that are associated with that depreciation  
3 would be going up.

4           **Q.**    I didn't ask you about other plant additions.  
5 I asked about the depreciation.  If you accept, subject  
6 to check, that \$765 million is the annual amount of  
7 depreciation, would you agree that \$765 million for the  
8 years 2000 -- each of the years 2012 through 2015 would  
9 reduce rate base by \$2,295,000,000?

10          **A.**    I really can't say.  The depreciation rates  
11 are being set in this case.  Also, I don't know what the  
12 going forward depreciation amount would be.

13          **MR. WISEMAN:**  Mr. Chairman, I asked her,  
14 subject to check, there is a document in the record --

15          **CHAIRMAN CARTER:**  She said she didn't know.  
16 Move on.

17          **THE WITNESS:**  I just don't know.

18          **MR. WISEMAN:**  Okay.  I have no further  
19 questions.

20          **CHAIRMAN CARTER:**  Ms. Bradley.

21                                CROSS EXAMINATION

22          **BY MS. BRADLEY:**

23          **Q.**    Now, as I understand it you are in charge of  
24 designing rates for Florida Power and Light customers in  
25 Florida, is that correct?



1           **A.**    Yes, ma'am.

2           **Q.**    And that would have to be in compliance with  
3 Florida law, would it not?

4           **A.**    Yes, ma'am.

5           **Q.**    Did you attend any of the customer hearings?

6           **A.**    No.

7           **Q.**    Did you read any of the transcripts?

8           **A.**    No.

9           **Q.**    Did you have anyone brief you on those?

10          **A.**    I saw some summary e-mails, yes.

11          **Q.**    How detailed were they, and did they cover all  
12 the hearings or just some of them?

13          **A.**    Yes, all the hearings were covered, and there  
14 was a listing of the number of customers and the issues  
15 that were raised in the customer service hearings.

16          **Q.**    Have you made any adjustments to your designed  
17 rates based upon the customer hearings?

18          **A.**    No. Bills are going down and customers are  
19 going to be seeing lower bills next year.

20          **Q.**    So you haven't made any adjustments to what  
21 you have proposed?

22          **A.**    No, we proposed what we filed.

23          **MS. BRADLEY:** No further questions. Thank  
24 you.

25          **CHAIRMAN CARTER:** Thank you, Ms. Bradley.

1 Ms. Kaufman.

2 **MS. KAUFMAN:** Thank you, Mr. Chairman.

3 CROSS EXAMINATION

4 **BY MS. KAUFMAN:**

5 Q. It's still morning. Good morning, Ms. Deaton.

6 A. Good morning.

7 Q. I am Vicki Kaufman with the Florida Industrial  
8 Power Users Group, and we spoke during your deposition,  
9 right?

10 A. Yes.

11 Q. You talked a lot to Mr. Wiseman and in your  
12 summary about the fact that customers are going to see  
13 an overall decrease in their bill in 2010, correct?

14 A. On average, yes.

15 Q. Okay. And I am correct that the major factor  
16 driving that decrease in 2010 is the reduction in fuel  
17 prices?

18 A. The reduction in cost is due to lower fuel  
19 prices and increased efficiencies of our system.

20 Q. Well, would you agree that the major driver is  
21 the reduction in fuel costs?

22 A. Hang on just a minute. I think it would be  
23 close between efficiencies and lower fuel prices.

24 Q. We talked about this at your deposition,  
25 didn't we? Do you have your deposition with you? Would

1 you take a look at Page 63, please.

2 **MS. CLARK:** I would like to have a moment to  
3 get there, as well.

4 **MS. KAUFMAN:** Sure. Just let me know when you  
5 all are ready.

6 **CHAIRMAN CARTER:** Hang on one second.

7 **THE WITNESS:** Okay.

8 **BY MS. KAUFMAN:**

9 **Q.** Are you there, Ms. Deaton?

10 **A.** Uh-huh.

11 **Q.** When we discussed this in your deposition at  
12 Page 63, Line 5, I asked the question: Is the fuel  
13 factor, the fuel clause factor, is that the major factor  
14 that is driving the reduction that you are referring to  
15 in your testimony? And your answer was: I would say it  
16 is the primary. In fact, I don't know if it is the  
17 major one. I'm not sure. Let me look at something  
18 here. I said sure. And then what was your answer on  
19 Line 12?

20 **A.** Yes, the fuel clause factor, but the fuel  
21 clause factor is influenced by lower fuel prices and  
22 increased efficiencies.

23 **Q.** And isn't the reduction in the price of fuel  
24 that we have all discussed at quite some length, that is  
25 the major driver of the overall bill decrease that we

1 are seeing, correct?

2 **A.** I don't have the total fuel price difference  
3 between this year and last year -- I mean, this year and  
4 next year, what we filed. The efficiency savings that  
5 we have estimated --

6 **MS. KAUFMAN:** Ms. Deaton, excuse me. Mr.  
7 Chairman, I'm asking her a very specific question. If  
8 she doesn't know, I think she can say she doesn't know.

9 **CHAIRMAN CARTER:** Okay. Ms. Deaton.

10 **BY MS. KAUFMAN:**

11 **Q.** Do you need me to repeat that, Ms. Deaton?

12 **A.** We are projecting efficiency savings --

13 **Q.** Excuse me.

14 **A.** I'm sorry.

15 **MS. KAUFMAN:** I'm asking the witness --

16 **CHAIRMAN CARTER:** Repeat the question. If you  
17 can answer --

18 **THE WITNESS:** You are asking me the  
19 difference -- whether efficiency --

20 **CHAIRMAN CARTER:** Hang on. Hang on.

21 **THE WITNESS:** Sorry.

22 **CHAIRMAN CARTER:** If you can answer the  
23 question yes or no, answer it yes or no. You can still  
24 explain it. Don't give us the long version. Give us  
25 the short version. And if you don't know, just say I

1 don't know.

2 **THE WITNESS:** Okay.

3 **CHAIRMAN CARTER:** Repeat the question.

4 **MS. KAUFMAN:** Thank you.

5 **THE WITNESS:** What's the question?

6 **BY MS. KAUFMAN:**

7 **Q.** My question is isn't the decline, the  
8 significant decline we have seen in fuel prices the  
9 major driver behind the fact that we are going to see an  
10 overall decrease in bills in the year 2010?

11 **A.** I don't know if it is the major factor. I do  
12 know that we are estimating fuel efficiency savings in  
13 2010 of \$645 million.

14 **Q.** And you don't know how the -- you don't know  
15 anything about the fuel prices themselves?

16 **A.** I don't recall the total fuel price  
17 difference.

18 **Q.** You say in your direct testimony, I think,  
19 Page 8, and I don't have the line. I don't know that  
20 you need to refer to it, but I believe that you say that  
21 base rate revenues make up 49 percent of FPL's revenue.

22 **A.** In 2010, I believe. Hang on. Page 8.

23 **Q.** Of your direct, at Line 6.

24 **A.** Yes, in 2010 they are projected to make up  
25 49 percent of the total bill.

1           **Q.**    So if we do the math, the 51 percent to make  
2 the 100 is due to the various factors, correct?

3           **A.**    The clause factors and gross receipts tax.

4           **Q.**    Right. And you know, I'm sure, that the fuel  
5 adjustment factor changes once a year, correct?

6           **A.**    That is correct.

7           **Q.**    And you would also agree with me that it can  
8 change even more frequently if there is a 10 percent  
9 variation and the company comes in for a midcourse  
10 correction, correct?

11          **A.**    I understand that the company is required to  
12 report to the Commission if they are within plus or  
13 minus 10 percent of our projections, either under or  
14 overrecovery. That may or may not trigger a midcourse  
15 correction.

16          **Q.**    But you would agree with me that the company  
17 has the ability to request a midcourse correction, and  
18 they have done so in the past, haven't they?

19          **A.**    That is correct.

20          **Q.**    Now, again, we have heard a lot of discussion  
21 in this hearing, but could you agree with me that fuel  
22 prices for your 2010 projections are substantially lower  
23 than 2009?

24          **A.**    They are, yes. The 2009 fuel prices are 52.23  
25 in December of '09, and they go down to \$35. That's

1 about a \$17 decrease.

2 Q. So you would agree we have seen a pretty big  
3 declining from last years fuel prices, particularly in  
4 natural gas?

5 A. Yes.

6 Q. And FPL -- many of FPL's plants are powered by  
7 natural gas, correct?

8 A. That is correct.

9 Q. And in Florida, obviously, we are in hurricane  
10 season now, and we have been fortunate to far, but would  
11 you agree that sometimes hurricanes disrupt the delivery  
12 of natural gas across the Gulf?

13 A. I'm not the fuel procurement witness, but I do  
14 understand that in prior hurricanes that that has been  
15 an issue, but I believe that that issue has been  
16 addressed going forward. They have dealt with -- found  
17 ways to deal with that.

