

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

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

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



VOLUME 43

Pages 5696 through 5836

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PROCEEDINGS: HEARING

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

DATE: Wednesday, October 21, 2009

TIME: Commenced at 9:30 a.m.
Concluded at 8:28 p.m.

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

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PARTICIPATING: (As heretofore noted.)

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WITNESSES

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NAME:

PAGE NO.

Kathleen M. Slattery

Continued Cross-Examination by

Mr. Wright

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Cross-Examination by Mr. Wiseman

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Cross-Examination by Ms. Bennett

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35 Item 3 on Page 4, Numbers 33, 34 and 35; Item 9, Page 5, Interrogatories 196 and 197; Page 5, Item 13, Numbers 32, 33, 35 and 40; Page 6, Item 14, 114, 127 and 129; Page 6, Item 16, Interrogatory Response 217; Page 6, Item 18, Interrogatory Response 289; Page 7, Item 20, Interrogatories 2, 6, 7, 8, 8B and 11; Page 7, Item 21, Interrogatory Response 76; Page 7, Item 25, Interrogatory Response 5; Page 9, Item 33, Interrogatory Responses 311, 319 and 320; Page 9, Item 35, Interrogatory Responses 28 and 34

36 (Revised) Items 1 and 2

P R O C E E D I N G S

1
2 (Transcript follows in sequence from
3 Volume 42.)

4 **COMMISSIONER EDGAR:** We are going to get
5 started. We will go back on the record.

6 And, Mr. Wright, I believe when we took a
7 short stretch break that you were in pursuit of
8 continuing cross.

9 **MR. WRIGHT:** Thank you, Madam Chairman. Yes,
10 I am.

CONTINUED CROSS-EXAMINATION

11
12 BY MR. WRIGHT.

13 **Q.** Good afternoon, Ms. Slattery.

14 **A.** Good afternoon.

15 **Q.** We have known each other a long time. I'm
16 Schef Wright, and I represent the Florida Retail
17 Federation in this proceeding. I do have a few
18 questions for you. The first few questions I have
19 relate to some questions and to the exhibit that you
20 were discussing with Mr. Moyle.

21 The first question, and I apologize for this.
22 It is, you know, perhaps a long proceeding and my
23 synopses aren't functioning quite as well as they should
24 be. But I know you have been asked what relation -- and
25 first I want to ask it, again. Here is the question,

1 because I was not clear on your answer. What relation
2 does a successful rate case outcome have to the
3 executive compensation, and is there any quantitative
4 relationship that you can identify for us?

5 **A.** No, I cannot identify a quantitative
6 relationship. It would be one of the factors taken into
7 consideration when assessing corporate performance.

8 **Q.** And did I understand correctly that that is
9 one of the factors to be considered by the compensation
10 committee in making that determination?

11 **A.** Yes, that is correct.

12 **Q.** Thank you. I have a couple of questions about
13 the document you were discussing with Mr. Moyle, that is
14 number -- Document Number 08869-09.

15 **A.** Yes.

16 **Q.** Thank you. My first question is who has --
17 within FPL and FPL Group, who has seen this information?

18 **A.** It is a very small number of people. Myself,
19 a couple of my staff members who worked on discovery
20 with me, I believe perhaps one attorney in our law
21 department, and that is all I can recall as far as
22 seeing the complete schedule with all the information
23 including knowing the job titles and names.

24 **Q.** So, would Mr. Olivera have seen it?

25 **A.** No, I don't believe he has seen this schedule.

1 **Q.** Would he have seen the underlying information?
2 Would he be privy within FPL or FPL Group to the base
3 salary, stock awards, option awards, compensation
4 package information for all of the 42 to 44 executives?

5 **A.** Actually, no. Mr. Olivera does not review the
6 executive compensation for all executives, only the ones
7 who report to him, which is a subset of the 42 shown on
8 the schedule.

9 **Q.** Do I understand correctly that the
10 compensation committee consists of directors of FPL
11 Group?

12 **A.** Yes, independent directors.

13 **Q.** And would they be privy to this information?

14 **A.** Well, they haven't seen this schedule in this
15 format, but they would be privy to review this
16 information.

17 **Q.** Would they see it in the normal course of
18 events, normal course of business?

19 **A.** In the normal course of business, they
20 generally approve the components of pay, and this level
21 of detail only for the 12 executives officers, but they
22 approve budgets, programs, peer groups, and other
23 aspects of the compensation program for all 42.

24 **Q.** Thank you. I'm trying now to -- still with
25 some reference to the document we were just discussing,

1 I'm trying to understand what relationship, if any,
2 there is between the summary information at the bottom,
3 Line 47 on that document, and the information that we
4 have been discussing in what is now marked as
5 Exhibit 514, which relates to FPL's revenue requirement
6 reduction that we discussed earlier today.

7 You know, I can see some numbers that are sort
8 of close, but, I can't tell exactly what is what. Let
9 me try a couple of questions, and then maybe a broader
10 question that you can give an explanation and answer to.
11 I see on Exhibit 514 that there was an original amount
12 of stock for 2010 included of 25.2 million. Would that
13 have any relation to the stock awards and option awards
14 dollars that are shown on the 008869 document?

15 **A.** It would have a relationship to it. As
16 footnoted, though, on Exhibit 514, these are the amounts
17 after allocation to affiliates. So it would represent
18 approximately 70 percent, close to 70 percent of the
19 amounts on the schedule. And, specifically, the
20 foundation for Exhibit 514 is AG-76. It is an
21 interrogatory that I was discussing with Mr. Beck
22 earlier that breaks down incentive compensation by
23 employee category and type of compensation. And the
24 numbers on those pages were the foundation prior to
25 allocation for this exhibit.

1 **Q.** Thank you. I want to ask a similar question
2 with regard to the cash for 2010, or a couple of related
3 questions. First, the dollars that are reflected in
4 Exhibit 514 do not have anything to do with base salary,
5 is that correct?

6 **A.** For the calculation labeled 50 percent
7 executive incentives, no, they are not related to base
8 salary. Of course, at the top of Exhibit 514 with
9 regard to the reduction in the total budget, that is all
10 components of pay, including base.

11 **Q.** So the cash 2010 line under the 50 percent
12 executive incentives heading on 514, that is going to
13 bear some relation to non-equity incentive compensation
14 and all other compensation, is that true?

15 **A.** It would be the non-equity incentive
16 compensation column only.

17 **Q.** Thank you. And then would it be correct that
18 that would be adjusted for the allocations to affiliates
19 as you have previously described?

20 **A.** Yes, that is correct.

21 **Q.** And that is going to tie back to the
22 information in your response to the Attorney General's
23 Exhibit Number 76?

24 **A.** Yes, that is correct.

25 **Q.** Okay. Thank you. And, again, you probably

1 said this before, but just so I am clear, do I
2 understand correctly that the information in 514 relates
3 to the -- I guess it is the 42 named executives, or --
4 well, it is the 42 executives that are -- whose
5 positions are reflected on Page 3 of 5 of the 08869
6 document?

7 **A.** That is correct.

8 **Q.** Thank you for that. Do you have available to
9 you a copy of Exhibit 400? That was an exhibit prepared
10 by FPL. I think it was on redirect of Mr. Olivera.

11 **A.** I do not have it handy, no.

12 **Q.** Okay.

13 **COMMISSIONER EDGAR:** Mr. Wright, do you have a
14 copy for the witness, and is it something that we will
15 all need a copy of or not, because I don't know that I
16 do, either.

17 **MR. WRIGHT:** I do have a copy for the witness.
18 I don't have -- I don't have extra copies beyond that.

19 **COMMISSIONER EDGAR:** Okay.

20 **MR. WRIGHT:** I don't think it is something
21 that everybody needs to be --

22 **COMMISSIONER EDGAR:** And, Ms. Clark, do you
23 have a copy, as well? Okay. If they have a copy, why
24 don't you go ahead and give a copy to the witness, and
25 we will see where it takes us.

1 **THE WITNESS:** Yes, I have it.

2 **BY MR. WRIGHT:**

3 **Q.** Okay. Great. If I could ask you to please
4 look at what is the fourth page into that document,
5 which is -- has at the top Publix, and it says it's Page
6 Number 15 at the bottom.

7 **A.** Yes, I am there.

8 **Q.** Okay. This is a page out of Publix's proxy
9 statement SEC14A, correct?

10 **A.** That is correct.

11 **Q.** And this shows the compensation for Publix's
12 top executives for 2006, '7 and '8, also correct?

13 **A.** That is correct.

14 **Q.** And to the best of your knowledge and
15 understanding, this would have been prepared pursuant to
16 standard rules of the Securities Exchange Commission,
17 correct?

18 **A.** To the best of my knowledge, yes.

19 **Q.** And I'm sure you will agree with me that this
20 table shows no amounts, blanks as it were, in the
21 headings stock awards and option awards for all of the
22 named executives of Publix reflected in the table,
23 correct?

24 **A.** That is correct.

25 **Q.** Wouldn't it be true that if these executives

1 had actually received stock awards from the company
2 during these years they would have had to report them as
3 income on this schedule?

4 **A.** Well, they would have been reported here as a
5 grant made in the year and the expense would have been
6 shown, yes.

7 **Q.** I missed a word in there. You said they would
8 have been reported here as --

9 **A.** The SEC rules require, in essence, the
10 accounting expense to be shown here. So, if the company
11 was expensing stock awards and option awards in these
12 calendar years attributable to these individuals it
13 should be here. You had mentioned -- I think you used
14 the word -- I'm not sure what word you used in your
15 question. Sorry about that.

16 **Q.** Well, I think I was basically asking the
17 question if the company had given them stock awards or
18 option awards, wouldn't those values have shown up in
19 this table?

20 **A.** Well, actually I do recall. The word you used
21 was income, and because this is an accounting value and
22 is not related to the actual income of the individual,
23 that is why I wanted to clarify.

24 **Q.** Okay. Thank you. But my latter -- the answer
25 to my latter question was, yes, if they had given them

1 the awards they would have shown up here?

2 **A.** If they were expensing awards in these years,
3 yes.

4 **Q.** So can we conclude that the company did not
5 expense any stock awards or option awards to these
6 officers during these three years?

7 **A.** That is a fair conclusion. To the best of my
8 knowledge, but there is other information in this proxy
9 statement. This is only one page.

10 **MR. WRIGHT:** Madam Chairman, I am also
11 having -- excuse me. Mr. Moyle kindly agreed to give
12 the witness a copy of what has already been admitted
13 into evidence as Exhibit 401, which was also introduced
14 by FPL during Mr. Olivera's redirect.

15 **BY MR. WRIGHT:**

16 **Q.** I would like to direct your attention to the
17 second page of Exhibit 401, and in particular what is
18 actually a one-sentence paragraph that starts at the
19 bottom of Page 2 and continues onto the top of Page 3.
20 Just take a minute to read that and then I will ask you
21 a question or two.

22 **A.** Yes.

23 **Q.** Now, this statement indicates -- it appears to
24 indicate that Publix stock is sold only to employees and
25 board members. Is that your understanding?

1 **A.** That is the information as reported by the
2 ledger. I have not independently corroborated it.

3 **Q.** Okay. Do you have any information to indicate
4 that Publix gives its employees stock as opposed to them
5 purchasing it?

6 **A.** No, I have no information about Publix's
7 compensation or benefits packages. The reason I don't
8 is because Publix is not a relevant comparator, since it
9 is a very different company.

10 **Q.** Well, it was your company who introduced this
11 evidence. So, notwithstanding that it is not a relative
12 comparator, I think this is fair cross-examination. I
13 would like to ask you to look at Exhibit 515 now, which
14 is not yet in evidence, but which you were --

15 **MS. CLARK:** Mr. Wright, I think you asked a
16 question, or did you make a statement?

17 **MR. WRIGHT:** I made a statement in response to
18 her comment about Publix not being a comparator.

19 **THE WITNESS:** As I recall from the testimony
20 of Mr. Olivera, you were the first one who raised
21 Publix's compensation in regards to this proceeding, Mr.
22 Wright.

23 **COMMISSIONER EDGAR:** Well, let me say this,
24 Mr. Wright. When addressing the witness try to pose
25 your comments in the form of a question.

1 **MR. WRIGHT:** Thank you, Madam Chairman, I
2 shall.

3 **BY MR. WRIGHT:**

4 **Q.** If I could ask you to look at Exhibit 515,
5 which is FPL's proxy you were discussing with Mr. Beck?

6 **A.** Yes.

7 **Q.** And if I could ask you now to look at Page 61
8 there.

9 **A.** I'm there.

10 **Q.** That is the comparable summary compensation
11 table for FPL's top named management, correct?

12 **A.** That is correct.

13 **Q.** And this indicates that for FPL Group in 2008,
14 Mr. Hay was awarded stock and options worth something in
15 the range of \$7.3 million?

16 **A.** Actually, it represents that this was the
17 company expense related to all equity compensation
18 awarded to Mr. Hay that was unvested and outstanding
19 during that calendar year. That is how the SEC rules
20 work.

21 **Q.** I missed -- I might have missed one word in
22 there. You said the equity something that was either
23 vested or invested. I didn't quite catch that.

24 **A.** Well, let me clarify. The SEC rules for
25 compilation of the summary compensation table require

1 that the company report the annual expense attributable
2 to the officer under FAS 123R for equity compensation
3 awards for that calendar year. So, in essence, this
4 could be the expense related to the final months of
5 vesting of an award that was granted in a prior year or
6 it could be the first several months of vesting of a new
7 award, but this is the accounting value, if you will.

8 Q. Thank you. Do these amounts, the stock awards
9 and option awards -- well, first, you mentioned that it
10 is the amounts actually expensed?

11 A. That is correct.

12 Q. Okay. Do I conclude from that, or may I
13 conclude from that that these were stock awards
14 essentially given as compensation to the named
15 executives and not purchased by those executives?

16 A. That is correct.

17 Q. And the corresponding amount for Mr. Olivera
18 was something in the range for 2008 of 1.87 million,
19 combined stock and options?

20 A. That is correct.

21 Q. I wanted to ask you some questions about FPL's
22 proposed reduction as reflected on Exhibit 514. And I'm
23 not really going to go into the details. What I want to
24 inquire about is the relationship between FPL's proposed
25 reduction and the compensation of the top management.

1 So, here is a question. With FPL's proposed
2 adjustments, can you tell us what FPL's customers would
3 be expected to pay for Mr. Hay's compensation in 2010 if
4 the company's rate increase were granted?

5 **A.** The amount that would be included in the
6 revenue request would be an amount similar to that which
7 was included on the 2009 schedule of 0886909. If, in
8 fact, Mr. Hay earned performance based compensation at
9 levels comparable to the '09 level, because performance
10 base compensation must be reearned every year. So it is
11 not really possible for me to say definitively exactly
12 what amount would be included in the revenue request for
13 each individual officer. Rather, I can say that the
14 aggregate amount would be equal to that which was
15 included on the 2009 schedule here, since we will be
16 holding it flat for '10 and '11 in the revenue request.

17 **Q.** I'm trying to -- I think I understand that so
18 far. I'm trying to understand what then the reduction
19 shown further down on Exhibit 514 would have -- what
20 affect that would have on compensation responsibility
21 for the ratepayers, for the customers. Can you help me?

22 **A.** Yes. I believe it is fairly self-explanatory
23 that the revenue request included on our MFRs will be
24 reduced by these amounts for 2010 and 2011.

25 **Q.** Okay. Has FPL made a decision -- well, I

1 think I need to back up. Is the decision whether these
2 top managers -- top executives, I should say, will
3 receive compensation at approximately the 2009 budget
4 level, is that an FPL Group decision, or an FPL company
5 decision, or something else?

6 **A.** Well, for our executive officers it is a
7 decision that will be made by the compensation committee
8 of the board of directors of FPL Group, that committee
9 of independent directors we discussed previously.

10 **Q.** Thank you. Has that decision been made?

11 **A.** No, it has not yet been made for 2010.

12 **Q.** So, could I infer from that that it is
13 possible that the top executives could be paid
14 essentially their 2009 compensation with the
15 responsibility for those amounts shared between
16 customers and shareholders?

17 **A.** I want to understand your question before I
18 answer it. Could you please expound on that or rephrase
19 it?

20 **Q.** I shall try. I think that I understood from
21 your previous answers that the budgeted compensation for
22 the top executives will be approximately the same as for
23 2009?

24 **A.** Correct.

25 **Q.** So far so good. They have to reearn that each

1 year, so it might differ in 2010, depending on their
2 actual performance and the company's actual performance
3 in 2009, also correct?

4 **A.** That's correct.

5 **Q.** Assume that they satisfy the performance
6 criteria and that the amounts to be awarded then are
7 those amounts that were paid or booked for 2009. Okay.
8 Is that an acceptable assumption?

9 **A.** Could you please repeat that.

10 **Q.** Sure.

11 **A.** I'm sorry, Mr. Wright.

12 **Q.** I'm sorry, too. This is a little complicated
13 and I am trying to not make it any more so, but -- well,
14 let me ask you this. Let's say Mr. Hay gets something
15 in the range of \$11 million in 2009.

16 **A.** Okay.

17 **Q.** That's pretty close to the real number, isn't
18 it?

19 **A.** I do not know.

20 **Q.** Okay. With FPL's new proposal, if he still
21 gets paid \$11 million plus or minus, would it be correct
22 that half of that compensation package would come out of
23 the FPL shareholders' account and half would come out of
24 the -- half would be paid for by customers?

25 **A.** No. Now I understand your question. I want

1 to be clear. First of all, when we talked about the
2 revenue requirement reduction, we discussed that it was
3 specifically a reduction of 50 percent of the executive
4 incentives, cash and stock after allocations and
5 jurisdictional adjustments. So, clearly, in your
6 hypothetical where you have got base salary and
7 miscellaneous earnings and so forth, it is not correct.
8 But furthermore, I just want to clarify that in reducing
9 our revenue requirement, the company is not saying that
10 it is going to move this below-the-line necessarily. We
11 are simply going to reduce the ask and probably take it
12 out of company earnings. Okay?

13 Q. Yes. Thank you. That is a good clear answer
14 to me. I think I may be done with 515, but I do want to
15 ask you a couple more questions about Exhibit 400, which
16 I think you have.

17 A. Yes, I do.

18 Q. I think if you will flip about six pages
19 further back into the reproduced section for Target
20 Corporation, I would like to ask you to look at what is
21 numbered Page 29 at the bottom of the page for Target.
22 Again, it is the summary compensation table.

23 A. I'm there.

24 Q. If you will just scan the far right-hand
25 numbers, the total compensation numbers. Will you agree

1 that it appears that Target's executives took --
2 generally speaking, took substantial reductions in
3 compensation from 2006 to 2008 for those named
4 executives?

5 **A.** This summary compensation table would show,
6 yes, that there were reductions in total compensation.
7 Although I'm not familiar with Target's net income
8 story, return to shareholder, and so forth, that would
9 have impacted their compensation. And the reason I'm
10 not familiar with it is that it is not an appropriate
11 comparator to FPL; and, therefore, it is not a company
12 whose proxy I study.

