

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 120015-EI

In the Matter of:

PETITION FOR INCREASE IN RATES  
BY FLORIDA POWER & LIGHT COMPANY.

VOLUME 7

Pages 732 through 892

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COMMISSION  
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PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER ART GRAHAM  
COMMISSIONER EDUARDO E. BALBIS  
COMMISSIONER JULIE I. BROWN

DATE: Wednesday, August 22, 2012

TIME: Commenced at 9:32 a.m.  
Concluded at 12:00 p.m.

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

REPORTED BY: LINDA BOLES, RPR, CRR  
Official FPSC Reporter  
(850) 413-6734

APPEARANCES: (As heretofore noted.)

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

(Transcript follows in sequence from  
Volume 6.)

**CHAIRMAN BRISÉ:** Good morning. We are reconvening the hearing on Docket Number 120015-EI. Today is Wednesday. It is 9:32 a.m.

Mr. Young, are there any issues that we need to deal with this morning prior to continuing with testimony?

**MR. YOUNG:** Yes, sir. In light of Mr. Butler's comment yesterday about the possible pending storm, and the request to take their operational witnesses up in relatively short order, the parties have agreed, pending Commissioners' approval, that Witnesses Santos, Kennedy, Hardy, Miranda be taken up before Kim Ousdahl, Robert Barrett -- and Robert Barrett and Jeff -- Jerry Pollock.

**CHAIRMAN BRISÉ:** Okay. I think that that is reasonable. It is something that I think we can accommodate.

**MR. YOUNG:** And that will be their direct testimony.

**CHAIRMAN BRISÉ:** Okay.

**MR. YOUNG:** And I think Mr. Litchfield has a request.

1           **MR. LITCHFIELD:** Mr. Chairman, we did meet  
2 with the other parties last night, and I felt like we  
3 made some progress in terms of accommodating the  
4 operational witnesses in this case. We, we didn't get  
5 all the way, I think, in terms of determining how we  
6 would complete their rebuttal testimony as well.

7           And in terms of the uncertainty of the storm  
8 that we're looking at, and obviously it's still early,  
9 we can hope that it continues to move further west, I  
10 guess very, very west, but, you know, chances are it's  
11 going to hit Florida in some, in some way somewhere.  
12 And even if it misses Florida Power & Light's territory,  
13 our folks would be in a support role of sending folks to  
14 the other parts of the state to help restore power.

15           So we, again, met with the operational folks  
16 and they strongly encouraged us again to, to make the  
17 request that if it is at all possible, that we put them  
18 on for their direct today as scheduled, but if we could  
19 find a way to bring them back for their rebuttal before  
20 Thursday, if we go late Thursday, that they could be  
21 cleared from the hearing and move back to South Florida  
22 to, to prepare either to handle the storm in our service  
23 territory or support a storm in someone else's service  
24 territory.

25           And we, we are distributing an exhibit, I

1 think, that shows the, the number of pages of rebuttal  
2 testimony that they have, and you'll see that we've  
3 highlighted these folks in yellow. The rebuttal  
4 testimony is, is relatively minimal, 14 pages, 10, 10,  
5 and 6, respectively, and just a combined total of four  
6 exhibits among the four witnesses.

7 So we're hopeful that that could be worked  
8 out, and would ask the Chair's help and the parties'  
9 cooperation in that.

10 And we, one of the issues that we talked about  
11 last night that I think was a bit of a sticking point in  
12 reaching a resolution on this was, was FIPUG's witness,  
13 Jeffry Pollock, and Mr. Moyle's desire that Mr. Pollock  
14 appear on Thursday. And we have talked also about that  
15 last night and have concluded that we will not ask  
16 Mr. Pollock any questions and be willing to stipulate  
17 him into the record.

18 **CHAIRMAN BRISÉ:** Okay.

19 FIPUG?

20 **MS. KAUFMAN:** I certainly appreciate  
21 Mr. Litchfield's offer to stipulate Mr. Pollock, and  
22 it's Jeffry rather than Jerry. But Mr. Pollock is  
23 already on his way here. He addresses critical cost of  
24 service issues to FIPUG.

25 And so, while we appreciate Mr. Litchfield's

1 offer, we certainly would like to have him take the  
2 stand to provide his summary. And other parties may  
3 have questions of him. I don't know.

4 **MR. LITCHFIELD:** May I respond to that?  
5 Mr. Moyle specifically asked us if we would consider  
6 stipulating him. We did.

7 **MS. PURDY:** Mr. Chairman, this is Lisa Purdy  
8 of the South Florida Hospital and Healthcare  
9 Association. It's my understanding that SFHHA will have  
10 some questions for Mr. Pollock, so we'd appreciate it if  
11 he could take the stand.

12 **CHAIRMAN BRISÉ:** Okay. We've dealt with the  
13 first part of the issue in terms of having Ms. Santos,  
14 Ms. Kennedy, Mr. Hardy, Mr. Miranda in the order as  
15 described here. Whatever issues with respect to  
16 rebuttal, I want the parties to, to work a little bit  
17 more and see if you all find a resolution. If not, then  
18 I will find a resolution for you.

19 **MR. REHWINKEL:** Mr. Chairman, if I may be  
20 heard on this.

21 **CHAIRMAN BRISÉ:** Sure.

22 **MR. REHWINKEL:** We asked -- I, I don't -- I  
23 could not find whether it was in an e-mail or it was  
24 expressly asked in the Prehearing Conference. We asked  
25 about a combination of direct and rebuttal, and the

1 company insisted on separating it. Okay. We lost three  
2 to four days of critical preparation time because of the  
3 filing on August 15th. I am not trying to reopen that  
4 issue today.

5 But our witnesses, they, they have other  
6 obligations. They have, they are a critical part of  
7 assisting us in preparing cross-examination, and it was  
8 expressly understood and it was expressly reinforced  
9 about the order of witnesses at the Prehearing  
10 Conference. we have relied upon that and there is no way  
11 that we can be prepared to conduct cross-examination on  
12 rebuttal.

13 This doesn't mean a thing. The rebuttal is  
14 directed to concepts and issues and discovery related to  
15 rebuttal of our witnesses. So quantity is nothing.  
16 It's, it's the quality of the issue that's there.

17 I certainly would be glad to reexplore if  
18 there are one or two witnesses that could be done  
19 earlier, but I'm not prepared to do that right now. And  
20 while I appreciate the logistical concerns of the  
21 company, I can certainly say this unequivocally, is that  
22 the Public Counsel would not have any objection to these  
23 witnesses coming back, we would not move to strike or  
24 have any objections to their testimony being taken at a  
25 time other than the currently scheduled time frame.



1           I mean, I think if the storm hits, we don't  
2 know where or if it's going to disrupt the proceeding,  
3 we will certainly be willing to accommodate the  
4 Commission and the company on that regard.

5           But after everything we've been through, to  
6 ask us now to put on a half-baked rebuttal effort is,  
7 is, I think, unreasonable. I understand the reason for  
8 the request, but we cannot agree to accommodate it at  
9 this time.

10           **CHAIRMAN BRISÉ:** Understood. That's why I  
11 said I want the parties to, to continue to work this,  
12 and you all will come with a proposal. If the proposal  
13 is not suitable to me, I will present what we will do.  
14 Okay?

15           Mr. Young, are there any other issues that we  
16 need to address?

17           **MR. YOUNG:** Yes. I think Mr. Garner has a  
18 request.

19           **CHAIRMAN BRISÉ:** Sure.

20           **MR. GARNER:** Mr. Chairman, I apologize, given,  
21 given all that's gone on, for taking additional time.  
22 In the interest of trying to be more efficient and less  
23 disruptive of the proceeding, I would like to ask your  
24 permission, and Algenol has said that I could, I could  
25 speak for them to some extent in this matter.

1           For parties such as Algenol and the Village of  
2 Pinecrest who have not participated as fully as some of  
3 the others, we would like to ask your permission, as has  
4 been done in past proceedings, to be allowed for some  
5 parts of the hearing proceeding to, to not be present  
6 without being dismissed.

7           We understand that some things need to happen  
8 contemporaneously in terms of objections, that there  
9 will be documents passed out and things of that nature.  
10 We're willing to bear the risk, our clients are willing  
11 to bear the risk that we, we lose certain rights when we  
12 can't raise issues contemporaneously and so forth, and  
13 we're willing to accept that.

14           And so in the interest of efficiency for this  
15 proceeding and economy and efficiency for our clients,  
16 we would ask for, for your permission to do that.

17           **CHAIRMAN BRISÉ:** Okay.

18           **MR. LITCHFIELD:** Mr. Chairman, it's an  
19 interesting situation for FPL. We have two Intervenors  
20 here, one of whom supports the settlement agreement and  
21 one of whom does not. And so from that standpoint we  
22 would be indifferent, but we're not for this reason.

23           We think that for Mr. Garner's motion to be  
24 granted, it would set a rather poor precedent for this  
25 Commission and for proceedings going forward that people

1 can intervene and take positions and then show up day  
2 one and not be dismissed, but then make the motion and  
3 then be permitted to go home for two weeks, but yet  
4 preserve their positions and be able to brief a  
5 proceeding that they didn't participate in, which has  
6 questionable value in itself.

7 So we think it would set a poor precedent if  
8 this motion were granted, although, as I say, in terms  
9 of substance, we would be indifferent. But procedurally  
10 in terms of the precedent it would set, we think it  
11 would not be a good idea.

12 **MR. GARNER:** There is in fact precedent. It  
13 was done in the last rate case for, for a qualified  
14 representative who was here on behalf of, of an  
15 individual customer.

16 **CHAIRMAN BRISÉ:** Okay. Any other comments on  
17 the motion?

18 **MR. LAVIA:** Good morning, Mr. Chairman.  
19 J. Lavia on behalf of the Retail Federation. We don't  
20 object.

21 **CHAIRMAN BRISÉ:** Okay.

22 Ms. Cibula.

23 **MS. CIBULA:** I, my opinion is that they should  
24 be allowed to leave, if they would like to. However,  
25 they bear the risk, if their witnesses, it's time for

1 their witness to come onto the stand and they're not  
2 here, then they bear the risk that we might pass them up  
3 and we're not going to go back to their witnesses, or if  
4 they have to do cross-examination and they're not here  
5 to do cross-examination, they bear that risk.

6 But I think that they're in the position, if  
7 they want to waive their rights that way, they can.  
8 They were here for the first day of the hearing, and I  
9 think you have the discretion to let them leave and then  
10 come back.

11 **CHAIRMAN BRISÉ:** Okay.

12 **MR. GARNER:** Just to be clear, Mr. Chairman.  
13 I'm not suggesting that I'm just going to disappear and  
14 that's the last time you're going to see me. I will, I  
15 will probably be -- I will be here today and I will be  
16 here on other days. It's just that, that there, there  
17 is -- it's, I think it's clear to the Commission that  
18 based on, on participation I've had so far that we will  
19 be more limited than some of the other parties. And so  
20 it's just a request to be able to utilize our time more  
21 efficiently and to, to not burden the, the Commission  
22 with having to check with us every time there's, there's  
23 a question where we may not have meaningful input.

24 **CHAIRMAN BRISÉ:** Okay. From my perspective, I  
25 don't think that -- whether asking you if you have a

1 question adds two seconds to the process, you know. But  
2 I do understand that you are willing to take the risk  
3 of, you know, giving up your right to, to cross-examine  
4 and so forth, and I could understand that you may be  
5 called between two places at once.

6 And so, therefore, it may be better use of  
7 your resources, understanding the risk that exists, so  
8 I'm willing to grant the, the request.

9 **MR. GARNER:** Thank you. And would that also  
10 apply to Algenol as well?

11 **CHAIRMAN BRISÉ:** Absolutely.

12 **MR. GARNER:** Okay. Thank you, sir.

13 **CHAIRMAN BRISÉ:** You're welcome.

14 Are there any other preliminary things that we  
15 need to deal with?

16 **MR. YOUNG:** None that staff is aware of.

17 **CHAIRMAN BRISÉ:** Okay. Are there any other  
18 preliminary things that staff is not aware of that we  
19 need to deal with at this time?

20 Okay. You may proceed.

21 **MR. RUBIN:** Thank you, Chairman Brisé. Our  
22 first witness this morning is Ms. Marlene Santos, and  
23 she has not yet been sworn.

24 (Witness sworn.)

25 **MR. RUBIN:** Thank you, Mr. Chairman.

1 Whereupon,

2 **MARLENE M. SANTOS**

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

6 **DIRECT EXAMINATION**

7 **BY MR. RUBIN:**

8 **Q** Would you please state your name and business  
9 address for the record.

10 **A** My name is Marlene Santos. 9250 West Flagler  
11 Street, Miami, Florida.

12 **Q** And by whom are you employed and in what  
13 capacity?

14 **A** I'm employed by Florida Power & Light as Vice  
15 President of Customer Service.

16 **Q** Ms. Santos, have you prepared and caused to be  
17 filed 28 pages of prefiled direct testimony in this  
18 proceeding on March 19th, 2012?

19 **A** Yes.

20 **Q** Did you also cause to be filed errata to your  
21 testimony on August 16th, 2012?

22 **A** Yes.

23 **Q** Do you have any further changes or revisions  
24 to your prefiled direct testimony?

25 **A** No.

1           **Q**     With the changes on your errata at page 5, if  
2 I asked you the same questions contained in your  
3 prefiled direct testimony today, would your answers be  
4 the same?

5           **A**     Yes.

6           **MR. RUBIN:** Mr. Chairman, I ask that the  
7 prefiled direct testimony of Ms. Santos be inserted into  
8 the record as though read.

9           **CHAIRMAN BRISÉ:** Okay. If there are no  
10 objections, the prefiled testimony of Ms. Santos will be  
11 entered into the record as though read.

12          **MR. RUBIN:** Thank you.

13 **BY MR. RUBIN:**

14          **Q**     Are you also sponsoring any exhibits to your  
15 testimony?

16          **A**     Yes.

17          **Q**     And are those exhibits identified as Exhibits  
18 MMS-1 through MMS-6, consisting of six pages that are  
19 also shown as Exhibits 161 through 166 on staff's  
20 exhibit list?

21          **A**     Yes.

22          **MR. RUBIN:** Mr. Chairman, I would note that  
23 those exhibits have been premarked as Exhibits  
24 161 through 166.

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**I. INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Marlene M. Santos. My business address is 9250 W. Flagler Street, Miami, Florida, 33174.

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

A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as Vice President of Customer Service.

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

A. As Vice President of Customer Service for FPL, I have responsibility for developing and implementing programs and services that optimize the level of customer service provided to FPL’s customers.

**Q. Please describe your educational background and professional experience.**

A. I have a Bachelor’s Degree and a Master’s Degree in Business Administration from the University of Miami. I have been Vice President of Customer Service since January 2005. Since joining FPL in 1981, I have held numerous positions of increasing responsibility in several functional areas, including Finance, Marketing, and Customer Service, and have participated in various special projects as assistant to FPL’s President. I joined Customer Service in 1990 and have served as Manager of Marketing, Manager of Commercial Services, Director of Revenue Recovery, and Director of Customer Care.



1 **Q. Are you sponsoring any exhibits in this case?**

2 A. Yes. I am sponsoring the following exhibits: MMS-1 through MMS-6, which  
3 are attached to my direct testimony.

- 4 • MMS-1, Summary of Sponsored MFRs
- 5 • MMS-2, Customer Service Awards
- 6 • MMS-3, Customer Care Center Satisfaction Research
- 7 • MMS-4, Field Organization Satisfaction Research
- 8 • MMS-5, Online Energy Dashboard
- 9 • MMS-6, Complaints for Florida Investor-Owned Utilities

10 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements**  
11 **(“MFRs”) filed in this case?**

12 A. Yes. Exhibit MMS-1 shows my sponsorship and co-sponsorship of MFRs.

13 **Q. What is the purpose of your testimony?**

14 A. The purpose of my testimony is to describe how FPL provides a superior level  
15 of service to our customers while at the same time maintaining low cost and  
16 efficient operations.

17 **Q. Please summarize your testimony.**

18 A. We’re very proud that our many efforts to provide efficient and outstanding  
19 service to our customers have helped to keep FPL's typical residential bill the  
20 lowest of Florida's 55 electric utilities and approximately 25 percent below the  
21 national average. We have worked hard to control costs by ensuring that our  
22 operations continue to be improved with additional functionality that allows  
23 us to serve customers as accurately and efficiently as possible.

1 FPL has been recognized with several awards for providing superior customer  
2 service. In 2011, FPL received the ServiceOne Award from the worldwide  
3 consulting firm PA Consulting Group for an unprecedented eighth  
4 consecutive year. In PA Consulting's benchmarking study, FPL performed  
5 better than the benchmark in key indicators and cost per customer for  
6 customer care, billing, and payment processing functions. We have also  
7 received a number of additional awards from other leading industry  
8 associations further validating the extremely high level of FPL's customer  
9 service. A summary of recent customer service industry awards and  
10 recognitions is attached to my testimony as Exhibit MMS-2.

11

12 Our superior customer service is achieved through continuous process  
13 improvement in our operations. FPL has designed its care centers to ensure  
14 customer inquiries are answered promptly and accurately. We have  
15 developed a "Best-In-Class" Interactive Voice Response ("IVR") system  
16 which provides customers with the option to complete their interaction in a  
17 fully automated manner for many general inquiries. Our field operations  
18 group provides face-to-face services to both residential and business  
19 customers and has been recognized nationally for providing excellent  
20 customer service. Our customers are offered a variety of billing, payment and  
21 other options that provide added convenience and flexibility in receiving and  
22 paying their bills or performing general inquiries.

23

1 FPL believes it is critical that the Company continue to invest today in order  
2 to secure benefits for our customers in the future. To further that objective,  
3 we are investing in smart grid technologies to create a smarter and more  
4 efficient system for the delivery of electricity. Smart meters serve as the  
5 initial step. FPL's smart meter project was reviewed and approved by the  
6 Commission in FPL's 2009 Rate Case. The smart meter project provided the  
7 foundation for FPL to apply for a Department of Energy ("DOE") Smart Grid  
8 Investment Grant. The \$200 million grant awarded to FPL by the DOE has  
9 funded several significant projects that allow us to provide many incremental  
10 benefits of the smart grid to our customers at no additional cost to them.

11  
12 The smart grid technology is already providing benefits to FPL's customers.  
13 Customers with activated smart meters have access to an online energy  
14 dashboard that provides information that allows them to see how much energy  
15 they are using by the hour, day, and month, and help them manage their  
16 energy consumption. They can see what they are spending for electricity  
17 during those time intervals and they are also able to obtain a projection of  
18 their next bill. This project is providing additional benefits for our customers  
19 through reduction in estimated bills and improved theft detection.

20  
21 We are particularly mindful of the impact of these uncertain economic times  
22 on our customers. The Company has responded by reaching out into the  
23 communities we serve to provide programs for seniors and low-income

1 customers. FPL staff members work closely with social services agencies to  
2 assist customers in need. In 2011, we coordinated nearly 182,000 assistance  
3 payments received from numerous agencies, representing approximately  
4 \$49 million toward low income customers' electric bills. In addition, FPL has  
5 a referral process that helps notify customers who may be eligible for  
6 assistance. Through this program, we reached nearly 217,000 customers in  
7 2011, providing contact information for the specific agencies that offer  
8 assistance services in their areas.

9  
10 My testimony also demonstrates that the excellent performance in Customer  
11 Service and the benefits provided to customers mentioned above have all been  
12 achieved while keeping our O&M expenses below the Commission  
13 benchmark. The spending in Customer Service is reasonable and necessary  
14 and supports FPL's need to increase base rates to a level that would allow us  
15 to continue providing high quality and value of service while at the same time  
16 keeping FPL's typical residential bill the lowest of Florida's 55 electric  
17 utilities.

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**II. OVERVIEW OF CUSTOMER SERVICE**

**Q. Please provide an overview of the Customer Service organization.**

A. FPL’s Customer Service organization is responsible for the development and execution of policies, processes and systems related to contacts with our customers. This includes customer care centers; customer service field operations, which is responsible for account management for large commercial/industrial and governmental customers; complaint resolution; billing and payment processes; development and implementation of FPL’s Demand Side Management (“DSM”) programs; field meter activities including implementation of smart meters; and credit and collections activities.

**Q. Has FPL been recognized for providing superior performance in the area of Customer Service?**

A. Yes. FPL is recognized as an industry leader in terms of customer service performance. As I mentioned previously, FPL was awarded the ServiceOne Award last year by the PA Consulting Group for the eighth consecutive year, an unprecedented achievement in our industry. PA Consulting Group is a leading management, systems and technology consulting firm with worldwide operations in more than 35 countries. The ServiceOne Award recognizes utilities that provide exceptional service to their customers as determined by a set of 27 objective measures of excellence in customer care developed by a panel of industry experts. These measures were selected to provide

1 comprehensive, quantitative measurement of the service attributes that matter  
2 to customers. The measures include meter reading, billing, call center, field  
3 service, credit and collections, theft protection, and self service.

4

5 In addition to receiving the ServiceOne Award, FPL was also awarded four  
6 PA Consulting Balanced Scorecard Achievement Awards in 2011. These  
7 awards recognize excellence on the part of specific functional areas within  
8 customer service. FPL received Balanced Scorecard Achievement Awards in  
9 the areas of customer care, meter reading, billing, and field meters.

10

11 Our field operations group has also been nationally recognized for its service  
12 to business customers. FPL received the Edison Electric Institute's ("EEI")  
13 2011 National Key Accounts Award for Outstanding Customer Service. More  
14 than 700 of the nation's leading chain and multi-site businesses voted in the  
15 awards program. EEI is the association of U.S. Shareholder-Owned Electric  
16 Companies that provides public policy leadership, critical industry data,  
17 market opportunities, strategic business intelligence, and other services. In  
18 addition, FPL earned first place in the national 2011 E Source Gap and  
19 Priority Benchmark Survey of Utility Large Business Customers in  
20 recognition of their satisfaction with the utility and the value provided by  
21 account representatives. E Source provides independent research, advisory,  
22 and information services to utilities, major energy users, and other key players  
23 in the retail energy marketplace.

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**III. CUSTOMER CARE CENTERS**

**Q. Please describe the operation of the customer care centers.**

A. Our customer care centers have been designed and are continuously enhanced using state-of-the-art technology with the objective of ensuring that all customer inquiries are answered promptly and accurately. There are three care centers and numerous remote agents that have been configured to act as one virtual contact center that handles inbound and outbound calls, as well as faxes, letters, and emails.

**Q. How do FPL’s customer care centers compare with other call centers in the industry?**

A. FPL participates in an annual benchmarking study conducted by PA Consulting Group. The 2011 benchmarking study, based on 2010 year-ending data, consisted of 15 electric and gas utilities. As part of this study, many individual performance measures that are typical industry indicators were benchmarked. The following metrics are indicative of FPL’s outstanding performance compared to other participants. In four key areas, FPL’s performance is significantly better than the industry average: calls answered in 30 seconds, call abandonment rate, calls answered by the IVR, and cost per customer. FPL’s percentage of calls answered in 30 seconds was 87 percent compared to the benchmark average of 68 percent. Our call abandonment rate was 3.2 percent compared to the benchmark average of 6.5 percent. In addition, FPL’s percent of calls answered by the IVR was 62.4 percent versus

1 the benchmark average of 40.8 percent. Finally, our strong emphasis on  
2 process management and leveraging of technology resulted in a cost per  
3 customer of \$7.58, which is \$2.22 less than the industry benchmark average of  
4 \$9.80.