18 Q. So you don't think that a hurricane hit would  
19 have any impact on FPL's fuel prices?

20 A. I'm not saying that. I am saying that it may  
21 or it may not.

22 Q. Certainly would you agree that if fuel supply  
23 was disrupted, we could see a spike in natural gas  
24 prices, and we have seen that in the past, haven't we?

25 A. That is correct.

1           **Q.**   And I think that goes to some of the questions  
2 I believe Mr. Wiseman asked you about the fact that,  
3 obviously, fuel is very volatile in terms of being able  
4 to predict prices?

5           **A.**   Yes, fuel is volatile.

6           **Q.**   Now, I want to talk to you for a few minutes  
7 about the principles of gradualism and the 1.5 times  
8 system average --

9           **A.**   Certainly.

10          **Q.**   -- rule that we discussed in your deposition.  
11 And I asked your counsel to ask you to have the  
12 materials that you refer to on that topic in your  
13 testimony, I believe your rebuttal. So did you bring  
14 those with you?

15          **A.**   Yes.

16          **Q.**   All set?

17          **A.**   Okay.

18          **Q.**   We discussed in your deposition, and we have  
19 heard some talk today that the Commission has applied, I  
20 will just call it a general policy to limit increases to  
21 any rate to 1.5 times the system average, and that no  
22 class should receive a decrease. Would you agree with  
23 that?

24          **A.**   Yes, they apply -- they have applied it to the  
25 rate classes on base rates and they have also applied it



1 based on total rates in the past with clauses.

2 Q. And can we refer to that as the principle of  
3 gradualism?

4 A. Certainly.

5 Q. Some questions were asked to you about the  
6 Tampa Electric rate case order that recently came out.

7 A. Uh-huh.

8 Q. Do you have a copy of that?

9 A. Yes, I do.

10 MS. KAUFMAN: And, Mr. Chairman and  
11 Commissioners, I have not made copies of all of these  
12 orders based on the prior rulings.

13 CHAIRMAN CARTER: Okay.

14 BY MS. KAUFMAN:

15 Q. Ms. Deaton, if you would turn to Page 87 of  
16 that order, and if you would read the sentence that  
17 begins, "No class should." It is at the very top. It  
18 is the first sentence on my copy.

19 A. Yes, I have that.

20 Q. Can you read for us that first sentence on the  
21 top of Page 87? It starts, "No class should receive."

22 A. Yes, I am just looking at something before.  
23 "No class should receive an increase greater than one  
24 and a half times the system average percentage increase  
25 in total, and no class should receive a decrease. The

1 appropriate allocation must recognize approved changes  
2 and consolidation of classes, treatment of current IS  
3 customers, and restructuring of lighting rate  
4 schedules."

5 Q. And you are aware that that is the policy the  
6 Commission applied in the Tampa Electric case?

7 A. That was the policy the Commission applied in  
8 the Tampa Electric case, and that impacted just one rate  
9 class, the lighting rate class.

10 Q. Well, are you aware that if the Commission had  
11 not applied that principle of gradualism that the  
12 industrial class would have actually received a decrease  
13 in that case?

14 A. Yes. It appears that they did not apply a  
15 decrease to interruptible general service.

16 Q. Now, Mr. Wiseman looked at MFR Schedule E-13a  
17 with you. Do you still have that?

18 A. I have it in my book. Okay.

19 Q. Before we turn to that, there were some  
20 questions that I wanted to ask Mr. Ender that have been  
21 directed to you. And I wanted to ask him if he was  
22 familiar with the term rate shock. Are you familiar  
23 with that?

24 A. Yes, I am familiar with bill shock.

25 Q. You've never heard the term rate shock?

1           **A.**   Rate shock sometimes equates to bill shock.

2           **Q.**   Okay.  But are you not aware that it relates  
3 also to the impact of a reduction or an increase in a  
4 particular rate?

5           **A.**   It could.

6           **Q.**   Okay.  And one of the reasons the Commission  
7 has applied or used that 1.5 system average rule is to  
8 mitigate rate shock, correct?

9           **A.**   I believe they have applied it to mitigate  
10 bill increases, and that is what I have said in my  
11 rebuttal testimony.

12          **Q.**   Okay.  We will talk about that in a second.  
13 So you don't agree that they have applied that policy to  
14 mitigate rate shock?

15          **A.**   No.  I think they have applied it to mitigate  
16 bill impacts.

17          **Q.**   Let's take a look at E-13a, and let me ask you  
18 this.  And I want you to focus on rates, because I think  
19 we have had a lot of discussion about the fact that the  
20 majority of the decrease that is going to be seen in  
21 2010 is related to the volatile fuel factor, so I want  
22 to look -- I want to talk to you about rates.  And I  
23 want to ask you if there is a percentage increase that  
24 you might find to fulfill the definition of rate shock,  
25 what would that be?

1           **A.**    I would not look at just the base rates alone.  
2           I would look at the total bills, and I would look at  
3           E-8.

4           **MS. KAUFMAN:**  Mr. Chairman, if I could get an  
5           answer to my question.  I'm trying to be real clear and  
6           precise and the witness is wanting to tell me something  
7           else.

8           **CHAIRMAN CARTER:**  You asked her what should  
9           she do, and she told you what she would do.

10          **MS. KAUFMAN:**  I asked her if there would be a  
11          percentage at which a rate --

12          **CHAIRMAN CARTER:**  Ask again.

13          **MS. KAUFMAN:**  Okay.

14          **BY MS. KAUFMAN:**

15               **Q.**    Looking at E-13a, concentrating on rates,  
16               okay.  Putting aside bill, we are going to go to that.  
17               Is there a percentage of rate increase, increase to a  
18               particular rate that you would say would meet the  
19               definition of rate shock?

20               **A.**    Not without looking -- no, not without looking  
21               at the total package.

22               **Q.**    Okay.  Well, if you look --

23               **CHAIRMAN CARTER:**  Hang on a second.

24               Commissioner Skop.

25               **MS. KAUFMAN:**  Okay.

1                   **CHAIRMAN CARTER:** Ms. Kaufman.

2                   **BY MS. KAUFMAN:**

3                   **Q.** If you look at the Line 1 that Mr. Wiseman  
4 talked to you, the CILC-1D rate, if FPL's rates are  
5 approved that rate is going to receive an increase of  
6 59 percent, correct?

7                   **A.** That is correct.

8                   **Q.** And I think he said they will -- the overall  
9 bill will result in a decrease because of the fuel  
10 component, correct?

11                   **A.** The fuel and the capacity factor, yes.

12                   **Q.** Right. Now, that is for 2010. Obviously, you  
13 haven't filed your projections for 2011 or 2012.

14                   **A.** Yes, we have. We haven't filed fuel factors  
15 for '11, no.

16                   **Q.** Okay. Let me back up so it is clear. You  
17 filed those projections and those were for 2010?

18                   **A.** That is correct.

19                   **Q.** You haven't filed any fuel factors for 2011 or  
20 2012, and you will do that in the normal course of your  
21 regulatory proceedings, correct?

22                   **A.** That is correct. We filed projections for  
23 2011 in this case.

24                   **Q.** But, for example, just to go one year further  
25 out to your fuel filings for 2011, as we sit here today

1 we don't know what the fuel price is going to be in  
2 2011, do we?

3 **A.** No, we don't, but we do know that they will be  
4 lower than they would be absent the efficiency  
5 improvements that we are making in our system.

6 **Q.** But we don't know, for example, if there could  
7 be some fuel disruption and we might see a spike in fuel  
8 prices that would amount to an increase in the total  
9 bill, is that correct?

10 **A.** That is correct, and we also don't know if  
11 there will be further fuel reductions.

12 **CHAIRMAN CARTER:** Hang on second. Ms.  
13 Kaufman, let her answer.

14 **MS. KAUFMAN:** I'm sorry, Mr. Chairman.

15 **CHAIRMAN CARTER:** Okay. I mean, let's kind of  
16 tone it down a little bit. I know everybody wants to be  
17 home on Saturday, and I apologize for that. But just  
18 ask the question again, and let her answer it.

19 **BY MS. KAUFMAN:**

20 **Q.** Let me try again, if that would be all right  
21 with you, Ms. Deaton.

22 I think I was saying that you filed or the  
23 company has filed their projections for 2010 for fuel  
24 and based on that we know there is going to be a  
25 decrease?

1           **A.**    That is correct.

2           **Q.**    Okay.  But they haven't filed for 2011, or  
3 2012, or further out, right?

4           **A.**    No, we only file one year at a time.

5           **Q.**    Exactly.  And one reason that you only file  
6 one year at a time, would you agree, is because fuel  
7 prices do, you know, vary from period to period?

8           **A.**    That is correct.