13 **Q.** And just to close the loop on that, do I
14 understand your previous testimony to be that the total
15 compensation for FPL's top executives in 2010 will be
16 essentially the same as in 2009, subject to the fact
17 that they have to earn the incentive compensation parts?

18 **A.** No, I did not say that. I have not yet begun
19 to compile the summary compensation table for next year.

20 **Q.** So it is just the budget amount that will stay
21 the same?

22 **A.** The budgeted amount that was fairly consistent
23 year over year with the 2008 actuals escalated by the
24 MFR C35 year over year changes.

25 **Q.** Okay. I apologize for the confusion, but it

1 appears to be between FPL's and FPL Group's internal
2 workings and the regulatory side of things. What really
3 is staying the same is that the budgeted amount for
4 revenue requirement purposes in the regulatory context
5 will be held flat from 2009, is that correct?

6 **A.** Yes, I believe that is correct.

7 **Q.** Okay. So would I be -- may I infer from that
8 that it is possible that the top executives could
9 actually get raises, it would just simply be whatever
10 they got would be outside what was part of the revenue
11 requirements ask?

12 **A.** Yes, that is correct. The compensation
13 committee will review the market information, the
14 performance of the company, the individual officers, and
15 the other factors to determine base salary increases and
16 other components of pay.

17 **Q.** Most of my remaining questions have to do with
18 questions that either I or Mr. Beck asked you during
19 your deposition. I will be as quick as I can. Am I
20 correct that there is no specific performance goal that
21 ties FPL executive compensation to lower customer rates?

22 **A.** There is no specific performance goal tied to
23 the rates. However, as we discussed in my deposition,
24 the performance goals all encourage the most
25 cost-effective service possible while delivering on

1 reliability, customer service, and safety commitments to
2 our customers.

3 Q. There is a specific net income goal every year
4 that in part determines executive compensation, is there
5 not?

6 A. Yes, that is one of the performance goals of
7 our plans.

8 Q. For incentive compensation in 2009, isn't it
9 true that only the net income goal is actually being
10 used to determine the incentive compensation for the top
11 officers?

12 A. No, that is not true. I believe what you are
13 referring to, though, as I discussed before, the hurdle
14 that we have in place to ensure deductibility of our
15 compensation expense for top officers. However, that
16 hurdle is not used to determine the actual payout levels
17 of awards to any officer; rather, it is the other
18 financial and operating indicators we have already
19 discussed.

20 Q. So the hurdle is a threshold that has to be
21 met before any incentive compensation is paid?

22 A. That is correct for our executive officers.

23 Q. To your knowledge has the net income goal ever
24 not been met?

25 A. Not during my tenure for the 162M hurdle, but

1 that is different than the net income goal for the
2 operating indicators that we have reviewed previously.
3 So to be clear, the 162M hurdle net income goal has been
4 met each year of my tenure, but as you saw for 2008, for
5 example, the net income goal under the operating
6 indicators for the plan was not met.

7 Q. During your deposition, I think you and
8 Mr. Beck talked about employee turnover at Florida Power
9 and Light. I think, also, you discussed that with the
10 staff attorney. Do I understand correctly that FPL's
11 employee turnover is projected to be approximately
12 7 percent in 2009?

13 A. As I recall, subject to check, yes.

14 Q. And that it is projected to increase to
15 approximately 9-1/2 percent in 2010?

16 A. Yes, that is correct.

17 Q. And then to increase further from that level
18 to approximately 10.4 percent in 2011?

19 A. Yes, because those forecasts are based on
20 multiyear historic actuals.

21 Q. Do you know what the average duration of a
22 vacancy is for FPL, Florida Power and Light Company?

23 A. No, I do not know. I'm sure it would vary by
24 business unit and by position, certainly.

25 Q. Do you have any knowledge or information as to

1 why FPL's turnover ratio has been increasing, or is
2 projected to increase, I should phrase it that way?

3 **A.** I don't have any specific information, but I
4 do know that as evidenced in my direct testimony, FPL
5 has an aging work force. Twenty percent of our work
6 force is currently eligible to retire, and one-third of
7 the work force that we currently have will be eligible
8 to retire within the next five years. So some of our
9 turnover is due to the fact that with an aging work
10 force you have increased retirements.

11 **Q.** Do you have anything to do with employee
12 training, Ms. Slattery?

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

14 **MR. WRIGHT:** I do have an exhibit, Madam
15 Chairman, that Mr. Wiseman has kindly agreed to hand out
16 for me, and I would like this marked for identification
17 as 516, I think.

18 **COMMISSIONER EDGAR:** Thank you. I am on 516.
19 And a title, Mr. Wright?

20 **MR. WRIGHT:** Fortune 500 Best Companies to
21 Work For.

22 **COMMISSIONER EDGAR:** So marked.

23 (Exhibit Number 516 marked for
24 identification.)

25 **BY MR. WRIGHT:**

1 **Q.** Ms. Slattery, I think you and I actually
2 discussed this briefly during your deposition. I asked
3 you were you familiar with this. Do you recall?

4 **A.** Yes, I recall.

5 **Q.** And you indicated that you, I think, have a
6 passing familiarity with it?

7 **A.** A passing familiarity, yes, although I'm not
8 familiar with the standards or the points that are
9 judged towards who makes this list and who doesn't.

10 **Q.** Thank you. You will agree that Florida Power
11 and Light Company is not shown on this list, correct?

12 **A.** That is correct. I would agree with that.

13 **MR. WRIGHT:** If I could just have a moment,
14 Madam Chairman.

15 **COMMISSIONER EDGAR:** Yes.

16 **MR. WRIGHT:** Just a couple more questions,
17 Madam Chairman.

18 **COMMISSIONER EDGAR:** Absolutely, Mr. Wright.

19 **MR. WRIGHT:** Thanks.

20 **BY MR. WRIGHT:**

21 **Q.** As a general matter, Ms. Slattery, are you
22 aware that Florida Power and Light Company uses natural
23 gas for the majority of its electric generation?

24 **A.** Yes, I am aware in general.

25 **Q.** Fifty to 60 percent?

1 **A.** Exactly.

2 **Q.** Is that about right?

3 **A.** That is correct.

4 **Q.** Who makes the decisions as to what generating
5 resources and demand side resources Florida Power and
6 Light employs to meet the energy services demands of its
7 customers?

8 **A.** I'm not certain who among the senior
9 leadership team makes that decision.

10 **Q.** Thank you. Are you aware of what happened
11 last year when natural gas prices went up a lot?

12 **MS. CLARK:** Madam Chairman, I believe this is
13 way outside of her either direct or rebuttal.

14 **COMMISSIONER EDGAR:** Mr. Wright.

15 **MR. WRIGHT:** Madam Chairman, it goes to her
16 assertion that FPL's compensation promotes efficient
17 cost-effective service to FPL. Our point of view is
18 that FPL's planning decisions have exposed their
19 customers greatly to the volatile fluctuations in the
20 price of natural gas.

21 **COMMISSIONER EDGAR:** Let's start here. The
22 question to me, prior to the objection, seemed overly
23 broad. So I am going to overrule the objection, but ask
24 you to ask a more narrow question. And if there is
25 another objection we will certainly take it up.

1 **MR. WRIGHT:** Thank you.

2 **BY MR. WRIGHT:**

3 **Q.** Relative to providing cost-effective service,
4 are you aware of anything in FPL's compensation that
5 addresses dealing with the volatility of fuel costs
6 incurred by FPL?

7 **A.** I am not familiar with the business unit
8 performance goals, for example, our energy marketing and
9 trading business unit. I would imagine that there are
10 performance goals throughout the company which address
11 this, which I'm not familiar with. At the corporate
12 level, I, again, assert that the O&M and capital budget
13 targets that are set out encourage the company's
14 leadership to be as cost-effective as possible. I also
15 point out that our results, which includes having the
16 lowest bill in the state for a typical residential
17 customer, bears out the efficacy of our approach.

18 **Q.** Well, isn't it true that a good part of the
19 reason you have the lowest bill in the state right now
20 is the price of natural gas is falling through the
21 floor?

22 **A.** I'm not an expert on the price of natural gas.
23 I would say that the strategic planning of our company
24 to provide our customers with fuel efficiency and to
25 have a variety of fuels that we rely upon have, again,

1 been borne out in -- you know, the efficacy of our
2 approach has been borne out by the bills being the
3 lowest in the state while maintaining industry leading
4 reliability and safety performance.

5 **Q.** In that regard, do you know what the company's
6 total fuel bill is this year -- projected for 2010 as
7 opposed to 2009?

8 **MS. CLARK:** Madam Chairman, I am going to
9 object. Again, I believe it is way outside the scope of
10 her direct or rebuttal. I would also point out that
11 FP&L's generation plan is reviewed by this Commission
12 through ten-year site plans and need determinations, and
13 I believe the Commission's approval of that validates
14 those decisions.

15 **COMMISSIONER EDGAR:** Mr. Wright, I think the
16 witness has said that the fuel forecasting is not her
17 area of expertise or knowledge.

18 **MR. WRIGHT:** That is true. She went on to
19 expound as to the efficacy and cost-effectiveness of
20 generation. I simply asked her the question does she
21 know what FPL's fuel bill was for this year as compared
22 to what it is projected to be for next year. I think it
23 is certainly fair relative to the answer she just gave.
24 She can say I don't know; and if she says yes, then I
25 will ask her what the numbers are. If she says I don't

1 know, I'm done.

2 **COMMISSIONER EDGAR:** First of all, I will
3 allow the witness to answer the question if indeed she
4 is able. Secondly, let me you ask you about how much
5 more on this line do you have?

6 **MR. WRIGHT:** Madam Chair, I was sincere.
7 Whatever her answer is to this question, unless it
8 prompts something new, it is my last question.

9 **COMMISSIONER EDGAR:** Well, please pose the
10 question again to the witness.

11 **BY MR. WRIGHT:**

12 **Q.** My question simply was do you know what FPL's
13 projected total fuel bill for this year was and what it
14 is projected to be for next year?

15 **A.** No, I do not know.

16 **MR. WRIGHT:** Thank you. That really was all I
17 had.

18 **COMMISSIONER EDGAR:** Thank you.

19 Mr. Wiseman, do you have questions on cross?

20 **MR. WISEMAN:** Just a few.

21 **COMMISSIONER EDGAR:** Okay.

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

23 **CROSS EXAMINATION**

24 **BY MR. WISEMAN:**

25 **Q.** Good afternoon, or maybe I should say good

1 evening, Ms. Slattery. I am Ken Wiseman for the South
2 Florida Hospital and Health Care Association. I just
3 have a few questions. I want to follow up on some
4 things that Mr. Moyle had asked you, specifically about
5 incentive compensation.

6 Now, if I understood your answer to his
7 questions, a factor that will be considered in setting
8 the incentive compensation will be the successful
9 conclusion of this rate case. Is that right?

10 **A.** That is correct.

11 **Q.** Okay. Now, does that factor apply to all
12 executives across the board, or does it apply to a
13 subset that have responsibility with respect to this
14 rate case?

15 **A.** It will be part of the consideration of
16 corporate performance and assessment that impacts the
17 annual incentive plan opportunities for all salaried
18 employees. As for those who may also have additional
19 responsibilities with regard to this proceeding, I'm
20 sure that their individual goals and business unit goals
21 would have additional requirements as far as, for
22 example, timely completion, complying with discovery
23 requests, et cetera.

24 **Q.** All right. Now, if the Commission awards FPL
25 less than the 12-1/2 percent return on equity that it

1 has requested, will executives still qualify for
2 incentive compensation?

3 **A.** Our annual incentive plan is one that has a
4 balanced number of performance goals, financial and
5 operational. There is no one goal that serves as, you
6 know, a yes/no litmus test. So we will, I'm sure, have
7 to look at all of the goals in their totality and
8 determine how best to move forward with setting
9 performance goals in the future as we do from year to
10 year, but the outcome of this case will not result in an
11 automatic payout equivalent. There is no formula that
12 is tied to it, no.

13 **Q.** All right. So then would I be correct in
14 surmising that if the Commission were to award FPL, say,
15 a return on equity of 10 percent, that would not
16 disqualify executives from earning incentive
17 compensation, correct?

18 **A.** I do not believe that there would be, again, a
19 formula that would result in an automatic
20 disqualification or automatic payout under our annual
21 incentive plan based on the outcome of this case.

22 **Q.** All right. Just quickly to a different topic.
23 I believe you testified that over 90 percent of all
24 eligible FPL employees have received incentive pay over
25 the last couple of -- several years, is that right?

1 **A.** Yes, that is correct with regard to salaried
2 employees and the annual incentive plan.

3 **Q.** Have you compared that level of achievement
4 with an industry norm of any type?

5 **A.** That is something that is difficult to get
6 good benchmark data on. We believe, based on the
7 benchmark data we have been able to obtain, that it is
8 fairly standard. But if you look at Exhibit KS-5, Page
9 2 of 2 of my direct testimony, it shows the benchmarking
10 of our salaried employees annual incentive awards
11 compared to market, and that is some of the best
12 benchmark data we can get on the plan.

13 **Q.** Well, attaining a level of 90 percent, does
14 that suggest that possibly the standards that FPL is
15 applying for qualification for incentive compensation
16 aren't high enough, that they should be higher?

17 **A.** No, I disagree. I think exactly the opposite
18 is true, that we have set very high standards that the
19 percentage of eligible employees who do not receive an
20 annual incentive award is very reasonable. Anecdotal
21 information would suggest it might even be a little bit
22 high. And that plan has worked very effectively to
23 drive our high performance culture and to, in essence,
24 set a tone that we will not tolerate, you know, moderate
25 or mediocre performance.

1 **MR. WISEMAN:** Thank you, Ms. Slattery. Those
2 are all the questions I have. Thank you, Madam Chair.

3 **COMMISSIONER EDGAR:** Thank you. Other
4 questions from staff?

5 **MS. BENNETT:** Yes, Madam Chairman, we do have
6 questions.

7 CROSS EXAMINATION

8 **BY MS. BENNETT:**

9 **Q.** Good evening, Ms. Slattery. I am Lisa
10 Bennett, and I am one of the attorneys on staff.

11 **MS. BENNETT:** Before I begin with questions
12 for you, I wanted to start -- staff provided the parties
13 with certain interrogatory responses that were prepared
14 for Ms. Slattery, or were prepared by Ms. Slattery, and
15 they are part of Staff's Composite Exhibit Number 35.
16 And as I understand, all of the parties have agreed to
17 the admission of those into the record. And if that is
18 the case, I will not need to ask questions on those
19 particular exhibits.

20 **COMMISSIONER EDGAR:** Is there any party that
21 has a concern with the way Ms. Bennett has represented
22 your position on this point? Seeing none, Ms. Bennett.

23 **MS. BENNETT:** The next item I am going to have
24 Mr. Prestwood hand out, they are is a set of five
25 exhibits to the deposition of Ms. Slattery that occurred

1 on August 21st, 2009. I would like for each one of them
2 to be marked into the record individually.

3 **COMMISSIONER EDGAR:** Okay. If you would, go
4 ahead and distribute, and then we will work our way
5 through marking them individually.

6 **MS. BENNETT:** It is my understanding that the
7 parties have no objection to these being entered into
8 the record, either.

9 **COMMISSIONER EDGAR:** Thank you.

10 **MS. BENNETT:** This actually consists of five
11 different deposition exhibits, so I would ask that 517
12 be identified --

13 **COMMISSIONER EDGAR:** Ms. Bennett, let me make
14 sure that everybody, all the parties have a copy, the
15 witness has a copy, and the court reporter.

16 **MS. BENNETT:** Okay.

17 **COMMISSIONER EDGAR:** All right. So,
18 Ms. Bennett, the first one on top that you were
19 describing to us we will mark as 517.

20 **MS. BENNETT:** Correct. And that is Deposition
21 Exhibit 1. The next one would be --

22 **COMMISSIONER EDGAR:** Is that the way -- how
23 would you like to title it? It's titled here backup
24 for --

25 **MS. BENNETT:** We could do that, Backup for

1 Document KS-3.

2 **COMMISSIONER EDGAR:** Okay. Let's do that,
3 since that's what is on the cover sheet. Okay. So,
4 Exhibit 517 offered by staff, Backup for Document KS-3.

5 (Exhibit Number 517 marked for
6 identification.)

7 **COMMISSIONER EDGAR:** That brings us to the
8 next one that you have distributed, which we will mark
9 as 518. Ms. Bennett.

10 **MS. BENNETT:** Total Benefits/Costs, 2003 to
11 2010.

12 (Exhibit Number 518 marked for
13 identification.)

14 **COMMISSIONER EDGAR:** Thank you. That brings
15 us to the next in the stack, which we will mark as 519.

16 **MS. BENNETT:** 519, Variable Incentive Pay.
17 There's a longer title, but we can stop there.

18 **COMMISSIONER EDGAR:** 519, Variable Incentive
19 Pay.

20 (Exhibit Number 519 marked for
21 identification.)

22 **COMMISSIONER EDGAR:** Okay. The next will be
23 520.

24 **MS. BENNETT:** Percentage of Employees with
25 Overtime.

1 **COMMISSIONER EDGAR:** Okay.

2 (Exhibit Number 520 marked for
3 identification.)

4 **COMMISSIONER EDGAR:** Okay. And then the last
5 in the documents that you have distributed will be 521.

6 **MS. BENNETT:** 521 is a Breakdown of 2010
7 Executive Incentives.

8 **COMMISSIONER EDGAR:** Okay. So marked.
9 (Exhibit Number 521 marked for
10 identification.)

11 **COMMISSIONER EDGAR:** Any questions? We are
12 all, I think -- it looks like we are all on the same
13 page, so to speak. Ms. Bennett.

14 **MS. BENNETT:** One last round of -- well, I
15 won't say one last round of papers, but the next round
16 of papers is not to be marked as an exhibit. It is just
17 for cross-examination purposes. It is the 2011 C35
18 schedule that is sponsored by Ms. Slattery.

19 **COMMISSIONER EDGAR:** Thank you.

20 **BY MS. BENNETT:**

21 **Q.** Ms. Slattery, I provided you with a copy of
22 the 2011 MFR Schedule C35, payroll and fringe benefit
23 increases compared to CPI, and you sponsored this
24 schedule, correct?

25 **A.** That is correct.

1 **Q.** On Page 4 of your direct testimony, Lines 21
2 through 23, you testify that the average number of
3 employees forecasted for 2010 is 11,111, consisting of
4 4,943 exempt or salaried employees, and 2,628 nonexempt
5 or hourly employees, and 3,540 union employees. Is that
6 correct?

7 **A.** That is correct.

8 **Q.** Do these projections agree with your
9 projections in MFR Schedule C35?

10 **A.** Yes, they do.

11 **Q.** Can you tell us what the average gross payroll
12 before benefits per employee was for 2007?

13 **A.** The average -- gross average salary, did you
14 want it with or without benefits? I'm sorry, I
15 didn't -- I didn't catch that.