5  
6 As mentioned previously, FPL's customer care center was awarded the PA  
7 Consulting Balanced Scorecard Achievement Award in 2011. Of the  
8 participating utilities, FPL was the only company to receive the Balanced  
9 Scorecard Achievement Award for care centers, reflecting FPL's superior  
10 performance in this area.

11 **Q. How has FPL been able to achieve such high customer acceptance for its**  
12 **use of the IVR system?**

13 A. FPL's industry-leading IVR customer acceptance is the result of the  
14 development of many applications that allow customers to easily complete  
15 general inquiries through the IVR without the need to speak to a  
16 representative. Capabilities have been created that provide interactive  
17 customer applications for disconnecting service, power outage reporting,  
18 billing inquiries, bill payment, payment extensions, reconnection of service,  
19 requesting duplicate bills, and obtaining general information on many other  
20 services we provide. In 2011, business conducted through our self-service  
21 telephone applications exceeded 12.6 million transactions. These transactions  
22 account for 64 percent of all phone calls received by FPL. In 2011, E Source  
23 ranked our IVR system among the best (No. 3) in the electric power industry.



1 **Q. Why is FPL's Care Center cost per customer so much lower than the**  
2 **average of companies that participated in the study?**

3 A. FPL has created an efficient and cost-effective care center operation. Our  
4 strong emphasis on process management results in enhanced accuracy and  
5 consistency, which in turn lowers our cost per customer. In addition to  
6 continuously monitoring these processes, the leveraging of technology has  
7 enabled FPL to keep its cost per customer low. As previously described, FPL  
8 has maintained an intense focus on improving and expanding the automated  
9 services offered through its IVR.

10 **Q. Does FPL measure customer satisfaction for customers who contact the**  
11 **customer care centers?**

12 A. Yes. Ongoing surveys are performed to measure overall satisfaction with the  
13 way calls are handled.

14 **Q. Please describe the results of these surveys.**

15 A. The surveys are conducted using a random selection process and are  
16 performed on an ongoing basis. The surveys measure overall satisfaction with  
17 the call, the ease of contacting FPL, the representative, and the IVR. The  
18 percent satisfied score is based upon the number of customers who scored the  
19 process as a six or seven on a seven point scale. Seven indicates the highest  
20 satisfaction rating and one indicates the lowest satisfaction rating. Using this  
21 scale, overall satisfaction with the call, ease of contacting FPL, satisfaction  
22 with the IVR, and satisfaction with the representative were all at or above 83  
23 percent for residential customers and 80 percent for business customers for

1 year-end 2011. These scores demonstrate FPL's strong performance in these  
2 measures. Additionally, a key design of the surveys is to provide a means of  
3 identifying improvement opportunities. FPL continuously monitors the  
4 results of the surveys in order to identify those areas of concern where we can  
5 proactively take action. FPL's residential and business care center satisfaction  
6 research results are attached to my testimony as Exhibit MMS-3.

7

#### 8 **IV. CUSTOMER SERVICE FIELD OPERATIONS**

9

10 **Q. Please describe how FPL provides service through its field operations**  
11 **group.**

12 A. FPL provides additional services to our customers through its field force of  
13 residential, small/medium business, and commercial/industrial representatives.  
14 This group of employees is dedicated to serving individual customers at their  
15 home or place of business. Services provided to our residential and  
16 small/medium business customers include DSM programs such as on-site  
17 personalized analysis of business or home energy use, high bill investigations,  
18 or investigation of any other concerns that a customer may have about their  
19 electrical service. Commercial/industrial representatives provide a  
20 personalized level of service to our larger commercial/industrial customers. A  
21 dedicated account manager serves as a single point of contact for all energy-  
22 related and customer service issues for these large, complex energy users. A  
23 dedicated account team supports the efforts of the account manager in the

1 areas of reliability, new construction, new energy technology, billing, energy  
2 efficiency, and other innovative solutions.

3 **Q. Does FPL measure customer satisfaction for customers who interact with**  
4 **the field organization?**

5 A. Yes. Similar to how we conduct surveys with customers that contact our care  
6 centers, ongoing surveys are performed to measure satisfaction of residential  
7 and business customers with the way field services are handled. The percent  
8 satisfied score is the percent of customers who scored the satisfaction with the  
9 field representative a six or seven on a seven point scale. Seven indicates the  
10 highest satisfaction rating and one the lowest. Survey results for these  
11 customers have been exceptional. For example, in 2011, business customers  
12 rated their satisfaction with the account manager as a six or seven 98 percent  
13 of the time for small/medium business customers, and 100 percent of the time  
14 for national accounts customers. Residential customers rated their satisfaction  
15 with the field representative at 90 percent or higher. FPL's field organization  
16 satisfaction research results are attached to my testimony as Exhibit MMS-4.

17

18 As mentioned previously, our business account management team has been  
19 recognized nationally for its performance. FPL earned first place in the  
20 national 2011 E Source Gap and Priority Benchmark survey. The E Source  
21 Gap and Priority Benchmark is based on survey responses from more than  
22 1,300 U.S. utility large business customers. FPL received high scores in all  
23 categories, including satisfaction with the utility and with their account

1 representative, as well as the value provided by the utility relative to the price  
2 paid for energy. In addition, FPL received the EEI 2011 National Key  
3 Accounts Award for Outstanding Customer Service. More than 700 of the  
4 nation's leading chain and multi-site businesses voted in the awards program.

5

6

## V. BILLING, PAYMENT AND INTERNET OPTIONS

7

8 **Q. What billing and payment options does FPL provide its customers?**

9 A. FPL recognizes that our customers want options in terms of billing and  
10 making payments. The Company strives to enhance its service to customers  
11 and provide such choices by offering a variety of billing and payment options.  
12 These options are designed to make it easier for customers to do business with  
13 the Company, and at the same time reduce costs which benefits all customers.  
14 For billing options, customers may choose to receive their bill electronically  
15 or as a paper bill. Customers then have the option of paying bills by mailing  
16 the payment to FPL, paying at a pay station, or paying electronically by phone  
17 or online.

18 **Q. How do FPL's costs for billing and payment functions compare to other  
19 utilities?**

20 A. FPL has worked hard to control these costs over the years by maximizing  
21 postage and paper discounts and providing customers with lower cost billing  
22 and payment options that meet their needs. Our success is demonstrated by  
23 the results of the 2011 PA Consulting benchmarking study. FPL's cost per

1 customer for billing expense is \$4.84, which is \$2.08 less than the benchmark  
2 average of \$6.92. FPL's cost per customer for payment service expenses is  
3 \$0.61, which is \$0.78 less than the benchmark average of \$1.39.

4 **Q. Would you elaborate on the customer services that FPL provides to its**  
5 **customers over the Internet?**

6 A. FPL recognizes that many customers appreciate the ability to use interactive  
7 self-service to do business. FPL continues to focus on developing and  
8 expanding its self-service applications so that its customers can conduct  
9 business with FPL on the Internet. Customers can use FPL.com to update  
10 their account information, make billing inquiries, request payment extensions,  
11 report power outages and status updates, report street light outages, order  
12 duplicate bills, and connect, disconnect or transfer service. As previously  
13 discussed, customers may also view and pay their monthly bill online.  
14 Customers can visit FPL.com to enroll in email bill, budget billing, and online  
15 pay options. Customers have the option to request to be automatically  
16 enrolled for online services when they connect their service on the telephone.  
17 Customers can also take an Online Home Energy Survey to better manage  
18 their consumption. In addition, customers whose smart meters have been  
19 activated can view their energy usage information by the hour, day or month  
20 online and see a projection of their next bill.

21

22 The number of transactions performed on FPL's website continues to grow at  
23 a steady pace. In the 2011 PA Consulting benchmarking study, FPL ranked

1 first quartile, reporting an average of 5.6 automated Web transactions per  
2 customer compared to an average of 3.4 for the 14 reporting companies. Our  
3 Internet applications allow customers to conduct business with the Company  
4 24 hours a day, an option preferred by many customers and a means by which  
5 FPL can continue to reduce operational costs.

6

7

## VI. SMART GRID AND SMART METERS

8

9 **Q. Is FPL deploying Smart Grid technologies, including Smart Meters?**

10 A. Yes. As part of our Energy Smart Florida initiative, FPL is deploying smart  
11 grid technologies that are helping to build a stronger, smarter, cleaner, and  
12 more efficient electrical infrastructure. Smart meters serve as the initial step  
13 in the development of our smart grid initiative and support the established  
14 federal policy to modernize the nation's electric infrastructure. FPL's smart  
15 meter project was reviewed and approved by the Commission in FPL's 2009  
16 Rate Case, as reflected in Order No. PSC-10-0153-FOF-EI, issued on  
17 March 17, 2010 in Docket Nos. 080677-EI and 090130-EI ("2010 Rate Case  
18 Order"). The smart meter project provided the foundation for FPL to apply  
19 for a DOE Smart Grid Investment Grant. The Commission's approval of  
20 FPL's smart meter project allowed us the opportunity to receive a \$200  
21 million grant from the DOE.

22

1 **Q. Please explain the benefits received by FPL's customers as a result of the**  
2 **DOE grant.**

3 A. The \$200 million grant has funded several significant projects that allow us to  
4 provide many incremental benefits of the smart grid to our customers at no  
5 additional cost to them. The installation of intelligent devices on our grid will  
6 allow us to help reduce, shorten, and lessen the impact of power outages for  
7 customers, while preventing many potential outages before they occur.

8  
9 The grant also funded our In-Home-Technology Project which is designed to  
10 test emerging in-home technologies and dynamic pricing associated with  
11 smart meters. This program will help FPL to better understand its customers'  
12 needs and some of the potential products and services that could be offered to  
13 customers to better manage their energy usage.

14  
15 In addition, the grant has provided FPL the opportunity to partner with Miami  
16 Dade College to develop a program through the Florida College System that  
17 will help customers create personal energy plans using face-to-face training  
18 and hands-on participation.

19 **Q. What is the current status of the DOE grant?**

20 A. FPL has satisfied the requirements to receive full reimbursement of the \$200  
21 million. We plan to complete all of the initiatives associated with the grant by  
22 the end of 2012.

23

1 **Q. What is your role in the deployment of smart grid technologies?**

2 A. The deployment of smart grid technologies spans various departments within  
3 FPL. I am responsible for overseeing the administration of the DOE grant for  
4 FPL and the implementation of the smart meter project. FPL's smart meter  
5 project includes the deployment of state-of-the-art integrated solid-state smart  
6 meters and associated network equipment to the over four million residential  
7 and small/medium business customers we serve. The meters are equipped  
8 with secure two-way communications; remote reading and connection  
9 capabilities; and the ability to collect data regarding consumption at  
10 predetermined intervals. The meters also include "flags" which are useful for  
11 the determination of outage, restoration, and theft.

12 **Q. What is the current status of FPL's smart meter deployment?**

13 A. As of March 1, 2012, FPL has installed more than 3 million smart meters in  
14 its service area. FPL continues to anticipate that it will achieve full  
15 deployment by the end of 2013.

16 **Q. What benefits are customers seeing as a result of smart meters?**

17 A. Customers are beginning to see the benefits associated with the installation of  
18 smart meters. Customers with activated smart meters have access to more  
19 detailed information about their energy consumption. Instead of having to  
20 wait until the end of the month to see how much energy has been consumed,  
21 customers with smart meters have access to an online energy dashboard where  
22 they can see how much energy they are using by the hour, day, and month.  
23 They can also see what they are spending for electricity during those time



1 intervals and obtain a projection of their next bill. In addition, the average  
2 temperature for each day is available so that customers can correlate the  
3 impact weather has on their energy usage. Customers can also compare their  
4 past energy consumption information to see trends or patterns in their energy  
5 use. All of this information allows customers to make informed choices and  
6 better manage their energy usage. An example of the information available on  
7 FPL's online energy dashboard is attached to my testimony as Exhibit MMS-  
8 5.

9  
10 Customers who do not have access to the Internet can also benefit from the  
11 energy usage information now available through smart meter technology.  
12 Customers can call FPL to speak to a customer service representative who will  
13 be able to review their usage on the phone and answer questions. Customers  
14 can also use the recently enhanced IVR to get energy usage and other smart  
15 meter information.

16  
17 Smart meters offer our customers more convenience by providing readings  
18 without the need to access customer property. Remote readings are being  
19 utilized to regularly bill our customers and to complete orders associated with  
20 opening and closing accounts, reducing the number of estimated and prorated  
21 bills. In areas with activated smart meters, we currently see an estimated-bill  
22 rate of 0.36 per 1000 meters, compared to areas where legacy meters are still  
23 in place where the rate is 14 per 1000 meters. Additional information

1 captured by the meters has also assisted in the identification and reduction of  
2 theft of electricity. The success rate of the leads generated by the smart meter  
3 is twice that of previous processes.

4  
5 We plan to continue to improve our service by leveraging smart meter  
6 technology. For example, FPL witness Hardy describes how we are  
7 integrating smart meter data with our Trouble Call Management System. This  
8 will provide real-time outage information/visibility and improve the outage  
9 experience for the customer. In addition, the future implementation of the  
10 remote connect service functionality will allow us to remotely perform move-  
11 in, move-out, and emergency reconnects, improving our response to  
12 customers. This service will also allow us to take quicker action on accounts  
13 where there is unaccounted usage.

14  
15 These initiatives will continue to help keep our operating costs low. As the  
16 deployment of smart meters and the supporting technologies continues, we  
17 expect the process improvements and automation to result in a reduction in  
18 O&M expenses.

19 **Q. Will FPL continue to provide updates to the Commission on its**  
20 **deployment of smart meters?**

21 **A.** Yes. As reflected in FPL’s 2010 Rate Case Order, the Commission has  
22 ordered FPL to provide annual progress reports on implementation of smart  
23 meters in the Energy Conservation Cost Recovery docket. Consistent with the

1 Commission's order, FPL filed its first annual report in March 2011 and is  
2 filing its second annual report in March 2012.

3

4

## VII. ECONOMIC ASSISTANCE FOR CUSTOMERS

5

6 **Q. Please discuss the energy affordability initiatives associated with payment**  
7 **assistance.**

8 A. FPL has been working diligently to find ways to increase payment assistance  
9 funding to eligible households in need. This has been achieved in great  
10 measure through partnerships with various social services agencies in the  
11 communities that FPL serves. This process is known as ASSIST and it  
12 involves referring customers who are experiencing financial difficulty to an  
13 appropriate social services agency. FPL staff members work closely with the  
14 agencies to assist customers while resources are allocated and secured for  
15 those in need. In 2011, customers received nearly 182,000 assistance  
16 payments from numerous agencies, representing approximately \$49 million  
17 toward low income customers' electric bills.

18 **Q. What other initiatives has FPL worked on to increase payment assistance**  
19 **to customers?**

20 A. FPL has been leading several other initiatives with a focus on growing  
21 available energy assistance resources, including identification of new funding  
22 sources. FPL was a co-founder of the Coalition for Affordable Energy for  
23 All, in partnership with Entergy, TXU Energy, Atmos Energy, Centerpoint

1 Energy, and other utilities. These partners have been working together to  
2 influence congressional funding of the federal Low Income Home Energy  
3 Assistance Program.

4  
5 To ensure that customers in need are aware of the availability of assistance  
6 funds, we have identified opportunities to provide customers with the contact  
7 information of local social services agencies that partner with FPL’s ASSIST  
8 program. We provide a specific agency name and phone number to customers  
9 in need through the billing process, based on the customer’s ZIP code. Our  
10 Customer Care representatives also have access to information at the ZIP code  
11 level, and offer the same information to callers when appropriate. Customers  
12 who attend our neighborhood energy conservation and bill management  
13 seminars also receive this information. In addition, FPL has a referral process  
14 which helps notify customers who may be eligible for assistance. Through  
15 this program, nearly 217,000 customers in 2011 received personal contacts by  
16 mail and by phone, providing contact information for the specific agencies  
17 that offer assistance services in their area.

18

19 **VIII. COMPLAINT RESOLUTION**

20

21 **Q. How does FPL handle customer complaints?**

22 A. FPL’s goal is to ensure that every customer is satisfied with the handling of  
23 their inquiry. While it is not practical to expect 100 percent satisfaction, we

1 have developed a process that is designed to maximize the opportunity to  
2 successfully address customers' concerns. Customers who contact the care  
3 center and want their inquiry escalated are offered the option of speaking with  
4 a care center account supervisor. Account supervisors are a group of  
5 employees with more experience and broader authority who are dedicated to  
6 resolving customer issues quickly and efficiently. They are able to resolve the  
7 majority of calls directly. However, if the call requires follow-up with a  
8 department outside of the care center, the customer is provided the department  
9 name to which their matter is being referred, as well as a timeframe in which  
10 the appropriate representative will contact the customer for resolution.  
11 Additionally, the customer is given the care center account supervisor's name  
12 and telephone number in the event they need further assistance. A ticket for  
13 follow-up is then created, and the matter is monitored for completion in a  
14 timely manner.

15  
16 In the event that a customer complaint is not resolved, the customer may  
17 choose to contact the Florida Public Service Commission ("FPSC"). As part  
18 of our complaint handling process, FPL participates in the Transfer-Connect  
19 and E-mail processes established by the FPSC to help resolve disputes  
20 between regulated companies and their customers as quickly, effectively, and  
21 inexpensively as possible. These processes involve transferring the customer  
22 call or email directly from the FPSC to a specialized group of FPL customer  
23 advocates for expedited handling if the customer agrees.

1 **Q. How has the number of FPL customer contacts to the FPSC changed in**  
2 **recent years?**

3 A. FPL has been successful in reducing the number of complaints as a result of  
4 the efforts described above, as well as other initiatives aimed at improving  
5 customer satisfaction. When looking at the complaints that are recorded as  
6 “logged” with the FPSC company-wide, FPL has shown a reduction in  
7 complaints per 1,000 customers in 2011 from 2010 of 19 percent. FPL  
8 recorded 0.0615 complaints per 1,000 customers in 2011 compared to 0.0765  
9 complaints per 1,000 customers in 2010. Attached to my testimony is Exhibit  
10 MMS-6, Complaints for Florida Investor-Owned Utilities, which is a  
11 summary of logged complaint data per 1,000 customers for the five Florida  
12 Investor-Owned Utilities. The data shows that in 2011 FPL had the second  
13 lowest level of logged complaints when compared to the other utilities.

14

15 **IX. CUSTOMER SERVICE O&M EXPENSE**

16

17 **Q. Please provide an overview of Customer Service’s O&M expenses.**

18 A. Customer Service O&M is driven by several key activities including meter  
19 reading, billing, payment processing, customer care, credit and collections,  
20 and various field and support activities to serve our customers. In addition to  
21 these activities, uncollectible expense (the sum of bad debt and the provision  
22 adjustment for uncollectible accounts), and deployment of smart meters, are  
23 cost drivers for Customer Service O&M.

1 **Q. How do the Customer Accounts functional area O&M expenses for the**  
2 **Test Year compare to the Commission's O&M benchmark (MFR C-41,**  
3 **O&M Benchmark Variance by Function)?**

4 A. The Customer Accounts functional area Test Year O&M expenses are below  
5 the Commission's O&M benchmark threshold.

6 **Q. How do the Customer Service functional area O&M expenses for the Test**  
7 **Year compare to the Commission's O&M benchmark (MFR C-41, O&M**  
8 **Benchmark Variance by Function)?**

9 A. The Customer Service functional area Test Year O&M expenses are below the  
10 Commission's O&M benchmark threshold.

11 **Q. How do the Sales functional area O&M expenses for the Test Year**  
12 **compare to the Commission's O&M benchmark (MFR C-41, O&M**  
13 **Benchmark Variance by Function)?**

14 A. The Sales functional area Test Year O&M expenses are below the  
15 Commission's O&M benchmark threshold.

16 **Q. How has Customer Service effectively managed its costs when compared**  
17 **against the Commission's O&M benchmark?**

18 Customer Service has continued to focus on productivity improvements to  
19 help keep operating and maintenance expense down. For example, through  
20 the continued efforts of our billing department to increase customer adoption  
21 of electronic billing, we expect postage and paper expense to be  
22 approximately \$7 million lower when compared to our 2010 rate case decision  
23 adjusted for inflation and customer growth. Our customer care department

1 expense is expected to be approximately \$4 million lower when compared to  
2 our 2010 rate case decision adjusted for inflation and customer growth. This  
3 difference is primarily attributable to a reduction in call volume driven by  
4 continued efforts to increase usage of self service options offered through the  
5 IVR system and FPL.com and ongoing process improvements. In addition,  
6 uncollectible accounts expense is expected to be approximately \$15 million  
7 lower when compared to our 2010 rate case decision adjusted for inflation and  
8 customer growth. This will be accomplished through a focused effort in the  
9 credit and collections management group to improve deposit, field collections,  
10 telephone collections, and recovery processes.

11 **Q. How does FPL forecast its bad debt expense?**

12 A. FPL uses regression analysis to forecast bad debt expense. Bad debt expense  
13 is modeled using historical and projected data such as the price of electricity,  
14 kWh sales, and other economic factors. This data has a strong correlation  
15 with bad debt expense and provides a means of measuring and accounting for  
16 factors that contribute to non-payment.

17 **Q. What is FPL's projected bad debt expense for the 2013 test year?**

18 A. FPL's forecast of bad debt expense is \$16.6 million which results in a bad  
19 debt factor of 0.166 percent as shown on MFR C-11.

20 **Q. How does FPL's bad debt expense compare to other utilities?**

21 A. FPL has worked hard to minimize bad debt through the use of standardized  
22 processes and fair and consistent policies. In the 2011 PA Consulting  
23 benchmarking study using 2010 data, FPL ranked first quartile in lowest



1           percent of bad debt as a percent of revenue with a rate of 0.2 percent  
2           compared to the benchmark average of 0.7 percent. Bad debt as a percent of  
3           revenue is an industry standard for measuring bad debt performance.

4   **Q.   Does this conclude your direct testimony?**

5   **A.   Yes.**

1 BY MR. RUBIN:

2 Q Have you prepared a summary of your direct  
3 testimony?

4 A Yes, I have.

5 Q Would you please provide that summary to the  
6 Commission.

7 A Yes. Good morning, Commissioners.

8 We're very proud that FPL provides a superior  
9 level of customer service, while at the same time  
10 maintaining low costs. As shown on Exhibit MMS-2 behind  
11 me, FPL has received several awards recognizing the  
12 company's superior customer service. In 2011, FPL  
13 received the ServiceOne Award from the worldwide  
14 consulting firm PA Consulting Group for an unprecedented  
15 eighth consecutive year. In the benchmarking study, FPL  
16 excelled in cost per customer, for customer care, for  
17 billing and payment processing functions.

18 We have also received additional awards from  
19 other leading industry associations, further validating  
20 the extremely high level of FPL's customer service. Our  
21 superior customer service is achieved through continuous  
22 process improvement in our operations.