9           **Q.**    So my question was we don't know as we sit  
10 here today whether there will be fuel increases in 2011,  
11 '12, you know, down the road, that will result in an  
12 increase in the overall bill?

13          **A.**    I agree that we don't know if the fuel  
14 prices -- the fuel factors will go up.  I do know that  
15 if they do go up, they will not go up as much as they  
16 would have absent efficiency savings that we are making  
17 on our system.  And we also don't know if fuel prices  
18 will go down, as they have been doing, to cause even  
19 lower fuel prices in the future.

20          **Q.**    But as we sit here today, we really can't say  
21 what is going to happen to fuel in 2011, '12, '13.

22                   **MS. CLARK:**  Mr. Chairman, that's been asked  
23 and answered at least twice.

24                   **CHAIRMAN CARTER:**  Move on.  It's been asked  
25 and answered.  While you are getting your notes

1 together, Commissioner -- okay. All right. You may  
2 proceed, Ms. Kaufman.

3 **MS. KAUFMAN:** I'm sorry.

4 **BY MS. KAUFMAN:**

5 **Q.** Let's go back to rebuttal, and I wanted to go  
6 back and look at some of those other orders that you  
7 talked about. And one of those that you talked about  
8 was the Gulf Power order, correct?

9 **A.** That is correct.

10 **Q.** And that is an order, if I understand your  
11 testimony, where you said that the Commission deviated  
12 from the 1.5 times the system average?

13 **A.** That is correct.

14 **Q.** By the way, can you just tell us what is the  
15 system average increase? I think it is on E-13a.

16 **A.** No, that is not correct.

17 **Q.** Okay. Well, can you tell us what the system  
18 average increase is in a percentage?

19 **A.** On Schedule E-8.

20 **Q.** Uh-huh.

21 **A.** The system average with clauses is 9.2 percent  
22 and the system average without clauses is 25.4 percent.

23 **Q.** Okay. So just without setting aside the  
24 clauses, it is the system average base rate increases of  
25 approximately 25 percent, correct?



1           **A.**    Yes, the base rate average is 25 percent.

2           **Q.**    Okay.

3           **A.**    And that includes base rates and customer  
4 service charges.

5           **Q.**    Okay. And that is the number close to the  
6 number shown on Line 40 of E-13a, right?

7           **A.**    I think they are pretty close.

8           **Q.**    Okay. That's close enough for my purposes.

9           **A.**    Yes.

10          **Q.**    If you would now look at the Gulf order, which  
11 I think is one of the orders that you referred to in  
12 your testimony.

13          **A.**    Yes.

14          **Q.**    And if you would look under the section that  
15 is titled Allocation of Revenue Increase. And I'm  
16 sorry, I don't know that my pages are the same as yours.  
17 I think we talked about that at the deposition. On my  
18 copy it's Page 33, but it may not be the same.

19          **A.**    Yes, I have it.

20          **Q.**    Okay. So the section we are going to look at  
21 is called allocation of revenue increases, and there is  
22 a chart there, but below the chart the Commission says  
23 that because they are committed to gradual process  
24 toward uniform rates of return for all classes, the  
25 revenue increase will be divided between the residential

1 and outdoor classes so as to bring them both up to the  
2 same rate of return as shown below. Do you see where  
3 that is?

4 **A.** I see that.

5 **Q.** Okay. And the next sentence says that this  
6 amounts to a percentage increase without fuel, so the  
7 Commission removed the fuel component, correct, when  
8 they were applying this principle?

9 **A.** It's not clear to me --

10 **Q.** Do you --

11 **A.** It's not clear to me that they didn't look at  
12 fuel.

13 **Q.** Well, do you see the sentence that is right  
14 after where I read that says this amounts to a  
15 percentage increase without fuel of 5.71 for the RS  
16 class and 5.34 for the OSS class?

17 **A.** Yes, I see that.

18 **Q.** Okay. So doesn't the Commission specifically  
19 remove the fuel component from the calculation there?

20 **A.** To determine the increase to the rate class --  
21 for the base rates to the rate classes, yes, they would  
22 look at it without fuel, but I don't know that they  
23 didn't look at fuel overall in determining whether to  
24 deviate from the one and a half times.

25 **Q.** Is there anywhere in this order where they say

1 that they have looked at fuel in order to deviate from  
2 the 1.5?

3 **A.** Not in this order, but in the 830465 order  
4 they did.

5 **Q.** Okay. But let's concentrate on the Gulf  
6 order.

7 **A.** This order.

8 **Q.** So we have agreed that there was a deviation  
9 from the rule. We agreed that fuel wasn't looked at,  
10 correct?

11 **A.** Right. Well, no, I agree that they removed  
12 fuel in order to calculate the increase for the  
13 residential and OS classes.

14 **Q.** Okay. That's fair. And the increase there,  
15 or the deviation from the 1.5, would you agree with me  
16 for the RS class was 5.71 percent? The same page we  
17 were just looking at.

18 **A.** Yes.

19 **Q.** And for the OS rate it was 5.34?

20 **A.** That is correct.

21 **Q.** Okay. And, again, this is only the rate. How  
22 does that compare with the deviation that you are  
23 suggesting, say, for the CILC-1D class we have been  
24 talking about? What is the percentage deviation from  
25 the 1.5 times system average?

1           **A.**    The percentage deviation?

2           **Q.**    Uh-huh.

3           **A.**    About 15 percent higher.

4           **Q.**    We're talking about relative to the system  
5 average of 25 percent?

6           **A.**    Yes. The system average is 25 percent and  
7 CILC-1D is 41 percent.

8           **Q.**    Wouldn't you -- have you looked at Mr.  
9 Pollock's JP-9?

10          **A.**    Yes, I have.

11          **Q.**    Okay. Do you have a copy of that in front of  
12 you, or can you get one?

13               **CHAIRMAN CARTER:** Hang on a second,  
14 Ms. Kaufman. Ms. Clark, I agreed to give her a break.  
15 Is this about the time, because she has been going for  
16 about an hour.

17               **MS. CLARK:** Are you okay to continue?

18               **THE WITNESS:** I'm okay.

19               **CHAIRMAN CARTER:** Are you okay for now?

20               **THE WITNESS:** Yes.

21               **CHAIRMAN CARTER:** Okay.

22               **THE WITNESS:** Okay. Thank you.

23               **CHAIRMAN CARTER:** Ms. Kaufman.

24               **BY MS. KAUFMAN:**

25               **Q.**    Let me know when you are there, Ms. Deaton.

1           **A.**    Yes, I have JP-9.

2           **Q.**    Okay.  And, again, we are talking about the  
3 relative impact compared to the system, and isn't it  
4 correct that, for example, for the CILC-1 class that  
5 Mr. Pollock shows on JP-9, that it is about 231 percent?

6           **A.**    I would agree it is more than two times the  
7 system average.

8           **Q.**    And you don't disagree that he has calculated  
9 it correctly at 231 percent, do you?

10          **A.**    He has -- in calculating the percent increase  
11 he has not taken into account the other operating  
12 revenue increases, so he has left that out of this  
13 calculation.

14          **Q.**    Again, just to be clear, we are talking about  
15 the rate?

16          **A.**    Right.

17          **Q.**    And he correctly calculated that at  
18 231 percent.

19          **A.**    I haven't checked his numbers, but subject to  
20 check, they look appropriate.

21          **Q.**    Okay.  And similarly for the GSLD-1 in the  
22 HLFT classes, as well as some others, it is a  
23 216 percent increase?

24          **A.**    That is correct.  These customers will also be  
25 seeing the largest bill decreases.

1 Q. In 2010.

2 A. Correct.

3 Q. Now, another case that you talked about was --  
4 I don't know if I can talk about this. This was a  
5 Peoples Gas case. Maybe I should skip over that one.

6 CHAIRMAN CARTER: Right. Let's don't do that.

7 MS. KAUFMAN: Okay. Sorry.

8 CHAIRMAN CARTER: You are doing quite well so  
9 far.

10 MS. KAUFMAN: I forgot that until --

11 CHAIRMAN CARTER: Keep your streak alive.

12 MS. KAUFMAN: -- I looked at it and saw that.  
13 Let me just get --

14 CHAIRMAN CARTER: Take a moment.

15 BY MS. KAUFMAN:

16 Q. Let's just talk -- I'm done with that. I had  
17 forgotten about the Peoples case. Let's talk for a  
18 minute about the GBRA. There has just a lot of  
19 discussion about it, and I'm not going to replot the  
20 ground that Mr. Wiseman went over, but I do want to ask  
21 you this. You refer, and I think other FPL witnesses  
22 do, as well, to the fact that you are asking the  
23 Commission to continue the GBRA, correct?

24 A. That is correct.

25 Q. And you are aware, are you not, that the GBRA

1 was part of a comprehensive settlement of FPL's 2005  
2 rate case?