16 **Q.** Without benefits.

17 **A.** Without benefits, 90,552.

18 **Q.** And for 2008?

19 **A.** 90,107.

20 **Q.** 2009?

21 **A.** 92,481.

22 **Q.** 2010?

23 **A.** 95,639.

24 **Q.** And 2011?

25 **A.** 96,471.

1 **Q.** And I think we have heard testimony already
2 that 419 of these employees that are not officers made
3 more than 165,000 in total compensation in 2008, is that
4 correct?

5 **A.** That is correct.

6 **Q.** And in testifying as to FPL's forecasted
7 staffing and payroll for 2010 and 2011, you testified
8 that certain factors have historically resulted in the
9 hiring process lagging slightly behind expectations, is
10 that correct?

11 **A.** That is correct.

12 **Q.** Is it true that if FPL's staffing goals are
13 not met it could result in a lower number of actual
14 employees than the numbers projected in the MFRs for
15 2009, '10, and '11?

16 **A.** That is correct with regard to average head
17 count. However, we still maintain that the forecasted
18 compensation expense may be the same, higher, or even
19 higher than what is forecasted in MFR C35, because when
20 we are unable to fill a vacancy, we sometimes have to
21 resort to less efficient staffing models, such as using
22 overtime with existing employees or using contract labor
23 with overhead.

24 **Q.** Okay. But let me ask this question: If you
25 have historically underrun the budgeted head count and

1 the work still gets done, wouldn't that be reflected in
2 FPL's historical overtime rate?

3 **A.** It is correct that once you get a historic
4 actual on the MFR C35 that that compensation is
5 accurately reflected. But we have looked at our
6 forecasts versus our actuals, which is not shown on MFR
7 C35, because it only shows historic actuals, and we have
8 determined that in each year, even when we had some
9 staffing that lagged slightly behind expectations, we
10 still ended up needing the compensation budget to cover
11 the overtime. And, again, other less efficient models,
12 such as outsourcing a particular small job or hiring
13 contractors when we can't find the staff that we need.

14 As evidenced in my direct testimony, we do
15 have a problem finding qualified experienced workers in
16 the utility industry for a number of our positions, such
17 as, for example, NERC certified, you know, system
18 operators and transmission and substation and in other
19 areas.

20 **Q.** Do you have that same problem for hourly
21 employees in filling positions?

22 **A.** It depends on the job. Certainly, some of our
23 nuclear jobs that are paid hourly we have a significant
24 problem. So this is not a problem that is unique to any
25 specific category of employee or level of employee, it

1 depends on the functional area more than anything.

2 **Q.** Okay. Exhibit 514 that FPL provided in
3 response to staff detailing your reduction, does that at
4 all affect your C35?

5 **A.** MFR C35 reflects gross payroll as it, in
6 essence, runs through our payroll system, and it is
7 consistent with the definition of what we must report on
8 FERC Form 1. So it differs slightly from that which we
9 would be recovering through the revenue requirement.
10 So, while I can't say definitively whether or not it
11 would impact C35, it depends on what actual compensation
12 for the forecasted years ends up to be. But, again, MFR
13 C35 does not reflect revenue requirements. This is
14 total gross payroll before allocations, capitalization,
15 jurisdictional factors, and so forth.

16 **Q.** Okay. And still referring to the 2011
17 Schedule C35, I would like for you to explain why the
18 pension plan, which is FAS 87 expense, increases from a
19 negative 77,000,194 in 2007 to a negative 55,000,719 in
20 2010.

21 **A.** Yes. As discussed in more detail in my direct
22 testimony, the pension credit under FAS 87 was impacted
23 by the change in the asset value in 2008 due to market
24 performance of the asset, and this reduces the credit in
25 future years.

1 Q. And for the pension plan that is reflected on
2 C35 as FAS 87, it increases from a negative 55,719 in
3 2010 to a negative 37,715 in 2011, is that correct?

4 A. Well, that is actually -- since it is a
5 credit, rather than an expense, it is a decrease in the
6 pension credit.

7 Q. Okay. Can you explain why that would occur?

8 A. That is what I was describing, because FAS 87
9 calculations involve the return on asset and
10 amortization of any losses thereto, market conditions in
11 2008 resulted in a decrease in the value of the asset
12 which is being amortized over a number of years, and
13 that affects the 2010 and 2011 test years.

14 There are a number of things that go into this
15 calculation, into this corridor calculation that are
16 beyond my expertise since I'm not an accountant, but it
17 is something that our actuaries and accountants prepare.
18 And, again, the main driver of the change is the change
19 in asset value from '08.

20 Q. Okay. I am going to move us now into the
21 exhibits that we have just marked into the record. I
22 want you to turn to the Deposition Exhibit 1 that is the
23 backup for Document KS-3. Is this what you use to
24 support your statement that CPI is not the correct
25 index?

1 **A.** Well, my statement is that CPI is not the most
2 appropriate benchmark of compensation escalation, that
3 there are more appropriate and relevant indices, and
4 this is the support to that, yes.

5 **Q.** But it does include the CPI index on this
6 document, is that correct?

7 **A.** Yes, as is required on the MFR C35.

8 **Q.** Okay. Exhibit Number 518 is your Deposition
9 Exhibit 2, and it is titled Total Benefits/Costs, 2003
10 through 2010. Can you explain to the Commissioners what
11 this -- why this document was prepared?

12 **A.** Quite frankly, I can't remember why it was
13 prepared. One of the parties to the deposition
14 requested this exhibit with very specific requirements
15 as to what should be shown. It is a total
16 benefits/costs escalation from 2003 to 2010 broken down
17 into health and welfare benefits, retirement,
18 post-employment benefits, statutory benefits, and total.

19 **Q.** And it ties back to your C35, is that correct?

20 **A.** Yes, it does.

21 **Q.** The exhibit marked Number 519, titled Variable
22 Incentive Pay, in your depo Ms. Cowdery asked you to
23 provide total dollars as a percent of base salaries, and
24 that is what is represented in Exhibit 3, is that
25 correct?

1 **A.** That is correct.

2 **Q.** Has that changed because of the reduction from
3 Exhibit 514?

4 **A.** No, we have not recast these numbers as a
5 result of that. However, I would like to comment that
6 the 2009 number, because this was prepared, it was
7 requested late on the day in deposition and we turned it
8 around fairly quickly. The 2009 number includes the
9 impact of some additional expensing of kind of the
10 amortized value of our incentive awards. So a more
11 accurate representation of exactly what we gave to our
12 employees in the form of their earned 2009 payouts of
13 annual incentives is a little bit under 13 percent
14 rather than 13.7. This includes the impact of some
15 amortization of the expected expense for 2010.

16 **Q.** I'm sorry. Did you say under 13 percent or
17 under 14 percent?

18 **A.** Under 13 percent.

19 **Q.** Okay. The next item, Exhibit Number 520,
20 which is the percentage of employees with overtime.
21 Ms. Cowdery asked you to provide that information, what
22 percent of employees with greater than 165,000 salary
23 earned overtime. Does this reflect that number
24 accurately?

25 **A.** Yes, it does.

1 **Q.** I think we are going to turn now to the
2 confidential documents, and Document Number 08839-09 is
3 identified as Item 2 in staff's Confidential
4 Comprehensive Exhibit 36.

5 **COMMISSIONER EDGAR:** Commissioner Argenziano.

6 **COMMISSIONER ARGENZIANO:** Can you give me the
7 number, again?

8 **MS. BENNETT:** Yes, ma'am. It is -- we will
9 actually be talking about -- there is two documents in
10 the red folder, one is 08839-09 and the other is
11 08869-09.

12 **COMMISSIONER EDGAR:** Ms. Bennett, are we on
13 the long sheets or the --

14 **MS. BENNETT:** We are on the long sheets. If
15 you look on the outside of your red folder.

16 **COMMISSIONER EDGAR:** I have too many red
17 folders.

18 **MS. BENNETT:** I'm hoping that on the outside
19 of your red folder it identifies what document numbers
20 are on them.

21 **MS. CLARK:** Madam Chairman.

22 **MR. WISEMAN:** Could you repeat, please, those
23 numbers, please?

24 **COMMISSIONER EDGAR:** Let's start with
25 Ms. Clark. Ms. Clark, did you say something?

1 **MS. CLARK:** I did. I have -- within that
2 folder I have the document labeled 08869-09, but I have
3 two of them. What I don't have is 08839-09.

4 **COMMISSIONER ARGENZIANO:** I don't have that,
5 either.

6 **COMMISSIONER EDGAR:** And I don't know if I do
7 or not, but I know I haven't found it yet.

8 **MR. WRIGHT:** Madam Chairman.

9 **COMMISSIONER EDGAR:** Mr. Wright.

10 **MR. WRIGHT:** Just trying to help.

11 **COMMISSIONER EDGAR:** I appreciate it.

12 **MR. WRIGHT:** I think at the bottom of
13 something that says work paper 2008, at the top there is
14 actually a Public Service Commission Clerk's Office
15 document number stamped at the bottom. That appears to
16 be the 8839.

17 **COMMISSIONER EDGAR:** Thank you. I don't see
18 it yet, but at least I know what I am looking for. Oh,
19 there it is. Thank you.

20 **MS. BENNETT:** Commissioner.

21 **COMMISSIONER EDGAR:** Anybody else having as
22 much difficulty locating it as I was? Okay. Everyone
23 else seems to be fine, and I appreciate the help.

24 Ms. Bennett.

25 **MS. BENNETT:** Okay.

1 **BY MS. BENNETT:**

2 Q. Ms. Slattery, do you have the documents in
3 front of you?

4 A. Yes, I believe I do.

5 Q. And they were prepared under your supervision,
6 is that correct?

7 A. Yes.

8 Q. The document that is identified as 08839-09,
9 does this document provide certain compensation detail
10 information by job title for FPL employees earning
11 greater than 165,000 for the years 2008, 2009, 2010, and
12 2011, and the workpapers for 2008?

13 A. Yes, it does.

14 Q. Can you summarize -- I know we have talked a
15 lot about it, but can you summarize the information that
16 is contained in Document Number 08839-09. It would be
17 helpful to go through the columns and let us know what
18 those are.

19 A. Okay. This schedule contains information
20 regarding employees who make above 165,000 broken down
21 into certain categories of compensation. The column
22 labeled at the top F is base salary. G is overtime
23 compensation. Those are both fairly self-explanatory.
24 H is bonus, which is actually sign-on bonus and
25 retention bonus. I is stock awards. This would

1 represent the accounting value, if you will, of the
2 restricted stock and performance share awards. J is
3 options awards, which, again, is more of an accounting
4 view of the expense. K is non-equity incentive
5 compensation, which is the actual cash payouts of annual
6 incentive awards. L, all other, is miscellaneous
7 earnings. Examples of what might be in here might be a
8 relocation imputation for an employee who has been
9 relocated. M is total compensation, which is the sum of
10 Columns F through L. Column N is net allocation, and
11 Column O is adjusted jurisdictional other O&M. And the
12 last two columns remove dollars that will be allocated
13 to affiliates, capitalized, and also jurisdictional
14 factor adjustments.

15 Q. And then I am going to ask you to turn to
16 Document Number 08869, which has been identified as Item
17 1 of Staff's Confidential Composite Exhibit 36. Are you
18 there?

19 A. Yes, I am.

20 Q. And you are familiar with this document, also,
21 correct?

22 A. Yes, I am.

23 Q. Does this document provide certain
24 compensation detail information by job title for FPL
25 employees that are earning greater than 165 or 200,000,

1 or are these the officers?

2 **A.** These are the officers. On 08869-09, these
3 are the officers. So, yes, they all earn above 165,
4 but they are -- it is the schedule for officers only.

5 **Q.** And this is for the years 2008, 2009, 2010,
6 and 2011?

7 **A.** Yes.

8 **Q.** And workpapers, also?

9 **A.** Yes.

10 **Q.** Would you, again, summarize the information
11 that is contained in Document 08869-09?

12 **A.** Yes. This is very similar to the schedule for
13 nonofficers, however, there were two fewer columns
14 requested in the interrogatory, so the overtime column
15 does not exist on this schedule. It is not pertinent,
16 as no overtime was paid to any officer. And in
17 addition, the column bonus does not exist on this
18 schedule, as any sign-on bonuses, for example, were
19 included in the all other compensation in Column J.

20 **Q.** Isn't there also an additional column on this
21 one for allocation and who it was?

22 **A.** It has the same, there is total compensation
23 which is the column labeled K. Next to it is allocated
24 to FPL, amount out of AMF, and next to that is adjusted
25 jurisdictional other O&M. And those are the same three

1 ending columns as was on the schedule of the 419
2 nonofficers. Which, again, takes the total compensation
3 and adjusts it for allocations to affiliates,
4 capitalization, and jurisdictional factor adjustment.

5 **Q.** Okay. Were there any other differences
6 between these two responses to interrogatories?

7 **A.** That is the difference in the information that
8 was requested in the interrogatory and that which was
9 provided. We were able to provide a little bit more
10 detail for the officers schedule for 2009, '10, and '11,
11 due to the fact that although we do not budget
12 individuals' compensation, we budget in the aggregate,
13 we do at least aggregate our officers into one
14 centralized budget location, which gives us more
15 detailed information than we have for nonofficers.

16 **MS. BENNETT:** Madam Chairman, that is marked
17 already as Staff's Revised Confidential Composite
18 Exhibit 36, Items 1 and 2. But I do want to move on now
19 to the next red folder that we have, and it is
20 Confidential Document Number 08912-09. And there are
21 actually two schedules on that.

22 We would like this Document 08912 to have a
23 number marked. It is not on the composite exhibits, so
24 we need that marked as Number 522.

25 **COMMISSIONER EDGAR:** Yes, 522. How would you

1 suggest we mark it, Ms. Bennett?

2 **MS. BENNETT:** Confidential Document 08912.

3 **COMMISSIONER EDGAR:** 08912. Thank you.

4 (Exhibit Number 522 marked for
5 identification.)

6 **MS. BENNETT:** And that bears a relationship to
7 what is on file at the Clerk's Office, if that helps.

8 And for the record, Document Number 08912-09
9 was prepared by staff using the data provided by FPL in
10 its discovery responses identified in Items 1 and 2 of
11 Staff's Confidential Composite Exhibit 36.

12 **BY MS. BENNETT:**

13 **Q.** And, Ms. Slattery, I will represent to you
14 that the compensation detailed data in staff's
15 Confidential Document 08912 concerning bonus and
16 overtime as a percent of salary is the same compensation
17 detail data which you provided in the previous two
18 documents 08839-09 and -- I'm sorry, it is just the
19 08839-09 concerning compensation for FPL employees
20 making more than 165,000. However, staff has resorted
21 the horizontal rows of data so that instead of being
22 sorted by your original lines, the rows are now sorted
23 by overtime as a percent of salary and by bonus as a
24 percent of salary as calculated by staff and shown in
25 Column P in each of the documents from the highest

1 percent to the lowest percent. Do you see -- do you
2 follow where I am going with this?

3 A. Yes, I do.

4 Q. Okay. And you understand how staff has
5 resorted to the data?

6 A. Yes, I do understand it.

7 Q. For purposes of my questions, please assume
8 that the calculations of overtime as a percent of salary
9 and bonus as a percent of salary as shown in Column P
10 have been done correctly. But if you believe that you
11 see an error, please let me know?

12 A. Okay.

13 Q. Okay. I am going to first ask you questions
14 concerning overtime as a percent of salary for employees
15 with compensations greater than 165. So if you will
16 turn to that document, we will start with questions
17 there.

18 A. Okay.

19 Q. Okay?

20 A. Yes.

21 Q. Referring to this exhibit, Item Number 1 shows
22 that overtime as a percent of base salary in this last
23 column. Would you agree that 32 of the 419 nonofficer
24 employees who earned more than 165,000 in 2008 received
25 overtime that was equal or in excess of 50 percent of

1 their base salary?

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

3 **Q.** Okay.

4 **A.** If I could point out that from looking at
5 this, the overwhelming majority, if not all of them,
6 were bargaining unit employees in the nuclear division.
7 At first glance that is what it looks like.

8 **Q.** Would you explain why -- I think this is
9 probably the answer then. Would you explain why 32 of
10 FPL's highest paid nonofficer employees received
11 overtime that was equal or in excess of 50 percent of
12 their base salaries?

13 **A.** Yes, I will. Because those in that category,
14 the majority of these positions are bargaining unit
15 positions, which would be hourly employees who work
16 under a collective bargaining agreement at Turkey Point
17 nuclear. And in addition to the fact that overtime is
18 paid at time and a half, there are also provisions for
19 double time under certain circumstances. And as I
20 previously testified this afternoon, in 2008 that is a
21 nuclear facility that had a shortage in a few key
22 positions, and this exhibit reflects the result of that,
23 which is that we had a number of employees working
24 significant amounts of overtime, which was addressed as
25 evidenced by FPL Witness Stall in his testimony by

1 forming partnerships with community colleges to create
2 talent pipelines to this facility. And, in addition, by
3 creating two licensing classes which graduated this
4 year. So we recognized an opportunity to improve the
5 efficiency of our staffing model at that site.

6 Q. Okay. Would you agree that on this document
7 180 of the nonofficer employees who earned more than
8 165,000 received some overtime in 2008?

9 A. Yes, it is 180, but 10 of the 180 relate to
10 something I discussed with Ms. Bradley earlier, which is
11 that exempt employees who work on a company holiday and
12 receive eight hours of regular pay show up as having
13 worked eight hours of straight time overtime. So if you
14 exclude those ten it is 170. And of the 170, 120 of
15 them are nuclear division -- actually, I'm sorry, it is
16 147 are nuclear division employees.

17 Q. 147 of the 180 are nuclear employees?

18 A. Yes.

19 Q. Are they all bargaining unit employees?

20 A. No, 27 of those are bargaining unit. The
21 others are exempt, but the bargaining unit are the ones
22 that are at the top of the list as receiving the highest
23 percentage of overtime as a percent of base.

24 Q. Okay. I want you to now turn to the document
25 that is -- that is bonus as a percent of salary for

1 employees with compensations in excess of 165,000.

2 **A.** Yes.

3 **Q.** Okay. And, again, I will do the same
4 representation that the compensation detailed data,
5 which you provided in FPL's Confidential Document 08839,
6 is the same data used by staff in this exhibit. And
7 staff has resorted it, again, the horizontal rows of the
8 data in this document, so that the original line
9 numbers, 2 through 420, and the rows are sorted by bonus
10 as a percent of salary as calculated by staff and shown
11 in Column P from the highest percent to the lowest
12 percent. Do you follow me?

13 **A.** Yes, I do.

14 **Q.** Good. I wasn't sure I followed me that time.
15 And you understand how staff has resorted the data?

16 **A.** Yes, I do.

17 **Q.** And, again, for purposes of my questions,
18 assume the calculations are correct, but if you see any
19 major mistakes, let me know.