23 FPL has designed its care centers to ensure  
24 customer inquiries are answered promptly and accurately.  
25 We have developed a Best-In-Class Interactive Voice

1 Response system, which frequently allows our customers  
2 to complete their inquiry in a fully automated manner.

3 Our field operations group provides  
4 face-to-face services to both residential and business  
5 customers, and has been recognized nationally for  
6 providing excellent customer service.

7 In addition, our customers are offered a  
8 variety of billing, payment, and other options that  
9 provide added convenience and flexibility in receiving  
10 and in paying their bills or performing general  
11 inquiries.

12 FPL believes that it is critical that the  
13 company continue to invest today in order to secure  
14 benefits for our customers in the future.

15 To further that objective, we are investing in  
16 smart grid technologies to create a smarter and more  
17 efficient system for the delivery of electricity. Smart  
18 meters serve as the initial step.

19 FPL's smart meter project was reviewed and  
20 approved by the Commission in FPL's 2009 rate case. The  
21 smart meter project provided the foundation for a  
22 \$200 million grant awarded to FPL by the Department of  
23 Energy. This grant has funded several significant  
24 projects that allow us to provide many incremental  
25 benefits of the smart grid to our customers at no

1 additional cost to them.

2           The smart grid technology is already providing  
3 benefits to FPL's customers. We have installed more  
4 than 3 million smart meters. Customers with activated  
5 smart meters have access to an online energy dashboard  
6 that provides information that allows them to see how  
7 much energy they are using by the hour, day, and month,  
8 and helps them manage their energy consumption. This  
9 project is providing additional benefits for our  
10 customers through reduction in estimated bills and  
11 improved theft detection.

12           We are particularly mindful of the impact of  
13 these uncertain economic times on our customers. The  
14 company has responded by reaching out into the  
15 communities we serve to provide programs for seniors and  
16 low income customers. We work closely with social  
17 services agencies to assist customers in need.

18           As an example of this type of effort, in 2011  
19 we coordinated nearly 182,000 assistance payments  
20 received from numerous agencies representing  
21 approximately \$49 million toward low income customers'  
22 electric bills.

23           My testimony also demonstrates that the  
24 excellent performance in customer service has been  
25 achieved while keeping our O&M expenses below the

1 Commission benchmark. The spending in customer service  
2 is reasonable and necessary and supports FPL's need to  
3 increase base rates to a level that would allow us to  
4 continue providing high quality and value of service  
5 while at the same time keeping FPL's typical residential  
6 bill the lowest of Florida's 55 electric utilities.

7 This concludes the summary of my direct  
8 testimony.

9 **CHAIRMAN BRISÉ:** Thank you, Ms. Santos.

10 **MR. RUBIN:** Thank you, Mr. Chairman. FPL  
11 tenders Ms. Santos for cross-examination.

12 **CHAIRMAN BRISÉ:** All right. FIPUG.

13 **MS. KAUFMAN:** Good morning, Commissioners.  
14 Vicki Gordon Kaufman. I'm here on behalf of FIPUG.

15 **CROSS-EXAMINATION**

16 **BY MS. KAUFMAN:**

17 **Q** And, good morning, Ms. Santos.

18 **A** Good morning.

19 **Q** You're so far away.

20 I just have a very few questions for you. You  
21 mentioned in your summary, and you also talk about in  
22 your direct on page 4, lines 14 through 16, FPL's  
23 superior level of service to our customers. Do you see  
24 that?

25 **A** Yes, I do.

1           Q     Would it, would it be your opinion that FPL  
2 has provided that superior level of service since its  
3 last rate case and the last rate case order in  
4 March 2010?

5           A     Yes, it would.

6           Q     You also mentioned that you received a number  
7 of -- FPL has received a number of awards, and you spoke  
8 kind of fast. One of them you said you had received for  
9 eight consecutive years. Which one was that?

10          A     Yes. That's the PA Consulting award. It's  
11 called the ServiceOne Award.

12          Q     Okay. So you received that I guess since 2003  
13 or 2002?

14          A     Somewhere in that neighborhood. Uh-huh.

15          Q     Somewhere in that neighborhood? Okay. So,  
16 again, you received that, that award during a period of  
17 time even before the last rate case order was in effect;  
18 correct?

19          A     That is correct.

20          Q     You also talk, I think, on pages 8 and 9,  
21 toward the bottom of 8 and over to the top of 9, about  
22 some other awards that Florida Power & Light has  
23 received. If you look at page 9, line 6, you talk about  
24 the Balanced Score Card Achievement Award.

25          A     Yes. The Balanced Score Card Achievement

1 Awards were received in 2011. They're also -- they're  
2 given by the same company, PA Consulting. It's based on  
3 the same benchmarking assessment. But those are given  
4 on a functional basis, and so we actually received those  
5 for a couple of our functions, which are customer care,  
6 meter reading, billing, and field meters.

7 Q So what period of time was covered by the  
8 award that you received in 2011?

9 A They're usually a, the data is usually a year  
10 behind. So the 2011 award would have been using 2010  
11 data.

12 Q And would the same be the case for the, the  
13 award mentioned on line 13, page 9, the 2011 National  
14 Key Accounts Award, was that for 2010?

15 A Well, that award is, it's very different the  
16 way that that award is done. That one is actually about  
17 700 customers that attend the EEI National Accounts  
18 Group.

19 MS. KAUFMAN: Excuse me, Chairman Brisé. I'm  
20 really just --

21 THE WITNESS: I'm trying to explain it to you  
22 because it's really different.

23 MS. KAUFMAN: I'm just asking her for the time  
24 frame that it was covered, and if she --

25 THE WITNESS: It was awarded in 2011, and the

1 customers voted in 2011 for that award.

2 **BY MS. KAUFMAN:**

3 Q And it would still be your view as you sit  
4 here today that Florida Power & Light, regardless of the  
5 outcome of this case, will do its very best to provide  
6 superior service to all its customers; correct?

7 A We will do our very best.

8 **MS. KAUFMAN:** Thank you. That's all I have.

9 **CHAIRMAN BRISÉ:** Thank you very much,  
10 Ms. Kaufman.

11 South Florida Hospital Association, would it  
12 be Ms. Purdy?

13 **MS. PURDY:** Yes. Good morning, Mr. Chairman  
14 and Commissioners.

15 **CROSS-EXAMINATION**

16 **BY MS. PURDY:**

17 Q Good morning, Ms. Santos.

18 A Good morning.

19 Q You might have heard me earlier. My name is  
20 Lisa Purdy and I'm one of the attorneys for SFHHA. How  
21 are you?

22 A Good.

23 Q I'm going to be talking a little bit about  
24 smart meters this morning. I think you mentioned  
25 earlier in your summary as well as page 19 of your



1 direct testimony that you are responsible for the  
2 implementation of FPL's smart meter project; is that  
3 right?

4 A That's correct.

5 Q Okay. And just for convenience's sake, would  
6 you agree that the advanced metering infrastructure,  
7 also known as AMI, can also be referred to as smart  
8 meters?

9 A Can you say that again, because there was a  
10 lot of noise?

11 Q Sorry. The rustling?

12 A Yeah. Go ahead.

13 Q So would you agree that advanced metering  
14 infrastructure is also known as AMI or smart meters?

15 A Yes.

16 Q So for convenience's sake, I'm going to just  
17 refer to the topic as smart meters this morning.

18 A That's fine.

19 Q Okay. Were you involved in FPL's rate case  
20 immediately prior to this one?

21 A Yes, I was.

22 Q And you submitted written testimony in that  
23 case regarding smart meters?

24 A Yes, I did.

25 Q How many people report to you in your position

1 as Vice President of Customer Service?

2 **A** A little bit over 2,000.

3 **Q** Of that vast number, did any of those people  
4 draft discovery responses on behalf of FPL with respect  
5 to smart meters?

6 **A** Yes.

7 **Q** Okay. With respect to those discovery  
8 responses that were specific to your testimony and smart  
9 meters, did you review the discovery responses prior to  
10 FPL's serving them upon the participants in this  
11 proceeding?

12 **A** Yes, I did.

13 **MR. RUBIN:** Mr. Chairman, can I just ask for  
14 clarification? Counsel started with the 2009 rate case,  
15 and I'm not sure if she's referring to discovery now in  
16 that case or this case.

17 **MS. PURDY:** To clarify, I'm referring to  
18 discovery in this case now.

19 **MR. RUBIN:** Thank you.

20 **BY MS. PURDY:**

21 **Q** Okay. So going back, have you reviewed all  
22 the discovery responses provided by FPL that were  
23 directed to or otherwise concerned smart meters?

24 **A** Yes, I have.

25 **Q** The smart meter project involves the

1 installation of smart meters for over 4 million of FPL's  
2 customers; is that about right?

3 A That's correct.

4 Q Okay. And you mentioned in your summary  
5 earlier today that FPL has installed more than 3 million  
6 smart meters in its service area?

7 A Yes.

8 Q Okay. And is it also true that you estimate  
9 that FPL will achieve full deployment of those smart  
10 meters by the end of 2013?

11 A By the end of 2013 probably. Most likely  
12 earlier than that. Uh-huh.

13 Q Okay. That's fine. Thank you.

14 You previously testified, both in the prior  
15 case and in part today, that the installation and use of  
16 smart meters would result in certain operational  
17 efficiencies due to capabilities such as remote reading  
18 and indications of outage or theft.

19 A Uh-huh. Yes.

20 Q Okay. With respect to the ability of smart  
21 meter to assist in the identification in and reduction  
22 of the theft of electricity, isn't it true that FPL does  
23 not project any O&M savings associated with this  
24 benefit?

25 **MR. RUBIN:** Mr. Chairman, I object. Counsel

1 for all the parties have indicated that they were not  
2 prepared to cross on rebuttal, on the rebuttal issues.  
3 Issues 112 and 113 are the specific rebuttal issues for  
4 Ms. Santos, and they deal with the appropriate amount of  
5 expense associated with the smart meter project and the  
6 appropriate amount of savings associated with the smart  
7 meter project.

8 Ms. Santos' rebuttal specifically responds to  
9 the Hospital Association's witness Kollen and OPC's  
10 witness Ramas on that very issue. That is not part of  
11 her direct testimony and really should not be the  
12 subject of any cross-examination today.

13 **CHAIRMAN BRISÉ:** Okay. Is that the subject of  
14 rebuttal?

15 **MS. PURDY:** In our position I think it  
16 addresses both, but we're happy to defer it if FPL so  
17 chooses.

18 **CHAIRMAN BRISÉ:** Let's go ahead and defer it.

19 **MR. SAPORITO:** Mr., Mr. Chairman, just very  
20 quickly. I just want to make sure the, the Chair is  
21 clear on FPL's response earlier. I did not as a party  
22 in this proceeding agree with, not to engage in that  
23 type of cross-examination with this particular witness,  
24 and I, I sent Ms. Klancke an e-mail to that, to her  
25 response in that area that I was sent by staff.

1           **CHAIRMAN BRISÉ:** Okay. Ms. Purdy, you may  
2 proceed.

3           **MS. PURDY:** Sure. So just, just to be clear  
4 then, so long as our rights are not prejudiced to  
5 explore this topic further on rebuttal.

6           **CHAIRMAN BRISÉ:** Absolutely not.

7           **MS. PURDY:** Okay.

8 **BY MS. PURDY:**

9           **Q** In your direct testimony at page 20,  
10 Ms. Santos, you confirm that remote readings are  
11 currently being utilized to bill FPL's customers and  
12 complete orders associated with the opening and closing  
13 of those customer accounts; is that right?

14           **A** What, what line, I'm sorry, did you say?

15           **Q** Let's see. I believe it is line --

16           **A** Okay. 18 or 19?

17           **Q** -- 18 through 21.

18           **A** Okay. Uh-huh. Yes.

19           **Q** Okay. And, in fact, wasn't FPL reading and  
20 billing those accounts, some accounts with smart meters  
21 remotely during the prior rate case period?

22           **A** During the prior rate case period we had,  
23 subject to check, I think it was about 50,000 smart  
24 meters that we had deployed that we were using that  
25 technology with. So it was a very small number that we

1 were using to, to learn about the technology and figure  
2 out how best to, to change our processes.

3 Q Okay. According to my records, I believe you  
4 testified that FPL had approximately 100,000 smart  
5 meters in place since 2007.

6 A A hundred --

7 Q Would you agree with that?

8 A A hundred -- yeah.

9 Q Okay. Sorry. Two items. So just to be  
10 clear, you said you would agree then that FPL did have  
11 approximately 100,000 smart meters in place since 2007?

12 A Subject to check, I would, yeah. Uh-huh.

13 Q Okay.

14 MS. PURDY: And then, Mr. Chairman, the next  
15 couple of questions I had did deal with some of the net  
16 savings, so I think, with FPL's prior comment, we'll be  
17 saving those for rebuttal.

18 CHAIRMAN BRISÉ: Perfectly fine.

19 MS. PURDY: Okay. Just give me one moment to  
20 read through.

21 CHAIRMAN BRISÉ: Sure.

22 (Pause.)

23 BY MS. PURDY:

24 Q Ms. Santos, in your direct testimony as well  
25 as in your summary this morning, you mentioned that one

1 of the benefits of smart meters is that customers have  
2 access to more detailed information about their energy  
3 consumption via sort of online energy dashboard.

4 **A** That is correct.

5 **Q** And you also believe that that information  
6 that's available will allow customers to make informed  
7 choices and better manage their energy usage; is that  
8 correct?

9 **A** Yes. Uh-huh.

10 **Q** Okay. Of all the customers that currently  
11 have smart meters installed, I believe the number is  
12 approximately 3 million; is that right?

13 **A** That was the number when I filed my direct  
14 testimony. The number is much higher now.

15 **Q** Okay. Okay. Do you know about how many of  
16 those customers have gone online to view their usage  
17 data and potentially use that information to modify  
18 their energy usage?

19 **A** I can tell you that through April of this year  
20 we had about 312,000 customers that accessed our energy  
21 dashboard. So I don't know how many have actually used  
22 it to reduce their energy consumption.

23 **Q** Do you know what percentage that would be of  
24 the overall monthly visitors?

25 **A** I do not have that data with me.

1           **MS. PURDY:** Okay. Mr. Chairman, I'd like to  
2 mark an exhibit.

3           **CHAIRMAN BRISÉ:** Sure. We are at 511.

4           (Exhibit 511 marked for identification.)

5           **MS. PURDY:** So this exhibit is FPL's response  
6 to OPC's 9th set of interrogatories, interrogatory  
7 number 177.

8           **CHAIRMAN BRISÉ:** Okay. Are there any  
9 objections to --

10          **MR. RUBIN:** No, no objections.

11          **CHAIRMAN BRISÉ:** No objections? Okay.

12          **MR. SAPORITO:** Mr. Chairman, is this 511; is  
13 that correct?

14          **CHAIRMAN BRISÉ:** Yes. 511.

15          **MR. SAPORITO:** Thanks, sir.

16          **CHAIRMAN BRISÉ:** Okay. You may proceed,  
17 Ms. Purdy.

18          **MS. PURDY:** Okay.

19 **BY MS. PURDY:**

20           **Q** Ms. Santos, if you could just turn past the  
21 cover sheet to what I would refer to as the first page  
22 of the exhibit, and in looking at the second paragraph  
23 there.

24           **A** Hold on. The second paragraph? Okay.

25           **Q** Yes. Of the, of the answer.



1           A     Of the answer?

2           Q     The recently implemented.

3           A     Yes.

4           Q     Could you just read those two lines?

5           A     The recently implemented IVR smart meter menu  
6     functionality has been selected by customers 18,000 --  
7     18,023 times through May 14th, 2012.

8                     Do you -- continue?

9           Q     Yes, please.

10          A     Of these, 4,980 customers received energy  
11     information related to the production of their next bill  
12     and highest peak usage.

13          Q     Thank you. And if you could just turn to the  
14     next page. I think you were right on the mark when you  
15     said about 312,000 visit the website. But in the far  
16     column on the very bottom, would you agree that that's  
17     about 1.9% of the overall monthly visitors?

18          A     Yes, that is. I didn't, I didn't remember  
19     that number.

20          Q     Sure. Thank you.

21          A     Uh-huh.

22                     **MS. PURDY:** Mr. Chair, I'd like to mark one  
23     more exhibit.

24                     **CHAIRMAN BRISÉ:** Sure. That would be 512.

25                     **MS. PURDY:** Actually, I'm sorry, Mr. Chairman.

1 I guess we can mark it, but I believe this does fall  
2 into the rebuttal category, so if we could, I guess,  
3 mark it and save it, or at your preference --

4 **CHAIRMAN BRISÉ:** You can withdraw it --

5 **MS. PURDY:** I can withdraw it now?

6 **CHAIRMAN BRISÉ:** -- and bring it back at  
7 another time.

8 **MS. PURDY:** My apologies.

9 **CHAIRMAN BRISÉ:** Okay.

10 **MS. PURDY:** In its place then I'd like to have  
11 a different exhibit marked.

12 **CHAIRMAN BRISÉ:** Sure.

13 **MS. PURDY:** So this next exhibit coming should  
14 be 512; is that correct?

15 **CHAIRMAN BRISÉ:** That's correct. Any  
16 objections?

17 (Exhibit 512 marked for identification.)

18 **MR. RUBIN:** No objection.

19 **CHAIRMAN BRISÉ:** Okay. Seeing none, you may  
20 proceed.

21 **BY MS. PURDY:**

22 **Q** Okay. So, Ms. Santos, this is FPL's response  
23 to interrogatory number 182 from OPC's 9th set of  
24 interrogatories. And do you recognize the document?

25 **A** Yes, I do.

1           **Q**     Okay. To the best of your knowledge, was the  
2 response accurate at the time it was made?

3           **A**     Yes.

4           **Q**     And so you would agree with me that this  
5 reflects that FPL did not conduct any studies to  
6 evaluate the usage behavior of their customers due to  
7 the activation of smart meters; correct?

8           **A**     That is correct.

9           **MS. PURDY:** Okay. Thank you, Ms. Santos. I  
10 have no further questions.

11           **CHAIRMAN BRISÉ:** Thank you very much,  
12 Ms. Purdy.

13           FEA.

14           **LIEUTENANT COLONEL FIKE:** Thank you, Mr.  
15 Chairman. FEA has no questions for this witness.

16           **CHAIRMAN BRISÉ:** All right. Thank you very  
17 much.

18           I'm out of loop here. Office of Public  
19 Counsel.

20           **MR. REHWINKEL:** Thank you, Mr. Chairman.

21                   **CROSS-EXAMINATION**

22           **BY MR. REHWINKEL:**

23           **Q**     Good morning, Ms. Santos.

24           **A**     Good morning.

25           **Q**     Can I get you to turn to page 19 of your

1 direct testimony, please, and direct you to pages -- to  
2 lines 3 and 4. And this may have been a question that  
3 you answered to Ms. Purdy, but I just want to make sure  
4 I understand.

5           You indicate there that you're responsible for  
6 overseeing the administration of the DOE grant for FPL  
7 and the implementation of the smart meter project?

8           **A**    That is correct.

9           **Q**    Were you also involved in the initial phase of  
10 selecting the smart meters that FPL ultimately chose to  
11 install in this round?

12          **A**    Yes, I was.

13          **Q**    This round meaning the project of AMI smart  
14 meter installation that the company is in now.

15          **A**    Versus what other round?

16          **Q**    I mean --

17          **A**    The smart meters that we have today is what  
18 I'm assuming you mean.

19          **Q**    Yes.

20          **A**    Okay.

21          **Q**    And on lines 7 through 10 on that same page,  
22 you indicate that these meters are equipped with secure  
23 two-way communications, remote reading and connection  
24 capabilities, and the ability to collect data regarding  
25 consumption at predetermined levels; is that correct?

1           **A**     At predetermined intervals, that is correct.

2           **Q**     Okay. Is it also correct that the smart  
3 meters that are being installed for residential and  
4 small commercial customers, while they are equipped with  
5 secure two-way communications, are not capable of  
6 providing residential time-of-use rates for residential  
7 customers?

8           **A**     We have, we have not done yet the back office  
9 type of programming that is required in order to get  
10 that to happen.

11          **Q**     Okay. So is the answer to my question yes,  
12 they are not so equipped?

13          **A**     We haven't equip -- we haven't made the  
14 changes that are required to do that as of today.

15          **Q**     Okay. I just need for you to say yes or no.

16          **A**     Yes or no.

17          **Q**     Is the answer yes?

18          **A**     I think the answer is yes.

19          **Q**     Okay.

20          **A**     Uh-huh.

21          **Q**     Isn't one of the potential benefits of, to  
22 residential and small commercial customers from  
23 time-of-use meters the potential for shifting customer  
24 electricity usage from peak demand periods to offpeak  
25 periods?

1           **A**     Can you repeat the question, please?

2           **Q**     Yes.  Let me rephrase it.

3           **A**     Yeah.

4           **Q**     Isn't one of the potential benefits of  
5 residential and small commercial time-of-use meters the  
6 potential for shifting of customer electricity usage  
7 from peak demand hours to offpeak hours?

8           **A**     My, my direct testimony does not cover  
9 anything related to time-of-use metering or time-of-use  
10 rates, so I'm not sure that I am the appropriate witness  
11 to answer that kind of a question.

12          **Q**     Okay.  But we did just review on page 19 your  
13 description of what the meters that the company is  
14 asking rate recovery for do; is that correct?

15          **A**     That is correct.  And I don't mention anything  
16 about time-of-use rates in that statement.

17          **Q**     Okay.  So is, is your answer to my question  
18 you don't understand whether time-of-use capability of  
19 smart meters would have a benefit of allowing customers  
20 to shift usage from peak demand to offpeak hours?

21          **A**     If you're asking whether if we provided  
22 time-of-use metering to our customers, if that would  
23 allow them to shift their demand, yes.  I mean, we do  
24 that today.  We do that today with the meters that our,  
25 our time-of-use customers have.  So I'm not sure that I

1 understand your question.

2 Q Okay. I think you answered my question.

3 Is it also possible that if time-of-use meters  
4 are successfully deployed, such that it causes  
5 residential and small commercial usage patterns to shift  
6 from peak demand hours to offpeak hours, it would put  
7 downward pressure on the need to build additional future  
8 generation to serve peak loads?

9 MR. RUBIN: Mr. Chairman, I object. This is  
10 outside of the scope of this witness's testimony.

11 CHAIRMAN BRISÉ: Okay.

12 MR. REHWINKEL: Mr. Chairman, this witness is  
13 the witness for the company that is asking for -- that  
14 is to provide justification for the installation and  
15 recovery of the smart meters. And part of what I'm  
16 asking her about is the value that the customers get in  
17 an exchange for the investment of over \$500 million that  
18 they are paying return of.

19 So I'm trying to understand and make, make a  
20 case for the record about the, the benefits or lack  
21 thereof of these meters. So I want to find out from the  
22 witness and the company executive who was in charge of  
23 the deployment of this program. So I think she is the  
24 right person to ask.

25 CHAIRMAN BRISÉ: Okay. Is there another

1 witness that could address the issues that are being --

2 **MR. RUBIN:** The question really is a resource  
3 planning question, and that's, that is not Ms. Santos.  
4 I'm not sure who the proper witness would be on it.  
5 Mr. Silva perhaps. There's, there's others that will  
6 address those issues, but Ms. Santos is the customer  
7 service representative and she is not the resource  
8 planning witness.