3 A. That's correct.

4 Q. And you are aware that the settlement expires  
5 at the end of this year?

6 A. That is correct.

7 Q. And you are aware that the GBRA, pursuant to  
8 the settlement, expires at the end of this year?

9 A. That is correct and that is why we are asking  
10 the Commission to continue it.

11 Q. And would you agree with me that in a  
12 settlement such as the one that resulted in the 2005  
13 rate case, that by necessity there is a lot of give and  
14 take between the parties?

15 A. I agree with that.

16 Q. And would you also agree that to FPL's credit  
17 part of their give was to freeze base rates?

18 A. That is correct.

19 Q. And there was a lot of other back and forth,  
20 but part of the back and forth included the GBRA,  
21 correct?

22 A. That is correct.

23 Q. Now, I think this is probably an obvious  
24 question, but FPL is not offering to freeze base rates  
25 in this case, correct?

1           **A.** No. FPL is proposing to continue a regulatory  
2 efficient method for including in base rates the cost of  
3 new power plants that are commensurate with fuel savings  
4 the customers will see.

5           **Q.** Yes, I understand FPL's position. My point is  
6 that when the parties to the 2005 case agreed to the  
7 GBRA, there were a lot of other, as I said, gives and  
8 takes involved in that settlement. Would you agree to  
9 that?

10          **A.** I think I agree that a settlement is a give  
11 and take.

12          **Q.** And would you also agree that -- and I have  
13 the order, but I don't think we will need it. Would you  
14 also agree that when the settlement was presented to the  
15 Commission, and its approval was sought, the parties  
16 included language which basically said we would ask you  
17 to accept this entire agreement and, you know, if not to  
18 be colloquial, the deal is off?

19          **A.** That is my understanding, yes.

20           **MS. KAUFMAN:** One more question about the GBRA  
21 and, Mr. Chairman, I think we will be done.

22           **CHAIRMAN CARTER:** Okay. Great.

23           **BY MS. KAUFMAN:**

24           **Q.** You had a lot of discussion with Mr. Wiseman  
25 about this and with the Commissioners, but when GBRA --



1 when items eligible for the GBRA, if the GBRA were to be  
2 approved, are rolled into rate base, the Commission or  
3 the parties don't look at any of the other revenues, or  
4 expenses, or other items concerning FPL's financial  
5 status, would you agree with that?

6 **A.** No, it's -- yes, I agree with that it is an  
7 interim measure until the next base rate case when all  
8 items can be looked at. And I also understand Witness  
9 Ousdahl testified that it really doesn't change our  
10 earnings level, and that the Commission has the  
11 surveillance reports available to it if it deems that we  
12 need to come in for a base rate case.

13 **MS. KAUFMAN:** I don't know if I said one more  
14 question, but we also --

15 **CHAIRMAN CARTER:** You did.

16 **MS. KAUFMAN:** Okay. Well, can I have one  
17 more?

18 **CHAIRMAN CARTER:** Go ahead.

19 **MS. KAUFMAN:** Okay.

20 **BY MS. KAUFMAN:**

21 **Q.** We also have heard several times that it has  
22 been about 20 years since FPL came in for a rate case,  
23 correct?

24 **A.** It has, yes. Well, FPL filed a rate case in  
25 2005. Before that it was 1984. FPL was able to reduce

1 rates three times, once for the tax savings docket in  
2 1990 and two times subsequent to that saving customers  
3 \$600 million per year.

4 Q. The last time there was a fully -- it has been  
5 about 20 years since there was a fully litigated rate  
6 case, is that true? Probably more than that, actually.

7 A. Well, I'm not the attorney to determine what  
8 is fully litigated. I know we filed a full rate case,  
9 and it went all the way through discovery in 2005, and  
10 before that the Commission determination in the 1984  
11 case was the one before that.

12 Q. Right. And I'm not trying to pin you down,  
13 you know, to specific dates. My point being that it has  
14 been a long period of time absent settlements in regard  
15 to when your rates have been reviewed, you know, in the  
16 kind of proceeding that we are here today in.

17 A. Well, they were reviewed in 1999 when the  
18 Commission had us come in to review them, which resulted  
19 in the settlement reducing rates, and then again in  
20 2002.

21 Q. Let me try this one more time, and then I will  
22 leave it, because I think that -- I hope that the record  
23 is clear that it has been quite some time since all of  
24 us have gathered here as we are today for a rate case.

25 MS. CLARK: Mr. Chairman, I think just to be

1 clear that rate cases have been filed. If Ms. Kaufman  
2 wants to make it clear have we gone through the same  
3 length of proceeding through putting witnesses on, that  
4 is a different question.

5 **MS. KAUFMAN:** Okay. Well, thank you,  
6 Ms. Clark.

7 **BY MS. KAUFMAN:**

8 **Q.** The way Ms. Clark phrased it, it is true that  
9 it has been quite some time since we have gone all the  
10 way to the end of a proceeding and putting on witnesses,  
11 correct?

12 **A.** Yes. FPL has been able to avoid raising rates  
13 for quite some time, and, in fact, has lowered rates  
14 three times.

15 **Q.** And I guess it would be fair to ask you, you  
16 don't know when FPL plans to come in for another rate  
17 case, do you?

18 **A.** No, I do not.

19 **Q.** And to the extent, you know, it is years and  
20 years, and plants are eligible for GBRA, they will be --  
21 and if the GBRA is approved, they will be put into rate  
22 base without a review of the other expenses and revenues  
23 of the company, other than looking at the surveillance  
24 reports?

25 **A.** Yes. The Commission has the surveillance

1 reports to review, and those are reviewed monthly it is  
2 my understanding. And, yes, with GBRA plants they would  
3 go into service.

4 **MS. KAUFMAN:** If you will just give me one  
5 second, Mr. Chairman.

6 **CHAIRMAN CARTER:** I am afraid to. We might  
7 end up with that one question that turned into ten.  
8 But, go ahead.

9 **MS. KAUFMAN:** All right. I'm sorry.

10 **CHAIRMAN CARTER:** It's okay. Take your time.  
11 Take your time.

12 **MS. KAUFMAN:** Thank you very much for  
13 indulging me.

14 **CHAIRMAN CARTER:** Thank you, Ms. Kaufman.  
15 Mr. Wright, good morning.

16 **MR. WRIGHT:** Good morning.

17 **CHAIRMAN CARTER:** It's actually afternoon,  
18 isn't it?

19 **MR. WRIGHT:** It is afternoon. Good afternoon,  
20 Mr. Chairman.

21 I don't have much for Ms. Deaton. You know,  
22 it could turn into 10 or 15 minutes. I understood that  
23 somebody wanted to take a break. It might be a good  
24 time. If not, I am happy to proceed.

25 **CHAIRMAN CARTER:** I have given Ms. Clark an

1 opportunity to give the witness a break on the --

2 **MS. CLARK:** I am waiting for her cue. Until  
3 she gives that to me, we are ready to go.

4 **CHAIRMAN CARTER:** Are you okay?

5 **THE WITNESS:** I think I can go to 12:30.

6 **CHAIRMAN CARTER:** Oh, great. He will be done  
7 by then.

8 **THE WITNESS:** Okay.

9 **CHAIRMAN CARTER:** Maybe.

10 **MR. WRIGHT:** I have some things --

11 **THE WITNESS:** You said ten or 15 minutes.

12 **MR. WRIGHT:** I'm supremely confident that I'll  
13 be done by then.

14 **CHAIRMAN CARTER:** Mr. Wright.

15 **MR. WRIGHT:** Thank you, Mr. Chairman.

16 CROSS EXAMINATION

17 **BY MR. WRIGHT:**

18 **Q.** Good afternoon, Ms. Deaton.

19 **A.** Hello, Schef.

20 **Q.** My name is Schef Wright, and I represent the  
21 Florida Retail Federation in this case. I just have a  
22 few questions, not relating to rate design or cost of  
23 service that follow along some of your conversation with  
24 Ms. Kaufman.

25 First, I would like to -- I just want to ask

1       you a couple of questions about your updated Exhibit  
2       RBD-2. I just want to make sure that I have the  
3       following right. It looks to me that if there were no  
4       base rate increase in this case that the bill for a  
5       typical 1,000 kilowatt hour residential customer would  
6       decline by \$17.23 per month, is that correct?

7           **A.**     That would be correct, but it would be  
8       unfeasible to have the fuel efficiency improvements and  
9       savings that we have been making put into effect through  
10      the fuel clauses without having a base rate increase.

11           **Q.**     You have already built the plants that provide  
12      the fuel savings, have you not?

13           **A.**     Yes, so far. West County 2 is scheduled to  
14      come on-line in November.

15           **Q.**     November of what year?

16           **A.**     This year.

17           **Q.**     Okay. That plant is essentially built and  
18      paid for, is it not?