20 Referring to the exhibit that shows bonuses as
21 a percent of base salary in the last column, would you
22 agree that 27 of the 419 nonofficer employees who earned
23 more than 165,000 in 2008 received bonuses that were
24 equal or in excess of 50 percent of their base salary?

25 **A.** Yes.

1 **Q.** Do you agree that 27 of FPL's highest paid
2 nonofficer employees received bonuses that were equal or
3 in excess -- I think I just asked that, I'm sorry.

4 Referring to that same exhibit that shows
5 bonuses as a percent of salary in the last column, would
6 you agree that the person shown on Line 2 received a
7 bonus that was almost twice their base salary in 2008?

8 **A.** Yes. However, this was an amount attributable
9 to a sign-on bonus for a high level position that
10 required specific education, certification, and
11 experience that was very difficult to find. When we
12 found the right candidate, this person had significant
13 compensation opportunity they were giving up at their
14 current employer to come to work for us. So we provided
15 a sign-on bonus for which we had the employee sign a
16 repayment obligation, so this serves as a retention
17 vehicle for us. As a matter of fact, all of the sign-on
18 bonuses reflected on this schedule contain repayment
19 obligations, which give us the advantage of having some
20 retention on the employee for a period of generally
21 three to four years.

22 **Q.** Okay. Would you agree that the next largest
23 bonus on that exhibit at Line 3, received a bonus that
24 was 86 percent of their base salary in 2008?

25 **A.** Yes. Again, this was a sign-on bonus for an

1 individual with unique experience, education, and
2 certification in the nuclear division who gave up
3 significant compensation opportunities at his current
4 employer to come to work for us, and we had him sign a
5 repayment obligation that acts as a retention vehicle
6 for three years.

7 Q. Okay. And I am finished with these documents,
8 the questions on these, so I would like you to turn to
9 the last red folder. This one is easy. It's the short
10 one.

11 MS. BENNETT: And we need this one also
12 marked.

13 COMMISSIONER EDGAR: Okay. Ms. Bennett, that
14 brings us to 523, a confidential document. Please label
15 it for me.

16 MS. BENNETT: Confidential Document Number
17 09118.

18 COMMISSIONER EDGAR: 09118. Thank you.

19 (Exhibit Number 523 marked for
20 identification.)

21 BY MS. BENNETT:

22 Q. And, Ms. Slattery, when you have gotten it
23 open, if you will let me know.

24 A. I have it open.

25 Q. In your testimony, Ms. Slattery, you testify

1 that FPL uses a variety of compensation survey resources
2 to evaluate its compensation program, is that correct?

3 **A.** That is correct.

4 **Q.** Staff asked you to bring with you today all
5 such benchmark and other compensation studies and
6 information upon which FPL relied for compensation
7 survey data, and that is the information that was
8 contained in that confidential exhibit, is that correct?

9 **A.** That is correct.

10 **Q.** I want you to look at the Confidential
11 Document Number 09118 that has been marked as Exhibit
12 523. Did you bring any additional information today
13 with you that is not included in this document file?

14 **A.** Well, actually I do. I happen to have the
15 updated salary budget survey from World at Work for this
16 year with me, and I believe that at the time that we
17 complied with the discovery requests it had not yet been
18 published.

19 **Q.** Okay. Is that also confidential?

20 **A.** No, it is not. However, it is proprietary to
21 World at Work.

22 **Q.** Does that mean it cannot be presented?

23 **A.** It cannot be presented, correct.

24 **Q.** Okay. Let's go over a little bit the
25 information that is contained in Confidential Document

1 09118, and explain to the Commission what each of the
2 documents is and what you -- and what and how you use
3 it. Can we start with the salary benchmarking data for
4 executive employees titled Energy Industry Peer Group
5 Survey Data.

6 **A.** Is this labeled Part 1 of 14 at the bottom?

7 **COMMISSIONER EDGAR:** Ms. Bennett, can you help
8 direct the witness?

9 **MS. BENNETT:** Yes. I was making sure I had
10 the right one.

11 **THE WITNESS:** I apologize, Ms. Bennett. Mine
12 are all out of order that came out of this envelope.

13 **BY MS. BENNETT:**

14 **Q.** I believe the one I'm talking about is the --
15 on the cover sheet says OPC's Third POD Number 139, FPL
16 103693 and 103694, benchmarking studies, survey studies.
17 Do you have that?

18 **A.** I do have that, and I have at the bottom that
19 is Part 4 of 14 for 09118.

20 **Q.** Oh. Okay, yes. I see that number now.

21 **A.** So do you want me to start with this Part 4 of
22 14?

23 **Q.** Yes.

24 **A.** Okay. This is a list of benchmarking studies,
25 including the publisher and the title of the survey

1 report, and the number of unique jobs or positions in
2 our nonbargaining employee population match to it.

3 **MS. BENNETT:** Can I have just a minute?

4 **COMMISSIONER EDGAR:** As in a minute or more
5 like five?

6 **MS. BENNETT:** Like a minute.

7 **COMMISSIONER EDGAR:** Okay. Take a moment and
8 everybody stay in place.

9 Ms. Bennett.

10 **MS. BENNETT:** Thank you.

11 **COMMISSIONER EDGAR:** You're welcome.

12 **BY MS. BENNETT:**

13 **Q.** All right. And let's move on to the next one.
14 It says Part 5 of 14 on the bottom, OPC's Third POD,
15 Number 139, Market Assessment Scope Matrix. Can you
16 describe what that is?

17 **A.** Yes. This is a document that's prepared by
18 FPL as part of its beginning stages of benchmarking
19 where we define for each business unit the market.

20 **Q.** And then the third item, which is marked Part
21 7 of 14, what is that, please?

22 **A.** This is the World Network salary budget
23 survey. It's the 35th annual.

24 **Q.** And this is the document you said you have a
25 more recent version of?

1 **A.** Yes. This is the 2008-2009, publication which
2 would have come out in late summer, early fall of last
3 year. And since producing this in discovery, we
4 received the new publication for 2009-2010 from World
5 Network.

6 **Q.** Okay. I want you to, referring to this
7 document, explain why certain positions listed on this
8 document do not have benchmark information or classified
9 as nonbenchmark. I believe this document reflects that?

10 **A.** Are you looking -- okay, so you're looking at
11 2008 base salary market reference points for Staff's
12 Interrogatory 97?

13 **Q.** Yes.

14 **A.** Okay. Some of the jobs that -- the ones that
15 are nonbenchmark are the bargaining unit positions that
16 ended up on our list of 165. We do not benchmark
17 bargaining unit positions. They are paid under a
18 collective bargaining agreement. So if it says
19 nonbenchmark, that's what it means. If it says no MRP,
20 it's because the position was newly added during 2008
21 and was not yet part of our annual benchmarking study.
22 And those MRPs will be determined, we're doing that
23 process right now, in the fall.

24 **Q.** Okay. That was my second question. Subject
25 to check, would you accept that there are 384 positions

1 with benchmarking information and 35 positions with no
2 benchmarking information?

3 **A.** Yes, that sounds about right, since I know
4 there were 29 bargaining unit positions and there were a
5 handful of newly added positions. That sounds about
6 right, subject to check.

7 **Q.** Okay. And also subject to check, would you
8 accept that the base salary for FPL exceeds the market
9 reference point for 243 of the 384 positions listed with
10 the MRP information?

11 **A.** No, I would have to study that. But I do
12 believe that because we calculate our aggregate,
13 position to market in the aggregate, you are always
14 going to have some positions above, some positions
15 below. We have 7500 nonbargaining positions. It's my
16 understanding that for all of these we're roughly within
17 3 percent of the midpoint for the market in the
18 aggregate.

19 **Q.** Subject to check, would you accept that the
20 percent of the number of positions on this list exceeds
21 the market reference point by 60 -- market reference
22 point is 60 percent?

23 **A.** Could you please rephrase your question? I
24 don't understand it.

25 **Q.** I'm not sure I did either, so, yes, I will.

1 Subject to check, would you accept that the percent of
2 number of positions on this list that exceed the market
3 reference point is 60 percent?

4 **A.** Subject to check, that is possible. But,
5 again, you are always going to have some positions
6 above, some positions below, and we benchmark in the
7 aggregate. And if you will look at Exhibit KS-2 to my
8 direct testimony, you will see that in the aggregate all
9 of our nonbargaining positions benchmark about 2 percent
10 below the midpoint. And furthermore, when we look at a
11 list of individuals who make above 165,000, many of them
12 who made it on this list because their performance
13 warranted a significant performance-based variable pay
14 payout, you would expect that many of them have the
15 experience and the performance to warrant being a few
16 percentage points above the midpoint.

17 **Q.** Okay. Ms. Slattery, in your testimony, you
18 refer to benchmarking studies obtained by FPL through
19 Hewitt Associates, is that correct?

20 **A.** Yes, that is one of our sources.

21 **Q.** Is it correct that these surveys are used by
22 FPL to determine its relative position in terms of
23 total compensation and individual compensation
24 components versus a comparable group of utilities and a
25 comparable group of large nonutility corporations?

1 **A.** Yes, that is an accurate statement. Hewitt is
2 one of several survey sources that we use for that, yes.

3 **Q.** Okay. How many utilities for the comparison
4 group for the Hewitt Associates -- how many -- I'm
5 sorry. How many utilities are in the comparison group
6 for the Hewitt Associates benchmarking?

7 **A.** I do not know the number, but I'd like to
8 clarify that the comparator group of energy services
9 companies that I discussed earlier this afternoon with,
10 I believe -- I believe it was Mr. Moyle and Mr. Wright,
11 was related to executive compensation benchmarking,
12 which is reviewed by the compensation committee. And
13 when we benchmark our employees below officer level, and
14 we rely on these 17 or so different survey companies, we
15 often have to kind of accept whatever energy services
16 companies participant in their survey.

17 So the single largest provider of survey data
18 is actually Towers Perrin. Hewitt is one. But each of
19 these surveys will have a different number of companies
20 in that comparator group, so it would be unique from
21 survey to survey. And the total number of surveys is
22 probably around 60 surveys from the 17 different
23 publishers. So I do not know specifically by survey how
24 many companies are in the comparator.

25 **Q.** Does FPL choose the comparable groups?

1 **A.** Not for our nonofficer compensation
2 comparisons. We choose a benchmark group for executive
3 compensation comparison, which is, again, under the
4 domain of the compensation committee. They approve that
5 peer group, and their independent consultant validates
6 the benchmarking. And we also use a comparator group
7 for our benefits benchmarking with Hewitt's benefit
8 index. So if we are talking about Hewitt's benefits
9 benchmarking, yes, we do choose a comparator group. And
10 that is evident in the exhibits to my direct testimony,
11 which I believe are Exhibits 9, 7 and 6, those companies
12 are listed.

13 **Q.** And Towers and Perrin is one of the groups you
14 said you used. That was in Mr. Meischeid's testimony,
15 is that correct, that he talked about Towers and Perrin.

16 **A.** I'm sure his testimony did discuss the fact
17 that Towers Perrin has a database that a significant
18 number of utilities utilize to benchmark compensation.
19 They are one of the biggest for our industry.

20 **Q.** Now, I want to make sure I understand. You
21 said that for the executive compensation, FPL chooses
22 the comparable groups. But for the non-executive, it's
23 the benchmarking company that chooses those comparable
24 groups, is that correct?

25 **A.** The benchmarking company invites all companies

1 to participant, and those that choose to participate
2 will determine the number of data points available. And
3 so FPL accepts those companies that choose to
4 participate subject to a revenue scope, because as I
5 stated earlier this afternoon, there is a significant
6 correlation between revenue size and appropriate pay
7 levels. So, for example, with the employee compensation
8 benchmarking with Towers, we would choose the revenue
9 size and category that we are in and whatever companies
10 choose to participate will be in that category. We
11 don't handpick or eliminate any companies from the
12 revenue cut.

13 **Q.** Do you eliminate -- so you don't compare
14 utilities to utilities. It's who responds to the
15 benchmarking, is that correct?

16 **A.** I apologize for confusing you. We definitely
17 compare utilities to utilities. But as shown on this
18 scope matrix, which was a document we discussed, was
19 Part 5 of 14 of this exhibit, there are a number of
20 positions where we are competing with general industry
21 for talent. And so we will benchmark general industry
22 companies, either in addition to utilities or instead
23 of. So, for example, in our staff groups, we would use
24 general industry benchmarks as well as utility
25 benchmarks.

1 **Q.** Okay. Do you know the name -- back to the
2 Hewitt and Associates, does your document contained in
3 the confidential exhibits contain the name of the
4 utilities that you compared the benchmarking to?

5 **A.** I would have to go through each one of these
6 ad hoc special reports from Towers to find out if they
7 do or not. So each survey publication will always
8 contain a list of the participating companies. So
9 though you cannot ascertain what any one individual
10 company pays because of antitrust laws, these
11 publications will always contain a list of which
12 companies participated, so you will know which companies
13 you're comparing against. And I don't believe that all
14 of these components in this exhibit contain that.

15 But, for example, when we looked at the
16 WorldatWork 35th annual salary budget survey, the list
17 of companies is attached. I would have to go through
18 each one of these ad hoc benchmarks reports to look for
19 it.

20 **Q.** Item 7 in your confidential set of documents
21 is the salary budget survey, WorldatWork, 35th annual,
22 is that correct?

23 **A.** That's correct.

24 **Q.** Can you describe Item 7?

25 **A.** Yes. WorldatWork is the vendor that publishes

1 an annual salary budget survey that is relied upon by
2 many compensation experts and companies. It is the
3 largest survey of its kind. It is widely relied upon
4 and quoted from, and it generally includes. For
5 example, this year I think it was 2700 companies or
6 employers, some public sector employers are also
7 participating.

8 Q. Okay. How many individual job positions does
9 FPL have?

10 A. I believe that the number of unique positions
11 we benchmark is just about 2000.

12 Q. Are every single one of FPL positions
13 benchmarked relative to their compensation and benefits
14 to positions in other companies?

15 A. Yes. We do attempt to benchmark each one of
16 those 2000 unique jobs. Occasionally, we have difficult
17 times finding a job match. And then in those cases we
18 kind of do the best we can. Sometimes even going so far
19 as to hire the consulting firm to do an regression
20 analysis when we can't match the position duties,
21 responsibilities and scope. So the answer to your
22 question is yes.

23 Q. I think you also answered my next question. I
24 was going to ask was the matching of positions with FPL
25 to equivalent positions in other companies based on job

1 titles only?

2 **A.** Oh, no, it is definitely not. We do a robust
3 position description. We actually call it a job content
4 guide that analyzes duties, responsibilities, span of
5 control, budget responsibility. There are a number of
6 factors that we go through on this questionnaire with
7 the supervisor of the position.

8 **Q.** Okay. Could you -- well, first of all, let's
9 go to Item 14 in the confidential set of documents, and
10 can you explain what Item 14 is? My list says an ad hoc
11 special survey report, SRO and RO retention programs?

12 **A.** This is an ad hoc special survey report
13 published by Towers Perrin, which has been conducting
14 and publishing a number of compensation or pay practices
15 unique to the nuclear industry in recent years. This is
16 one of them. This relates to senior reactor operator
17 and reactor operator retention programs.

18 **Q.** I'm debating how to ask this, but can you
19 provide us an example using the data in the 14 items --
20 in Item 14 -- I am getting too much into confidential
21 information. What are the overall budgeted merit
22 increases for FPL for 2009, '10 and '11?

23 **A.** The budgeted merit programs are two percent
24 for each year.

25 **Q.** And let me refer you back to MFR Schedule C35,

1 Line 3?

2 A. I'm there.

3 Q. What are the projected increases in the
4 average gross pay per employee excluding benefits for
5 2009, '10, and '11 on C35, Line 3?

6 A. For '09 it's -- let me -- my eyes are going on
7 me. Let me see if this one is better. It's
8 2.64 percent. For '10 it's 3.41 percent, and for '11
9 it's 0.87 percent. As I mentioned earlier this
10 afternoon in my testimony, in the test year 2010 the
11 3.41 percent is driven by budgeted overtime in the
12 nuclear division related to the uprates project. And
13 without that increase in overtime of approximately
14 \$20 million year over year, the per employer year over
15 year increase would have been slightly less than 2
16 percent. Therefore, what I'm saying, it's normalized to
17 exclude the nuclear uprates budgeted overtime year over
18 year increase for the division, this figure would have
19 been less than two percent.

20 Q. In addition to the 2 percent merit increases,
21 does FPL also have an overall budgeted incentive pay
22 increases?

23 A. Yes, we do.

24 Q. And what are the overall budgeted incentive
25 pay increases for FPL for 2009, '10, and '11?

1 **A.** To answer your question, I am relying on some
2 backup documentation to C35, which shows that the
3 budgeted total sum of incentive pay is forecasted for
4 2009 to be 114,757,069; for '10, it's 118,673,309; and
5 for 2011 it's 124,553,044.

6 **Q.** And will this at all be affected by
7 Exhibit 514, the proposed reduction?

8 **A.** As far as the revenue requirements, that will
9 be impacted. But, again, as I stated previously, the
10 MFR C35 is kind of -- it comes out of our payroll
11 system. And so whatever the ultimate payouts are is
12 determined by the compensation committee board of
13 directors and senior leadership will impact what
14 ultimately is reported on FERC Form 1 and the next MFR
15 C35.

16 **Q.** In the benchmarking process for setting the
17 compensation and benefits for an individual position,
18 how are the overall corporate guidelines for merit
19 increases and incentive pay increases taken into
20 consideration?

21 **A.** In the benchmarking process?

22 **Q.** Yes, ma'am.

23 **A.** Well, benchmarking of each position is based
24 on actual compensation for the prior year. So, in other
25 words, the benchmarking process is always a lagging

1 comparator. We don't compare in benchmarking forecasted
2 compensation. We compare actual compensation. And the
3 way in which we factor in budgets is when we look at
4 that WorldatWork salary budget survey to set our merit
5 budgets for future years. We do benchmark salary budget
6 increases, and that is a separate matter than
7 benchmarking market reference points, midpoints, or
8 total compensation for employees. Does that answer your
9 question? That's rather confusing.

10 Q. Yes, it does. I think what you told me was
11 that you compare base salary benchmark and then you
12 compare your incentives benchmarked?

13 A. Yes. And we benchmark actual incentives paid.
14 That is kind of the gold standard. It's shown on
15 Exhibit KS-5, Page 2 of 2, of my direct testimony, that
16 we benchmark those incentives. And for our executive
17 positions, we benchmark total cash compensation and
18 total direct compensation, including long-term
19 incentives, again, actual pay. We separately benchmark
20 forecasted salary increases through the WorldatWork
21 survey. So that is a separate benchmarking process.

22 Q. Okay. I think I've got it. During your
23 deposition you provided overall company employee
24 turnover rates of 10 percent for 2006, 9.5 percent for
25 2007, 8 percent for 2008, 7 percent for 2009, back up to

1 9.5 percent for 2010 and 10.4 percent for 2011. Are
2 those figures still correct?

3 **A.** Those are the last figures I received. I do
4 not have any updates.