9 **CHAIRMAN BRISÉ:** Okay.

10 **MR. REHWINKEL:** I think it's fair to add, if  
11 she knows the answer to the question, she can answer it.  
12 It's certainly within the, the ambit of what smart  
13 meters do and don't do. And, you know, I'm -- if she  
14 doesn't know, if she's at the level she is within the  
15 company and doesn't know, that's fine with me.

16 **CHAIRMAN BRISÉ:** Okay. I think, based upon  
17 her prior answer, she may not know, but I'll allow you  
18 to ask it and see if she knows.

19 **BY MR. REHWINKEL:**

20 **Q** Would you like me to reask the question?

21 **A** Yes, please.

22 **Q** Okay. Isn't it possible that if time-of-use  
23 meters are successfully deployed such that it causes  
24 residential and small commercial usage patterns to shift  
25 from peak demand periods to offpeak hours, it would put



1 downward pressure on the need to build additional future  
2 generation to serve peak loads?

3 **A** Generally speaking, I would say yes, that that  
4 would be true.

5 **Q** Okay. Isn't it also true that effective  
6 deployment of time-of-use meters could push back the  
7 timing of when new generation facilities would need to  
8 be added on FPL's system?

9 **MR. RUBIN:** Same objection, Mr. Chairman.

10 **CHAIRMAN BRISÉ:** Yeah. I think that that goes  
11 beyond the record that she --

12 **MS. SANTOS:** That's not my area, that's not my  
13 area of expertise.

14 **CHAIRMAN BRISÉ:** -- that her -- that she's  
15 prepared to testify on. So if we can move on to the  
16 next question.

17 **BY MR. REHWINKEL:**

18 **Q** I'll ask my next question. Could you please  
19 explain why FPL chose not to implement smart meters to  
20 the residential and small commercial customers that were  
21 capable of providing the option of time-of-use rates?

22 **A** So the deployment that we are underway with is  
23 a very large deployment, and we right now have about, I  
24 think it's less than 200 customers that are on  
25 time-of-use rates. So, you know, just like any

1 deployment, you sort of, you know, you start with doing  
2 all the residential and small business customers that  
3 are on the, you know, the standard types of rates, and  
4 then our plan was to phase in the time-of-use customers  
5 later, because there are, it is such a small percentage  
6 of our customers.

7 **MR. REHWINKEL:** Mr. Chairman, at this time I  
8 would like to offer an exhibit for cross-examination.

9 **CHAIRMAN BRISÉ:** Sure.

10 **MR. REHWINKEL:** And I guess this would be  
11 given the number 5 --

12 **CHAIRMAN BRISÉ:** 513.

13 **MR. REHWINKEL:** 513? And a short title is  
14 supplemental response to OPC number 254.

15 (Exhibit 513 marked for identification.)

16 **CHAIRMAN BRISÉ:** Okay. Are there any  
17 objections to this exhibit?

18 **MR. RUBIN:** No objection.

19 **BY MR. REHWINKEL:**

20 **Q** Ms. Santos, before I ask you questions about  
21 this, are you familiar with this document other than me  
22 having provided it to your counsel prior to your cross?

23 **A** I need to take -- I need a little bit of time.

24 **Q** Yes.

25 (Pause.)

1           **A**     I believe that my, that I provided input to  
2 this document, but this is not one that I fully  
3 prepared. This has a lot of accounting related issues  
4 that are not under me.

5           **Q**     Let me ask you my questions and we'll see. I  
6 just have one question about one or two numbers on this  
7 page.

8           **A**     Okay.

9           **Q**     On this response. Can I ask you to turn to  
10 the attachment number 1, page 4 of 6, please, and I'm  
11 going to ask you a question relating solely to line 14,  
12 columns 8 and 9.

13          **A**     Okay.

14          **Q**     Do you see those?

15          **A**     Uh-huh.

16          **Q**     Okay. Would you agree with me that, pursuant  
17 to this supplemental response, that the smart meter  
18 investment at the end of the test year is \$573,000,885?

19          **A**     That is what this document shows as the plant  
20 balance for the end of the year.

21          **Q**     Okay.

22          **A**     I did not produce this document or that  
23 number. I provided the inputs, the capital expenditures  
24 that we would be doing, you know, throughout. So I did  
25 not provide -- I don't know if there were any changes to

1 this furthermore. So, you know, subject to all those  
2 things, that's what is on, on this piece of paper.

3 Q Do you have any reason to disagree with this  
4 being the amount of smart meters?

5 A It looks reasonable. It looks reasonable.

6 Q Okay. And do you have any reason to disagree  
7 with the amount of 563,000,285 in column 9, line 14, the  
8 13-month average?

9 A I would say the same answer.

10 Q Okay.

11 A Uh-huh.

12 Q Would, would it be based on the witness that's  
13 identified on this document as Robert E. Barrett, Jr.,  
14 would it be appropriate, more appropriate to ask him for  
15 specific verification of the accuracy of these numbers?

16 A Yes. Uh-huh.

17 Q Okay. Did -- are you aware of whether the  
18 company revised upward or downward the, the smart meter  
19 investment amount subsequent to the filing of the case?

20 A Yes. I know that, that we did do that. I'm  
21 not the witness that sponsored that.

22 Q Okay.

23 A That's why specifically I was saying that I  
24 wasn't sure there were any changes to that number  
25 because I know that, that we did make some changes, but

1 I'm not the witness.

2 Q Fair enough. Thank you.

3 A Yeah.

4 MR. REHWINKEL: Mr. Chairman, I would like to  
5 also now ask, ask questions of the witness with a  
6 demonstrative exhibit. This is a, an excerpt from the  
7 staff's composite exhibit 40. But for ease of  
8 questioning, I would like to pass this, this out. But  
9 it will not be needed -- it will not need a number.

10 CHAIRMAN BRISÉ: Sure.

11 MR. REHWINKEL: Nor will it need to be entered  
12 into the record again.

13 While the document is being passed out, Mr.  
14 Chairman, if I could just ask the witness.

15 BY MR. REHWINKEL:

16 Q Ms. Santos, are you familiar with the response  
17 to staff's interrogatory number 52?

18 A I would need to see it. I would need to see  
19 that.

20 Q Okay.

21 A I don't know what you're referring to.

22 (Pause.)

23 Okay.

24 Q Have you had a chance to review it?

25 A I'm sorry. Yes.

1 Q Okay. Are you familiar with this response?

2 A Yes. Uh-huh.

3 Q Would you agree with me that the first  
4 paragraph of this response indicates that smart meters  
5 are being, that the smart meters being installed are not  
6 capable of providing time-of-use rates?

7 A Yeah. I'm just having trouble with your word,  
8 the capable word. But, yes, in general I would agree  
9 with that.

10 Q In the second paragraph, could you please read  
11 the first sentence aloud?

12 A Sure. Sure. We said, therefore, FPL will  
13 still be required to install a different smart meter for  
14 the, for the residential time-of-use customer that is --  
15 I'm sorry -- a different smart meter for the residential  
16 time-of-use customer than is installed for the non-TOU  
17 customer.

18 Q Thank you. Isn't it also true that that  
19 paragraph indicates that FPL's current deployment plans  
20 are focused on the non-time-of-use residential smart  
21 meters, and that the time-of-use smart meters will not  
22 be deployed until the non-time-of-use smart meter  
23 deployment is completed?

24 A Yes.

25 Q Am I also correct in assuming that if at some

1 future time it is decided that FPL should switch to  
2 time-of-use rates for residential customers, it would  
3 have to replace the smart meters that are currently  
4 being deployed with new smart meters that are  
5 time-of-use capable?

6 A I think in general that is correct.

7 Q Okay. Now, in the final paragraph of this  
8 response, could you please read aloud the second to last  
9 sentence that begins with the words, "the customer  
10 charge," just kind of halfway down?

11 A I can do that. But just to clarify, that  
12 would be under Witness Deaton's area.

13 Q Okay.

14 A So I'll read it.

15 Q Okay.

16 A The customer charge worksheet on page 35 of  
17 Attachment 2 to MFR E-14 shows that the per unit costs  
18 for residential TOU meters is \$11.19 versus a per unit  
19 cost of \$7.21 for the RS-1 non-TOU meters.

20 Q Isn't it true that in your role within the  
21 company you are generally aware of this differential of  
22 about \$4?

23 A Yes.

24 Q Okay. And you would agree with me that it's  
25 approximately \$4, exactly \$3.98?

1           A     Yes.

2           Q     Okay.

3           A     That's what the math says.  Yes.

4           Q     Okay.  And you testified earlier to Ms., in  
5     response to Ms. Purdy that there are approximately  
6     4 million smart meters that will be deployed no later  
7     than the end of the test year; is that right?

8           A     Over, yes, over 4 million.  Uh-huh.

9           Q     Okay.  And assuming 4 million or more smart  
10    meters are installed and there is a cost differential of  
11    \$4 per unit, the incremental cost to install time-of-use  
12    capable meters instead of non time-of-use capable meters  
13    would be somewhat -- around \$16 million?

14          A     I'm not sure that that's the way that we would  
15    have to look at it, so I haven't done that analysis.

16          Q     Okay.  Well, my question --

17          A     I'm not sure that that's how, that you would  
18    use that customer charge and multiply it.  I'm not sure  
19    that that's the right way to do that analysis.  And I  
20    have, I have not done that analysis, so I don't want to  
21    agree with you on something that I haven't thought  
22    about.

23          Q     Okay.  Well, the per unit cost that's  
24    referenced in the sentence that you read aloud is, is  
25    a --



1           **A**    Uh-huh.  No.  I understand, I understand that  
2 that is the per unit cost.

3           **Q**    Okay.  What, what --

4           **A**    But that's based on a customer charge, and a  
5 lot of things go into that.  So I'm just not sure that  
6 that would be the right way to look at things.

7           **Q**    Okay.  Would Mr. Deaton be the right -- I  
8 mean, would Ms. Deaton be the right --

9           **A**    No.  I think that we would really need to, to  
10 look at that and address it and go through our, you  
11 know, a full analysis of what that would entail.

12          **Q**    Okay.  Is there anything -- well --

13          **A**    We haven't, we haven't done that.

14          **Q**    Okay.  You would agree that if you do switch  
15 residential customers and small business customers in  
16 the future from the non-time-of-use smart meters  
17 currently being deployed to the, to smart meters that  
18 are time-of-use capable, the total cost of the meters  
19 would be higher?

20          **A**    There will def -- there will be a cost  
21 associated with that initiative.

22          **Q**    Okay.  Can you tell me who at FPL made the  
23 final decision to deploy residential smart meters that  
24 are not time-of-use capable?

25          **A**    It was, it was a decision made by our

1 management team.

2 Q Including yourself?

3 A Yes.

4 MR. REHWINKEL: Okay. Thank you, Ms. Santos.

5 Those are all the questions I have.

6 Thank you, Mr. Chairman.

7 CHAIRMAN BRISÉ: Thank you, Mr. Rehwinkel.

8 Mr. --

9 MR. LAVIA: Lavia.

10 CHAIRMAN BRISÉ: Lavia.

11 MR. LAVIA: The Retail Federation has no  
12 questions. Thank you.

13 CHAIRMAN BRISÉ: All right.

14 Mr. Saporito.

15 MR. SAPORITO: Thank you, Mr. Chairman.

16 CROSS-EXAMINATION

17 BY MR. SAPORITO:

18 Q Good morning, Ms. Santos.

19 Ms. Santos, at page 4, lines 14 through 16 of  
20 your prefiled testimony, you state that the purpose of  
21 my testimony is to describe how FPL provides superior  
22 level of service to our customers, while at the same  
23 time maintaining a low and efficient -- low cost and  
24 efficient operations.

25 Is that correct, yes or no?

1           **A**     Yes.

2           **Q**     Ms. Santos, can you please describe to this  
3 Commission your understanding of exactly what superior  
4 means to FP&L?

5           **A**     Sure. To me superior means being better than  
6 what your customers expect. It means being better than  
7 what other utilities provide. We have lots of data that  
8 provides evidence of that through all the benchmarking  
9 that we do. As an example, the PA Consulting  
10 ServiceOne Award, which does exactly that amongst 24  
11 different measures of all the functions that I provide  
12 to our customers.

13                   So it's truly around benchmarking ourselves to  
14 others, and through data and key metrics being able to  
15 show that we are providing a superior level of service.

16           **Q**     Thank you. And does a superior level of  
17 service also mean that FPL will provide its customers  
18 with safe and reliable service at an affordable price,  
19 yes or no?

20           **A**     Superior level of service? I'm not -- it --  
21 can you say that again?

22           **Q**     Yes. Please, and I would, you know, just  
23 preface all my questions, I'm looking for a yes or no  
24 response, as required by the Prehearing Officer's order  
25 in this proceeding.

1 Does a superior --

2 **MR. RUBIN:** Excuse me, Mr. Chairman. I just  
3 object to that comment. If the witness can't answer it  
4 yes or no, she should have the freedom to be able to say  
5 that and then to provide obviously any brief  
6 explanation.

7 **CHAIRMAN BRISÉ:** Right. We've stated that if,  
8 if a question goes beyond just a simple yes or no, that  
9 there is the ability of the witness to provide an  
10 explanation to the answer, but specific to the question,  
11 but specifically to the question.

12 **MR. SAPORITO:** Yes. Yes, Mr. Chairman. I'm  
13 aware of that. I'm just asking for that preliminary yes  
14 or no.

15 **CHAIRMAN BRISÉ:** Understood.

16 **BY MR. SAPORITO:**

17 **Q** Ms. Santos, does a superior level of service  
18 also mean that FPL will provide its customers with safe  
19 and reliable service at an affordable price, yes or no?

20 **A** Yes.

21 **Q** Ms. Santos, do you understand that I am an FPL  
22 customer and a shareholder of stock in FPL's parent  
23 company, NextEra Energy, Inc., yes or no?

24 **A** Yes.

25 **Q** Ms. Santos, I live in an apartment complex

1 located in Jupiter, Florida. If I am not satisfied with  
2 FPL's superior service, can I switch my electrical  
3 provider to another utility, yes or no?

4 **A** No.

5 **Q** Ms. Santos, would you agree with me that FPL  
6 is a monopoly utility which has a protected service  
7 territory in Florida, yes or no?

8 **A** Yes. I think you, you asked these questions  
9 also to Mr. Silagy, so I don't know if they're  
10 repetitive.

11 **Q** I don't believe I asked you to make that  
12 evaluation.

13 **A** Okay.

14 **Q** Ms. Santos, would you agree with me that as a  
15 monopoly utility FPL has a duty to provide me with safe,  
16 reliable, and affordable electric power, yes or no?

17 **A** Can you repeat that, please?

18 **CHAIRMAN BRISÉ:** I'm going to --

19 **THE WITNESS:** Yeah. Those are the same  
20 questions he asked Mr. Silagy.

21 **CHAIRMAN BRISÉ:** Thank you. I'm going --  
22 yesterday we talked about being duplicitous and, and  
23 asking the same question. Today is Wednesday and we are  
24 on witness four. So in an effort to, to be efficient,  
25 if, if the information that is sought has already been

1 put into the record, then if we could move on to other  
2 issues, and that would be greatly appreciated.

3 **MR. SAPORITO:** And I understand, Mr. Chairman.  
4 I would just like the record to reflect that my specific  
5 question is not duplicative because it specifically  
6 applies to me as an independent customer of FP&L.

7 **MR. RUBIN:** Mr. Chairman, I think he asked  
8 that question yesterday.

9 **CHAIRMAN BRISÉ:** The question that you did not  
10 ask yesterday, if I recall properly, was the one about  
11 having an apartment at -- what, what did you say,  
12 what --

13 **MR. SAPORITO:** It was in Jupiter, Florida,  
14 sir.

15 **CHAIRMAN BRISÉ:** Within Jupiter, Florida.  
16 That was not posed yesterday. But the other questions  
17 were posed yesterday. So if you have questions that  
18 were not posed yesterday, you can ask those questions.

19 **MR. RUBIN:** And we'll stipulate that  
20 Mr. Saporito lives in an apartment in Jupiter. There's  
21 no need to question the witness on that.

22 **BY MR. SAPORITO:**

23 **Q** And, Ms. Santos, as a customer of FPL living  
24 in an apartment complex in Jupiter, Florida, does FPL  
25 have a duty to provide me with safe, reliable, and

1 affordable electric -- excuse me. I'll withdraw that  
2 question. I already asked that one.

3 Ms. Santos, would you agree with me that  
4 because I'm an FPL customer living in an apartment  
5 complex in Jupiter, Florida, that FPL has a duty to  
6 provide me with safe, reliable electric service, yes or  
7 no?

8 **MR. RUBIN:** Objection. Asked -- objection.  
9 Asked and answered of Mr. Silagy and of this witness a  
10 couple of times now.

11 **CHAIRMAN BRISÉ:** I would agree with that.

12 **MR. SAPORITO:** I'll withdraw it.

13 **BY MR. SAPORITO:**

14 **Q** Ms. Santos, at page 4, lines 18 to 21 of your  
15 prefiled testimony, you state that we are very proud  
16 that our many efforts to provide efficient and  
17 outstanding service to our customers have helped to keep  
18 FPL's typical residential bill the lowest of Florida's  
19 55 electric utilities and approximately 25% below the  
20 national average. Is that correct, yes or no?

21 **A** Yes.

22 **Q** What was the dollar amount the national  
23 average residential bill, which was relied upon by you  
24 or FPL in formulating your testimony that FPL's typical  
25 residential bill is approximately 25% below the national

1 average?

2 **MR. RUBIN:** Objection. Asked and answered of  
3 Mr. Silagy for quite a bit of time yesterday, and Mr.  
4 Reed as well.

5 **CHAIRMAN BRISÉ:** I would agree with that.  
6 That same question was posed.

7 **MR. SAPORITO:** I don't -- it wasn't posed by  
8 me. I didn't ask him the exact dollar amount of the  
9 national average electric bill, as I recall.

10 **CHAIRMAN BRISÉ:** Maybe if you restate the  
11 question.

12 **BY MR. SAPORITO:**

13 Q What's the dollar amount relied upon by you or  
14 FPL in formulating the opinion that FPL's typical  
15 residential electric bill is 25% below the national  
16 average?

17 **MR. RUBIN:** Mr. Chairman, I object. I think  
18 that very line of questions was covered ad nauseam with  
19 a couple of different witnesses.

20 **CHAIRMAN BRISÉ:** I'll allow this one question.

21 **THE WITNESS:** I do not have that information  
22 with me, but I believe it may have been in one of the  
23 exhibits in another witness's testimony. I'm not, I'm  
24 not sure. But I don't have that with me.

25 **BY MR. SAPORITO:**



1           **Q**     Ms. Santos, what was the amount of FPL's  
2 typical residential bill which was relied upon by you or  
3 FPL in formulating your testimony that FPL's typical  
4 residential bill is approximately 25% below the national  
5 average?

6           **MR. RUBIN:** Mr. Chairman, asked and answered.

7           **CHAIRMAN BRISÉ:** That has been asked and  
8 answered.

9           **BY MR. SAPORITO:**

10          **Q**     Ms. Santos, at page -- excuse me.

11                 Ms. Santos, at page 7, lines 13 to 17 of your  
12 prefiled testimony, you state that the spending in  
13 customer service is reasonable and necessary and  
14 supports FPL's need to increase base rates to a level  
15 that will allow us to support, allow us to continue  
16 providing high quality and value of service while at the  
17 same time keeping FPL's typical residential bill the  
18 lowest of Florida's 55 electric utilities. Is that  
19 correct, yes or no?

20          **A**     Yes.

21          **Q**     Ms. Santos, you made similar statements at  
22 FPL's last rate case where FPL was requesting to raise  
23 rates by approximately \$1.3 billion, yes or no?

24                 **MR. RUBIN:** If the, if the witness is going to  
25 be asked about her prior testimony, she should be able

1 to have an opportunity to review it.

2 **MR. SAPORITO:** I'm just asking her if she made  
3 similar statements. I'm not asking for her exact  
4 testimony here.

5 **CHAIRMAN BRISÉ:** Well, I think it's relatively  
6 fair that if you're asking her to refer to prior  
7 testimony, that she could maybe take a look at it.

8 **BY MR. SAPORITO:**

9 **Q** Okay. Absent a direct review of your  
10 testimony in the prior rate case, Ms. Santos, do you  
11 have a recollection of your prior testimony in this  
12 area?

13 **A** I would need to review it.

14 **Q** And over the years following the Commission's  
15 decision in FPL's last rate case, FPL has been  
16 recognized with several awards for providing superior  
17 customer service, yes or no?

18 **A** Yes.

19 **MR. RUBIN:** Mr. Chairman, he keeps prefacing  
20 the question with yes or no, yes or no, and you've  
21 already ruled that that is not the restriction on the  
22 witness.

23 **MR. SAPORITO:** It's in the Prehearing Order,  
24 Your Honor.

25 **CHAIRMAN BRISÉ:** We have asked the, the

1 witness, or any witness, that if a question requires a  
2 yes or no, that they offer the yes or no, and then move  
3 forward with a statement to clarify specifically what,  
4 what is entailed by that yes or no.

5 **MR. RUBIN:** Yes, sir.

6 **CHAIRMAN BRISÉ:** So the statement of requiring  
7 a yes or no is probably not necessary to preface the  
8 question, and I think it might be more efficient that  
9 way.

10 **MR. SAPORITO:** Well, that would make me  
11 rephrase all my questions, Your Honor, and I'm not  
12 prepared to do that at this time.

13 **CHAIRMAN BRISÉ:** You just remove the "yes or  
14 no" and then just ask the question.

15 **BY MR. SAPORITO:**

16 **Q** All right. In 2011, did FPL receive the  
17 ServiceOne Award from the worldwide consulting firm PA  
18 Consulting Group for an unprecedented eighth consecutive  
19 year?

20 **MR. RUBIN:** Objection. Asked and answered.

21 **CHAIRMAN BRISÉ:** Yes. That was asked by South  
22 Florida -- by FIPUG this morning.

23 **BY MR. SAPORITO:**

24 **Q** Since the decision was issued in the last FPL  
25 rate case, FPL has received a number of additional

1 awards from other leading industry associations, further  
2 validating the extremely high level of FPL's customer  
3 service; correct?

4 **MR. RUBIN:** Mr. Chairman, this is exactly the  
5 same line of questions that we heard this morning.

6 **CHAIRMAN BRISÉ:** It is. FIPUG asked those  
7 same exact questions.

8 **BY MR. SAPORITO:**

9 **Q** Since the Commission decision in the last FPL  
10 rate case, FPL's superior customer service was achieved  
11 through continuous process improvement in FPL's  
12 operations; correct?

13 **MR. RUBIN:** Mr. Chairman, we're happy to talk  
14 about our excellent service, but we've talked about it  
15 and it's been indicated this morning in response to a  
16 number of questions.

17 **CHAIRMAN BRISÉ:** But I think he can ask the  
18 customer service person that question.

19 **THE WITNESS:** Can you repeat it?

20 **BY MR. SAPORITO:**

21 **Q** Absolutely. Since the Commission decision in  
22 the last FPL rate case, FPL's superior customer service  
23 was achieved through continuous process improvement in  
24 FPL's operations; correct?