19           **A.**     No, it is not completed.

20           **Q.**     How much have you got left to spend on it?

21           **A.**     I don't know that. You will have to ask  
22      Witness Hardy.

23           **Q.**     Okay. Isn't it true that -- you took us off  
24      on this tangent about not being able to pay for the  
25      plants. Isn't it true that the company would recover

1 all of its O&M expenses, all of its interest costs and  
2 still have a positive net operating income even with no  
3 base rate increase?

4 **A.** I have no idea. You would have to speak to  
5 Witness Barrett.

6 **Q.** Okay. Well, I think the MFR schedules bear  
7 that out, but I will proceed.

8 **A.** Those aren't mine.

9 **Q.** Okay. You did answer my question  
10 affirmatively that the residential typical 1,000 kWh  
11 bill would decline by \$17.23?

12 **A.** The difference between the fuel factor in  
13 December of this year of 52.23 and the fuel factor that  
14 we filed for January of 2010 is approximately \$17.

15 **Q.** If you divided -- I want to know what the  
16 percentage decrease would be if there were no base rate  
17 increase. When I do the arithmetic, I calculate that  
18 the decline from 109.32 to approximately 91.31 is 16-1/2  
19 percent. Will you agree that with no base rate increase  
20 the typical 1,000 kWh residential customer's bill would  
21 otherwise decline by 16-1/2 percent effective next  
22 January?

23 **A.** Subject to check. I haven't done the math.

24 **Q.** Okay. Ms. Kaufman and you had a conversation  
25 about efficiency savings, and I would like to explore

1 that a little bit. You made the statement that you are  
2 estimating efficiency savings of \$645 million next year.  
3 Is that an accurate characterization of your testimony?

4 **A.** That is the estimate.

5 **Q.** Okay. Now, I note, again, from RBD-2, and  
6 also I will aver to you from part of the company's fuel  
7 filing that it looks like the average cost per kilowatt  
8 hour or, say, per 1,000 kilowatt hours is coming down by  
9 about \$17?

10 **A.** Yes.

11 **Q.** Okay. Is that fairly representative across  
12 rate classes?

13 **A.** Fairly.

14 **Q.** Okay. So, do you know what the company's  
15 projected megawatt hour sales, or kilowatt hours sales,  
16 or gigawatt hour sales are for next year?

17 **A.** That is in my -- 101 billion kilowatt hours,  
18 if I am reading this right.

19 **Q.** That is the number I have. Thank you.

20 So you would agree, I think, that 101 billion  
21 kilowatt hours is the same as 101 million megawatt  
22 hours, yes?

23 **A.** Yes.

24 **Q.** Okay. And I have two calculators. I would be  
25 happy to lend you one.



1           **A.**    No thanks.

2           **Q.**    But I'm sure you will agree that \$17 per  
3 megawatt hour times 101 million megawatt hours is just a  
4 little more than \$1.7 billion, correct?

5           **A.**    Sounds right.

6           **Q.**    Okay.  So that's the total decline in the  
7 company's fuel cost bill projected for next year,  
8 roughly?

9           **A.**    I can't testify to that.  The fuel filing has  
10 been filed and those numbers are presented there.

11          **Q.**    Well, you did just answer affirmatively  
12 without qualification that the average fuel factor is  
13 coming down by about \$17 per megawatt hour companywide?

14          **A.**    I said it was, you know, give or take, but the  
15 fuel factor is calculated and applied to the rate  
16 classes fairly evenly, except for losses.  So I wouldn't  
17 say it is exactly \$17.

18          **Q.**    And I'm not trying to hold you to exactly \$17,  
19 but I bet we could agree it is probably between 16 and  
20 18, couldn't we?

21          **A.**    I'm not the fuel witness.

22          **Q.**    Well, would you agree that 645 million divided  
23 by 1.7 billion is around 35 or 36 percent?

24          **A.**    600 and what?

25          **Q.**    645, your number on the claimed fuel

1 efficiency savings, divided by roughly \$1.7 billion of  
2 total fuel cost reductions?

3 **CHAIRMAN CARTER:** Commissioner Skop.

4 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.  
5 I am going to take the unusual step here to address  
6 something that I see occurring as we speak.

7 Mr. Litchfield, the document that you have  
8 before you, may I please see that document? Not the --  
9 not the item, but the other white piece of paper that  
10 you have in your hand.

11 No, the one in your other hand.

12 **MR. LITCHFIELD:** The white piece?

13 **COMMISSIONER SKOP:** Yes, please. You have  
14 that flipped around. May I see that, please?

15 Ms. Bennett, did Commissioner Edgar ask you to  
16 prepare a document outlining the various scenarios  
17 related to a decision date that this Commission would  
18 make as to the conclusion of this hearing?

19 **MS. BENNETT:** No, sir. We have been  
20 working -- staff has been working with the calendar  
21 trying to figure out what is going to happen and when,  
22 and we are going to meet with -- I am hoping to meet  
23 with the parties after today to kind of discuss the  
24 briefing schedules, but, no.

25 **COMMISSIONER SKOP:** Okay. I apologize. Any

1 Commissioner is entitled to ask for anything, but what I  
2 have observed, or think that I have perceived observed,  
3 I was wondering whether it was a document that may have  
4 been prepared internally may have found its way into the  
5 utility's hands. And, again, I don't know if staff  
6 prepared this document. Does this document look  
7 familiar?

8 **MS. BENNETT:** The one I am working off of is  
9 over here, and I will be glad to make a copy of it for  
10 everybody.

11 **MR. BUTLER:** Mr. Chairman.

12 **CHAIRMAN CARTER:** Mr. Butler.

13 **MR. BUTLER:** I just want to state for the  
14 record that what Mr. Litchfield had is a document we  
15 were preparing, hoping to --

16 **COMMISSIONER SKOP:** Very well. Again, I am  
17 just concerned about things that I see. I don't mean to  
18 make any --

19 **MR. BUTLER:** I just want to make it clear for  
20 the record, as I said, that this is something FPL was  
21 preparing in looking at scenarios that might be  
22 available for possible decision periods. And I just  
23 want to make it clear for the record that's what  
24 Mr. Litchfield had in his hand that I had provided to  
25 Commissioner Skop to review.

1                   **COMMISSIONER SKOP:** That's fine. You can have  
2 the document back.

3                   **MR. BUTLER:** Okay.

4                   **COMMISSIONER SKOP:** You can have the document  
5 back. I appreciate it. I'm just trying to ensure the  
6 integrity of the process, and I see a lot of discussion  
7 in the back of the room with documents in relation to  
8 the yellow sheet that is the Commission's docket of  
9 cases. So, again, I don't mean to make any accusations  
10 or what have you, but, again, there is things that are  
11 happening around me that I have significant concerns  
12 with as a Commissioner and as an attorney.

13                   **COMMISSIONER EDGAR:** Mr. Chairman, I will just  
14 say, I have the standard yellow sheet right here that we  
15 use to look at the calendar, and I have been looking at  
16 it this morning, realizing that the witnesses, you know,  
17 are taking substantial time. And we have all said we  
18 are not going to rush, and I certainly have been looking  
19 at my calendar and the Commission calendar to try to see  
20 what going further --

21                   **COMMISSIONER SKOP:** And, again, no -- no  
22 offense.

23                   **COMMISSIONER EDGAR:** So, it seems like you --  
24 since you mentioned my name specifically, like you were  
25 trying to allege something, and I will tell you I

1 absolutely have been looking at the calendar and trying  
2 to think through what the dates mean. I'm not sure  
3 what -- what more you are getting at.

4 **COMMISSIONER SKOP:** My understanding was that  
5 staff had been working on some dates, perhaps at the  
6 request of one or more Commissioners. And, again, I  
7 have seen lot of discussion in the back of the room  
8 between the yellow Commission docket and a white piece  
9 of paper. And, again, I thought --

10 Again, no allegations. My apologies to Mr.  
11 Litchfield. But, again, I have concerns as to ensuring  
12 the integrity of the process. I think FPL is a very --  
13 is a company that has a high degree of integrity, and  
14 I'm not trying to question that, but I'm trying to  
15 ensure the integrity of the process is maintained. So,  
16 again, there --

17 **COMMISSIONER EDGAR:** Well, Commissioner, it  
18 seems that you were trying to question staff about me,  
19 and I am just not understanding. And, yes, the yellow  
20 paper, and I have many more white pieces of paper.

21 **COMMISSIONER SKOP:** Okay. Well, again, I  
22 don't want to make any -- I just wanted to raise a  
23 concern, and, basically, I guess, assure myself that,  
24 again, that -- that, again, there are two different  
25 pieces of paper. But my concern was founded upon not

1 speculation, but my understanding that staff had been  
2 requested to look at some dates, specifically to  
3 understand what the ramifications were as to the  
4 conclusion date of the hearing. And, again, I just  
5 wanted to express my concern.