5 **Q.** Are you able to breakdown these turnover rates
6 by compensation level? That's to say, can you give us
7 the turnover rate for employees making less than 165,000
8 and those making more than 165,000?

9 **A.** No. Our turnover data has not been segregated
10 by compensation amount, no.

11 **Q.** In your direct testimony on Page 5, you state,
12 to that end, FPL continuously monitors and benchmarks
13 the compensation and benefits components of the total
14 rewards package individually, since no composite
15 benchmarks are available for the combined programs and
16 ensures that the total program is in line with the
17 median of the combined compensation and benefits program
18 of the appropriate comparator groups, correct?

19 **A.** Correct.

20 **Q.** Okay. What are the individual benefit
21 components of the total rewards package to which you
22 refer?

23 **A.** Through the Hewitt Benefit Index, we are able
24 to benchmark a significant number of components of our
25 package. Three of exhibits to my direct testimony show

1 aggregate, the active employee medical plan and the
2 combined retirement value, and those are exhibits KS, I
3 believe, 6, 7 and 9. In addition to that, we are able
4 to benchmark retiree benefits, health and welfare
5 benefits. There are various components that Hewitt
6 allows us to benchmark. I know I provided a list in
7 some of my discovery, but I don't recall all of them.

8 Q. I believe it was in response to the Union's
9 Second Set of Interrogatories, Question Number 39. If I
10 were to read this response, can you agree with me that
11 those are correct?

12 A. Yes.

13 Q. Pension.

14 A. Yes.

15 Q. 401K?

16 A. Yes.

17 Q. Life insurance or retiree life insurance.

18 A. Yes.

19 Q. Short-term disability.

20 A. Yes.

21 Q. Long-term disability.

22 A. Yes.

23 Q. Medical?

24 A. Yes.

25 Q. Dental 8 vision and hearing?

1 **A.** Yes.

2 **Q.** Flexible spending account?

3 **A.** Yes.

4 **Q.** Retiree benefits which include medical, dental
5 vision, holidays, vacation and other time off, et
6 cetera?

7 **A.** Yes.

8 **Q.** Okay. Is it correct that the benchmark and
9 survey monitoring you conduct concerning FPL's
10 compensation plan is intended to assist FPL in
11 establishing the position of employees total
12 compensation relative to comparable companies?

13 **A.** Yes.

14 **Q.** You state in your testimony that a major
15 consideration for FPL regarding executive compensation
16 is the issue of retaining and hiring quality,
17 high-performing employees, is that correct?

18 **A.** Yes, it is.

19 **Q.** Do you know whether the benchmark data and
20 surveys upon which you rely include any examination of
21 turnover rates among FPL personnel as compared to
22 similar employees -- employers?

23 **A.** That is not part of our compensation or
24 benefits benchmarking, but we do look at benchmarked
25 data available from sources such as Saratoga, which is a

1 Price Waterhouse Cooper Division.

2 Q. You do look at that?

3 A. We do look at it?

4 Q. And what are the results?

5 A. I do not recall how we compare to that
6 benchmark. I also believe that some of the business
7 units may do some additional benchmarking on their own,
8 and I'm not aware of what those results are either.

9 Q. Okay. And those have not been entered into
10 the record, is that correct?

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

12 Q. Do you know whether the benchmarking and
13 survey data you rely on includes any attempts to
14 ascertain specific instances where FPL's total
15 compensation level or compensation structure for an
16 employee were responsible for hiring or -- hiring away
17 that individual?

18 A. So if I understand your question correctly,
19 you're asking if we analyze whether or not our
20 compensation practices lead to increased turnover?

21 Q. That would be a good way to phrase it?

22 A. I know that it is something that we are always
23 focused on as far as doing studies. So, for example, I
24 can give you an example that our nuclear division has
25 done turnover analysis specific to its sites. So in

1 2006 and 2007, we identified a high turnover problem at
2 the Turkey Point nuclear facility. We implemented
3 retention programs there, and we documented the
4 corresponding reduction in turnover at that site. So,
5 yes, we are constantly looking at our pay practices and
6 our turnover and the link thereto.

7 **Q.** Is it true that the business units conduct
8 exit interviews with employees concerning their decision
9 to leave FPL for other employment?

10 **A.** Yes, that's correct.

11 **Q.** Does your human resources unit conduct exit
12 interviews for employee leaving your unit?

13 **A.** Yes, we do.

14 **Q.** Is it correct that in your role as the Human
15 Resources Director you do not know what, if anything, is
16 done with FPL exit interviews after they have been
17 conducted?

18 **A.** That's correct, because a different leader
19 within human resources is responsible for employee
20 relations.

21 **Q.** Did FPL provide the Public Service Commission
22 with copies of any of its exit interviews?

23 **A.** I do not know.

24 **Q.** Does FPL use exit interviews of departing
25 employees to attempt to identify instances of FPL

1 employees being hired away by other utilities?

2 **A.** I believe we do.

3 **Q.** Can you describe what information is gathered
4 and what the information shows and how it's subsequently
5 used?

6 **A.** No, I cannot, but I can give an example of how
7 it's used. And that is, for example, when FPL Witness
8 Stall was asked to compile a late-filed exhibit after
9 his testimony regarding instances of poaching, I believe
10 that that was compiled from information that the nuclear
11 business unit had gathered from exit interview and other
12 sources.

13 **Q.** Okay.

14 **MS. BENNETT:** Madam Chair, I'm going to have
15 Mr. Prestwood hand out -- I don't need this marked as an
16 exhibit, because it's already in as a full document.
17 This is just excerpts from FPL Group 2008 SEC proxy
18 statement. It's Schedule 14A excerpts.

19 **COMMISSIONER EDGAR:** Okay. And while that
20 document is being passed out, let me just check with our
21 court reporter.

22 How are you doing? You're okay. Okay.

23 Thank you. And, Ms. Bennett, just for
24 planning purposes, about how much longer of cross do you
25 have?

1 **MS. BENNETT:** Maybe ten minutes.

2 **COMMISSIONER EDGAR:** Okay. Thank you. I
3 should have asked the witness as well. Do you need a
4 stretch or are you okay?

5 **THE WITNESS:** I'm fine to keep going. Thank
6 you.

7 **COMMISSIONER EDGAR:** Maybe I am the only one
8 that feels like I have been in this chair for a long
9 time.

10 **BY MS. BENNETT:**

11 **Q.** Ms. Slattery, you're familiar with this SEC
12 Schedule 14A from the proxy statement, correct?

13 **A.** Yes, I am.

14 **Q.** And referring to Page 43, is it correct that
15 the proxy statement reports that Mr. Hay's base pay was
16 increased by 4 percent in 2008?

17 **A.** Yes. From 2007 to 2008, that's correct.

18 **Q.** And that Mr. Robo's base pay in 2008 increased
19 8 percent?

20 **A.** Yes, that's correct, to reflect the additional
21 responsibilities he had taken on and the fact that his
22 market data reflected the need for an equity adjustment.

23 **Q.** And Mr. Dewhurst's pay in 2008 was a 6 percent
24 increase, is that correct?

25 **A.** Yes, that's correct.

1 **Q.** And Mr. Olivera's base pay was a 4.8 percent
2 increase?

3 **A.** Yes, that's correct.

4 **Q.** And Mr. Stall's increase was 16 percent?

5 **A.** Yes. Again, there was an equity adjustment
6 there.

7 **Q.** And, subject to check, would you agree that
8 the inflation rate for 2008 was 3.2 percent based on
9 U.S. Department of Labor's Employment Cost Index for
10 Wages and Salaries for Utilities?

11 **A.** Subject to check.

12 **Q.** Why did the named executives we just
13 received -- reviewed received pay increases greater than
14 the 3.2 percent rate of inflation?

15 **A.** As discussed in the paragraph entitled, Base
16 Pay, on Page 43 of the proxy, the compensation committee
17 takes into account a number of different factors,
18 including nature and responsibility of the position,
19 including whether any responsibilities have been added
20 since the prior year, expertise and performance of the
21 named executive, competitiveness of the market for the
22 named executive's services, and, of course, the actual
23 market data. And between 2007 and 2008, we identified a
24 need for some equity adjustments for several officers,
25 as well as the need to recognize that their duties and

1 responsibilities had increased.

2 Q. I want you to turn now to Page 44 and the last
3 full paragraph there. Let me know when you have
4 reviewed that and are ready for me to ask you a
5 question.

6 A. Yes, I'm ready.

7 Q. Okay. This is a description of the company's
8 annual incentive plan, and this plan is based on
9 adjusted earnings per share of growth and adjusted
10 return on equity, is that correct?

11 A. That's correct.

12 Q. And you have discussed that with Mr. Moyle and
13 Mr. Wright at length?

14 A. Yes. This is a portion of the corporate
15 assessment related to the executive officers only, yes.

16 Q. Okay. And this means, does it not, that the
17 higher the return on equity the higher the level of
18 executive compensation, is that correct?

19 A. There is not a direct correlation, because I
20 want to point out the fact that individual performance
21 is extremely impactful in the assessment and
22 determination of payout level under this plan. So as
23 described in this proxy statement, individual
24 performance and behaviors can adjust the award downward
25 up to 100 percent or upwards up to 50 percent. So, in

1 general, as described in the proxy, individual
2 performance is roughly worth, let's say, half of the
3 award. And, therefore, this is not strictly formulaic.
4 There is not a matrix which results in an exact
5 calculation and award to an officer. It's one
6 consideration among many that is assessed by the
7 compensation committee in the totality.

8 And as described by me previously, it is
9 wholly appropriate that the financial strength of FPL
10 Group be considered in determining the appropriate award
11 levels for these officers, considering that it is that
12 financial strength which attracts capital that is used
13 by the utility to invest in its infrastructure and
14 deliver safe, reliable, cost-effective service to
15 customers.

16 Q. Okay. I'm going to ask you to refer to Page
17 47 for my next question?

18 A. Yes, I'm there.

19 Q. Is it correct that on Page 47 FPL's
20 performance goals are outline?

21 A. That is correct.

22 Q. And it is also noted that FPL's missed target
23 with respect to nuclear industry composite performance
24 index?

25 A. That is correct.

1 **Q.** What happened to cause FPL to miss its goal?

2 **A.** I do not know. I was not a part of the
3 discussion of the assessment of corporate performance.
4 I would refer you to Witness Stall, but he is before me,
5 not after me.

6 **Q.** But Mr. Stall is the president of the nuclear
7 business unit, correct?

8 **A.** Yes, he's the leader of that unit.

9 **Q.** And Mr. Stall was the one that received the
10 16 percent increase when FPL's nuclear industry
11 composite performance missed its target, is that
12 correct?

13 **A.** Well, there is a timing gap here. His base
14 salary increase which was related to his performance and
15 the market data was an increase from 2007 to 2008 for
16 base pay. These are the performance goals that were set
17 at the beginning of 2008, assessed at the end of 2008,
18 used to determine the payout of annual incentive awards
19 in February of 2009. That's how it is reported in the
20 proxy. There is always this -- this disconnect in
21 timing, if you will, where base salary changes occur at
22 the beginning of the year; annual incentives are
23 determined at the end of the year.

24 **Q.** So we would expect to see a different
25 incentive package in 2009 for Mr. Stall?

1 **A.** I do not know. That would be up to the
2 compensation committee. But, again, this is not
3 strictly formulaic where one indicator determines the
4 payout of an award. Mr. Stall's performance is
5 certainly going to be assessed based on a significant
6 number of things beyond the Wayno (phonetic) Index,
7 which is just one of many goals that the nuclear
8 business unit has set to determine its performance
9 level.

10 **Q.** Okay. On Page 49, which is the next page of
11 the excerpt, all but one of the names -- named executive
12 officers listed received substantially higher 2000
13 incentive awards than was targeted. Why was that?

14 **A.** As I discussed earlier, the target incentive
15 awards, if you will, or the base line awards, are a
16 means of kind of internal communication of incentive
17 opportunity. And we use it to motivate our work force
18 to overachieve, if you will. And we have historically
19 had payouts of about 30 to 40 percent above the base
20 line, as is appropriate to the performance we have
21 delivered to our customers with safety, reliability
22 customer service, and cost-effective service. And
23 accordingly, you know, this is a table that reflects
24 that for this one year, and we check this in the proxy
25 statements of other energy services companies annually,

1 and find that it is a very common mechanism where
2 companies will communicate a base line opportunity and
3 then gauge performance and adjust it upwards or
4 downwards. But for our company, the upwards adjustment
5 is certainly justified by the performance we deliver to
6 customers.

7 Q. Okay. I should have asked these questions
8 when we had our confidential folders out, but I need you
9 to turn back to Document 08869-09, which are the
10 interrogatory responses that FPL provided.

11 A. Okay. I'm there.

12 Q. Okay. And Column O shows adjusted
13 jurisdictional O&M expenses, is that correct?

14 A. So you're looking at the work papers which has
15 Column O?

16 Q. Yes.

17 A. Yes, that's adjusted jurisdictional O&M
18 expenses.

19 Q. The total of Column O for 2010 is 34,924,585,
20 is that correct?

21 A. That is correct.

22 Q. I'm going to have you help me walk through the
23 math and how Exhibit 514 works with this exhibit, if you
24 don't mind. So you'll want to pull out Exhibit 514.

25 A. Okay.

1 **Q.** If the planned increases from 2009's FPL
2 jurisdictional is 757,282, as shown on the top of 514,
3 is subtracted from the 34,924,858 from Column 0, you
4 reach a total of 34,167,303, is that correct?

5 **A.** I apologize, Ms. Bennett, I must be -- it's
6 getting late. Could you please run me through that one
7 more time.

8 **Q.** Sure. We agree that Column 0 is 34,924,585?

9 **A.** That is correct, uh-huh.

10 **Q.** On 514 for 2010 you represent a planned
11 increase from 2009 FPL jurisdictional of negative
12 757,282, is that correct?

13 **A.** That's correct.

14 **Q.** When I subtract 34,924,858 by (sic) 757,282,
15 you reach a total of 34,167,303, correct?

16 **A.** That math is correct, yes. But I believe the
17 way we went about our calculations were slightly
18 different. We looked at the year-over-year difference
19 in total compensation, which is a larger number, and
20 then we applied allocation percentage and jurisdictional
21 factor. And the remaining amount is what we considered
22 to be the necessary reduction to revenue requirements to
23 reflect a flat year-over-year budget.

24 **Q.** And that's how you got the 32,914,174?

25 **A.** No, I'm sorry. I'm talking about the -- you

1 know, when we talk about the total aggregate
2 compensation budget year over year increases at the top
3 of Exhibit 514, I thought that's what you were trying to
4 tie to.

5 Q. Okay. I guess where my concern and confusion
6 was is that when we were doing the math and taking
7 Column O, and taking the 757, we got a different number
8 than what FPL represented in the FPL jurisdictional 2010
9 original amount included in O&M and capital, which shows
10 32,914,174. And I was wondering if you could explain
11 the difference?

12 A. Again, I believe it's a different methodology,
13 that instead of subtracting Column O from O, if you
14 will, we took column -- the total column, Column K, and
15 subtracted Column K from Column K, then applied the
16 allocation and jurisdictional factor. It yields --
17 actually, it yields a larger revenue reduction using my
18 method than it does using your method.

19 Q. Okay. I'm wondering if we could get a work
20 paper tomorrow that explains that?

21 A. Certainly.

22 MS. BENNETT: I have no further questions of
23 this witness.

24 COMMISSIONER EDGAR: Thank you, Ms. Bennett.

25 And questions from the bench?

1 Commissioner Skop.

2 **COMMISSIONER SKOP:** Thank you, Madam Chair.

3 Good evening, Ms. Slattery.

4 **THE WITNESS:** Good evening.

5 **COMMISSIONER SKOP:** I guess it's difficult at
6 best to discuss compensation when all the information is
7 confidential, so I'm going to give it my best shot. And
8 if I could just refer you to Page 1 of your Prefiled
9 Direct Testimony, please, beginning at Line 11 through
10 Line 15. Your current position is Director of Executive
11 Services and Business Planning, correct?

12 **THE WITNESS:** That's correct.

13 **COMMISSIONER SKOP:** Okay. And you're
14 responsible for the overall design and administration of
15 the company's compensation and benefits program, as well
16 as management of payroll and business planning for the
17 human resources business unit, is that correct?

18 **THE WITNESS:** Yes, that's correct.

19 **COMMISSIONER SKOP:** Okay. I guess I'm going
20 to start off with some general questions related to
21 compensation at the FPL Group level, and then try to
22 drill down a little bit into more specific questions,
23 preserving the confidentiality restrictions that we
24 have.

25 You would agree, would you not, that the board

1 of directors establishes the executive compensation
2 levels, correct?

3 **THE WITNESS:** Yes.

4 **COMMISSIONER SKOP:** Okay. And is the
5 executive compensation established by the board of
6 directors subject to further approval or ratification by
7 FPL Group shareholders?

8 **THE WITNESS:** No, not directly. However, our
9 shareholders always have the opportunity to submit
10 shareholder proposals, and they vote annually on the
11 redirection -- re-election of the directors on the comp
12 committee.

13 **COMMISSIONER SKOP:** Would you agree that
14 nearly 70 percent of the executive compensation for FPL
15 Group officers is ultimately allocated down to FPL and
16 the FPL ratepayers?

17 **THE WITNESS:** Yes. At the group level, those
18 officers that are subject to the Massachusetts formula
19 currently have 68 percent of their pay paid by Florida
20 Power and Light Company, although that's forecasted to
21 be 66 percent in 2010 and 65 percent in 2011. But the
22 aggregate budget for the 42 officers works out so that
23 about 71 percent of it will stay at the utility in 2010,
24 and 70 percent of it will stay at the utility in 2011.
25 So when we talk about group officers of which some are

1 Massachusetts formula, some have direct cost drivers.
2 I'm specifically thinking of our nuclear officer who is
3 more of a 50/50 allocation, those are the kind of the
4 two ways I look at it.

5 **COMMISSIONER SKOP:** Okay. I was just mainly,
6 I guess, speaking towards Messrs Hay and Robo, at the
7 high level group officers.

8 **THE WITNESS:** Okay.

9 **COMMISSIONER SKOP:** In that regard, why is it
10 not appropriate for executive compensation above a
11 certain threshold level to be absorbed by the
12 shareholders utilizing the retained earnings of the
13 company instead of having the costs borne by ratepayers?

14 **THE WITNESS:** I believe there are two things
15 kind of going on in this question. One is the
16 allocation method that is appropriate for the group
17 officers, and that is something I'm not an expert on.
18 That's something that FPL Witness Ousdahl testified on
19 regarding the appropriateness of the Massachusetts
20 formula and the drivers thereto. But I would like to
21 point out that the compensation costs incurred by this
22 company, Florida Power and Light Company, in delivering
23 industry leading results to its customers for the lowest
24 bill in the state, should be recovered fully, because
25 these are prudent and reasonable costs, and we have

1 appropriately benchmarked them. And I don't believe
2 there should be any disallowance or underrecovery of
3 those costs.