25 **A** Yes.

1           **Q**     And in the time period following the  
2 Commission's decision in the FPL, in the last FPL rate  
3 case, FPL has designed its care centers to ensure  
4 customer inquiries are answered promptly and accurately,  
5 and developed a best-in-class interactive voice response  
6 system which provides customers with the option to  
7 complete their interaction in a fully automatic manner;  
8 correct?

9           **A**     I, I need to clarify that. My testimony is  
10 not that we've only done those things since the last  
11 rate case. You know, several of those things were  
12 already in place and we've improved upon them and have  
13 continued to improve upon them.

14                   So your -- you say since the last rate case  
15 you did these things. I mean, you know, it's not really  
16 that way.

17           **Q**     Is it true that all pen -- all spending by FPL  
18 in customer service following the Commission's decision  
19 in FPL's last rate case was reasonable and necessary?

20                   **MR. RUBIN:** Let me just object. If he's  
21 asking about customer service, that's one thing. I  
22 think his question was much broader than that.

23                   **MR. SAPORITO:** My question is related to FPL  
24 spending in the customer service.

25                   **CHAIRMAN BRISÉ:** Okay. Then, then you need to

1 state that the spending within customer service was. I  
2 think you failed to mention that as you asked your  
3 question.

4 **MR. SAPORITO:** I'm not clear, sir.

5 **CHAIRMAN BRISÉ:** Restate your question  
6 referring to Ms. Santos' area that she's dealing with.

7 **BY MR. SAPORITO:**

8 **Q** Ms. Santos, you head up the FPL customer  
9 service department; true?

10 **A** Yes.

11 **Q** Okay. And in that department is it true that  
12 all spending by FPL in customer service following the  
13 Commission's decision in FPL's last rate case, it was,  
14 it was reasonable and necessary; is that correct?

15 **A** Yes.

16 **Q** FPL's spending -- excuse me. FPL's spending  
17 in customer service, in customer service was done  
18 without any additional increase in FPL's base rates; is  
19 that true?

20 **A** It you're talking about the last rate case,  
21 you are ignoring the fact that we did have a settlement  
22 agreement after that rate case. So my -- I would need a  
23 clarification to that question in order to answer it  
24 properly.

25 **Q** Absolutely. Subsequent to the settlement,

1 which I believe was \$75 million, if I'm not mistaken,  
2 subsequent to that settlement agreement --

3 **A** You are mistaken. The settlement was not  
4 \$75 million.

5 **Q** Excuse me. I didn't, I didn't ask you a  
6 question, I don't think.

7 **A** Sorry.

8 **MR. RUBIN:** And I'd like to move to strike,  
9 for the record.

10 **CHAIRMAN BRISÉ:** Yeah. I think that that is  
11 probably --

12 **THE WITNESS:** It's not appropriate.

13 **CHAIRMAN BRISÉ:** -- incorrect information with  
14 respect to, to the 75 million, and that comment should  
15 be stricken from the record.

16 **BY MR. SAPORITO:**

17 **Q** Let me ask you this way, Ms. Santos. After  
18 the settlement in the prior FPL rate case was completed,  
19 from that point on, FPL's spending of the customer  
20 service was done without any additional increase in  
21 FPL's base rates; is that correct?

22 **MR. RUBIN:** Objection. The question really  
23 doesn't make any sense. He just asked the question  
24 after the settlement which resolved that rate case. It  
25 just doesn't make any sense.

1           **MR. SAPORITO:** I just defined a period of time  
2 for, for the witness to focus on, Your Honor.

3           **CHAIRMAN BRISÉ:** I'm trying to process your  
4 question myself. If you could restate it, then it might  
5 help me in my ruling.

6           **MR. SAPORITO:** Okay.

7 **BY MR. SAPORITO:**

8           **Q** Ms. Santos, I'm going to give you a specific  
9 time period, which would be from the conclusion of  
10 settlement in the prior rate case to today. In that  
11 period of time, was FPL spending in the customer  
12 service, was that done without any additional increase  
13 in FPL's base rates?

14           **MR. RUBIN:** Same objection.

15           **CHAIRMAN BRISÉ:** I'll allow the response.

16           **THE WITNESS:** After the settlement we did not  
17 have a base rate increase, if that's what you are  
18 talking about.

19 **BY MR. SAPORITO:**

20           **Q** Yes. But --

21           **A** I don't understand the question.

22           **Q** Even absent, absent any additional base rate  
23 increase, FPL continued to spend in the customer service  
24 area to meet, to meet its needs; true?

25           **MR. RUBIN:** And that question was just asked



1 and answered.

2 **CHAIRMAN BRISÉ:** It was.

3 **BY MR. SAPORITO:**

4 **Q** Ms. Santos, is it, is it true that FPL  
5 believes it's critical that the company continue to  
6 invest today in order to secure benefits for its  
7 customers in the future?

8 **A** Yes.

9 **Q** And to further that objective, FPL's investing  
10 its smart grid technologies to create a smarter and more  
11 efficient electrical system for delivery of electricity;  
12 is that correct?

13 **A** Yes.

14 **MR. RUBIN:** Objection. That whole line of  
15 questions was asked and answered, Mr. Chairman. I think  
16 maybe that exact question.

17 **CHAIRMAN BRISÉ:** I don't know if that exact  
18 question was, was posed, so I'll allow a little bit of  
19 latitude here.

20 **THE WITNESS:** Yes.

21 **BY MR. SAPORITO:**

22 **Q** And smart meters are equipped with two-way  
23 communications, remote reading, and connection  
24 capabilities, and the ability --

25 **CHAIRMAN BRISÉ:** That was asked and answered.

1 OPC asked that question.

2 **BY MR. SAPORITO:**

3 Q And I believe you testified in response to  
4 some of OPC's questions related to smart meters about an  
5 energy dashboard that allows interaction with, by the  
6 customer with FPL's smart meters; is that true?

7 A I believe it was with South Florida Healthcare  
8 and Hospital Association.

9 Q And customers with activated smart meters can,  
10 can see what they are spending for electricity during  
11 those time intervals and obtain a projection of their  
12 next bill the average temperature for each day and  
13 correlate the impact of weather has on their energy  
14 uses; is that correct?

15 A That's correct, and that's also shown on one  
16 of my exhibits. The energy dashboard specifically is  
17 shown on one of my exhibits.

18 Q All right. Thank you. And would you agree  
19 with me that FPL customers without smart meters can  
20 simply look at the meter installed on their property and  
21 compare that usage against past bills to obtain a  
22 projection of their next bill?

23 **MR. RUBIN:** Let me object to the question.  
24 I'm not sure if, if Mr. Saporito is asking about  
25 somebody looking at the dial on their electromechanical

1 meter or -- I'm just not sure what he's asking about.

2 **MR. SAPORITO:** Your Honor, I think I was quite  
3 clear. You know, it's understood here, it's a given  
4 fact that every FPL customer has a meter on their  
5 property.

6 **CHAIRMAN BRISÉ:** I will allow the question.  
7 Go ahead and reask the question so Ms. Santos can hear  
8 it.

9 **BY MR. SAPORITO:**

10 **Q** Ms. Santos, would you agree with me that FPL  
11 customers without smart meters can simply look at the  
12 meter installed on their property and compare that usage  
13 against past bills to obtain a projection of their next  
14 bill?

15 **A** If a customer understands how to read a meter  
16 and is willing to go outside of their home and do that  
17 and do the mathematics associated with that, it's  
18 possible that someone could do that. I think it's very  
19 unlikely that customers would do that.

20 **Q** Well, Ms. Santos, are you aware that within  
21 the last approximately week or maybe two weeks that FPL,  
22 upon my request, removed my smart meter and replaced it  
23 with another usage meter which is digital, it gives a  
24 digital display of my usage? Are you aware of that?

25 **A** I am partly -- I am aware of that, that you

1 had requested that, yes.

2 Q So I can just go look at my FPL meter and it's  
3 going to tell me my usage immediately; isn't that not  
4 true?

5 A It's going to tell you your usage. But for  
6 you to calculate your, how much your next bill is going  
7 to be, you'd have to know the number of days that we're  
8 going to bill you, you're going to have to know  
9 information, you know, that -- you'd have to, you know,  
10 do all the calculations and things like that, so --

11 Q Well, are you complete? Well, let me ask you  
12 this, you know. I, you know, I'm not a college graduate  
13 but I do have a lot of reasoning capability, and I, I  
14 can -- can't I just look at my smart meter -- my digital  
15 meter, which is not a smart meter, take the number off  
16 of that, compare it to my past bills, because they, at  
17 FPL --

18 **CHAIRMAN BRISÉ:** You've asked that already.

19 **BY MR. SAPORITO:**

20 Q Ms. Santos, would you agree with me that FPL  
21 customers with smart -- with -- without smart meters can  
22 simply obtain the average temperature for a day during a  
23 billing cycle from any means and correlate the impact  
24 that weather has on their energy usage?

25 A Can you say that again?

1           **Q**     Sure.  Would you agree with me that FPL  
2 customers without smart meters can simply obtain the  
3 average temperature for a day during a billing cycle  
4 from any means and correlate the impact that weather has  
5 on their energy usage?

6           **A**     They could do that, and I would mention that I  
7 think that it would be inconvenient, difficult to keep  
8 track of.  Our energy dashboard provides all that  
9 information to our customers in a very convenient,  
10 simple way.  We've adjusted the temperature to make sure  
11 that it's the temperature in their zone, and it just  
12 makes it very convenient for our customers.

13          **Q**     Ms. Santos, customers who do not have access  
14 to the Internet or a smart meter can call FPL to speak  
15 to a customer service representative who will be able  
16 to, who will be able to review their usage on the phone  
17 and answer questions; is that correct?

18          **A**     Yes, that is correct.  That is information and  
19 functionality that we put in specially for our customers  
20 that do not have access to, to websites or are not  
21 inclined to use the Internet.

22          **Q**     Ms. Santos, would you agree with me that in  
23 order for FPL customers to benefit from FPL's online  
24 energy dashboard, the customers would have to have  
25 Internet access at their homes?

1           **A**     That is correct. They can call us and we can  
2 provide them with that information.

3           **Q**     And prior to FPL's decision to spend money in  
4 connection with the company's smart meter -- smart grid  
5 program, did FPL contact its customer base to ascertain  
6 whether or not customers had Internet access at their  
7 homes or businesses?

8           **MR. RUBIN:** Mr. Chairman, I object to this  
9 line of questions. Now he's getting into the question  
10 of the prudence of this program. This Commission found  
11 the program to be prudent in the last rate case and  
12 directed FPL to proceed without delay in installing  
13 smart meters.

14           **CHAIRMAN BRISÉ:** Yeah. I believe that the,  
15 the Prehearing Order dealt with those type of issues  
16 going back into whether, either a need determination or  
17 whether a decision, a prior decision by the Commission  
18 made sense or not. So if you can move on to the next  
19 question.

20 **BY MS. SANTOS:**

21           **Q**     Ms. Santos, is it true that FPL smart meters  
22 have the ability to interact with a customer's smart  
23 appliances to turn those appliances off or on so as to  
24 compensate FPL's load demand during peak operations?

25           **A**     They have that ability, but that has to be a

1 functionality that needs to be turned on. And so it's  
2 not something that happens automatically.

3 Q Prior to FPL's decision to spend money in  
4 connection with the company's smart meter program, did  
5 FPL contact its customer base to ascertain whether or  
6 not customers had smart appliances at their homes or  
7 businesses?

8 MR. RUBIN: Mr. Chairman, I object. We're  
9 getting into the prudence determination that has already  
10 been decided by this Commission.

11 CHAIRMAN BRISÉ: I would agree.

12 BY MR. SAPORITO:

13 Q Ms. Santos, to the best of your knowledge,  
14 approximately how many FPL residential customers have  
15 agreed to allow FPL to remotely control smart appliances  
16 in their homes via the FPL smart meter installed on a  
17 customer's property?

18 A We do not have that functionality available  
19 today. We do have a pilot of, I think it's about 250  
20 homes that we are conducting now where our customers  
21 have allowed us to do that, and we will be providing  
22 this Commission with the analysis of that pilot sometime  
23 next year.

24 Q Ms. Santos, FPL's customer service  
25 organization is responsible for the development and

1 execution of policies, processes, and systems related to  
2 contacts with its customers, including implementation of  
3 smart meters; is that correct?

4 **MR. RUBIN:** Let me object again. He is going  
5 down that same road of asking if there's a requirement  
6 to contact customers to install smart meters, when this  
7 Commission has already ordered FPL to do so after  
8 finding that the program was prudent.

9 **MR. SAPORITO:** No, that's not what the  
10 question was, Your Honor. I was just merely asking  
11 if -- she's in charge of the customer service, and I'm  
12 asking is part of that responsibility is contacts with  
13 its customers related to the, the policies, processes,  
14 and systems of their smart meters. It had nothing to do  
15 with any prior decision by this Commission.

16 **CHAIRMAN BRISÉ:** Okay. So if I'm  
17 understanding your question right, you're asking if her  
18 department is responsible for managing customer  
19 relations.

20 **MR. SAPORITO:** Yes.

21 **CHAIRMAN BRISÉ:** Is that your question?

22 **MR. SAPORITO:** Yes, sir.

23 **CHAIRMAN BRISÉ:** Okay. I will allow that  
24 question.

25 **BY MS. SANTOS:**



1 Q Can you answer that question, Ms. Santos?

2 A Yes. My department handles customer  
3 relations.

4 Q And how many FPL customers have contacted FPL  
5 and requested to have the FPL smart meter removed from  
6 their property?

7 MR. RUBIN: Mr. Chairman, I object to this  
8 entire line of questioning. You made it very clear in  
9 the quality of service hearings that issues related to  
10 smart meters, including this question of opting out and  
11 many other questions, would be addressed by this  
12 Commission, not in the rate case, but in, at least  
13 initially in a workshop that has been set for  
14 September 20th. So I would object to any questions on  
15 this issue.

16 MR. SAPORITO: Mr. Chairman, this question  
17 goes to FPL's rate request in this docket because it  
18 goes to the amount of revenues either saved or expensed  
19 by this Company that they're requesting to continue  
20 their program.

21 CHAIRMAN BRISÉ: And restate your question for  
22 me.

23 BY MR. SAPORITO:

24 Q How many FPL customers have contacted FP&L and  
25 requested to have the FPL smart meter removed from their

1 property?

2 **MR. RUBIN:** And I voice the same objection.  
3 This directly is related to what has been called an  
4 opt-out request, and it is the subject of a workshop  
5 coming up and not the subject of this case.

6 **CHAIRMAN BRISÉ:** I would agree.

7 **BY MR. SAPORITO:**

8 **Q** Ms. Santos, how many FPL customers have  
9 contacted FPL and requested that FPL not install a smart  
10 meter on their property?

11 **MR. RUBIN:** Mr. Chairman, it's the same  
12 question.

13 **CHAIRMAN BRISÉ:** Same question, different --  
14 it's the same question, different issue. If you can  
15 move on.

16 **BY MR. SAPORITO:**

17 **Q** Ms. Santos, I'm going to ask you some  
18 questions in a different area now.

19 Ms. Santos, is it true FPL staff members work  
20 closely with social services to assist customers in  
21 need?

22 **A** Yes, that is true.

23 **Q** In fact, would you agree with me that in 2011  
24 FPL coordinated nearly 182,000 assistance payments  
25 received from numerous agencies, representing

1 approximately 49 million toward low income customer  
2 electric bills?

3 **A** Yes.

4 **Q** Ms. Santos, is it true that FPL coordinated,  
5 coordinated assistance payments of approximately  
6 \$49 million following the Commission's decision in the  
7 last FPL rate case?

8 **A** I, I don't understand your question. We, that  
9 \$49 million is for 2011, what we coordinated. I thought  
10 that's what you had asked earlier, so I'm not sure  
11 that -- can you clarify?

12 **Q** I think you answered my question.

13 Would you agree with me that if the Commission  
14 had ordered FPL to lower base rates during FPL's late,  
15 last rate case, that FPL's coordinated assistance  
16 payments would have been less than \$49 million?

17 **MR. RUBIN:** Objection. It's purely  
18 speculative. There's no foundation to the question.

19 **MR. SAPORITO:** Your Honor, I think I laid a  
20 proper foundation, because this witness testified that  
21 FPL coordinated the activities of these organizations to  
22 provide 40 million, \$49 million of assistance to low  
23 income customers. And so the question posited is, well,  
24 if the Commission had required FPL to lower its base  
25 rates at the last FPL rate case, those customers would

1 have had more money in their pockets. They may not have  
2 needed that assistance.

3 **CHAIRMAN BRISÉ:** I think I will agree with,  
4 with FPL on that, that that requires a lot of  
5 speculation on her part as to what customers would do  
6 with their money.

7 **BY MR. SAPORITO:**

8 **Q** Ms. Santos, is it reasonable for this  
9 Commission to believe that any increase in FPL's base  
10 rates at this time would increase the dollar amount of  
11 assistance payments to FPL customers coordinated by FPL?

12 **A** Not necessarily. The, the monies that we are  
13 coordinating to help our customers get are monies from,  
14 mostly are monies from the federal government. So there  
15 are monies that are available through the Low Income  
16 Home Energy Assistance Program. So it really depends, a  
17 lot of it depends on the funding that is available by  
18 the federal government.

19 **Q** Thank you, Ms. Santos, for that response.

20 Ms. Santos, on page 16 of your prefiled  
21 testimony, at lines 6 through 20, you were testifying in  
22 response to a question which was posited to you that you  
23 elaborate on the customer services that FPL provides to  
24 its customers over the Internet; is that correct?

25 **A** Which lines are you talking about? I'm sorry.

1           Q     On page 16, lines 16 to 20. Were you -- in  
2 your testimony in that area were you responding to a  
3 question that stated, would you elaborate on the  
4 customer services that FPL provides to its customers  
5 over the Internet?

6           A     So on the Internet our customers can connect  
7 their service?

8           Q     No. No, ma'am. I'm asking you --

9           A     I thought you said to elaborate.

10          Q     -- a specific question here. I'm saying, if  
11 you would turn to page 16.

12          A     Okay.

13          Q     Look at lines 6 through 20.

14          A     Okay.

15          Q     Those, that specific testimony, you were  
16 responding to the question just ahead of that testimony,  
17 which states, would you elaborate on the customer  
18 services that FPL provides to its customers over the  
19 Internet? Isn't that what your testimony was for?

20          A     Yes.

21          Q     Okay. Thank you. Would you agree with me  
22 that only FPL customers who have access at their homes  
23 or businesses would benefit from any FPL customer  
24 services that FPL provides to its customers over the  
25 Internet?

1           **CHAIRMAN BRISÉ:** Asked and answered already.

2           **MR. SAPORITO:** Well, that related, Your Honor,  
3 from my recollection -- my prior question was with her  
4 dashboard. But her testimony in this area talks about  
5 many services.

6           **CHAIRMAN BRISÉ:** Your prior question asked  
7 about access to the Internet and whether customers could  
8 access their services --

9           **MR. SAPORITO:** All right.

10          **CHAIRMAN BRISÉ:** -- via the Internet. So this  
11 is the same question.

12          **MR. SAPORITO:** Okay.

13          **CHAIRMAN BRISÉ:** I'm going to take a  
14 ten-minute break at this time. I'm going to ask that we  
15 do that at this time. I need a ten-minute break. Okay?  
16 So we will reconvene in ten minutes.

17                   (Recess taken.)

18           All right. We're going to reconvene at this  
19 time. We are still on Docket Number 120015-EI, Witness  
20 Santos, and Mr. Saporito was in the process of  
21 cross-examination.

22          **MR. SAPORITO:** Ms. Santos, I have no further  
23 questions for you. Thank you.

24          **CHAIRMAN BRISÉ:** All right. Thank you.  
25 Mr. Hendricks.

1                   **MR. HENDRICKS:** I will be brief.

2                                   **CROSS-EXAMINATIONS**

3                   **BY MR. HENDRICKS:**

4                   **Q**     I just wanted to ask you a couple of  
5 clarifying questions about the smart meter dialogue that  
6 you had with Public Counsel here a few moments ago.

7                             I understood in one of your first responses  
8 that you indicated that the limitations on the smart  
9 meter usage for time-of-day billing was related to the  
10 back office systems. Is that correct?

11                   **A**     I'm glad you're giving me the opportunity to,  
12 to clarify.

13                             So the smart meters themselves are capable of  
14 doing the time-of-use -- giving us the time-of-use  
15 information required for our customers to be on the  
16 time-of-use rate. However, we would need to change our  
17 back office systems to be able to do that. We have not  
18 done an assessment of, as to how much that would cost or  
19 what that would entail.

20                             If we -- another option would be to install a  
21 different smart meter that could do that functionality  
22 without us having to do anything to our back office  
23 system.

24                             So there's really two different ways that we  
25 could handle it. We have not done an assessment as to

1 which one is the most cost-effective, so we have not  
2 done that analysis.

3 Q Okay. Thank you. I understand your position  
4 now.

5 MR. HENDRICKS: That's all.

6 CHAIRMAN BRISÉ: Okay. Thank you, Mr.  
7 Hendricks.

8 Staff.

9 CROSS-EXAMINATION

10 BY MS. BROWN:

11 Q Just one question, Ms. Santos.

12 Historically during a rate case proceeding or  
13 after a rate increase does FPL experience an increase in  
14 customer complaints?

15 A What customer complaints are truly tied into  
16 are when, if bills go up, customer bills go up  
17 significantly. So usually, you know, a couple of a  
18 percent increase in customer bills will not, we won't  
19 see an increase in customer complaints with that. But  
20 if there is a significant increase in our customers'  
21 bills, be it because of weather or rate changes or  
22 whatever may be the cause, we usually do see an increase  
23 in customer complaints for that.

24 MS. BROWN: Okay. Thank you. That's all we  
25 have.



1           **CHAIRMAN BRISÉ:** Thank you. Okay. Thank you,  
2 staff.

3           Commissioner Brown.

4           **COMMISSIONER BROWN:** Thank you.

5           I just have one question for you, Ms. Santos,  
6 and thanks for appearing here today and for your  
7 testimony. I think it is excellent that FPL offers its  
8 customers a variety of billing and payment options,  
9 especially in these hard times, but I just wanted to  
10 hear a little bit more about your payment options that  
11 FPL deploys, other than the location of, of payment  
12 centers, things like that.

13           **THE WITNESS:** Okay. Sure. So our customers  
14 can pay online, which is a wonderful option. They can  
15 pay by phone. If they pay by phone, they can also pay  
16 with their -- they can pay with their checking account.  
17 We also offer a credit card option for our customers.

18           We have several payment plans that we can put  
19 our customers on, like budget billing, where we average  
20 out their billing amount for the last 12 months so that  
21 they receive a levelized bill and don't get, you know,  
22 in the summer don't get bigger bills than the rest of  
23 the year. So for budgeting it's good.

24           For our low income and senior customers we  
25 have, also have a program called 62 Plus, where our

1 customers can choose to pay their bills closer to, like,  
2 their Social Security payments and things like that, so  
3 that we can help them with the timing of when they pay  
4 their bills.