6 Not to bring this up, but, again, there are  
7 some things that I'm not happy with. And, again, I  
8 am -- you know, I don't like what I am seeing. And  
9 again, I just -- and when those issues arise, I am going  
10 to do what I feel is necessary to convince myself that  
11 there is nothing more that had been going on. So, thank  
12 you.

13 **CHAIRMAN CARTER:** Commissioner, you were very  
14 careful to apologize to FPL, but you did not apologize  
15 to Commissioner Edgar.

16 **COMMISSIONER SKOP:** If there were any --  
17 again, there were no allegations, so, again, I extend an  
18 apology. But, again, I have seen lot of discussion this  
19 morning that has brought a reasonable concern to mind.

20 But, again, I apologize if there is any  
21 offense that should be taken. And, again, I will extend  
22 an apology.

23 **COMMISSIONER EDGAR:** Thank you.

24 **CHAIRMAN CARTER:** When I gaveled the meeting  
25 to order this morning, you were not here, Commissioner,

1 I told everyone that the next meeting dates are  
2 September 16 and September 17th, 2009. I told all the  
3 parties to be prepared, because we will start at 9:30,  
4 and we will probably go all the way to 9:30 p.m., at  
5 least 12 hours to get this thing done.

6 In the context of where we are going from  
7 there, the schedule for briefing and those things will  
8 follow -- will fall out from there as we normally do it.  
9 So, I mean, I am the one that mentioned the calendar  
10 this morning, because I was working with the parties to  
11 try to get them some time to have a full opportunity to  
12 have their cases heard.

13 You may proceed on your cross-examination,  
14 Mr. Wright.

15 Oh, did you need to take a break now?

16 **THE WITNESS:** I just did.

17 **CHAIRMAN CARTER:** You did.

18 Mr. Wright.

19 **MR. WRIGHT:** Thank you, Mr. Chairman, and  
20 thank you, Ms. Deaton.

21 **BY MR. WRIGHT:**

22 Q. I think the question that I had asked you is,  
23 and I -- the question I had asked you is based on your  
24 estimate of \$645 million of efficiency savings relative  
25 to a total fuel cost decrease in the range of

1 \$1.7 billion. What I said was, wouldn't you agree that  
2 the efficiency savings piece of that is about 35 or  
3 36 percent. I will tell you --

4 **A.** That sounds about right.

5 **Q.** I redid my arithmetic using a calculator  
6 instead of my brain in the meantime, and it is closer to  
7 38.

8 **A.** Okay.

9 **Q.** Okay. So you will accept that?

10 **A.** Subject to check, yes.

11 **Q.** Okay. My question, my next question for you  
12 is how did you calculate the efficiency savings to which  
13 you testified earlier?

14 **A.** Based on the system heat rates presented by  
15 Witness Hardy in 2002 versus what they will be this year  
16 with all the efficiency improvements we have made with  
17 the plants over the years and the new plants that have  
18 gone into service.

19 **Q.** Would I be better served, perhaps, to ask  
20 Mr. Hardy about this further?

21 **A.** He has determined what the efficiency savings  
22 are and the heat rates. We have taken that and  
23 calculated using projected fuel prices, actual and  
24 projected fuel prices, to determine the fuel dollar  
25 savings. So I am the witness for the fuel dollar



1 savings. He is the witness for the efficiencies.

2 Q. I will just ask you a couple of questions.  
3 Your answers may well be I don't know, and if so, that  
4 will be that.

5 Conceptually, when you replace a power plant  
6 like one of FPL's fossil steam units that has a 10,000  
7 heat rate with a combined cycle unit that has a, let's  
8 say, a 7,000 heat rate, you're saving -- the efficiency  
9 savings there is 3,000 Btu per kilowatt hour?

10 A. That is correct.

11 Q. Okay. Do you know whether that was the only  
12 part of the savings that got factored to efficiency  
13 savings?

14 A. It is my understanding improvements in  
15 existing plants were also factored.

16 Q. Okay. Would you agree that the saving, the  
17 efficiency saving is the improvement in the efficiency  
18 of the plants, and that the decline in fuel costs  
19 exogenous in the market applies to the lower heat rates,  
20 as well?

21 A. That is correct.

22 Q. Okay. And I can pursue this further with  
23 Mr. Hardy, I gather, correct? If I want to know more  
24 about how the efficiency savings were calculated, I  
25 should ask him?

1           **A.**    Yes.    Witness Hardy would be the efficiency  
2 witness.

3           **MR. WRIGHT:**   Thank you, Mr. Deaton, and thank  
4 you, Mr. Chairman.   That was all the questions I had.

5           **CHAIRMAN CARTER:**   Thank you.  
6 Commissioner Skop.

7           **COMMISSIONER SKOP:**   No questions.

8           **CHAIRMAN CARTER:**   Staff.

9           **MS. BROWN:**   We have just a very few questions,  
10 Mr. Chairman.   That will be even less if we can get an  
11 agreement from the parties with respect to staff's  
12 discovery exhibits.   I think we have one, but we should  
13 probably confirm that.

14           **CHAIRMAN CARTER:**   Why don't you state it for  
15 the record, and then we will make sure we are all on the  
16 same page.

17           **MS. BROWN:**   Okay.   I will.   We are asking to  
18 admit FPL's Response to Staff's Third Set of  
19 Interrogatories Numbers 9, 10, 11, and 14.   They are  
20 shown on Page 4 of Staff's Comprehensive Exhibit List.  
21 Then we are asking for Staff's Fourth Set of  
22 Interrogatories Number 30.   It is Number 3 on Page 4 of  
23 the comprehensive exhibit list.   Number 5 on Page 4  
24 includes FPL's Responses to Staff's Sixth Set of  
25 Interrogatories, and the numbers we want from there are

1 64, 65, 67, 68, 71, and 76. And, finally, FPL's  
2 Response to Staff's Seventh Set of Interrogatories  
3 Number 95, also included on Page 4 of the comprehensive  
4 exhibit list.

5 **CHAIRMAN CARTER:** Let's hear from the parties.

6 **MS. CHRISTENSEN:** If we are referring to the  
7 packet that was provided yesterday, then we have no  
8 objection.

9 **CHAIRMAN CARTER:** Mr. Wiseman.

10 **MR. WISEMAN:** No objection.

11 **CHAIRMAN CARTER:** Ms. Bradley.

12 **MS. BRADLEY:** No objection.

13 **CHAIRMAN CARTER:** Ms. Kaufman.

14 **MS. KAUFMAN:** No objection.

15 **MR. LaVIA:** No objection.

16 **CHAIRMAN CARTER:** Ms. Clark.

17 **MS. CLARK:** No objection.

18 **CHAIRMAN CARTER:** Okay. Show it done.

19 (Exhibit 35 on Comprehensive Exhibit List,  
20 Page 4, Items 9, 10, 11 and 14; Page 4, Item 3, Item 5  
21 and Item 95 marked for identification and received into  
22 evidence.)

23 **MS. BROWN:** So we have admitted those?

24 **CHAIRMAN CARTER:** Yes, ma'am. They are  
25 entered into the record.

1                   **MS. BROWN:** All right.

2                   **MS. CLARK:** Mr. Chairman.

3                   **CHAIRMAN CARTER:** Yes, ma'am.

4                   **MS. CLARK:** I know we are moving on, and I was  
5 just asked to check on the cross-exam for Ms. Morley.  
6 We feel like we might able to get through her today as  
7 well and just wanted to bring that to our attention.

8                   **CHAIRMAN CARTER:** Okay. We will see. We will  
9 cross that bridge when we get to it.

10                   Staff, anything further?

11                   **MS. BROWN:** We have just a few questions.

12                   **CHAIRMAN CARTER:** You are recognized.

13                                   CROSS EXAMINATION

14                   **BY MS. BROWN:**

15                   **Q.** Good afternoon, Ms. Deaton.

16                   **A.** Good afternoon.

17                   **Q.** Nice to speak with you, again. You are aware,  
18 are you not, that AFFIRM has raised an issue on the  
19 method for designing time-of-use rates in this  
20 proceeding?

21                   **A.** Yes, I am.

22                   **Q.** Are you familiar with how FPL designs its  
23 time-of-use rates?

24                   **A.** Yes, I did design them.

25                   **Q.** We discussed how FPL designs time-of-use rates

1 at your deposition taken on August 20th on Page 72  
2 through 73 of that document. Do you have it?

3 A. Yes.

4 Q. Could you describe that process for the  
5 Commissioners, the process you used to design  
6 time-of-use rates?

7 A. Would you like me to read from the deposition  
8 or no?

9 Q. Whichever you want.

10 A. We design them consistent with the precedent  
11 that this Commission has set for time-of-use rates by  
12 setting them to a revenue neutral with the otherwise  
13 applicable standard rate customer charges are set at  
14 unit costs to include increased costs in some cases for  
15 the time-of-use meter.