4 **COMMISSIONER SKOP:** Okay. I guess -- do you
5 believe that there should be a correlation between
6 awarded return on equity and the amount of executive
7 compensations that shareholders should be asked to
8 absorb?

9 **THE WITNESS:** I don't know that I have an
10 opinion on that, actually.

11 **COMMISSIONER SKOP:** Okay. All right. We will
12 move on. It's is getting a late hour.

13 I just wanted to hit on a couple of high level
14 points that you touched upon, and then I will move into
15 my specific questions. I think in response to a
16 question that one of the intervenors asked, you were
17 talking about high turnover rates or expected turnover
18 rates for FPL employees, is that correct?

19 **THE WITNESS:** That's correct.

20 **COMMISSIONER SKOP:** Okay. Have those turnover
21 rates been revised at all based on prevailing economic
22 conditions to the extent that in this economy employees
23 would be less likely to move on in these times and
24 perhaps less mobile?

25 **THE WITNESS:** The turnover forecast for 2009

1 does reflect that. However, the work force dynamics are
2 such that we have an aging population, and we believe we
3 have a retirement bubble coming up; whereby, when you
4 have a certain percentage of your employees or a certain
5 number of your employees of a certain age, you have to
6 expect for normal retirement trends to come back into
7 play. Plus, you know, we expect that the employees are
8 feeling a little bet less insecure about the economy in
9 some respect. So we have forecasted our 2009 and '10
10 turnover to return to something closer to historic
11 levels, particularly in light of the age of our work
12 force and the fact that retirements are included in the
13 CALC.

14 **COMMISSIONER SKOP:** Okay. And if I could
15 briefly touch upon -- and I don't want to get into exact
16 percentages, but the escalation factors that were use to
17 project salary increases for 2009 and 2010 and 2011, I
18 think those were MFR C35. Are you familiar with those?

19 **THE WITNESS:** Yes.

20 **COMMISSIONER SKOP:** Generally speaking,
21 without getting into specific numbers, why would those
22 numbers be positive in light of current CPIs that are
23 negative?

24 **THE WITNESS:** That is an excellent question,
25 Commissioner. We rely on market competitive information

1 to determine the appropriateness of having pay programs
2 that include a merit increase in future years. And all
3 the data we're receiving shows that the companies that
4 we compete with for talent, who we hire from and who we
5 lose to, are having merit programs in 2010 and 2011.
6 Specifically, the data shows that from WorlDatWork, they
7 are forecasting general industry will have a merit
8 program of on average 2.7 percent, and the utility
9 industry 3.0 percent. We also got additional
10 information from the conference board in a survey of a
11 smaller scale which similarly shows forecasted increases
12 of 3 percent.

13 COMMISSIONER SKOP: In that regard, is -- and
14 I know that you rely in your capacity under the job
15 function you perform of looking at various compensation
16 studies. And I think you mentioned some Hewitt and some
17 other well-respected firms. But are those projections
18 optimistic or are they just simply agnostic to the
19 prevailing economic conditions?

20 THE WITNESS: I believe neither, because, for
21 example, while similarly -- you know, while reporting
22 forecasted merit increases for 2010, these surveys are
23 reporting actual merit increases for 2009. And what
24 they are showing is that there were merit increases in
25 2009. The WorlDatWork survey shows the general industry

1 was 1.9 percent, utilities a little bit higher. And in
2 addition, there have been a number of studies that have
3 been reported in the media. Watts and WorldWide
4 published a report in August that in a survey of a
5 number of large employers through their clients they
6 found the intention to unfreeze frozen salaries if they
7 had done that and to have merit programs in the coming
8 years.

9 The media outlets are picking up on these
10 reports, and so, generally, I don't think that it is
11 either agnostic or ignoring the economy to say that
12 companies -- similarly situated companies like ours,
13 utilities with superior performance will have base
14 salary and merit programs in 2010. And that if we do
15 not maintain our competitive pay practices, we will
16 subject our customers to increased costs because of the
17 high cost of turnover and the lack of skilled
18 replacement workers.

19 **COMMISSIONER SKOP:** Very well. I'm going to
20 try and limit my remaining questions to the
21 nonoperational support functions in the context of
22 overlap, redundancy, and compensation levels. And I
23 would hope that without violating any confidentiality,
24 we could, you know, generally discuss, you know, head
25 count of management within functional areas, as well as

1 aggregate compensation by management by functional unit.
2 Would you be the correct witness to ask -- present some
3 of those question to?

4 **THE WITNESS:** I would be, yes.

5 **COMMISSIONER SKOP:** Okay. Great. Just as an
6 overarching theme, I guess -- you know, I have worked,
7 you know, for big companies, and I have also seen
8 regulation during my time at the Commission. So how
9 things work in, I guess, in the corporate world in bad
10 economic times is typically they are streamlining and
11 downsizing; whereas, in the regulated environment you
12 are really not subject to those real world realities.

13 So, in that context, I was wondering, you
14 know, has any thought been given to streamlining the
15 nonoperational business functions in your organization
16 instead of coming in and seeking to recover for salaries
17 on some of those?

18 **THE WITNESS:** Well, Commissioner, I have not
19 been a party to any discussions regarding streamlining,
20 if you mean downsizing or reorganizing. I'm not aware
21 that any such discussions have taken place. I know that
22 we have taken a very measured approach to hiring since
23 September of 2008. That all positions that are to be
24 filled, even it is a replacement of a departing
25 employee, must be approved by the Executive

1 Vice-President of Human Resources and the President of
2 Florida Power and Light Company, in order to ensure that
3 we don't have any redundancies. That being said, you
4 know, we still have to keep the lights on for our
5 customers and deliver on our promises to them.

6 So certainly in our line functions we have
7 seen the need to increase staffing, particularly
8 transmission and substation and nuclear. As for our
9 staff groups, as I said, we are taking a very measured,
10 prudent approach. But, again, the work must get done.
11 So, for example, the finance business unit, they are
12 being inundated with many compliance activities related
13 to SOX and the increased activity of FASB and the IRS,
14 and so we have to staff those functions appropriately.
15 That is just one example of a number I could give. But
16 I assure you senior leadership at the highest level is
17 looking at staffing.

18 **COMMISSIONER SKOP:** Okay. And, again, any
19 criticisms or questions I have, you know, I'm trying to
20 make it clear, are not directed at the operational
21 business units. It's looking at the shared common
22 services. Again, accounting issues have arisen as to --
23 the functions are so intertwined, it's hard to determine
24 who is working for who without having a proper, you
25 know, accounting function to allocate costs. So I know

1 that's not your area, but, again, I'm looking at those
2 shared common services and trying to, you know,
3 ascertain and looking at the compensation data that has
4 been provided and the aggregate as to where to best
5 focus my attention to make critical judgments. But I
6 guess, let's start, if we could, with the HR function.
7 And I know that, you know, in terms of the background
8 and your job function and you providing the testimony on
9 compensation for the rate case, I guess it begs the
10 question, there certainly are superiors or
11 vice-presidents above you, is that correct?

12 **THE WITNESS:** That's correct.

13 **COMMISSIONER SKOP:** Okay. So if you do all of
14 this, what do they do?

15 **THE WITNESS:** Are you trying to get me in
16 trouble?

17 **COMMISSIONER SKOP:** No. I'm asking a
18 legitimate question on behalf the ratepayers.

19 **THE WITNESS:** Human resources is structured so
20 that I report to the Executive Vice President of Human
21 Resources. And he has a number of other direct reports.
22 One of them is the Vice President of Human Resources for
23 Florida Power and Light Company. She is responsible for
24 oversight of all matters related to the utility,
25 particularly employee relations. We do have a separate

1 functional area for labor relations and bargaining unit
2 relationships. And the nuclear division also separately
3 has a vice president. So that is how we are structured.
4 Underneath me is the compensation and benefits
5 functions, as well as payroll, budgeting and cost and
6 performance.

7 **COMMISSIONER SKOP:** Okay. Very well. And I
8 won't touch on this. I mean, I'm pretty familiar with
9 the HR function. But in assuming that there are no
10 objections from Mr. Butler or Ms. Clark as to general
11 numbers, in terms of the organizational structure, are
12 you permitted to say how many vice presidents are in HR?

13 **THE WITNESS:** For Florida Power and Light
14 Company?

15 **COMMISSIONER SKOP:** Yes.

16 **THE WITNESS:** We have two vice presidents and
17 one executive vice president.

18 **COMMISSIONER SKOP:** Okay. And how many
19 directors in HR for FPL?

20 **THE WITNESS:** At the senior director level, I
21 believe, and I am one of them, I believe there are two.
22 And then we have senior manager director level. We
23 probably have maybe four, I don't know.

24 **COMMISSIONER SKOP:** Okay. And they have
25 separate HR personnel for the nuclear units in addition

1 to the FPL HR department?

2 **THE WITNESS:** Yes, the nuclear site locations
3 do have a few persons in human resources.

4 **COMMISSIONER SKOP:** Okay. Very well.

5 **THE WITNESS:** A very small number.

6 **COMMISSIONER SKOP:** Okay. Just -- and if you
7 don't know, perhaps we can get it tomorrow, but do you
8 happen to know the aggregate total compensation for all
9 HR managers having total compensation equal to or
10 greater than \$165,000?

11 **THE WITNESS:** I don't know off the top of my
12 head, no.

13 **COMMISSIONER SKOP:** Okay. Very well. Let's
14 move on to, I guess, corporate communications, and can
15 you generally describe what that group does?

16 **THE WITNESS:** Corporate communications is
17 responsible for all internal and external
18 communications.

19 **COMMISSIONER SKOP:** Okay. So they write --
20 would it be correct to say they write press releases?

21 **THE WITNESS:** Yes, they do.

22 **COMMISSIONER SKOP:** And try to outline their
23 position to, I guess, enhance the public perception of
24 their position, is that correct?

25 **THE WITNESS:** I would imagine that's part of

1 their function.

2 **COMMISSIONER SKOP:** Okay. Do we know in the
3 corporate communication group how many vice presidents
4 there are?

5 **THE WITNESS:** There is one.

6 **COMMISSIONER SKOP:** And how many directors?

7 **THE WITNESS:** I do not know.

8 **COMMISSIONER SKOP:** Okay. Subject to check,
9 would you agree it's at least three, based on the
10 compensation data?

11 **THE WITNESS:** That's possible, yes. It sounds
12 about right.

13 **COMMISSIONER SKOP:** Okay. What value -- or do
14 you know -- do you know the aggregate total compensation
15 for all corporate communication managers having total
16 compensation equal to or greater than \$165,000?

17 **THE WITNESS:** No, I do not.

18 **COMMISSIONER SKOP:** Okay. Do you know what
19 value to the ratepayer is provided by having such an
20 expansive corporate communications group?

21 **THE WITNESS:** I think it is extremely
22 important that we communicate with our customers. I
23 think it's a critical function, as well as communicating
24 with our employees. As a human resources professional,
25 I can attest to that.

1 **COMMISSIONER SKOP:** Okay. Well, they
2 definitely like to have the last word. But -- okay. I
3 was just trying to get some answers to that.

4 Let's move on to customer service. Do you
5 happen to know how many vice-president of customer
6 service there are?

7 **THE WITNESS:** There's one.

8 **COMMISSIONER SKOP:** Okay. And how many
9 directors?

10 **THE WITNESS:** I do not know.

11 **COMMISSIONER SKOP:** Subject to check, would
12 you agree it might be one?

13 **THE WITNESS:** Subject to check, yes.

14 **COMMISSIONER SKOP:** Okay. And we would not
15 know what the aggregate total compensation level for
16 those managers would be, would we?

17 **THE WITNESS:** No, I do not know.

18 **COMMISSIONER SKOP:** Okay. Let's move on to
19 corporate and external affairs. Generally speaking, do
20 you know what that functional group does?

21 **THE WITNESS:** I know a little bit less about
22 that than corporate communications. But, generally,
23 they -- no, I don't want to speculate.

24 **COMMISSIONER SKOP:** Okay. Do you know how
25 many vice-presidents that group might have?

1 **THE WITNESS:** They have one.

2 **COMMISSIONER SKOP:** And how many managers or
3 other directors they might have?

4 **THE WITNESS:** I do not know.

5 **COMMISSIONER SKOP:** Okay. Let's move on next
6 to government affairs. Do you know generally what that
7 group does?

8 **THE WITNESS:** Yes, I do. We have state
9 governmental affairs and federal.

10 **COMMISSIONER SKOP:** Okay. And do you know how
11 many executives or vice-presidents or directors are in
12 that functional group?

13 **THE WITNESS:** Well, federal governmental
14 affairs has two vice-presidents, and state governmental
15 affairs has two vice-presidents.

16 **COMMISSIONER SKOP:** Okay. Are there any
17 directors or managers?

18 **THE WITNESS:** I don't believe so.

19 **COMMISSIONER SKOP:** Okay. Do you know if
20 they -- if that group engages in lobbying functions or
21 that job function includes lobbying the legislators or
22 federal officials?

23 **THE WITNESS:** I do know that there is some
24 lobbying, and that it is a below-the-line expense.

25 **COMMISSIONER SKOP:** Okay. That was my next

1 question, whether if was taken below the line.

2 All right. Let's talk about regulatory
3 affairs. Do you know what that group does?

4 **THE WITNESS:** Yes, I do.

5 **COMMISSIONER SKOP:** Okay. And how many
6 vice-presidents are in that group?

7 **THE WITNESS:** There are two vice presidents.

8 **COMMISSIONER SKOP:** And how many directors?

9 **THE WITNESS:** I do not know.

10 **COMMISSIONER SKOP:** Okay. Do you know how
11 many managers there might be?

12 **THE WITNESS:** No, I don't know.

13 **COMMISSIONER SKOP:** Okay. I think that's the
14 extent of the general questions. I do have some more
15 specific questions that I would like to get you to
16 address through the confidential documents. And I'm not
17 going to reveal the title or compensation. I'm just
18 going to deal with the headers and ask generally, if you
19 can answer it, what the job functions might do.

20 But if I could first turn your attention to
21 what has been marked as confidential, I guess, Document
22 08869-09, please.

23 **THE WITNESS:** Yes, I'm there.

24 **COMMISSIONER SKOP:** And I believe Page 1 of 5.

25 **THE WITNESS:** Yes.

1 **COMMISSIONER SKOP:** Okay. For Line 8, and
2 looking at Column C, what does that function do, if
3 you're able to articulate it without violating any
4 confidential information, and then how are those costs
5 allocated?

6 **THE WITNESS:** Well, this particular individual
7 changed jobs during 2008.

8 **COMMISSIONER SKOP:** Okay.

9 **THE WITNESS:** And so he held a prior position,
10 and now he is in a position that he is budgeted to be
11 charged below the line in 2009, '10, and '11. And
12 although this person was a group employee in 2008
13 related to the prior job, I believe, subject to check,
14 that he has been moved to Florida Power and Light
15 Company in 2009. Again, I have to double check that,
16 but this data was all pulled as of 2008 and then just
17 escalation factors applied.

18 **COMMISSIONER SKOP:** Okay. And on Line 6, just
19 above that, do you happen to know what that job title
20 generally does?

21 **THE WITNESS:** Yes. The reason that this
22 appears with a very nonspecific job title is this is an
23 individual whom in 2008 was in one roll and retired at
24 the very beginning of 2009. So prior to 12/31/08, which
25 is the effective date of this '08 data, they gave up

1 their officer role within the company, and it was -- it
2 was given to another officer who replaced him. And so
3 the position in our system was simply listed this way as
4 of 12/31/08. It is properly reflected on the 9, 10, and
5 11 schedules.

6 **COMMISSIONER SKOP:** Okay. Very well. Just, I
7 believe, one more additional question on this page, and
8 then we will go to another document and that should
9 hopefully wrap it to for me, after some specific
10 questions. With respect to Row 15, 39, 40, 41, 43, and
11 44, generally speaking, those job titles are associated
12 with some of the functional areas that we previously
13 discussed, is that correct?

14 **THE WITNESS:** That's correct.

15 **COMMISSIONER SKOP:** Okay. If I could next
16 turn your attention to the other confidential document,
17 which is identified as 080677-EI. It is the -- it's
18 titled 2008.

19 **THE WITNESS:** Yes, I'm there.

20 **COMMISSIONER SKOP:** Okay. Page 1 of 8. I
21 want to make sure we're talking about the right
22 document, because I even have a few of them that I am
23 getting confused by. So let me test this out, and if I
24 could ask you to turn to Page 3 of that document.

25 **MR. WRIGHT:** Madam Chair.

1 **COMMISSIONER EDGAR:** Mr. Wright.

2 **MR. WRIGHT:** I apologize I'm having a hard
3 time keeping up.

4 **COMMISSIONER EDGAR:** Commissioner Skop, could
5 you slow down for just a moment and restate for all of
6 our benefit which document and which line to draw our
7 attention to, please.

8 **COMMISSIONER SKOP:** Very well.

9 **MS. CLARK:** Madam Chairman, I think that is
10 the docket number that he referred to. Is the bottom of
11 what he is looking 08839?

12 **COMMISSIONER SKOP:** Let me use the Bates
13 number that is stamped on the bottom of this, probably
14 that's a better way to refer to it. The Bates number on
15 this confidential document I have is, and it's at the
16 bottom, kind of towards the middle, it is 08912, Part 1
17 of 2. Does that work for everyone?

18 **MR. WRIGHT:** Thank you, Madam Chairman. I was
19 in the wrong folder.

20 **COMMISSIONER EDGAR:** That's fine, Mr. Wright.
21 I've done it myself today.

22 Commissioner, give us all a moment to shuffle
23 our papers, and we will get started again.

24 Is the witness --

25 **THE WITNESS:** Commissioner, Part 1 of 2 or

1 Part 2 of 2?

2 **COMMISSIONER SKOP:** Part 1 of 2.

3 **THE WITNESS:** Okay. And you said Page 3.

4 **COMMISSIONER SKOP:** Yes, ma'am.

5 **THE WITNESS:** Okay. I'm there.

6 **COMMISSIONER EDGAR:** Okay. Commissioner Skop.

7 **COMMISSIONER SKOP:** And just as a check, and I
8 done believe this is confidential, but if you look at
9 Row 2, I believe the original line item for that was
10 140, just to make sure we are all on the same page.
11 Does that agree?

12 **THE WITNESS:** No, this is -- I have on Page 3
13 of 8.

14 **COMMISSIONER SKOP:** No, I'm on Page 1 of 8.

15 **THE WITNESS:** Oh, sorry.

16 **COMMISSIONER EDGAR:** Commissioner Skop, not to
17 speak for you, but I was just trying help. It's another
18 way of making sure that we are looking at the same
19 document.

20 **THE WITNESS:** Okay. Now I understand. Yes,
21 Row 2 was original Line 140.

22 **COMMISSIONER SKOP:** Okay. So we are talking
23 about the same document. So we can talk confidentially
24 about this. If I could ask you to turn to -- I'm going
25 to need you to turn to three pages for this first

1 question. The first page will be Page 3, Row 155.