5 **COMMISSIONER BROWN:** Thank you. I think  
6 that's great.

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

8 **CHAIRMAN BRISÉ:** Commissioner Balbis.

9 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.  
10 And good to see you again, Ms. Santos.

11 **THE WITNESS:** Thank you.

12 **COMMISSIONER BALBIS:** We were all part of the  
13 traveling road show, so we're all familiar faces. I  
14 have a few questions for you. I'm not sure if you were  
15 here for Witness Reed's or Silagy's testimony.

16 **THE WITNESS:** I watched them. Uh-huh.

17 **COMMISSIONER BALBIS:** Okay. I had a few  
18 questions for each of them concerning costs, et cetera.

19 **THE WITNESS:** Uh-huh.

20 **COMMISSIONER BALBIS:** So my question for you  
21 is that you indicate in your testimony that costs for  
22 several functional areas, customer accounts, customer  
23 service and sales, are below the PSC benchmark. My  
24 question is how do those costs compare to last year and  
25 the year before? Are they trending up, are they going

1 down, or are they staying the same?

2 **THE WITNESS:** I really -- I would need to take  
3 a look -- I don't have -- let's see. So some of those  
4 costs have been trending up and some have been trending  
5 down. So depending on which functional area we're  
6 talking about, I would have a different answer. So, for  
7 example, our meter reading costs are trending down as a  
8 result of our smart meter deployment project.

9 **COMMISSIONER BALBIS:** I'm sorry to interrupt.  
10 Is that, would that be within the customer service  
11 functional area?

12 **THE WITNESS:** Yes.

13 **COMMISSIONER BALBIS:** Okay. Go ahead.

14 **THE WITNESS:** Am I answering, am I going down  
15 the right path?

16 **COMMISSIONER BALBIS:** Yes. No. That's,  
17 that's good. I'm sorry.

18 **THE WITNESS:** I just want to be sure. So  
19 meter reading costs are going down. The customer  
20 billing costs also have been trending down. We have  
21 been doing a whole lot of work there with getting our  
22 customers on e-mail bill, as an example. We've been  
23 saving a lot of money for our customers in that area by  
24 doing that, savings in postage, savings in paper. So in  
25 that area our customer -- our costs are coming down. In

1 the area of customer care, they're probably close to  
2 flat, maybe increasing a little bit.

3 So does that give you an idea?

4 **COMMISSIONER BALBIS:** It does. But if you can  
5 focus on the functional areas, because in the C-41  
6 document in the MFR --

7 **THE WITNESS:** Oh, if you tell me where to look  
8 at specifically, yes.

9 **COMMISSIONER BALBIS:** Well, you referenced  
10 C-41 of the MFR, and in that schedule it indicates  
11 customer accounts for the test year is 150,260,000.

12 **THE WITNESS:** I need, I need that schedule,  
13 if, if you could, please.

14 **COMMISSIONER BALBIS:** Okay. Well, and I  
15 don't, I don't think the schedule is that important. I  
16 mean, if you have it, that'd be great, but --

17 **THE WITNESS:** Okay.

18 **CHAIRMAN BRISÉ:** I think Mr. Butler is on his  
19 way to provide the schedule.

20 **THE WITNESS:** Sure. And I'd like -- I'd  
21 rather know what I'm looking at.

22 Okay. So this is just for the projected test  
23 year. So this doesn't show the historical data that  
24 you're talking about.

25 **COMMISSIONER BALBIS:** Right. And that's my

1 question to you. For each functional area is it  
2 trending upwards in total? And I understand there's,  
3 there's individual costs, and you're using a projected  
4 test year of 2013. So maybe it would be easier to ask  
5 you for 2012 or 2011, are your costs below that, above  
6 that, or the same?

7 **THE WITNESS:** Commissioner Balbis, I would be  
8 happy to provide you that information. I don't have  
9 that data with me.

10 These are not -- just so that you know, these  
11 functional ways of looking at data is not the way that  
12 we do our budgets. So, so that's --

13 **COMMISSIONER BALBIS:** Okay. So then as far as  
14 your budget, is your budget going to be increased in  
15 2013 or decreased or the same?

16 **THE WITNESS:** It's increasing.

17 **COMMISSIONER BALBIS:** Okay. And, and what is  
18 the cause of those increases and what are customers  
19 getting for that increased cost?

20 **THE WITNESS:** Sure. Well, that's what I  
21 was -- so for, as an example, from 2011 to 2013, as far  
22 as my budget is increasing by about \$13 million. And of  
23 that \$13 million, \$11 million is related to  
24 uncollectible accounts. So it's a bad debt and the  
25 provision adjustment associated with those. There's

1 about \$7 million for the smart meter project, about  
2 \$3 million for customer service field operations, and  
3 then I've got some \$10 million reduction in meter  
4 reading, as I was talking to you about earlier. I have  
5 close to a \$2 million reduction in customer billing.

6 **COMMISSIONER BALBIS:** You indicated the  
7 \$13 million increase, and 11 million of that is  
8 unrecoverable accounts?

9 **THE WITNESS:** Eleven.

10 **COMMISSIONER BALBIS:** What is the other  
11 2 million?

12 **THE WITNESS:** There's things that are going up  
13 and down.

14 **COMMISSIONER BALBIS:** Okay.

15 **THE WITNESS:** So, so, for example -- so, for  
16 example, I've got over \$12 million that are going down  
17 between meter reading and customer billing. And then  
18 I've got a smart meter project that's going up 7, over  
19 \$7 million, and a couple of other items that are also  
20 going up by several million dollars.

21 So there's moving parts. It's, it's not one  
22 thing that I can tell you, oh, this thing is the one  
23 that's \$2 million. It's, it's a combination of things  
24 going up and going down.

25 **COMMISSIONER BALBIS:** And is there an increase

1 in salaries and benefits for your employees included as  
2 one of those items that are going up?

3 **THE WITNESS:** Yes. Based on our company  
4 assumptions on salary increases.

5 **COMMISSIONER BALBIS:** Okay. And I asked  
6 Mr. Silagy this question and he gave a good general  
7 overview of the culture of FPL as far as cost savings.  
8 Can you give me a specific example of what has been done  
9 in your departments to control costs?

10 **THE WITNESS:** Yes, definite. So a couple of  
11 examples in our area, one of the key things that we have  
12 focused on to reduce cost is customer self-service. And  
13 so with that as an example, our interactive voice  
14 response system, which handles customers' inquiries in  
15 an automated fashion, we calculated, we calculate has  
16 saved our customers, based on 2011, about \$16 million.

17 Our billing and payment options, programs like  
18 e-mail billing, which is a very cost-effective method,  
19 has also saved our customers -- hold on, I've got it  
20 here -- has also saved our customers about \$6 million.  
21 So that's something that I think it's great.

22 And I can tell you from a customer  
23 satisfaction perspective, these are things that not only  
24 reduce costs but also increase satisfaction. So it's a,  
25 it's a real win-win for our customers.

1 Another example is our web applications. So  
2 the fact that we've been able to automate several of our  
3 services and transactions on the website have also saved  
4 our customers. We're estimating that that has saved our  
5 customers in a conservative manner close to \$3 million.

6 **COMMISSIONER BALBIS:** Okay. Thank you.  
7 That's all I had.

8 **CHAIRMAN BRISÉ:** Any further questions from  
9 Commissioners?

10 Okay. Redirect, Mr. Rubin.

11 **MR. RUBIN:** Very briefly. Thank you, Chairman  
12 Brisé.

13 **REDIRECT EXAMINATION**

14 **BY MR. RUBIN:**

15 **Q** Ms. Santos, let me just ask you a few  
16 questions. Mr. Hendricks asked you just now about the  
17 smart meters, and I just want to make sure we're clear  
18 on the record.

19 The smart meters that FPL is installing are  
20 capable of supporting the time-of-use rates if we were  
21 to change the back office systems; correct?

22 **A** Yes.

23 **Q** Okay. You were asked a few times about the  
24 smart meters and the numbers. When you filed your  
25 testimony, we had installed approximately 3 million.



1       Could you just update the Commission on where we stand  
2       now in terms of your installations?

3           **A**     We're at about 3.7 million.

4           **Q**     The Hospital Association asked you some  
5       questions regarding Exhibit 511, which is OPC's 9th set  
6       of interrogatories, number 177.  Could you find that and  
7       take a look at it for me, please.

8           **A**     You said 177?

9           **Q**     Yeah.  It was OPC's 9th set of  
10       interrogatories, number 177.

11          **A**     Yes.  Uh-huh.

12          **Q**     All right.  And I believe you were asked by  
13       the Hospital Association's lawyer to read the last  
14       paragraph that addressed the recently implemented IVR;  
15       correct?

16          **A**     Yes.

17          **Q**     Can you just explain to the Commission what  
18       the IVR is and how that differs from the dashboard that  
19       you talked about.

20          **A**     Sure.  Our interactive voice response unit is  
21       a system that, when our customers call our care centers,  
22       it's a system that answers the call.  And so what we did  
23       with the smart meter information was that we put into  
24       that system the projected bill amount and several other  
25       key information that we are now able to give to our

1 customers that we're getting as a result of having smart  
2 meters so that customers that do not have access to the  
3 website or just want to very quickly call us and get an  
4 estimate of what their next bill is going to be, based  
5 on very accurate daily readings of their usage, will be  
6 able to do so.

7 Q So that -- what you've just described is  
8 something that's available, somebody could pick up the  
9 phone and call and get that information; correct?

10 A That is correct.

11 Q Now separate and apart from that, you've  
12 talked about the online energy dashboard and we've,  
13 we've blown up from Exhibit MMS-5, which is in,  
14 identified as 165, a couple of pages. Could you just go  
15 ahead and walk us through what that online energy  
16 dashboard makes available to the customer?

17 A Sure. So the --

18 MS. PURDY: Mr. Chairman, we're not sure which  
19 specific question this relates to on redirect.

20 MR. RUBIN: Should I respond?

21 CHAIRMAN BRISÉ: Sure.

22 MR. RUBIN: Counsel asked about the IVR and  
23 then asked about the percentage of people that were  
24 using the online energy dashboard. It goes directly to  
25 the online energy dashboard.

1                   **CHAIRMAN BRISÉ:** Okay. I think I'll allow it.

2                   **THE WITNESS:** Okay. So the energy dashboard  
3 displays for our customers their energy usage. This one  
4 in particular is doing it by the day, so that's what  
5 these bars are. They can also choose to see by the  
6 month or by the hour. And here is the temperature, so  
7 we're actually plotting the temperature for their area  
8 so that they can get a feel for whether temperature is  
9 impacting their bill.

10                   And so, and also we're also telling them how  
11 much it's costing them every day for their energy that  
12 they're using.

13                   And this is the section that I was talking to  
14 you about the estimated, estimated bill. So it says  
15 estimate my next bill, and we're giving the customer a  
16 projection of how much their bill will be next month, so  
17 no more surprises when they open up the envelope. And  
18 we think this is a wonderful function, functionality for  
19 our customers.

20                   And then here we just have the typical things  
21 that we normally have as far as the details of their  
22 account. And then they can also do comparisons of their  
23 usage. They can compare the, you know, last month, they  
24 can compare, you know, different days, hours. So lots  
25 of comparison functions also.

1           **MR. RUBIN:** Thank you. I have no other  
2 questions.

3           **CHAIRMAN BRISÉ:** All right. Thank you.  
4 At this time we'll deal with exhibits.

5           **MR. RUBIN:** FPL would move Exhibits 161  
6 through 166 into the record.

7           **CHAIRMAN BRISÉ:** Okay. Any objections?  
8 Okay. Seeing none, 160 --

9           **MR. RUBIN:** 161 through 166.

10           **CHAIRMAN BRISÉ:** 161 through 166.  
11 (Exhibits 161 through 166 admitted into the  
12 record.)

13           **MS. PURDY:** SFHHA would like to move in  
14 hearing exhibits marked numbers 511 and 512.

15           **CHAIRMAN BRISÉ:** Okay.

16           **MR. RUBIN:** No objection.

17           **CHAIRMAN BRISÉ:** All right. 511 and 512 would  
18 be moved into the record.

19           (Exhibits 511 and 512 admitted into the  
20 record.)

21           Office of Public Counsel?

22           **MR. REHWINKEL:** Public Counsel moves 513.

23           **CHAIRMAN BRISÉ:** Okay. 513 from Office of  
24 Public Counsel will be moved into the record.

25           **MR. RUBIN:** No objection.

1 (Exhibit 513 admitted into the record.)

2 **CHAIRMAN BRISÉ:** Okay. I don't think there  
3 were any other exhibits for this witness at this time.

4 **MR. YOUNG:** No, sir.

5 **CHAIRMAN BRISÉ:** All right. Thank you very  
6 much.

7 **MR. RUBIN:** Thank you, Mr. Chairman.

8 **CHAIRMAN BRISÉ:** Thank you, Ms. Santos.

9 **THE WITNESS:** Thank you.

10 **MR. REHWINKEL:** Mr. Chairman, before the next  
11 witness is called --

12 **CHAIRMAN BRISÉ:** Sure.

13 **MR. REHWINKEL:** -- I just want to state that  
14 the Public Counsel is exploring a resolution to  
15 facilitate the request that the Chair made with respect  
16 to the operational witnesses of FPL. So we will  
17 continue to work on that. I would ask if perhaps we  
18 could be given just a few more minutes for lunch to talk  
19 about that with the other parties.

20 **CHAIRMAN BRISÉ:** Sure.

21 **MR. REHWINKEL:** We also would be asking the  
22 parties to consider allowing the Public Counsel's  
23 witnesses who have to travel from around the country to  
24 start no -- on -- at a no sooner than time, and we would  
25 like to discuss that with the parties. I don't want

1 to --

2 **CHAIRMAN BRISÉ:** Sure. Sure.

3 **MR. REHWINKEL:** I just want to alert you that  
4 we may ask that as part of these discussions. Thank  
5 you.

6 **CHAIRMAN BRISÉ:** Understood. Thank you. And,  
7 you know, those are you all's discussion and at some  
8 point you all will provide me an update and then we'll  
9 go from there. But thank you for, for the update.

10 Our next witness is Roxane Kennedy.

11 **MR. RUBIN:** Mr. Chairman, counsel to my left  
12 reminded me that I did not ask for the witness to be  
13 excused for her direct.

14 **CHAIRMAN BRISÉ:** Yes. The witness may be  
15 excused for her direct.

16 **MR. RUBIN:** Thank you very much.

17 **CHAIRMAN BRISÉ:** All right.

18 **MR. RUBIN:** Thank you.

19 **MR. DONALDSON:** Kevin Donaldson on behalf of  
20 Florida Power & Light.

21 **CHAIRMAN BRISÉ:** Okay.

22 **MR. DONALDSON:** I don't believe the witness  
23 has been sworn, Mr. Chairman.

24 **CHAIRMAN BRISÉ:** All right.

25 (Witness sworn.)

1 Whereupon,

2 **ROXANE KENNEDY**

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

6 **DIRECT EXAMINATION**

7 **BY MR. DONALDSON:**

8 **Q** Can you please state your name and business  
9 address.

10 **A** My name is Roxane Kennedy, and my business  
11 address is 700 Universe Boulevard, Juno Beach, Florida.

12 **Q** And by whom are you employed and in what  
13 capacity?

14 **A** I'm employed by Florida Power & Light. I'm  
15 the Vice President of Power Generation Operations, the  
16 nonnuclear section of generation.

17 **Q** Are you the same Roxane R. Kennedy that  
18 prepared and caused to be filed 29 pages of direct  
19 prefiled testimony in this matter?

20 **A** Yes, sir, I am.

21 **Q** Do you have any changes or revisions to that  
22 direct prefiled testimony?

23 **A** No, sir, I do not.

24 **Q** If I was to ask you the same questions that  
25 were articulated in your direct and prefiled testimony,

1 would your answers be the same?

2 **A** Yes, sir, they would be.

3 **MR. DONALDSON:** Chairman Brisé, I would ask  
4 that Ms. Kennedy's direct prefiled testimony be entered  
5 into the record as though read.

6 **CHAIRMAN BRISÉ:** Okay. We will enter  
7 Ms. Kennedy's prefiled testimony into the record as  
8 though read.

9 Any objections?

10 Okay. Seeing none.

11 **BY MR. DONALDSON:**

12 **Q** Ms. Kennedy, have you also attached exhibits  
13 to your direct prefiled testimony?

14 **A** Yes, sir, I have.

15 **Q** And those exhibits consist of ten pages  
16 entitled RRK-1 through RRK-10, which are identified on  
17 staff's exhibit list as 167 to 176; is that correct?

18 **A** Yes, sir.

19 **MR. DONALDSON:** Mr. Chairman, I'll just ask  
20 that these exhibits have already been premarked for  
21 identification purposes.



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23

## I. INTRODUCTION

**Q. Please state your name and business address.**

A. My name is Roxane R. Kennedy, and my business address is 700 Universe Boulevard, Juno Beach, Florida, 33408.

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

A. I am employed by Florida Power & Light Company (“FPL” or the “Company”) as Vice President of Power Generation Operations.

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

A. I am responsible for the overall management and direction of the non-nuclear power plants for the Company. This fleet consists of more than 20,000 megawatts (“MW”) of electric generating capability including traditional fossil fuel fired steam boilers, and combined cycle, aero-derivative and large frame simple cycle combustion turbine (“CT”) technologies.

**Q. Please describe your educational background and professional experience.**

A. My professional background with FPL involves technical, managerial and commercial experience in progressively more demanding assignments over 25 years. I received a Bachelors degree in Chemical Engineering from the University of Florida in 1985. I am a Registered Professional Engineer in Florida and have held my license for over 14 years. Between 1985 and 2008, I held various staff, technical, maintenance, operating and business management roles at several FPL and NextEra Energy Resources’ sites. In

1 March 2009, I became the FPL Power Generation Division (“PGD”) Director,  
2 and subsequently Vice President of Production Assurance and Business  
3 Services where I was responsible for providing production standardization and  
4 commercial management of PGD’s generating fleet. In January 2010, I  
5 assumed my current position as Vice President of FPL’s Power Generation  
6 Operations with more than 700 employees.

7 **Q. Are you sponsoring any exhibits in this case?**

8 A. Yes. I am sponsoring the following exhibits:

9 RRK-1, Summary of MFRs Sponsored and Co-sponsored by Roxane R.  
10 Kennedy

11 RRK-2, FPL Fossil Generating Capability and Mix Changes

12 RRK-3, FPL Fossil Performance Improvements

13 RRK-4, FPL Fossil Net Heat Rate Comparison

14 RRK-5, FPL Fossil Availability Comparison

15 RRK-6, FPL Fossil Forced Outage Rate Comparison

16 RRK-7, FPL Fossil Total Non-Fuel O&M Production Cost Comparison

17 RRK-8, FPL Fossil Emission Rate Reductions

18 RRK-9, Drivers of 2013 Base O&M Benchmark Variance

19 RRK-10, FPL Fossil Capacity-Managed per Employee Improvements

20 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements**  
21 **(“MFRs”) filed in this case?**

22 A. Yes. Exhibit RRK-1 contains a listing of the MFR schedules that I am  
23 sponsoring or co-sponsoring.

24

1 **Q. What is the purpose and key points of your testimony?**

2 A. The purpose of my testimony is to communicate FPL's fossil fleet  
3 performance in providing efficient, reliable and cost-effective service for our  
4 customers. My testimony addresses three major areas: (1) FPL's fossil  
5 generating fleet performance; (2) FPL's fossil fleet non-fuel operating and  
6 maintenance ("O&M") expenses and (non-construction) capital additions; and  
7 (3) the construction cost and Test Year non-fuel O&M costs of placing an  
8 additional nominal 1,200 MW of generating capacity into commercial  
9 operation in 2013, with the completion of the Canaveral Modernization  
10 Project.

11

12 The Power Generation Division is responsible for the operation and  
13 maintenance of FPL's fossil power plants. Through its leadership,  
14 management systems and processes, the Power Generation Division has  
15 helped successfully defer the need for new generating units and avoid costs by  
16 improving the operating performance of FPL's existing fossil fleet for the  
17 benefit of FPL's customers. Additionally, FPL's fossil fleet performance has  
18 consistently exceeded fossil industry performance averages and frequently  
19 ranked "Top Decile" or "Best-in-Class" among our large electric utility fossil  
20 fleet peers.

21 **Q. Please summarize your testimony.**

22 A. In just over 20 years, FPL's fossil fleet capacity will have nearly doubled from  
23 10,700 MW in 1990 to 20,800 MW in 2013 with the completion of the

1 Canaveral Modernization Project, and evolved from older conventional steam  
2 technology to primarily modern combined cycle technology. Based on the  
3 Federal Energy Regulatory Commission's ("FERC") Electric Power  
4 classifications of fossil Steam Production (e.g., conventional boiler based  
5 units) and Other Production (e.g., combustion turbine based units), FPL's  
6 fossil capacity will have been distinctively transformed over the same period  
7 from approximately an 80:20 mix to a 20:80 mix of "Steam" vs. "Other" (see  
8 Exhibit RRK-2).

9  
10 It's worth noting that FPL's fossil generation fleet is managed as a combined  
11 portfolio of units for availability, reliability and cost with centralized support  
12 from technical services (engineering/environmental/quality), maintenance  
13 planning/execution, production assurance and business services. This  
14 streamlined approach allows FPL to manage the fleet more efficiently as  
15 opposed to the less efficient system of managing separate FERC Steam  
16 Production vs. Other Production functions.

17  
18 The doubling of FPL's fossil generating capacity to serve FPL's long term  
19 customer electricity needs and the dramatic transformation of its generating  
20 mix to cleaner and highly efficient combined cycle units are both key drivers  
21 of FPL's fossil fleet trends in non-fuel O&M expenses and capital  
22 expenditures.

1           Since 1990, as FPL transformed the fossil generating fleet, we substantially  
2           improved our operating performance across key factors integral to generating  
3           electricity for our customers. These performance factor improvements include  
4           the reduction of heat rate, forced outage rate, total non-fuel O&M costs and  
5           carbon dioxide (“CO<sub>2</sub>”) emissions (see Exhibit RRK-3).

6  
7           The impressive performance of FPL’s fossil fleet is also evident in FPL’s  
8           consistent industry-leading results. As illustrated in Exhibit RRK-4, FPL’s  
9           fossil fleet net heat rate, a reflection of generating efficiency, improved almost  
10          24 percent over the 1990 to present timeframe and by 19 percent over the last  
11          ten years (2001-2011). As a result, the Company has been able to cut fuel  
12          costs by a cumulative \$5.5 billion since 2001. Such excellent performance  
13          results in significantly lower fuel costs and reduced emission rates for the  
14          benefit of FPL’s customers.

15  
16          To put this in perspective and in simple terms, a 19 percent heat rate  
17          improvement in FPL’s fossil generating fleet with \$3.5 billion in fossil fuel  
18          cost in 2011 would represent more than \$650 million in fuel cost savings.  
19          Furthermore, this 19 percent cumulative improvement in fuel efficiency that  
20          FPL’s fossil fleet has achieved will continue to benefit customers by  
21          providing an equal percentage in fuel cost savings regardless of fuel prices.  
22          FPL’s fossil fleet fuel efficiency is expected to improve even further with the

1 full year of operation of West County 3 in 2012 and again with the completion  
2 of the Canaveral Modernization Project in 2013.