16 And if there is a demand charge, it is set  
17 equal to the demand charge for the otherwise applicable  
18 rate. And then the energy charge is split between  
19 on-peak and off-peak, such that based on the class  
20 average usage of energy on-peak, the charges between  
21 on-peak and off-peak are set such that they produce a  
22 revenue neutral revenue between the time-of-use rate and  
23 the nontime-of-use rate.

24 The off-peak energy rate is initially set at  
25 the unit cost, and the on-peak energy rate is initially

1 set at the total cost, including demand charges. And  
2 adjustments are made to both to achieve the revenue  
3 neutrality.

4 Q. Can you explain why off-peak rates are less  
5 than on-peak rates?

6 A. Off-peak rates are set lower than on-peak  
7 rates to encourage usage in the off-peak hours.

8 Q. If you would, turn to Page 69 of your  
9 deposition, starting on Lines 21 and continuing on to  
10 Page 71.

11 A. What line, I'm sorry?

12 Q. Starting on Line 24.

13 A. 24, okay.

14 Q. That is a discussion of AFFIRM's contention  
15 that the GSDT-1 rate was unfair, correct?

16 A. Right.

17 Q. And then on Page 70 of your deposition  
18 starting at Line 18, continuing through to Page 71,  
19 Line 22, you respond to AFFIRM's contention.

20 A. Right, that they can save money by shifting  
21 usage to the off-peak hours.

22 Q. Right. So it is a fair summary of that  
23 discussion to say that time-of-use rates are designed to  
24 encourage customers to shift usage and that is how  
25 customers can save under a GSDT rate?

1           **A.**    That is correct.

2           **Q.**    Now, if you would turn to Page 73 of your  
3 deposition starting on Line 20. This states -- do you  
4 have it?

5           **A.**    73, Line 20, yes.

6           **Q.**    This states that the average load factor for  
7 customers currently receiving service under the HLFT  
8 rate is 80 percent, correct?

9           **A.**    That is correct.

10          **Q.**    On Page 74 of your deposition, at Line 2, you  
11 state that HLFT rate was set assuming customers had at  
12 least a 70 percent load factor, correct?

13          **A.**    That is correct.

14          **Q.**    So is it reasonable to believe that any  
15 customer whose load factor was above 70 percent could  
16 benefit from the HLFT rate, assuming they met the other  
17 requirements of the tariff?

18          **A.**    That is correct.

19          **Q.**    In his testimony, Witness Klepper for AFFIRM  
20 stated that he thinks a new commercial time-of-use rate  
21 should be developed. If you were going to design a new  
22 time-of-use rate, as AFFIRM suggests, would you first  
23 need to identify all customers with usage  
24 characteristics similar to AFFIRM's clients to determine  
25 who might take service under such a new rate?

1           **A.**    That is correct.  You would have to identify a  
2 new rate class.

3           **Q.**    Would you also have to isolate the load data  
4 for that subgroup of GSD customers from the rest of the  
5 GSD customers?

6           **A.**    Yes.

7           **Q.**    And that would be to determine cost allocation  
8 factors?

9           **A.**    That's correct.

10          **Q.**    Do you have that load data available today?

11          **A.**    No.

12          **Q.**    What would it take to gather that data?

13          **A.**    I mean, it is just a matter of accumulating  
14 historical data.  It wouldn't take a whole lot of  
15 effort, I don't think.

16          **Q.**    Okay.  Would implementing a new rate class  
17 that takes customers from an existing rate class affect  
18 the costs and resulting revenue requirements allocated  
19 to the existing rate classes?

20          **A.**    Yes, it would.

21          **Q.**    Do you know today exactly how the costs and  
22 revenues would change for existing GSD customers if some  
23 GSD customers migrated to a new rate schedule?

24          **A.**    No.

25          **Q.**    Is that information readily available?



1           **A.**   Not without producing everything that we have  
2 here.

3           **Q.**   Would you explain what you mean -- what is  
4 meant by load diversity?

5           **A.**   I believe Witness Klepper refers to the  
6 diversity versus time-of-usage, whether they are on the  
7 peak or off-peak.

8           **Q.**   How is that -- how is that important to rate  
9 design?

10          **A.**   If the class truly has unique characteristics,  
11 there might be an opportunity to develop a rate for that  
12 rate class, just as we do with the seasonal demand  
13 time-of-use rates or the high load factor time-of-use  
14 rates.

15          **Q.**   Okay. I wanted to ask just a couple of  
16 questions about the CDR credit.

17          **A.**   Okay.

18          **Q.**   We talked about this in your deposition?

19          **A.**   Yes.

20          **Q.**   At Page 81, starting on 17, would you explain  
21 what the CDR credit is?

22          **A.**   Well, the CDR credit is a payment or a credit  
23 to customers who are willing to declare at least 200  
24 kilowatts of their load as nonfirm and allow it to be  
25 interrupted as a load control measure by the company.

1           **Q.**   And that is -- the CDR credit is similar to  
2 the load management credit that residential customers  
3 can receive under FPL's on-call program, correct?

4           **A.**   That is correct.

5           **Q.**   And these two programs are generally referred  
6 to as load management programs?

7           **A.**   That is correct.

8           **Q.**   Are credits for load management programs  
9 normally set in a rate case?

10          **A.**   No, they are not.

11          **Q.**   Where are they usually set?

12          **A.**   In the DSM dockets or the --

13               **MS. BROWN:**   Okay. Now, I have just one  
14 exhibit that I would like to have marked, Mr. Chairman.

15               **CHAIRMAN CARTER:**   That will be Number 491,  
16 4-9-1. A short title?

17               **MS. BROWN:**   Yes.

18               **CHAIRMAN CARTER:**   Or your best efforts.

19               **MS. BROWN:**   This is Witness Deaton's  
20 Late-Filed Deposition Exhibit Number 2.

21 **BY MS. BROWN:**

22               **Q.**   Ms. Deaton, do you have that before you?

23               **A.**   Yes, I do.

24               **Q.**   It is a document entitled Estimate of the  
25 Percentage of Base Revenues to Total Bill for a 1,000

1 Kilowatt Hour Residential Bill, Assuming that GBRA is  
2 Not Continued in 2011.

3 A. That is correct.

4 Q. You are familiar with this?

5 A. Yes, ma'am.

6 Q. And was it prepared by you or under your  
7 supervision?

8 A. Yes, it was.

9 MS. KAUFMAN: Mr. Chairman.

10 CHAIRMAN CARTER: Yes, ma'am, Ms. Kaufman.

11 MS. KAUFMAN: I am so sorry to interrupt  
12 Ms. Brown, but I fear we may be having a discussion as  
13 we had yesterday in regard to the exhibit that was not  
14 admitted. And I apologize, I can't remember the number.

15 But, again, this is talking about a step  
16 increase. If you look at Footnote Number 3, and I won't  
17 reiterate all the arguments that Mr. McGlothlin made  
18 yesterday, but I did want to object before there was  
19 more questioning on the exhibit. So, I think that this  
20 is beyond what has been asked for in the case and beyond  
21 Ms. Deaton's testimony.

22 MS. BROWN: Mr. Chairman, in light of the  
23 ruling that you made yesterday, we will withdraw this.

24 CHAIRMAN CARTER: Okay. Show it done.

25 MS. BROWN: We missed that part.

1                   **CHAIRMAN CARTER:** Show it done.

2                   **MS. BROWN:** We're sorry.

3                   **CHAIRMAN CARTER:** Ms. Bradley.

4                   **MS. BRADLEY:** Mr. Chairman, can we move to  
5 strike her response to that question?

6                   **CHAIRMAN CARTER:** Done.

7                   **MS. BRADLEY:** Thank you.

8                   **COMMISSIONER EDGAR:** Mr. Chairman, may I ask  
9 staff --

10                   **CHAIRMAN CARTER:** Commissioner Edgar.

11                   **COMMISSIONER EDGAR:** Thank you. About how  
12 much longer do you have?

13                   **MS. BROWN:** We're done.

14                   **COMMISSIONER EDGAR:** Oh, well, sorry. But if  
15 I may let me ask this, about how much redirect?

16                   **MS. CLARK:** I'm thinking five minutes.

17                   **COMMISSIONER EDGAR:** Mr. Chairman, may I ask  
18 for a break, please.

19                   **CHAIRMAN CARTER:** Done. We will come back at  
20 a quarter of.

21                   (Off the record.)

22                   **CHAIRMAN CARTER:** We are back on the record.  
23 And when we last left, staff had completed its  
24 cross-examination.

25                   Ms. Clark, you're recognized for redirect.

1                   **MS. CLARK:** Just a couple.