2 **THE WITNESS:** Yes.

3 **COMMISSIONER SKOP:** Do you see that?

4 **THE WITNESS:** Yes, I do.

5 **COMMISSIONER SKOP:** And then if I could ask
6 you to turn to Page 5, Row 236. Do you see that?

7 **THE WITNESS:** Yes.

8 **COMMISSIONER SKOP:** Okay. And then also to
9 Page 8, Row 141, I'm sorry, row -- yes, Row 141. It's
10 getting late. Excuse me. Page 8, Row 414. I swear I'm
11 getting dyslexic. Okay. Actually, it may be 15. My
12 mistake. Do you see that?

13 **THE WITNESS:** Yes, I do.

14 **COMMISSIONER SKOP:** Page 8, Row 415?

15 **THE WITNESS:** Yes, I see that.

16 **COMMISSIONER SKOP:** For those three pages for
17 that position, are those different positions or are they
18 redundant positions or can you explain without violating
19 any confidentiality why, you know, kind of the same
20 title but three different entries there?

21 **THE WITNESS:** Yes. This is a rather generic
22 job title used by this business unit, which is nuclear,
23 and it relates to, as I said, kind of a generic job
24 title. It's a management position, and the compensation
25 will vary depending on the functional area that the

1 manager is actually assigned to.

2 **COMMISSIONER SKOP:** Okay. And if I could ask
3 you on that same line of questioning on Page 5, Row 236,
4 again, for that job title in Column H, do you see that
5 bonus?

6 **THE WITNESS:** Yes, I do.

7 **COMMISSIONER SKOP:** And then also for Page 8,
8 Row 415?

9 **THE WITNESS:** Yes.

10 **COMMISSIONER SKOP:** Do you also see in Column
11 H that respective bonus?

12 **THE WITNESS:** Yes, I do.

13 **COMMISSIONER SKOP:** Okay. On Page 3, Row 155,
14 same position, no bonus, can you distinguish between
15 what is going on there for those three?

16 **THE WITNESS:** Yes I can.

17 **COMMISSIONER SKOP:** Okay.

18 **THE WITNESS:** The person on 5 and the person
19 or 8 were new hires, and those are sign-on bonuses. And
20 the person on Page 3 was not a new hire, did not have a
21 sign-on bonus.

22 **COMMISSIONER SKOP:** Okay. Do you know for the
23 entries on Page 5 and Page 8 at Row 236 and Row 415
24 respectively, why those bonuses would be so large in
25 relation to column F?

1 **THE WITNESS:** Yes, I do. These are sign-on
2 bonuses for management employees in the nuclear business
3 unit. And in general we find that, as FPL has done,
4 most of the nuclear operators have put in place
5 retention programs to try to retain their employees.
6 And, therefore, we have to offer sign-on bonuses to
7 attract them to leave those compensation opportunities
8 behind.

9 **COMMISSIONER SKOP:** And to that point and hold
10 that thought, because that's going to related to a later
11 question, but part of the issue that FPL has alleged is
12 the ability not only to attract, but also to retain
13 nuclear employees and also with the retirements, so that
14 is an area that requires some specific targeted
15 compensation thoughts, is that correct?

16 **THE WITNESS:** That's correct.

17 **COMMISSIONER SKOP:** Okay. All right. Now, if
18 I could turn your attention back to Page 3 again on that
19 same document at Row 161.

20 **THE WITNESS:** Yes, I'm there.

21 **COMMISSIONER SKOP:** Can you tell me
22 generically what that job function does?

23 **THE WITNESS:** Yes. Generically -- let me just
24 see if I have any information.

25 This is a position within the marketing and

1 communications business unit, and it is related to
2 customer communication. And, again, this person was a
3 new hire in '08. We offered a sign-on bonus, because
4 the person was leaving compensation behind at another
5 employer, and we asked this person to sign a four-year
6 retention agreement with a repayment obligation should
7 this person leave voluntarily within the four-year
8 period.

9 **COMMISSIONER SKOP:** Okay. So for that same
10 Row Number 161, looking at Column H, that is why the
11 bonus payment would be so large in relation to Column F,
12 which is base salary, is that correct.

13 **THE WITNESS:** That's correct.

14 **COMMISSIONER SKOP:** Okay. I told you I was
15 going to ask you to hold the thought, so here is my
16 thought. I have heard repeatedly from FPL of the need,
17 and the critical need to attract operational employees.
18 That seems to be the critical need. I've heard words
19 like poaching and a lot of other things, and FPL has
20 gone to great lengths to create training pipelines
21 through community colleges or four-year colleges. The
22 question being if that is such a critical area, then why
23 are -- and it needs to be shored up, then why are
24 they -- I don't want to say liberal, but why are they
25 doing the things for nonoperational support units and

1 asking the ratepayers to pay for that?

2 **THE WITNESS:** Because in nonoperational
3 support units or staff groups, as we call them, there
4 are still positions where the skill set and experience
5 we are looking for is limited to a smaller pool of
6 experienced workers in either our industry or the
7 general industry. And we feel that there is an
8 important benefit to the customers to bring this talent
9 on board. As I just discussed, this person specifically
10 interacts with customers. And, again, I think that
11 there is tremendous benefit to communicating with our
12 customers. It's critically important. And this is the
13 person responsible for that function and has unique
14 experience that will benefit our customers.

15 **COMMISSIONER SKOP:** Why for that particular
16 job function is that experience so highly valued, even
17 more so than a nuclear operator, in terms of total
18 compensation?

19 **THE WITNESS:** The market for each position is
20 unique to that position. We benchmark the compensation
21 opportunities, and although there is a sign-on bonus
22 that has moved this individual into this category of pay
23 this year. Again, it's a four-year commitment on her
24 part, and the award will be amortized over four years by
25 our accounting department as a result. I don't believe

1 that based on what I know of total compensation realized
2 by our nuclear division employees that this individual
3 will come anywhere near that level of pay year after
4 year.

5 **COMMISSIONER SKOP:** Maybe not, but I might
6 take some exception to that, but you may be correct.
7 For that particular job function on Row 161, what is the
8 targeted bonus for that position on an annual basis or
9 other incentive compensation?

10 **THE WITNESS:** I would have to check, but I
11 believe, subject to check, that on 161 the bonus
12 opportunity is probably about 20 percent of base salary.

13 **COMMISSIONER SKOP:** Okay. All right. Move on
14 to Page 4, now, of the same document. And if I could
15 ask you, please, on Page 4 to go to Row 174, please?

16 **THE WITNESS:** Yes, I'm there.

17 **COMMISSIONER SKOP:** Okay. And for that
18 specific job function and at that management level, can
19 you please explain why that manager would receive
20 overtime in addition to bonus, stock, and nonequity
21 incentive compensation?

22 **THE WITNESS:** Yes. That overtime amount is,
23 again, attributable -- this is one of those ten
24 individuals who is on this list who worked 8 hours or
25 more on a company holiday and was paid regular eight

1 hours for it and will receive a vacation day the
2 following year. So it shows up as eight hours of
3 straight time, overtime and -- yes.

4 **COMMISSIONER SKOP:** All right. And with
5 respect to Column M for that particular row, and then
6 Column N, which is the net allocation, can you explain
7 why some of those costs are not being allocated directly
8 to FPL?

9 **THE WITNESS:** Yes. This person is in a staff
10 function that has oversight to some non-FPL programs or,
11 rather, group programs. And so there is an allocation
12 done based on a cost driver that has been identified by
13 our accounting system.

14 **COMMISSIONER SKOP:** Okay. And I guess that's
15 the concern, is that for particular job functions it has
16 become so intertwined that absent proper cost
17 allocations, how do we, as a Commission, have the
18 knowledge that FPL ratepayers are not being overburdened
19 on behalf of work that is being performed for
20 unregulated entities?

21 **THE WITNESS:** I can understand your concern,
22 Commissioner. I believe that FPL Witness Ousdahl
23 testified extensively on the methods that we have to
24 ensure proper cost allocation of all charges.

25 **COMMISSIONER SKOP:** Okay. Just a few more

1 questions, probably about ten and, hopefully, that will
2 wrap us up for the evening. If I could ask you now on
3 that same page, Row 201.

4 **THE WITNESS:** Yes, I'm there.

5 **COMMISSIONER SKOP:** Okay. That is another
6 allocation question I have in this case and the previous
7 case, Column C identifies regulated entity, and I'm
8 wondering whether that might be group versus regulated
9 entity for that employee?

10 **THE WITNESS:** Well, FPL Group as an entity, we
11 do not have any employees of Group other than a handful
12 of officers. And so that -- the explanation that the
13 rest of the employees are technically employed by the
14 payroll entity Florida Power and Light and the charges
15 are charged out.

16 **COMMISSIONER SKOP:** Okay. Let me just ask a
17 hypothetical question. If I were an investor, and I
18 purchased a share of stock in your company, that stock
19 would be FPL Group, correct?

20 **THE WITNESS:** That's correct.

21 **COMMISSIONER SKOP:** Okay. Not Florida Power
22 and Light?

23 **THE WITNESS:** Correct.

24 **COMMISSIONER SKOP:** Okay. Again, I'm not
25 going to get into confidentiality, but I think you can

1 understand my point --

2 **THE WITNESS:** I do.

3 **COMMISSIONER SKOP:** -- from that. Okay. The
4 same page, Row 206. Would it be correct to understand
5 in light of representations that that salary which
6 appears to be allocated 100 percent to Florida Power and
7 Light will be taken below the line?

8 **THE WITNESS:** Yes. And I would also like to
9 explain, Commissioner, that FPL Witness Ousdahl
10 correctly testified here several weeks ago that this
11 individual's compensation is allocated by her and her
12 staff manually using a cost driver that has to be
13 manually calculated and could not be systemically
14 calculated. And, therefore, when human resources put
15 this schedule together, we were unaware of that, and we
16 apologize. But these costs were always being allocated
17 and now, of course, they'll be below the line.

18 **COMMISSIONER SKOP:** Okay. Very well. And I
19 understand. I appreciate the clarification on that. I
20 understand why they had to do what they had to do in
21 terms of the cost allocation that ensued from that, but
22 I just wanted to verify the one question about how that
23 cost would be treated. Again, same page, which is Page
24 4, Row 212?

25 **THE WITNESS:** Yes.

1 **COMMISSIONER SKOP:** Are you there?

2 **THE WITNESS:** Yes, I am.

3 **COMMISSIONER SKOP:** With respect to the
4 non-equity incentive compensation in Column K --

5 **THE WITNESS:** Yes.

6 **COMMISSIONER SKOP:** -- as well as the all
7 other compensation in Column L, can they explain those
8 two numbers in relation of their magnitude to the base
9 salary listed in Column F?

10 **THE WITNESS:** I do not believe I have any
11 information related to that.

12 **COMMISSIONER SKOP:** Okay. If they could
13 provide that perhaps to staff that would be helpful as
14 well as the allocation for that in relation to that
15 shown in Column C?

16 **THE WITNESS:** Okay. And this is Row 212?

17 **COMMISSIONER SKOP:** Yes, ma'am.

18 **THE WITNESS:** Original number 256.

19 **COMMISSIONER SKOP:** Yes, ma'am. Okay. And
20 hopefully we can breeze through the rest of these
21 quickly and go home.

22 **COMMISSIONER ARGENZIANO:** (Inaudible.)

23 **COMMISSIONER SKOP:** Well, that's fine.

24 Well, I was told that we, you know, would have
25 to cut off at eight, but I'm happy to go on a little bit

1 further if we can get the witness done.

2 **COMMISSIONER EDGAR:** Hold up. Commissioner
3 Skop, if I may, because we will have redirect.

4 **MS. CLARK:** Well, Madam Chairman, depending on
5 what the cross-examination is. If we just have a little
6 bit from the Commissioners, we would not do redirect.

7 **COMMISSIONER EDGAR:** Okay. Jane, are you
8 okay? Okay.

9 Commissioner Skop.

10 **COMMISSIONER SKOP:** All right. Thank you.

11 If I could ask you now on that same document
12 to turn to Page 5, please.

13 **THE WITNESS:** Yes.

14 **COMMISSIONER SKOP:** And Row 218, which is the
15 first row, I believe, shown on that page?

16 **THE WITNESS:** Yes.

17 **COMMISSIONER SKOP:** Can you briefly describe
18 without breaching confidentiality what that job function
19 does?

20 **THE WITNESS:** I know that that was a position
21 that was added during 2008, so I do not have a job
22 content guide yet. We're developing that this year for
23 benchmarking. I do know that this is a position in the
24 business unit responsible for strategy and quality.

25 **COMMISSIONER SKOP:** Okay. If I could ask you

1 now on that same page, which is Page 5, to move down to
2 Row 239, please.

3 **THE WITNESS:** Yes, I'm there.

4 **COMMISSIONER SKOP:** With respect to Column H,
5 which is the bonus, can they briefly explain why on an
6 order of magnitude that is, you know, almost shocks the
7 conscience in relation to base salary?

8 **THE WITNESS:** Yes. This is a situation, which
9 I discussed earlier with Ms. Bennett. This is an
10 individual with unique experience, education, and
11 certification or licensing, who left a significant
12 compensation opportunity behind at a former employer.
13 We determined that the person's skills, experience,
14 would be difficult to find elsewhere, and so provided a
15 sign-on bonus with a long-term repayment obligation as a
16 retention vehicle.

17 **COMMISSIONER SKOP:** Okay. Very well. If I
18 could ask you -- and I believe I have one, two, three,
19 four, five, about six more questions -- on that same
20 page, Page 5, Row 265, please.

21 **THE WITNESS:** Yes, I'm there.

22 **COMMISSIONER SKOP:** Okay. And Column H, on
23 Row 265, do you see that?

24 **THE WITNESS:** Yes, I do.

25 **COMMISSIONER SKOP:** Can you explain that bonus

1 in relation to Column F, which is base salary?

2 **THE WITNESS:** Again, this is a sign-on bonus
3 for a person with particular certifications and
4 education, who left compensation opportunity on the
5 table at the former employer and signed a multi-year
6 repayment obligation as retention vehicle when they came
7 on board.

8 **COMMISSIONER SKOP:** Okay. Now, if I could ask
9 you to turn to the next page, please, Page 6?

10 **THE WITNESS:** Yes.

11 **COMMISSIONER SKOP:** Row 295?

12 **THE WITNESS:** Yes.

13 **COMMISSIONER SKOP:** And if you could please
14 briefly explain what that position does or that job
15 function?

16 **THE WITNESS:** This individual is in the
17 distribution business unit and interfaces with
18 customers, particularly as it relates to customer
19 requests.

20 **COMMISSIONER SKOP:** Okay. Very well. Same
21 page, Row 314, please. Same question: What does that
22 job function specifically do, if you can articulate it?

23 **THE WITNESS:** This one may be difficult
24 without giving away the identity.

25 **COMMISSIONER SKOP:** Okay. We'll move on.

1 Let's get -- you get a free pass.

2 How about 315, Row 315 on the same -- just
3 below that. Is that more of a cost accounting function?

4 **THE WITNESS:** Yes, it is.

5 **COMMISSIONER SKOP:** Okay. All right. And the
6 last one on that page, Row 323, I just wanted to ask the
7 question whether that would also be taken below the
8 line.

9 **THE WITNESS:** Yes, the same answer as for the
10 other position.

11 **COMMISSIONER SKOP:** Okay. I believe we're on
12 the home stretch. Page 7, Row 352, can you briefly
13 explain what that job title does?

14 **THE WITNESS:** Yes. This is an individual that
15 manages a function. I do believe that this is a job
16 title that does not fully capture it. I'm familiar with
17 this situation and the person is also managing a second
18 function, but only one of them is represented here.
19 Again, difficult to describe in more detail other than
20 managing a staff group with significant years of
21 experience. This is a person who is kind of plugged
22 into different management situations and manages
23 multiple departments.

24 **COMMISSIONER SKOP:** On that same page on Row
25 369, do you see that job title?

1 **THE WITNESS:** Yes, I do.

2 **COMMISSIONER SKOP:** Okay. If I could ask you
3 to scroll back to Page 4 and look at Row 180, which has
4 the same job title.

5 **THE WITNESS:** Commissioner, I'm sorry, what
6 line is that on Page 4 again?

7 **COMMISSIONER SKOP:** On Page 4, I believe it's
8 Row 180.

9 **THE WITNESS:** 180. Okay. Yes, I have it.

10 **COMMISSIONER SKOP:** And for those two job
11 titles, which appear to be the same, are those redundant
12 positions or separate and distinct positions?

13 **THE WITNESS:** These are individuals who would
14 perform similar functions in different geographic
15 regions.

16 **COMMISSIONER SKOP:** Okay. If I could ask you
17 briefly now just on Page 7, Row 377, please. Do you
18 know what that specific position does as it pertains to
19 benefit to FPL ratepayers?

20 **THE WITNESS:** Yes. Again, I'm trying to
21 maintain the confidentiality of the person's identity.

22 **COMMISSIONER SKOP:** Okay.

23 **THE WITNESS:** This is somebody who is involved
24 in employee benefit funds and management thereto.

25 **COMMISSIONER SKOP:** Okay. So fair enough, HR

1 function type?

2 **THE WITNESS:** Yes.

3 **COMMISSIONER SKOP:** All right. This last page
4 then, Page 8 of 8, for Row 397.

5 **THE WITNESS:** Yes.

6 **COMMISSIONER SKOP:** Would that job title have
7 a direct report to a director in that same functional
8 group?

9 **THE WITNESS:** This person reports to a
10 senior -- this is a manager who reports to a senior
11 director, yes.

12 **COMMISSIONER SKOP:** Okay. And just one other
13 additional question. On Row 414 of Page 8.

14 **THE WITNESS:** Yes.

15 **COMMISSIONER SKOP:** Okay. And if you look --
16 if you could please look at Column H, which is the
17 bonus?

18 **THE WITNESS:** Yes.

19 **COMMISSIONER SKOP:** Is there some sort of
20 rationale behind that in relation to the base salary
21 identified in Column F?

22 **THE WITNESS:** This is a sign-on bonus for a
23 person with the unique skills, experience, and education
24 we were looking for who signed a multi-year repayment
25 obligation as a retention vehicle?

1 **COMMISSIONER SKOP:** Okay. Just as a question,
2 not as a comment, given the testimony that has been
3 given about the critical need to retain operational
4 employees, why does there appear to be more of a bias
5 towards awarding signing bonuses to nonoperational
6 employees that appear to be nothing more than overhead
7 in terms of not being able to keep electricity on.

8 **THE WITNESS:** I respectfully disagree,
9 Commissioner. I do recall, for example, that this bonus
10 column, the total amount repre -- it's 66 percent
11 nuclear. So 66 percent of the total amount in that
12 bonus column relates to one business unit, nuclear,
13 which is all obviously not staff. And the rest of it is
14 kind of spread out among the various business units.