3  
4 As shown in Exhibits RRK-5 and RRK-6, over the past decade through 2011,  
5 FPL's fossil fleet demonstrated excellent plant availability, averaging more  
6 than 92 percent Equivalent Availability Factor ("EAF") and reliability  
7 performance of approximately 2 percent Equivalent Forced Outage Rate  
8 ("EFOR"). These results are impressive when compared to fossil industry  
9 averages of approximately 87 percent EAF and 7 percent EFOR over the last  
10 ten years through 2010. This outstanding plant availability and reliability  
11 performance allows FPL to continue to provide customers with the cleanest,  
12 most fuel-efficient generation that can be produced from its fossil fleet and  
13 pass along the resulting fuel savings to its customers. Further, the high  
14 availability and reliability of FPL's fossil fleet have helped FPL avoid or defer  
15 the need to add additional capacity to the system.

16  
17 What makes FPL's fossil fleet performance more noteworthy is that, in  
18 addition to significant improvements in its operating performance, FPL was  
19 able to reduce fossil "Total" (i.e., Base Rate plus Environmental and Capacity  
20 Clauses) non-fuel O&M cost per unit of installed capacity by 41 percent, from  
21 \$18.5/installed kilowatt ("kW") in 1990 to \$10.9/kW in 2011 (see Exhibit  
22 RRK-7). Another indication of FPL's superior performance is that this  
23 \$10.9/kW cost was more than \$20/kW lower than the 2011 Consumer Price

1 Index (“CPI”) adjusted fossil industry average cost of \$33.4/kW and FPL’s  
2 2011 fossil cost of \$31.9/kW if escalated at CPI from 1990 to 2011. This  
3 \$20/kW difference (about two-thirds less) represents significant annual fossil  
4 non-fuel O&M cost avoidance (more than \$400 million in 2011) for an FPL  
5 fossil fleet of more than 20,000 MW.

6  
7 In addition, since 1990, FPL significantly reduced its CO<sub>2</sub> emission rate by 31  
8 percent, resulting in less greenhouse gas emissions, as well as reduced its  
9 sulfur dioxide (“SO<sub>2</sub>”) and nitrogen oxides (“NO<sub>x</sub>”) emission rates by 92  
10 percent each (see Exhibit RRK-8) contributing to a cleaner environment.  
11 FPL’s fossil fleet fuel cost savings and emission benefits from efficiency  
12 improvements will continue to grow as new and modernized units are placed  
13 in service.

14  
15 FPL has historically provided its customers with excellent cost control and  
16 plant operating performance, while continuing to transform and grow its  
17 generating fleet with highly efficient combined cycle generating capacity  
18 (e.g., West County Energy Center). This new technology/growth  
19 transformation is shifting FPL’s FERC Production O&M cost category from  
20 “Steam” to “Other” beyond a Florida Public Service Commission (“FPSC” or  
21 “Commission”) benchmark that is purely based on CPI. FPL’s fossil 2013  
22 Base non-fuel O&M request of \$246.5 million, which includes more than  
23 2,400 MW of new highly efficient combined cycle capacity since 2010 (West

1 County 3 and Canaveral Modernization Project), is \$12.1 million more than  
2 the adjusted 2013 benchmark of \$234.4 million. However, this benchmark  
3 calculation has no allowance for fossil capacity growth. The drivers of the  
4 \$12.1 million benchmark variance are new units (\$17.4 million) and planned  
5 maintenance overhauls (\$18.1 million), partially offset by unit retirements and  
6 miscellaneous reductions (-\$23.4 million) as shown in Exhibit RRK-9.  
7 Moreover, through 2013, FPL's \$13.1/kW Total fossil non-fuel O&M cost is  
8 projected to remain more than 60 percent lower than what the cost would have  
9 been (i.e., \$33.2/kW) if FPL's 1990 fossil cost were escalated by CPI since  
10 1990, and almost 30 percent lower than even FPL's un-escalated 1990 fossil  
11 cost of \$18.5/kW (see Exhibit RRK-7). This further demonstrates FPL's long  
12 term efforts and success in controlling and containing costs.

13  
14 Contributing to this excellent performance is PGD's consistent improvement  
15 in resource management. From 1990 and through 2013, the level of fossil  
16 capacity-managed per employee is projected to improve from less than 5  
17 MW/employee in 1990 to 19 MW/employee in 2013 (see Exhibit RRK-10).

18  
19 Lastly, the construction estimates and non-fuel O&M costs for the Canaveral  
20 Modernization Project remain reasonably consistent with the estimates  
21 provided to the Commission in Docket No. 080246-EI. This project will  
22 allow for the modernization of FPL's less efficient, 1960s-era Cape Canaveral  
23 plant into a nominal 1,200 MW clean and 33 percent more fuel efficient state-



1 of-the-art generating plant. The Canaveral Modernization Project will benefit  
2 customers in many ways. It will provide additional base load firm generating  
3 capacity necessary to maintain system reliability, while reducing customers'  
4 fuel costs and FPL's system air emissions, all without using new land or water  
5 resources.

6

7 **II. FPL's FOSSIL GENERATION FLEET PERFORMANCE**

8

9 **Q. What indicators does FPL use to measure the operating performance of**  
10 **its fleet of fossil generating units?**

11 A. The Power Generation Division's mission is to: Deliver Certainty - the  
12 certainty that its generating units are efficient, available, reliable and cost-  
13 effective to meet the needs of FPL's customers. FPL uses a number of  
14 indicators to measure the performance of its fossil fleet to deliver certainty.  
15 These indicators include net heat rate to measure efficiency, EAF to measure  
16 availability, EFOR to measure reliability, and non-fuel operating and  
17 maintenance cost (O&M \$/installed kW of capacity) to measure the  
18 effectiveness of resource management and utilization.

19

20 As shown in several exhibits within this testimony, FPL's fossil fleet  
21 performance in these measures is compared against both FPL's own long-term  
22 historical performance as well as that of the fossil industry.

23

1 **Q. Please define FPL's indicator used to measure the efficiency of its fossil**  
2 **fleet.**

3 A. FPL's indicator of fossil fleet efficiency is net heat rate in British Thermal  
4 Units/kilowatt hour ("Btu/kWh"), which is calculated by dividing the total  
5 heat input in Btu, from fuel burned by FPL's fossil fleet, by the net kWh of  
6 electricity produced from those units. The lower the heat rate, the more  
7 efficient the generating fleet is and the greater the fuel savings are for the  
8 benefit of FPL's customers.

9 **Q. Please show how the efficiency of FPL's fossil generating fleet has**  
10 **improved over time.**

11 A. The trend in efficiency of FPL's fossil fleet is provided in Exhibit RRK-4.  
12 Since 1990, FPL has improved the net heat rate of its fossil fleet from 10,214  
13 Btu/kWh to 7,803 Btu/kWh in 2011, representing an almost 24 percent  
14 improvement in efficiency. With the completion of the Canaveral  
15 Modernization Project in 2013, the net heat rate of FPL's fossil fleet is  
16 expected to drop further, providing greater fuel savings for the benefit of  
17 customers.

18 **Q. How does FPL's fossil fleet net heat rate performance compare to that of**  
19 **others in the industry?**

20 A. As shown in Exhibit RRK-4, FPL's fossil fleet net heat rate is extremely  
21 favorable compared to the industry. The industry average for all  
22 representative fossil plants has exhibited little long-term improvement and has  
23 remained above 10,000 Btu/kWh. By comparison, over the ten year period

1           between 2001 and 2011, FPL's fossil fleet average net heat rate improved 19  
2           percent from 9,635 Btu/kWh to 7,803 Btu/kWh. FPL's fossil fleet net heat  
3           rate performance has also been either "Top Decile" or "Best-in-Class" over  
4           the last ten years.

5           **Q. Please provide an example of how an improved net heat rate benefits**  
6           **FPL's customers.**

7           A. In simple terms, a 19 percent heat rate improvement in FPL's fossil fleet with  
8           \$3.5 billion in fossil fuel cost in 2011 would represent more than \$650 million  
9           in fuel cost savings.

10

11           Furthermore, this 19 percent improvement in fuel efficiency that FPL's fossil  
12           fleet has achieved will continue to benefit customers by providing an equal  
13           percentage in fuel cost savings regardless of fuel prices. FPL's fossil fleet  
14           fuel efficiency is expected to improve even further with the full year of  
15           operation of West County 3 in 2012 and again with the completion of the  
16           Canaveral Modernization Project in 2013.

17

18           Another benefit of an improved net heat rate is the reduction of FPL's fossil  
19           fleet air emission rates. Since 1990, FPL has reduced its fossil CO<sub>2</sub> emission  
20           rate 31 percent, as well as reduced fossil SO<sub>2</sub> and NO<sub>x</sub> emission rates by 92  
21           percent each resulting in less greenhouse gas and other pollutant emissions  
22           and contributing to a cleaner environment (see Exhibit RRK-8). FPL's fossil  
23           fleet fuel cost savings and emission benefits from efficiency improvements

1 will continue to grow as new and modernized units are placed in service. The  
2 Canaveral and Riviera Modernization Projects further exemplify FPL's  
3 commitment to both fuel cost reduction and environmental sustainability.

4 **Q. What actions has FPL taken to improve overall fossil fleet efficiency**  
5 **performance (i.e., improvements in system heat rate)?**

6 A. In the power generation industry, the natural course of events is for power  
7 plants to suffer deterioration in performance as they age and experience wear  
8 and tear. The ongoing challenge is to minimize the rate of heat rate  
9 degradation and restore it when possible. So, restoring performance actually  
10 represents an improvement in an operating environment that otherwise would  
11 result in decline. FPL works diligently to minimize degradation of, and to  
12 restore, this lost generating unit performance. This has been accomplished  
13 through practices such as condition-based maintenance.

14

15 However, the major step-change system heat rate performance gains have  
16 been achieved through plant modernizations (conversions of conventional  
17 plants to combined cycle technology) and the addition of new, highly efficient  
18 generating technology. FPL is a leader in converting older power plants to  
19 modern combined cycle technology, which significantly increases the  
20 efficiency of these plants, providing significant fuel cost savings to customers  
21 and reduced emissions while reutilizing existing sites.

22

1 **Q. Please define the indicators used to measure plant availability and**  
2 **reliability.**

3 A. EAF represents plant availability and is a measure of the percent capacity  
4 available from a generating unit to provide electricity throughout the year,  
5 regardless of whether the generating unit is actually called upon to operate.  
6 Planned and Forced outages are the main components typically associated  
7 with measuring FPL's fossil fleet EAF. EAF is reported in terms of the hours  
8 in a given period (e.g., a year) that a generating unit is available to deliver  
9 electricity, as a percentage of all the hours in the period. FPL strives for and  
10 has achieved a high fossil fleet EAF.

11

12 EFOR represents plant reliability and is a measure of a generating unit's  
13 inability to provide electricity when required to operate. EFOR is reported in  
14 terms of the hours when a generating unit could not deliver electricity as a  
15 percentage of all the hours during which that unit was called upon to operate.  
16 Since a lower EFOR also results in greater availability of the most-efficient  
17 generating capacity serving customers, FPL strives for and has achieved a low  
18 fossil fleet EFOR.

19 **Q. Has the EAF of FPL's fossil fleet improved over time?**

20 A. Yes. As shown in Exhibit RRK-5, FPL has improved the EAF of its fossil  
21 fleet from less than 82 percent in 1990 to almost 92 percent in 2011.

22

1 **Q. How does the EAF of FPL's fossil fleet compare to that of others in the**  
2 **industry?**

3 A. FPL's fossil fleet has maintained an industry-leading position in EAF. As  
4 shown in Exhibit RRK-5, FPL's fossil fleet has performed significantly better  
5 than the fossil industry. Over the decade ending 2011, FPL's fossil fleet  
6 demonstrated excellent plant availability, averaging more than 92 percent  
7 EAF. These results are impressive when compared to the fossil industry  
8 average of approximately 87 percent EAF over the last ten years ending in  
9 2010. FPL's fossil fleet EAF performance has also been either "Top-Decile"  
10 or "Best-In-Class" for eight of the last ten years.

11 **Q. Has the EFOR of FPL's fossil fleet also improved over time?**

12 A. Yes. As shown in Exhibit RRK-6, the EFOR of FPL's fossil fleet has been  
13 exceptionally low. Even at this excellent performance level, FPL's fossil fleet  
14 EFOR has improved from an average of approximately 3 percent during the  
15 1990s to an average of approximately 2 percent during the decade ending  
16 2011.

17 **Q. How does the EFOR of FPL's fossil fleet compare to that of others in the**  
18 **industry?**

19 A. FPL's fossil fleet EFOR performance has significantly outperformed the fossil  
20 industry, as shown in Exhibit RRK-6. Over the decade ending 2011, FPL's  
21 fossil fleet EFOR averaged approximately 2 percent compared to the fossil  
22 industry EFOR average of approximately 7 percent. FPL's fossil fleet EFOR

1 performance has also been either “Top Decile” or “Best-in-Class” for eight of  
2 the last ten years.

3 **Q. What is the significance of FPL's fossil fleet EAF and EFOR performance**  
4 **to this case?**

5 A. During the early 1990s, FPL’s fossil fleet EAF and EFOR improvements  
6 helped defer the need for new capacity additions. Currently, with the  
7 progressive transformation of its fossil fleet to cleaner combined cycle units,  
8 FPL’s excellent fossil fleet EAF and EFOR performance results in more  
9 opportunity for this highly efficient capacity to be operating, thus minimizing  
10 customer fuel costs and emissions.

11 **Q. Are there other actions FPL has taken to help avoid or defer the need for**  
12 **new generating capacity?**

13 A. Yes. In the early 1990s, PGD implemented a program known as Perfect  
14 Execution of Peak Operations (“PEPO”). The PEPO program was designed to  
15 systematically assess the peak generating capacity of units within their design  
16 capabilities. This program allowed PGD to operate its fossil fleet at peak  
17 capacity during high load demand periods. The PEPO program raised FPL’s  
18 level of confidence in the reliability of these peaking MWs to the point that  
19 they could be included in the rated capacity for the FPL fossil fleet when  
20 determining the need for new generating capacity. In the mid-1990s, PEPO  
21 was integrated into the normal operation and rating of the fossil fleet and  
22 made more than 600 MW available to FPL. Over the last 15 years, FPL has  
23 been able to utilize this philosophy of providing peak capacity, amounting to

1 more than 2,000 MW of cumulative additional generating capability  
2 benefiting customers through today.

3 **Q. Please summarize your position on the performance of FPL's fossil fleet.**

4 A. Since 1990, as FPL transformed its fossil generating fleet, it significantly  
5 improved its operating performance across key factors (see Exhibit RRK-3)  
6 integral to generating electricity for our customers by reducing heat rate by  
7 almost 24 percent, forced outage rate by 51 percent, total non-fuel O&M costs  
8 per kW by 41 percent (see Section III below) and CO<sub>2</sub> emissions by 31  
9 percent, resulting in industry-leading performance and frequently achieving  
10 "Top Decile" or "Best-in-Class" performance.

11

12 **III. FPL's FOSSIL FLEET NON-FUEL O&M EXPENSES AND CAPITAL**  
13 **EXPENDITURES**

14

15 **Q. What has been FPL's experience with non-fuel O&M cost performance?**

16 A. FPL has worked aggressively to reduce and contain expenses. Over the  
17 decade 2001 through 2011, FPL's fossil fleet total non-fuel O&M expense,  
18 measured in actual dollars per installed kW of generating capacity, has  
19 remained essentially constant despite a 27 percent cumulative increase in CPI  
20 during the same period. Over the longer period from 1990 to 2011, FPL  
21 reduced fossil fleet total non-fuel O&M cost per kW of installed capability by  
22 more than 41 percent (from \$18.5/kW to \$10.9/kW) as shown in Exhibit  
23 RRK-7. This is exceptional performance considering this \$10.9/kW cost was



1 more than \$20/kW lower than the 2011 CPI-adjusted fossil industry average  
2 cost of \$33.4/kW and FPL's 2011 fossil cost of \$31.9/kW if escalated at CPI  
3 from 1990 to 2011. For an FPL fossil fleet of more than 20,000 MW, this  
4 \$20/kW difference represents a significant non-fuel O&M cost avoidance of  
5 more than \$400 million in 2011. Also, over the last decade, FPL's fossil fleet  
6 has been "Top Decile" or "Best-in-Class" in total non-fuel O&M per kW.  
7 Contributing to this excellent performance is PGD's improving resource  
8 management trends since 1990 (see Exhibit RRK-10) showing that by 2013,  
9 FPL's fossil fleet capacity-managed per employee is projected to be almost  
10 four times better than the rate achieved in 1990 (from less than 5  
11 MW/employee to 19 MW/employee).

12 **Q. What steps has FPL taken to reduce fossil fleet non-fuel O&M expenses**  
13 **associated with maintaining the fleet?**

14 A. To control costs, FPL has leveraged contracts for goods and services during  
15 overhaul seasons to reduce pricing, improved efficiencies by introducing Lean  
16 Six Sigma techniques, and utilized the skilled resources of its fleet equipment  
17 experts to optimize maintenance recommendations for critical equipment.

18  
19 FPL applies a centralized maintenance concept which adds efficiency to the  
20 process by planning and allocating resources at a fleet-wide level, instead of  
21 having each site determine its requirements independently. The team then  
22 uses Lean Six Sigma concepts during overhaul planning and execution to  
23 optimize the outage duration, with input from the fleet equipment experts,

1           who also provide engineering support from a centralized location. This “Fleet  
2           Team” approach organizes its technical support groups around major plant  
3           components such as boilers, steam turbines, combustion turbines and  
4           generators. The Fleet Teams contain experienced subject matter experts  
5           (“SMEs”) who provide technical recommendations during an outage and,  
6           based on the condition of the equipment, determine if the equipment can  
7           operate safely and reliably until a future maintenance interval. Programs to  
8           assess and monitor the condition of the equipment allow the team to lower  
9           costs by safely extending the maintenance requirements to a future date, using  
10          data to support the recommendation.

11

12          The data needed to monitor and support condition-based maintenance  
13          decisions comes from physical inspection of the equipment, as well as from  
14          the FPL Fleet Performance and Diagnostic Center (“FPDC”). Here, critical  
15          fossil fleet operating parameters are monitored “24/7” online using advanced  
16          statistical techniques. Automated statistical applications detect change in  
17          performance and alert employees. FPL can also analyze the equipment’s  
18          ability to perform according to its rated specifications and evaluate ways to  
19          improve efficiencies. The goal is to identify equipment degradation far  
20          enough in advance of a failure so corrective measures can be put in place.  
21          These initiatives and efforts are focused on preventing or mitigating failures  
22          and optimizing efficiency.

- 1    **Q.    Comparing the 2013 Test Year to the 2012 Prior Year, are there any**  
2           **accounts in which the change to PGD's non-fuel O&M expenses exceed**  
3           **the threshold defined in MFR C-8?**
- 4    A.    FPL has two Fossil FERC accounts (512 and 553) which exceed the defined  
5           threshold referenced in MFR C-8.  In account 512 (Maintenance of Boiler  
6           Plant) the decrease of \$8.3 million is primarily associated with an anticipated  
7           lower level of boiler work in fiscal year 2013 relative to fiscal year 2012.  
8           Scherer Unit 4 boiler overhaul maintenance is scheduled every two years, and  
9           the current cycle places a boiler outage in 2012, while no boiler outage is  
10          planned for fiscal year 2013.  The jointly-owned Scherer Unit 4 operator  
11          (Georgia Power Company) is contractually obligated to operate and maintain  
12          the facility in a manner consistent with prudent utility practices.  With respect  
13          to account 553 (Maintenance of Generating and Electric Plant), the \$18.7  
14          million increase is primarily driven by \$17.4 million of planned overhaul  
15          work at Ft. Myers 2, Turkey Point 5, Martin 3, 4 and 8 and West County 1 and  
16          3 and \$1.1 million for 7 months of daily-maintenance work at the new Cape  
17          Canaveral combined cycle plant starting in June 2013.  The increase is  
18          required to repair, refurbish and overhaul plant equipment necessary to sustain  
19          the reliability and availability of this highly fuel efficient fleet.  
20

1    **Q.    Please discuss the comparison of FPL’s January 2013 through December**  
2    **2013 fossil fleet Base non-fuel O&M for the FERC Steam Production and**  
3    **Other Production functional areas to the Commission’s benchmarks (on**  
4    **MFR C-41) using 2010, as adjusted based on FPSC Order No. PSC-10-**  
5    **0153-FOF-EI, as the benchmark year.**

6    A.    Comparing FPL’s projected 2013 fossil fleet Base non-fuel O&M expenses to  
7    the Commission’s benchmarks for the FERC functional areas indicates that  
8    FPL’s Steam Production expenses are approximately \$50.4 million below the  
9    2013 Steam benchmark.  Conversely, FPL’s Other O&M Production expenses  
10   are approximately \$62.5 million above the 2013 Other Production benchmark.  
11   However, as shown earlier in Exhibit RRK-2, FPL’s fossil fleet portfolio has  
12   distinctively evolved from approximately an 80:20 mix to a 20:80 mix of  
13   “Steam” vs. “Other” units operated and maintained as a generating fleet for  
14   availability, reliability and cost considerations; not managed at a FERC  
15   function level (Steam Production vs. Other Production).  If one were to  
16   compare FPL’s fossil fleet Base non-fuel O&M for the combined Steam  
17   Production and Other Production functions to the CPI inflation benchmark of  
18   \$234.4 million at the portfolio level, FPL’s projected fossil Base non-fuel  
19   O&M request of \$246.5 million for 2013 is a net \$12.1 million above the  
20   benchmark with the addition of more than 2,400 MW of clean and fuel  
21   efficient combined cycle capacity for West County Unit 3 in 2011 and the  
22   Canaveral Modernization Project in 2013.  The drivers of the 2013 CPI-based  
23   benchmark variance for FPL’s fossil production fleet are planned maintenance

1 overhauls (\$18.1 million), unit retirements and miscellaneous reductions  
2 (-\$23.4 million), and new units (\$17.4 million) as shown in Exhibit RRK-9.

3

4 These results are not surprising considering both the dramatic growth of  
5 FPL's Other Production generating capacity and the transformation of FPL's  
6 fossil fleet from predominantly Steam Production to primarily highly efficient  
7 Other Production capacity and the fact that the Commission's benchmark  
8 calculation has no allowance for fossil capacity growth. FPL's fossil fleet  
9 Base non-fuel O&M cost is a reflection of both the increase in planned CT  
10 outages associated with the expanded combined cycle fleet and the addition of  
11 O&M costs for the new, high efficiency West County Unit 3 and the  
12 Canaveral Modernization Project.