2                                   REDIRECT EXAMINATION

3                   **BY MS. CLARK:**

4                   **Q.** Ms. Deaton, is it fair to say that a guiding  
5 principle of rate design is to match revenue recovery  
6 from a class with the cost to serve that class?

7                   **A.** Yes, ma'am.

8                   **Q.** Now, Ms. Kaufman asked you some questions  
9 regarding a recent -- I believe a recent Gulf order, and  
10 you mentioned a Gulf order in 1983, is that correct?

11                   **A.** Yes.

12                   **Q.** And did that order speak to the notion of  
13 parity?

14                   **A.** Yes, it did.

15                   **Q.** Could you find in that order where the  
16 Commission spoke to that issue and read that into the  
17 record, please?

18                   **A.** It might be easier if I read from my rebuttal  
19 testimony.

20                   **Q.** I'm on page -- I actually have a Lexus copy,  
21 so it may not be the page, and I am on Page 29, and it  
22 starts, in doing so.

23                   **A.** My numbers must be off. What section?

24                   **Q.** It is in the section of allocation of revenue  
25 increase.

1           **A.**    Okay.  Okay, I have you.  "In doing so, we are  
2 departing from our policy in previous cases of limiting  
3 the increase to any one class to not more than one and a  
4 half times the system average increase.  Were we to  
5 apply that policy in this case, some classes whose  
6 present rates of return are above parity would receive  
7 an increase.  Thus, the greater equity lies in  
8 allocating the increase to those classes with  
9 substantially lower rates of return."

10           **Q.**    And that is the notion of parity to move  
11 everyone to their cost of service, right?

12           **A.**    That is correct.

13           **Q.**    Thank you.

14           **CHAIRMAN CARTER:**  Hang on one second.  Ms.  
15 Perdue, would you mind pulling your mike down?  It's  
16 blocking the camera there.  Thank you.

17           Ms. Clark, you may proceed.

18           **MS. CLARK:**  Mr. Chairman, I believe that is  
19 all the redirect I have.

20           **CHAIRMAN CARTER:**  Excellent.  Exhibits.  From  
21 my list -- from Staff's Comprehensive Exhibit List, I am  
22 showing 160 through 167.

23           **MS. CLARK:**  I would move those exhibits,  
24 Mr. Chairman.

25           **CHAIRMAN CARTER:**  Are there any objections?

1 Without objection, show it done.

2 (Exhibit Numbers 160 through 167 admitted into  
3 the record.)

4 **CHAIRMAN CARTER:** Hang on a second before we  
5 go to the next set. Then for rebuttal exhibits from  
6 Staff's Comprehensive Exhibit List Number 379 and 380.

7 Ms. Clark.

8 **MS. CLARK:** I would move those exhibits.

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

11 (Exhibit Numbers 379 and 380 admitted into the  
12 record.)

13 **CHAIRMAN CARTER:** Now, let's go to the back  
14 pages, everybody.

15 Mr. Wiseman, let's start with 484.

16 **MR. WISEMAN:** I would move the admission of  
17 484.

18 **CHAIRMAN CARTER:** Are there any objections?

19 **MS. CLARK:** No objection.

20 **CHAIRMAN CARTER:** Without objection, show it  
21 done.

22 (Exhibit Number 484 admitted into the record.)

23 **CHAIRMAN CARTER:** Mr. Wiseman, 485.

24 **MR. WISEMAN:** 485.

25 **CHAIRMAN CARTER:** Are there any objections?

1           **MS. CLARK:** No objection.

2           **CHAIRMAN CARTER:** Without objection, show it  
3 done.

4           (Exhibit Number 485 admitted into the record.)

5           **CHAIRMAN CARTER:** Mr. Wiseman, 486.

6           **MR. WISEMAN:** Yes, 486.

7           **MS. CLARK:** Now, we would object to that.

8 During the cross-examination of this witness, I think it  
9 was illustrated that this is not an accurate depiction  
10 of the hypothetical.

11           **CHAIRMAN CARTER:** Mr. Wiseman, to the  
12 objection.

13           **MR. WISEMAN:** Yes. Two things. Actually, I  
14 believe she, in fact, admitted to the accuracy of the  
15 hypothetical and to the way that depreciation relates to  
16 rate base and how that effects rates. And if the  
17 objection is that FPL doesn't agree with it, then that's  
18 fine. They can argue that on brief. To me that is  
19 not -- the fact that that they don't agree with it isn't  
20 the basis for an objection.

21           **MS. CLARK:** I believe Mr. Wiseman agreed that  
22 at least the depiction on the second page in was not an  
23 accurate depiction of his hypothetical.

24           **MR. WISEMAN:** The only thing that was  
25 inaccurate was the description in the parenthetical.



1                   **CHAIRMAN CARTER:** Hang on. Hang on.

2                   **MR. WISEMAN:** I'm sorry.

3                   **CHAIRMAN CARTER:** We will do this the same way  
4 as we did before when there was the other exhibit that  
5 had the information in. We will strike that page and  
6 admit it. Move on.

7                   (Exhibit Number 486 admitted into the record.)

8                   **CHAIRMAN CARTER:** 487.

9                   **MR. WISEMAN:** We would move the admission of  
10 487.

11                   **MS. CLARK:** Mr. Chairman, I have no objection  
12 to that if he takes out the description, if he takes out  
13 ignores and just puts a slash in it.

14                   **CHAIRMAN CARTER:** Change the title. Show it  
15 done.

16                   (Exhibit Number 487 admitted into the record.)

17                   **CHAIRMAN CARTER:** 488.

18                   **MR. WISEMAN:** I would move the admission of  
19 488.

20                   **MS. CLARK:** No objection.

21                   **CHAIRMAN CARTER:** Show it done.

22                   (Exhibit Number 488 admitted into the record.)

23                   **CHAIRMAN CARTER:** 489.

24                   **MR. WISEMAN:** 489, we move the admission.

25                   **MS. CLARK:** As the title has been changed, no

1 objection.

2 **CHAIRMAN CARTER:** Show it done.

3 Exhibit Number 489 admitted into the record.)

4 **CHAIRMAN CARTER:** 490.

5 **MR. WISEMAN:** I would move the admission of  
6 490.

7 **CHAIRMAN CARTER:** Ms. Clark.

8 **MS. CLARK:** I do not believe we have an  
9 objection to that. Let me just look.

10 **CHAIRMAN CARTER:** We changed the title on that  
11 one, too.

12 **MS. CLARK:** Yes. Thank you.

13 **CHAIRMAN CARTER:** No objection?

14 **MS. CLARK:** No objection.

15 **CHAIRMAN CARTER:** Show it done.

16 (Exhibit Number 490 admitted into the record.)

17 **CHAIRMAN CARTER:** Staff, 491.

18 **MS. BROWN:** Mr. Chairman, we withdrew that.

19 **CHAIRMAN CARTER:** Okay. Show it done.

20 Okay. Thank you. You may be excused. Have a  
21 great day.

22 Let me just say from the standpoint of  
23 preliminary matters, Ms. Clark, you're recognized.

24 **MS. CLARK:** Back to the schedule,  
25 Mr. Chairman.

1           **CHAIRMAN CARTER:** Okay. Let me see here.

2 Now, our next witness is Morley, right?

3           **MS. CLARK:** That is correct.

4           **CHAIRMAN CARTER:** Let me ask before we call  
5 the witness up, Mr. Wiseman, do you have cross?

6           **MR. WISEMAN:** No cross.

7           **CHAIRMAN CARTER:** Ms. Christensen?

8           **MS. CHRISTENSEN:** A very few questions.

9           **CHAIRMAN CARTER:** Ms. Bradley?

10          **MS. BRADLEY:** None.

11          **CHAIRMAN CARTER:** Ms. Kaufman?

12          **MS. KAUFMAN:** I am told Mr. Moyle has a little  
13 bit.

14          **CHAIRMAN CARTER:** Mr. Wright?

15          **MR. WRIGHT:** Mr. Chairman, I believe I have in  
16 the range of eight to 15 minutes for Ms. Morley.

17          **CHAIRMAN CARTER:** I said -- Staff, I said the  
18 other day when I set this Saturday that I was going to  
19 be rigid about the schedule, because I did interfere  
20 with peoples' weekends and things of that nature. And  
21 we are adjourned. See you guys on the 16th, 9:30 a.m.

22                   (Transcript continues in sequence with  
23 Volume 33.)

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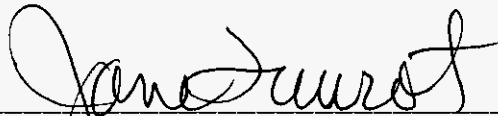
STATE OF FLORIDA        )  
                                  :  
                                  :        CERTIFICATE OF REPORTER  
COUNTY OF LEON        )

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 11th day of September, 2009.



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JANE FAUROT, RPR  
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