15 **COMMISSIONER SKOP:** Okay. I'm just looking at
16 strictly order of magnitude in terms of if you value the
17 operational experience, and that has been a critical
18 need to address the concerns of poaching and all the
19 other things, why is operations less valued in terms of
20 order of magnitude than nonoperational positions.

21 **THE WITNESS:** Operations is definitely not
22 less valued. As I just explained, the bonus column is
23 actually 66 percent nuclear. That is just one business
24 unit, and it's all operations. So the order of
25 magnitude is that nuclear gets the bulk of the money in

1 this column, and that the other is spread out among the
2 other business units.

3 **COMMISSIONER SKOP:** Well, with all due
4 respect, I don't think -- maybe I didn't articulate my
5 question correctly. If you look at order of magnitude
6 basis, I think only in one instance that I saw for a
7 nuclear employee, and that would be on Page 6, Row 309.
8 That is the only bonus I saw in Column H that was even
9 order of magnitude comparable to some of the bonuses
10 that I have seen in terms of nonoperational support
11 function. So I'm talking about strictly the amount, not
12 the distribution.

13 **THE WITNESS:** If I could suggest,
14 Commissioner, that rather than looking at Part 1 of 2,
15 which is a sort based on overtime as a percent, if we
16 were to look at Part 2 of 2, which is a sort based on
17 bonuses of percent of base, what we will find is that a
18 number of these nuclear sign-up bonuses pop right up to
19 the top. So if we were to look at that --

20 **COMMISSIONER SKOP:** Okay. And I would be
21 happy to have our staff show me that. I think we have
22 that sort, but at least in my precursory analysis I was
23 able to do here on the bench this afternoon, you know, I
24 only found one nuclear-related bonus that was on the
25 same parity with some of the nonoperational support

1 group bonuses that seemed to be paid for sign-on
2 bonuses. So, again, that would be a concern to me as a
3 Commissioner listening to the representations of the
4 operational groups and senior management, saying we need
5 additional funding for O&M-related costs to retain key
6 employees, to attract key employees so that they are not
7 poached, and Lord knows, we can't give up our
8 confidential salary information because the sky will
9 fall, and it makes it very difficult for me as a
10 Commissioner to be able to have an intelligent
11 discussion where I have to talk to row numbers.

12 But from what I am seeing here, my concern
13 would not be the operational numbers, it might be the
14 support group numbers, because I've got to tell you
15 that's where my scrutiny is falling today, on all of the
16 shared support group services. And it raises a question
17 in my mind on how much of that is redundancy and why
18 some of those functional groups maybe aren't more
19 streamlined as opposed to seeking recovery of costs from
20 the ratepayer.

21 And in the real world, you know, I've got to
22 tell you in a nonregulated environment it might be a
23 little bit different result just from my own practical
24 experience. But that is my scrutiny and my criticism,
25 again, not towards the operational groups, but what I

1 see here based on the data that I can't really disclose,
2 is there seems to be a little bit of -- they are doing
3 the right things for operations, but some of the
4 practices in the nonoperational support groups seem to
5 add less value to the ratepayer than -- if you had to
6 make an argument between one over the other, I know
7 which one I would support. So thank you.

8 **COMMISSIONER EDGAR:** Commissioner Argenziano.

9 **COMMISSIONER ARGENZIANO:** And much of the
10 questions I had have already been answered. So I just
11 have two short questions, and they are really to help
12 me, because I'm not sure I'm thinking them through all
13 the way, but they are sticking.

14 When you say -- and there have been many cases
15 when we look at the sheets where bonuses are almost
16 equal to the salary, and I've heard you say a number of
17 times that the individual left compensation on the
18 table. And if we are in such a market competitive type
19 arena where everybody is saying, well, you know, we're
20 going to -- we all have to be competitive, how is
21 anything left on the table? How does that happen if it
22 is so market competitive?

23 **THE WITNESS:** Some of the opportunities that
24 are left on the table are contractual. So, in other
25 words, even prior to the economic downturn there are few

1 people on this bonus as percent of base sort near the
2 top who had contractual obligation from a former
3 employers. So, for example, we have a nuclear retention
4 bonuses that we are contractual obligated to pay that we
5 have -- we may have ventured into those retention
6 arrangements in 2007. So, similarly, the people we are
7 trying to attract may be leaving behind compensation
8 that their employer entered into a agreement to pay them
9 prior to the economic downturn, which they still would
10 be owed in this or future years. And in order to
11 attract them away from the current employer, we have to
12 make them whole. But we do it in a way that benefits
13 our customers by getting the multiyear repayment
14 obligation.

15 **COMMISSIONER ARGENZIANO:** I got that. But if
16 the contracts are such short periods of time, you know,
17 2007 to 2009, I don't think salaries jumped that much.
18 I mean, you are talking about a bonus that's darn near
19 equal to the salary. So it kind of -- kind of leads
20 into the other question, which when we talk about market
21 competitive wages, and this one I'm not sure I thought
22 out all the way, so maybe you can help, and reasonable
23 and appropriate, as you have said, is where is the
24 incentive? If you have companies that all have to --
25 you know, I don't how else to say it, but you have these

1 companies all around the nation that say, you know, we
2 need to have competitive wages.

3 What's to stop the competitive wages ever
4 capping or ever stopping from rising, because it would
5 be in the best interest of keeping them rise -- to rise.
6 I don't understand how you can just -- where is the
7 safeguard? Because if I'm a company, and I have -- I'm
8 going to keep going. And then you are going to say,
9 well, I've got to be competitive with that company; and
10 that company says, I've got be competitive with that
11 company. When does it ever end?

12 **THE WITNESS:** I do recognize your concerns,
13 because, quite simply, market forces determine market
14 competitive pay and benefits levels.

15 **COMMISSIONER ARGENZIANO:** But is that so if
16 you are creating the market forces or the market
17 competition? If I'm Company A, and I say, well, this
18 year, you know, we have all pretty much been in line for
19 this position. It's a million dollar salary and next
20 year we are going to bump it to a million and a half,
21 and then next year, you know. It can't -- if you are
22 directing it, I'm not sure that it can be market forces.

23 **THE WITNESS:** Well, I do believe that
24 employers have motivation to try to keep pay levels
25 reasonable and prudent.

1 **COMMISSIONER ARGENZIANO:** But that's -- see,
2 that's -- if the shareholders had more of a
3 responsibility of it, then I think there would be more
4 of a reason to keep the tabs on. They way it is now,
5 I'm not sure there is any incentive to keep it down. Do
6 you understand what I'm saying? My concern would be if
7 the shareholders, if the board of directors had to say,
8 well, this salary is getting a little too high there, I
9 would feel more comfortable if there was some kind of
10 stopgap. But without that, I'm not sure there is that
11 kind of stopgap that says, you know, it's getting
12 unreasonable. So when you say reasonable and
13 appropriate, by who? I'm just not sure.

14 **THE WITNESS:** Well, going back to -- one of
15 the things I'd like to point out is that the performance
16 goals under the Florida Power and Light Company annual
17 incentive plan include bringing our budgets in at or
18 below the budgets that are set for O&M and capital, and
19 also we have a net income goal as well. And, in
20 general, these are designed to incent supervisors and
21 managers to keep costs as low as possible. And
22 compensation costs are a significant component of our
23 total O&M expense. So we have inherently built in a
24 balanced, thoughtful design to our incentive program
25 that encourages managers and supervisors to meet or beat

1 their budget targets. And they are all, you know,
2 incented to try to keep compensation levels, as well as
3 other O&M expenses at reasonable and prudent levels, so
4 that we can have the most cost-effective service for our
5 customers while also providing superior levels of
6 service. So internally we think that we incent people
7 to do the right things.

8 Externally, I understand your broader concern
9 about market forces driving market pay wages, paying
10 wages up. But that is the market in which we compete
11 for talent, and the market to which we lose talent. And
12 we have to accept this as kind of the fundamental
13 challenge. And if we do not pay market competitive
14 compensation and benefits packages, we will not be able
15 to attract, retain and motivate our work force.

16 **COMMISSIONER ARGENZIANO:** Just one last
17 question. And I understand that, but do you think that
18 if the board of directors or the shareholders had more
19 say in that, that that might keep it more reasonable and
20 appropriate, and maybe even help aid in keeping those
21 costs down?

22 **THE WITNESS:** Well, as I stated earlier in
23 these proceedings, I believe that our shareholders do
24 have a voice, and that they annually vote to either
25 re-elect or withhold their votes for re-election of the

1 directors who are the members of the compensation
2 committee of the board of directors. And I do believe
3 that any discussion I have seen regarding potential,
4 say, on pay legislation, is largely focused at, you
5 know, a very small component of this market that we are
6 talking about, which is top level executive pay.

7 And that, you know, your concerns seem
8 broader. And as I have described, employers, you know,
9 strive to keep pay levels reasonable so as not to create
10 a ratchet effect. And I think FPL Witness Stall
11 described an interesting and unique environment in the
12 nuclear business unit where we recognize the need to
13 create our own pipeline for talent to try to control
14 these costs. So wherever possible, we try to put in our
15 own talent pipelines and try to avoid any of the ratchet
16 effect that I think you are concerned about. And that
17 regarding top level executive pay, I think our
18 shareholders do have a voice involved, and they can
19 always submit shareholder proposals as well.

20 **COMMISSIONER ARGENZIANO:** Sorry. That sounds
21 great, but in reality, if the shareholders, if it was
22 coming out of their revenues or their income, I think
23 that their voice would be lot stronger. I think there
24 would be more of a incentive, or they would have more
25 control I think. Right now I think they have less

1 control, but it's not as bothersome because it's not
2 coming out of their profits. So that's -- and then, I
3 guess, in looking at some of the sheets -- and I
4 understand there are some positions that, you know, you
5 want the best people in, and I can understand that.

6 But in looking at the sheets and having
7 confidentiality and having to talk around it, there are
8 some things that I'm not sure those positions, some of
9 the salaries I'm looking at, I'm not sure that they are
10 reasonable, you know, because I really can't get into
11 what they really do. So, I guess -- and in
12 understanding the importance of some of those positions,
13 I do understand that. But it still gives me some
14 heartburn that I think in saying that the shareholders
15 look at it, I think they would be looking at it a little
16 differently if it came out of their share. But thank
17 you.

18 **COMMISSIONER EDGAR:** Commissioner Skop.

19 **COMMISSIONER SKOP:** Thank you, Madam Chair.

20 Just one brief final question, Ms. Slattery.
21 We had talked previously about the escalation factors
22 for salary increases on a forward-going basis. The one
23 question I forgot to ask you, and I believe that those
24 are the numbers specified in MFR C35, but the year to
25 year increases, do you know why they start out at a

1 number, then trend upward, and then go down below the
2 initial number?

3 Again, I'm trying to correlate the data you
4 are getting from compensation consultants with the
5 reality of, you know, a CPI that is currently negative
6 and probably will be negative in the near future.

7 **THE WITNESS:** Yes. Commissioner Skop, you
8 referenced a specific trend you were concerned about.
9 If you could please give me the years.

10 **COMMISSIONER SKOP:** Okay. Yeah. It's 2009,
11 2010, 2011, and it starts at a given number, and it
12 trends upward by a certain amount, but then almost goes
13 down to a nominal, below nominal number. So, again, I'm
14 trying to speak cryptically, because I guess this is
15 confidential, but --

16 **THE WITNESS:** Is this MFR C35 you're looking
17 at?

18 **COMMISSIONER SKOP:** I'm looking -- let me
19 direct you where I'm at. I'm at Bate's Document Number
20 08839, Part 2 of 2, and Page 37 of 37, the end notes.

21 **THE WITNESS:** Yes.

22 **COMMISSIONER SKOP:** And do you see the second
23 to the last paragraph?

24 **THE WITNESS:** Yes, I see what you're looking
25 at, and I can explain that.

1 **COMMISSIONER SKOP:** Okay.

2 **THE WITNESS:** As I mentioned earlier, because
3 the nuclear division has budgeted a significant increase
4 in overtime directly related to nuclear uprates in 2009
5 or, rather, I'm sorry, in 2010, it has the effect of
6 creating an increase in 2010, that's reflected in the
7 3.41 percent. And then when it returns to normal levels
8 it has the effect of creating a 0.87 percent. So, in
9 other words, this is a blip. It goes up in 2010 and
10 that makes 2011 year over year increase look, in
11 essence, artificially low.

12 **COMMISSIONER SKOP:** And to that point, is that
13 budgeted strictly for the nuclear division or is that
14 through the company as a whole?

15 **THE WITNESS:** It is specific to the nuclear
16 division. It is the uprate project overtime budget.

17 **COMMISSIONER SKOP:** All right. Thank you.

18 And then just one final question to staff.
19 Because you have been a good witness and haven't had me,
20 you know, have to ask pointed questions, and lead me
21 down straight paths, the one question I had that would
22 have been a late-filed, I'll just waive that, and I
23 don't really need to know that specific information.

24 **THE WITNESS:** Thank you.

25 **COMMISSIONER EDGAR:** Thank you.

1 Ms. Clark, did you waive redirect?

2 **MS. CLARK:** I have no redirect, Madam
3 Chairman.

4 **COMMISSIONER EDGAR:** Okay. Let's go ahead and
5 take up exhibits.

6 Ms. Clark, I am starting at 104.

7 **MS. CLARK:** I would like to move into the
8 record Exhibit 104 through 112. Do you want all of my
9 exhibits?

10 **COMMISSIONER EDGAR:** Let's do them as groups.
11 Because that way I can keep pace. Okay. So hearing no
12 objection, Exhibits 104 through 112 will be entered into
13 the record.

14 (Exhibits 104 through 112 admitted into
15 evidence.)

16 **COMMISSIONER EDGAR:** That brings us,
17 Ms. Clark, to?

18 **MS. CLARK:** Exhibit 345.

19 **COMMISSIONER EDGAR:** Hearing no objection,
20 Exhibit 345 is entered into the record.

21 (Exhibit 345 admitted into evidence.)

22 **COMMISSIONER EDGAR:** 514.

23 **MS. CLARK:** I would move that in the record.

24 **COMMISSIONER EDGAR:** We have referred to it
25 many times, so I think that would be the cleanest way to

1 do it.

2 Any objection to 514 going into the record at
3 this time? Hearing none, make it so.

4 (Exhibit 514 admitted into evidence.)

5 **COMMISSIONER EDGAR:** That brings us, Mr. Beck,
6 to you.

7 **MR. BECK:** We move 515.

8 **COMMISSIONER EDGAR:** Any objections?

9 **MS. CLARK:** No objection.

10 **COMMISSIONER EDGAR:** 515 is entered into the
11 record.

12 (Exhibit 515 admitted into evidence.)

13 **COMMISSIONER EDGAR:** Mr. Wright.

14 **MR. WRIGHT:** I move 516, Madam Chairman.

15 **MS. CLARK:** Madam Chairman.

16 **COMMISSIONER EDGAR:** Ms. Clark.

17 **MS. CLARK:** I'm not going to object to this
18 item, but he has not establish the relevancy of it nor
19 the foundation. She only has passing knowledge of that.
20 But having said that, we will not object.

21 **COMMISSIONER EDGAR:** Okay. Noting Ms. Clark's
22 comments that were made on the record, and hearing no
23 objection, Exhibit 516 is entered into the record at
24 this time.

25 And that brings us, Ms. Bennett, to you.

1 **MS. BENNETT:** Staff would move 517 through 523
2 into the record.

3 **COMMISSIONER EDGAR:** Any objections? Hearing
4 no objections or comments, Exhibits 517 through 523
5 will be entered into the record at this time.

6 (Exhibits 516 through 523 admitted into
7 evidence.)

8 **COMMISSIONER EDGAR:** And I believe that that
9 finishes.

10 **MS. BENNETT:** No. We have some exhibits from
11 the composite exhibit.

12 **COMMISSIONER EDGAR:** Oh, that's right, we do
13 have the composite. Okay.

14 Ms. Bennett, will you walk us through it,
15 please.

16 **MS. BENNETT:** Okay. Item 3 on Page 4 of the
17 Comprehensive Exhibit List, Numbers 33, 34 and 35; Item
18 9 on the Comprehensive Exhibit List, Page 5,
19 Interrogatories 196 and 197 responses; Page 5 of the
20 Comprehensive Exhibit List, Item 13, Numbers 32, 33, 35
21 and 40; Comprehensive Exhibit List, Page 6, Item 14,
22 114, 127, and 128; on the Page 6, again, Item 16,
23 Interrogatory Response Number 217; staying on Page 6,
24 Item 18, Interrogatory Response Number 289; on Page 7,
25 Item 20, Interrogatories 2, 6, 7, 8, 8B and 11; Page 7,

1 Item 21, Interrogatory Response Number 76; Page 7, Item
2 25, Interrogatory Response Number 5; Page 9, Item 33,
3 Interrogatory Responses 311, 319 and 320; Page 9, Item
4 35, Interrogatory Responses 28 and 34.

5 And on Comprehensive Exhibit List 36, revised,
6 which is the Staff's Confidential Composite Exhibit,
7 Items 1 and 2. We move all of those into the record.

8 **COMMISSIONER EDGAR:** And to the parties, I
9 believe that we briefly discussed this earlier, and that
10 there was no objection. And that remains the case from
11 what I'm seeing and not hearing, so per the list just
12 given to us by Ms. Bennett, those will all be entered
13 into the record at this time.

14 (Aforementioned sections of Exhibits 35 and
15 36, Comprehensive Exhibit List and Staff's Confidential
16 Composite Exhibit admitted into evidence.)

17 **COMMISSIONER EDGAR:** Before we stop for the
18 evening, anything from any of the parties while we are
19 all still gathered together?

20 **MS. CLARK:** May the witness be excused?

21 **COMMISSIONER EDGAR:** And the witness is
22 excused. Thank you for your time.

23 Ms. Bennett, any other matters that it would
24 be good to take up before we recess for the evening?

25 **MS. BENNETT:** No, ma'am.

1 **COMMISSIONER EDGAR:** Okay. Thank you all for
2 your time and your cooperation.

3 We will begin, again, 9:30. Before you leave,
4 let me state the obvious, which is that we have two days
5 and one, two, three, four, five, six, seven, I believe,
6 witnesses to go. We will, as I said, begin at 9:30. I
7 do not know what the Chairman's plans are as to how late
8 we go, so we can -- if there are questions, we can
9 discuss that in the morning, and I believe our staff
10 will pick up the red folders for us, and with that we
11 are on recess.

12 (Hearing adjourned at 8:28 p.m. Transcript
13 continues in sequence with Volume 44.)

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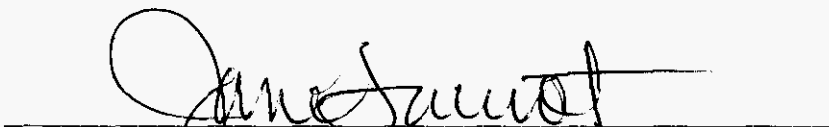
CERTIFICATE OF REPORTER

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 26TH DAY OF OCTOBER, 2009.



JANE FAUROT, RPR
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