13 **Q. What actions has FPL undertaken to reduce non-fuel O&M costs in light**  
14 **of the economic downturn?**

15 A. FPL reviewed its operating fleet and determined that some of its older, less-  
16 efficient units should be placed into Inactive Reserve status. This enabled  
17 specific units, given adequate notice, to return to service when needed while  
18 allowing FPL to reduce the operating and maintenance costs for these units.  
19 This action, along with FPL's plan to retire its three oldest and least efficient  
20 1950's vintage steam units (Cutler 5 & 6 and Sanford 3) by the end of  
21 November 2012, permit FPL to reduce steam plant operations and  
22 maintenance costs and allow FPL to redeploy its skilled workforce within the  
23 business unit and reduce contractor usage for unit outages. FPL will be

1 examining other potential uses for these sites, including their potential use as  
2 sites for new renewable energy facilities. In addition, FPL reduced spending  
3 plans at the Cape Canaveral and Riviera sites by retiring them in 2010 and  
4 2011 respectively, for the FPSC-approved modernizations. FPL also plans to  
5 retire the four steam units at its Port Everglades site by the end of January  
6 2013 pending FPSC approval of FPL's petition to modernize these units into a  
7 nominal 1,200 MW clean and approximately 35 percent more fuel efficient  
8 state-of-the-art generating plant. The modernized units are scheduled to return  
9 to service in June 2013 (Canaveral), June 2014 (Riviera) and June 2016 (Port  
10 Everglades). The unit retirement initiatives are expected to reduce non-fuel  
11 O&M costs on FPL's fossil steam units by approximately \$20.4 million in  
12 2013 when compared to the 2010 rate case adjusted benchmark.

13 **Q. What assurance can you provide that FPL's 2012 and 2013 forecasts for**  
14 **non-fuel O&M expenses are reasonable?**

15 A. First, the Company's historical performance demonstrates its ability to cost-  
16 effectively manage its resources while achieving industry-leading  
17 performance in availability, reliability and net heat rate.

18  
19 Second, throughout the 2011-2013 timeframe, FPL's fossil Total non-fuel  
20 O&M cost in \$/kW is expected to remain more than \$20/kW lower (or almost  
21 two-thirds less) than what the cost would have been if escalated by CPI since  
22 1990. Even by 2013, FPL's Total fossil fleet non-fuel O&M cost of \$13.1/kW  
23 is projected to remain almost 30 percent below even FPL's un-escalated 1990

1 fossil cost of \$18.5/kW (from Exhibit RRK-7). This further exemplifies  
2 FPL's long term efforts to control and contain costs.

3  
4 Third, FPL has the processes, procedures and structure in place, such as  
5 condition-based maintenance, a centralized maintenance organization,  
6 overhaul services contract leveraging, Lean Six Sigma techniques, the Fleet  
7 Performance and Diagnostic Center, and Fleet Teams to continue to manage,  
8 assess, and sustain the outstanding performance of FPL's fossil fleet. FPL's  
9 team is committed to maintaining the industry-leading performance it has  
10 achieved with excellent availability, reliability, efficiency and low cost.

11 **Q. Please summarize FPL's fossil fleet Base capital difference when**  
12 **comparing the 2013 Test Year to the 2010 actual.**

13 A. FPL's annual fossil Base capital expenditures are projected to increase \$164.8  
14 million from \$206.6 million in 2010 to \$371.4 million in 2013. The primary  
15 drivers of the increase are investments in CT hot end component upgrades  
16 (\$95.6 million), CT planned maintenance overhauls (\$41.1 million), work  
17 being done on Martin Unit 1 (\$12.7 million) while the Electrostatic  
18 Precipitator ("ESP") outage is performed, and maintenance work at West  
19 County 3 (\$11.3 million) and Canaveral Modernization Project (\$2.7 million)  
20 units which were not in operation in 2010. In addition to capacity and  
21 efficiency improvements, the CT hot end component upgrades will extend hot  
22 gas path parts life by 33 percent from 72,000 to 96,000 hours and extend the

1 hot gas path maintenance interval also by 33 percent from 24,000 to 32,000  
2 hours.

3 **Q. Has FPL undertaken any steps to control or reduce capital expenditures**  
4 **in light of the economic downturn?**

5 A. Yes. As explained previously, FPL reviewed its operating fleet and  
6 determined that some of its older, less efficient units should be placed into  
7 Inactive Reserve status. This would enable the units to return to service when  
8 needed in the future to satisfy load growth, as well as, with adequate notice,  
9 meet FPL's reliability needs. In addition, FPL has been able to reduce the  
10 spending plans for the Canaveral and Riviera plants by retiring them in 2010  
11 and 2011 for the FPSC-approved modernizations. There are no capital dollars  
12 in the 2012 fiscal forecast to operate the modernized units.

13

#### 14 **IV. CANAVERAL MODERNIZATION PROJECT**

15

16 **Q. Please provide a brief description of the Canaveral Modernization**  
17 **Project.**

18 A. The Canaveral Modernization Project is an integral part of FPL's long term  
19 infrastructure investment effort to meet the growing resource needs of its  
20 customers and reduce the emission of CO<sub>2</sub> and other substances in the most  
21 cost-effective manner and thereby continue to deliver electricity at a  
22 reasonable cost, while complying with existing and currently anticipated  
23 environmental requirements. Therefore, in June 2010, FPL removed its two



1 400 MW 1960s-era oil and natural gas steam generating units from service at  
2 the Cape Canaveral plant in Brevard County to replace them with a modern,  
3 nominal 1,200 MW highly efficient combined cycle power plant beginning  
4 service in June 2013. The new unit will be configured with three of the latest  
5 generation advanced combustion turbines and three heat recovery steam  
6 generators (“HRSGs”) combined with one steam turbine. The project will use  
7 natural gas as the primary fuel and will be capable of burning ultra low sulfur  
8 light oil as a backup fuel.

9 **Q. What are the benefits of the Canaveral Modernization Project?**

10 A. The Canaveral Modernization Project will benefit customers from multiple  
11 generating perspectives: capacity, reliability, efficiency, environmental,  
12 aesthetics and resource utilization. This investment will provide additional  
13 firm electric generating capacity necessary to maintain system reliability  
14 while reducing customers’ fuel costs by utilizing 33 percent less fuel for an  
15 equivalent amount of electricity production. These fuel savings will begin  
16 flowing directly to FPL customers through the fuel clause as soon as the  
17 modernized plant enters service. The new unit will also reduce CO<sub>2</sub>  
18 greenhouse gas and other air emissions, benefiting FPL customers through  
19 lower environmental compliance costs and all Florida residents through better  
20 environmental quality. The modernized unit also has other benefits. For  
21 example, the aesthetics will improve significantly since the old stacks will be  
22 lowered from approximately 400 feet to 150 feet. In addition, the modernized  
23 plant will be able to receive light oil backup fuel from water born deliveries

1 which provides flexibility particularly in emergency situations. Furthermore,  
2 all these benefits will be obtained without the use of additional land or water  
3 resources.

4 **Q. What is FPL's forecasted annual non-fuel O&M expense for the first full**  
5 **year of operation for the Canaveral Modernization Project?**

6 A. The first full year of operation (June 1, 2013 through May 31, 2014) non-fuel  
7 O&M expense (FERC account 546 through 554) for the Canaveral  
8 Modernization Project is expected to be \$10.5 million.

9 **Q. Is the non-fuel O&M expense reasonable for the first full year of**  
10 **operation for the Canaveral Modernization Project?**

11 A. Yes. The non-fuel O&M expense is reasonably consistent with the cost  
12 estimates provided to the Commission with FPL's petition for a determination  
13 of need for the Canaveral Modernization Project taking into consideration that  
14 the current estimate includes additional costs mainly due to an increase in  
15 skilled labor personnel, the inclusion of plant start-up costs which traditionally  
16 are not included in the project bidding process and the change in the ammonia  
17 (used in the NO<sub>x</sub> emissions reduction process) to a different type due to  
18 environmental and safety reasons.

19 **Q. Is the currently forecasted cost of the Canaveral Modernization Project**  
20 **consistent with Docket No. 080246-EI and the Commission's Final Order**  
21 **(No. PSC-08-0591-FOF-EI issued September 12, 2008) granting FPL's**  
22 **petition for a determination of need for the proposed unit?**

1 A. Yes. It is reasonably consistent but lower. In FPL's approved 2013 forecast,  
2 the construction cost for the Canaveral Modernization Project is \$976 million.  
3 This is \$139 million lower than the estimate of \$1.115 billion reflected in the  
4 Final Order. FPL has been able to achieve this reduction by taking advantage  
5 of favorable market conditions, including negotiation of the Engineering,  
6 Procurement and Construction ("EPC") contract for the Canaveral  
7 Modernization Project at a substantially lower cost than originally estimated.  
8 FPL customers will benefit directly from FPL's initiative in reducing  
9 construction cost by \$139 million because the Canaveral Step Increase that  
10 FPL is seeking in this docket is based on the approved forecast of \$976  
11 million rather than the original estimate of \$1.115 billion reflected in the Final  
12 Order.

13 **Q. Does this conclude your direct testimony?**

14 A. Yes.

1 BY MR. DONALDSON:

2 Q Ms. Kennedy, have you prepared a summary of  
3 your direct prefiled testimony?

4 A Yes, sir I, have.

5 Q Would you please present that to the  
6 Commission.

7 A Yes, sir.

8 Good morning, Commissioners. My name -- thank  
9 you for the opportunity to testify before you today. My  
10 name is Roxane Kennedy, and I am the Vice President of  
11 Power Generation Operations of FPL's nonnuclear  
12 generating fleet.

13 For two decades, FPL generating capacity  
14 investments have been transforming its fossil fleet from  
15 conventional steam technology to cleaner, efficient  
16 combined cycle technology. A current example of these  
17 investments is our Cape Canaveral modernization project.  
18 This project is expanding and modernizing a 1960s era  
19 plant into a cleaner, 33% more efficient, more fuel  
20 efficient generating plant, all without new land or  
21 water resources.

22 With investments like these, Florida Power &  
23 Light fossil generating efficiency, measured as net heat  
24 rate or fuel used per kWh generated, improved almost 24%  
25 since 1990, as shown in Exhibit RRK-4, and 19% over the

1 last ten years, representing more than \$650 million in  
2 fuel savings just last year, and a cumulative  
3 \$5.5 billion in savings since 2001.

4           Essentially, the lower the heat rate, the less  
5 fuel used and the greater the savings to our customer,  
6 regardless of fuel price.

7           These investments have also helped FPL  
8 significantly reduce its emissions rates and achieve  
9 fossil plant availability and reliability, consistently  
10 exceeding industry averages and frequently being top  
11 decile and best in class, allowing for more opportunity  
12 for FPL's highly efficient units to operate, minimizing  
13 fuel use.

14           The doubling of FPL fossil fleet capacity and  
15 the transformation to cleaner, efficient technology are  
16 key drivers to FPL's nonfuel O&M and capital  
17 expenditures. However, FPL has also worked aggressively  
18 to reduce and contain costs. In fact, FPL reduced its  
19 fossil total nonfuel O&M costs per installed KW by 41%  
20 since 1990, as shown in Exhibit RRK-7, representing a  
21 cost avoidance of more than \$400 million just last year,  
22 in addition to the \$650 million in fuel use avoided in  
23 2011.

24           Furthermore, FPL is managing this larger fleet  
25 with half of its 1990s workforce. FPL nonfuel O&M and

1 capital requests is mainly needed to operate, maintain,  
2 and overhaul plant equipment to sustain the reliability  
3 and availability of more than 10,000 megawatts of  
4 combined cycle capacity added since 2001, including the  
5 Cape Canaveral modernization project.

6 Capital costs are also driven by investments  
7 to extend combustion turbine hot end component part life  
8 and their maintenance intervals by 33%, and provide  
9 further capacity and efficiency improvement.

10 This concludes my direct testimony.

11 **CHAIRMAN BRISÉ:** Thank you.

12 **MR. DONALDSON:** Thank you, Ms. Kennedy.

13 I tender the witness for cross-examination.

14 **CHAIRMAN BRISÉ:** Ms. Kaufman?

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

16 **CROSS-EXAMINATION**

17 **BY MS. KAUFMAN:**

18 Q It's still morning, so good morning,  
19 Ms. Kennedy.

20 A Good morning.

21 Q I am here on behalf of the Florida Industrial  
22 Power Users Group, and I just have a very few questions  
23 for you.

24 My first question is, it's correct, is it not,  
25 that, that you are in charge basically of the nonnuclear

1 fossil fleet for FPL?

2 A Yes, ma'am, as I stated earlier.

3 Q Okay. How long have you been -- I know that  
4 your position title has changed, but how long have you  
5 been involved with the management of the nonnuclear  
6 fleet?

7 A I have been involved in my position since  
8 2010, but I've been in power generation since 1976.

9 Q If you would take a look at your prefiled  
10 direct testimony on page 9, at line 15.

11 A Yes, ma'am.

12 Q Okay. And you say that FPL has historically  
13 provided its customers with excellent cost control and  
14 plant operating performance while continuing to  
15 transform and grow its generating fleet.

16 When you are talking about historically, what  
17 time period did you have in mind there?

18 A As you can see from Exhibit 7, or really from  
19 our heat rate graph, excuse me, Exhibit 3 -- 4, up  
20 here -- let me find it. Excuse me.

21 As you can see from the Exhibit 4 up here on  
22 heat rate, the transformation is mostly concentrated in  
23 the year 1990.

24 **MS. KAUFMAN:** Excuse me, Mr. Chairman. I  
25 think I asked a pretty simple question. I didn't refer

1 her to her exhibit, so could I restate it and try to get  
2 an answer?

3 **CHAIRMAN BRISÉ:** Sure. Sure.

4 **BY MS. KAUFMAN:**

5 **Q** Ms. Kennedy, if you look at line 15 on page 9,  
6 you use, you say that FPL has historically provided  
7 customers with excellent cost control and plant  
8 operating performance.

9 And all I'm asking you really is what period  
10 of time are you referring to when you say that FPL has  
11 historically done these things?

12 **A** I think it's best representative by the 2000  
13 time period forward.

14 **Q** 2000 forward?

15 **A** Yes. That's when we made our most significant  
16 capital investments.

17 **MS. KAUFMAN:** Thank you, Mr. Chairman. That's  
18 all I have.

19 **CHAIRMAN BRISÉ:** All right.

20 South Florida Hospital Association.

21 **MS. PURDY:** The Hospitals have no questions  
22 for this witness.

23 **CHAIRMAN BRISÉ:** All right. FEA?

24 **LIEUTENANT COLONEL FIKE:** FEA has no questions  
25 for this witness.



1                   **CHAIRMAN BRISÉ:** All right.

2                   Office of Public Counsel?

3                   **MR. REHWINKEL:** Thank you, Mr. Chairman.

4                                   **CROSS-EXAMINATION**

5                   **BY MR. REHWINKEL:**

6                   **Q**     And good morning, Ms. Kennedy.

7                   **A**     Good morning.

8                   **Q**     My name is Charles Rehwinkel with Public  
9                   Counsel's office.

10                           I asked your counsel prior to your testifying  
11                   if you would have MFR B-15 with you. Do you have that?

12                   **A**     Yes, sir, I do.

13                   **Q**     And also I would like to, after you turn to  
14                   that MFR page, to turn to your Exhibit RRK-1 as well.  
15                   And this exhibit indicates that you are a cosponsor of  
16                   Exhibit B-15; is that correct?

17                   **A**     That is correct. That's what it indicates.

18                   **Q**     Okay. And the title of that MFR is Property  
19                   Held for Future Use - 13-month Average; correct?

20                   **A**     Yes, sir.

21                   **Q**     And the, in the sponsorship column of RRK-1,  
22                   it says data for steam and other production. Do you see  
23                   that?

24                   **A**     Yes, sir.

25                   **Q**     Okay. So my question to you with respect to

1 those two documents is, is if you could tell me what  
2 aspect of that MFR schedule you are sponsoring here  
3 today as part of your direct testimony.

4 **A** Since the filing in January, there has been  
5 a -- I need to redirect this to Witness Silva, because I  
6 am, my only input into this is the aspect of the  
7 operations and maintenance of the power plants, and is  
8 not involved in the direct what is involved in, where  
9 land is to be purchased or what is to go on that  
10 particular property.

11 **Q** Okay. Let me see if, if I understand by  
12 asking you a few questions and, and see if I can  
13 understand that relationship.

14 Are you involved in selecting or evaluating  
15 the solar or photovoltaic technology that either already  
16 has been or will be acquired by FPL?

17 **A** My -- no, I am not directly responsible. We  
18 provide input into, to Witness Silva's organization in  
19 terms of the different technologies that are selected,  
20 the cost to operate and main those different  
21 technologies.

22 **Q** Okay. In, in that role, are you involved in  
23 evaluating whether or not solar generating facilities or  
24 photovoltaic units should be added at either existing or  
25 future generation plant sites?

1           **A**     No, sir, I do not.  Again, those are  
2 determined by Witness Silva in terms through the  
3 forecasting needs.

4           **Q**     Okay.  Are you involved in selecting or  
5 evaluating the vendors that would be used to provide  
6 solar panels or other assets needed to add solar  
7 generating facilities?

8           **A**     Our technical service department has input  
9 into the technologies that are selected.  And, again,  
10 they are evaluated independently from a perspective of  
11 their operating and maintenance costs, and that is  
12 provided too as an input.

13          **Q**     So would the answer be, yes, in that that unit  
14 that you reference is, is under your management chain?

15          **A**     It is within the power generation  
16 organization.  Those individuals do not directly report  
17 to me.

18          **Q**     So would I be correct in concluding from your  
19 testimony so far that the numbers that are in lines 10  
20 through 15 of MFR B-15 are not part of what you sponsor  
21 or your contribution to this MFR page?

22          **A**     I did not provide input to these numbers.  
23 That is correct, yes, sir.

24          **Q**     Okay.  I'm done with this.

25                 Can I ask you to turn to Exhibit RRK-9,

1 please. This exhibit is intended to support the  
2 company's explanation of your performance or your  
3 projected performance relative to the O&M benchmark; is  
4 that correct?

5 A Yes, sir.

6 Q Okay. And the 17.4, that's in millions;  
7 correct? The third item on that schedule relates to new  
8 units?

9 A Yes, sir, it does.

10 Q Okay. And that includes West County Energy?

11 A West County 3, yes, sir, and Cape Canaveral  
12 Energy Center.

13 Q Okay. You reference, I believe, on page 10 of  
14 your direct testimony -- I apologize -- page 9 of your  
15 testimony, on lines 15 through 21 -- or 15 through 18,  
16 the West County Energy Center; is that right?

17 A You're on page 9, line 15 through 21?

18 Q Well, 15 through 18.

19 A 15 through 18? Yes, sir.

20 Q Okay. And you again reference West County on  
21 line 9, page 23, through line -- through page 10, line  
22 2; is that right?

23 A Yes, sir. That is correct.

24 Q Okay. And this part of your testimony,  
25 beginning really on page 9, line 15, through page 10,

1 line 12, relates at least in part to the explanation of  
2 the O&M benchmark variance that is discussed in RRK-9?

3 A Slightly incorrect, in that it would be  
4 through line 6 on page 10. That's what it -- where it  
5 would end.

6 Q Okay. So the \$17.4 million, and that, that is  
7 a variance of over the benchmark?

8 A Yes, sir.

9 Q Okay. That variance is driven by the two  
10 units you referenced earlier, Canaveral and West County;  
11 correct?

12 A Yes, sir.

13 Q Okay. Can you tell me what the O&M for West  
14 County is that contributes to this O&M benchmark  
15 variance?

16 A The West County is 10.5 million.

17 Q Okay. Is that, is that the overall O&M, or is  
18 that the amount that contributes to the amount that's  
19 over the benchmark?

20 A I'm not sure I follow your question.

21 Q Okay. 10.4 represents O&M for the unit for  
22 the test year?

23 A It represents Unit 3 for the test year in  
24 terms -- I need to -- if you're asking if it's daily  
25 work and overhaul work, I would need to reference some

1 different documents to confirm that.

2 Q Okay. Here's my question, is what is the  
3 amount of nonfuel O&M for West County Energy Center 3  
4 that's included in the test year? Do you have that  
5 number?

6 A Yes, sir. You'll have to give me just a  
7 second.

8 Q Okay. Thank you.

9 (Pause.)

10 A The total request, and I do not -- it's only  
11 as West County as a total site. The total site for West  
12 County is 29,978,795. Let me look further in here and  
13 see if I can find a breakout for you.

14 (Pause.)

15 I don't have it to the detail that I think  
16 you're looking for. I can talk about the non-overhaul  
17 costs associated with West County 3, which is 8,447,205.  
18 But there are overhaul expenses that I do not have those  
19 broken out in this table in front of me.

20 Q Okay. Would you just give me that --  
21 8 million what?

22 A 8,447,205.

23 Q And that number is included in the 29.9  
24 number?

25 A Yes. Yes, sir.

1           Q     Okay.  And can you tell me from what you know  
2           or what you're referring to whether all of the  
3           \$29.9 million is included as O&M for recovery in the,  
4           the test year?

5           A     Could I ask you to clarify that or ask that in  
6           a different way?

7           Q     Yes.  Is all of the \$29.9 million of nonfuel  
8           O&M, is that what it is?

9           A     Yes, sir.

10          Q     Okay.  Is all of that included in the test  
11          year request?

12          A     That is all included in the test year, but  
13          that is all of West County, not just West County 3.

14          Q     Okay.

15          A     Yes, sir.

16          Q     Okay.  But West County 3 would be included in  
17          there?

18          A     Yes, sir.

19          Q     And this 29.978 -- no.  Strike that and let me  
20          ask it this way.

21                   The West County 3 component of the  
22           \$29.9 million would represent all of the nonfuel O&M for  
23           West County Energy Center 3, is that correct, for the  
24           test year?

25          A     For the test year, yes, sir.

1           **MR. REHWINKEL:** Okay. Mr. Chairman, those are  
2 all the questions I have.

3           Thank you, Ms. Kennedy.

4           **CHAIRMAN BRISÉ:** Thank you very much, Mr.  
5 Rehwinkel.

6           At this time it is exactly 12:00, so we will  
7 take our lunch break at this time. As requested, some  
8 additional time. 15 minutes works? Okay. So we will  
9 reconvene at 1:15.

10          **MR. YOUNG:** Mr. Chairman?

11          **CHAIRMAN BRISÉ:** Yes.

12          **MR. YOUNG:** Before we do that, I think the  
13 Office of Public Counsel wanted to state something.

14          **MR. REHWINKEL:** Mr. Chairman, as it's 12 noon,  
15 we did file our response --

16          **CHAIRMAN BRISÉ:** Okay.

17          **MR. REHWINKEL:** -- as we stated probably a  
18 couple minutes before noon, so we did make the morning  
19 obligation. I do have copies and I'll pass them out to  
20 the, to the -- I can give these and pass them out.  
21 Thank you.

22          **CHAIRMAN BRISÉ:** Thank you very much.

23          Okay. See you all at 1:15.

24          (Recess taken.)

25          (Transcript continues in Volume 8.)



1 STATE OF FLORIDA )  
2 : CERTIFICATE OF REPORTER  
3 COUNTY OF LEON )

4 I, LINDA BOLES, RPR, CRR, Official Commission  
5 Reporter, do hereby certify that the foregoing  
6 proceeding was heard at the time and place herein  
7 stated.

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

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

18 DATED THIS 26<sup>th</sup> day of August,

19 2012.

20 Linda Boles  
21 LINDA BOLES, RPR, CRR  
22 FPSC Official Commission Reporter  
23 (850) 413-6734  
24  
25