BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 120015-EI

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

VOLUME 16

Pages 2071 through 2197

PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN RONALD A. BRISE COMMISSIONER LISA POLAK EDGAR COMMISSIONER ART GRAHAM COMMISSIONER EDUARDO E. BALBIS COMMISSIONER JULIE I. BROWN
DATE:	Friday, August 24, 2012
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	LAURA MOUNTAIN, RPR Wilkinson & Associates (850) 224-0127
APPEARANCES:	(As heretofore noted.)

I N D E X

WITNESSES

EXHIBITS

PROCEEDINGS

(The transcript follows in sequence from Volume 12.)

CHAIRMAN BRISE: Good afternoon, everyone. A couple of things that we have to do. We have an exhibit that we have to deal with. Okay. Mr. Moyle?

MR. MOYLE: Yes, Mr. Chairman. And thank you, I have been able to speak with counsel for FP&L and we've reached an agreement with respect to how to address the two documents. The document that has been marked 559 that I've distributed -- and there's a copy -- relates to the pension assets. And that document, FPL has agreed, can come in.

With respect to 545, the Moody's bond yield data, we've agreed that we will continue to talk about that. We'll probably go back and review the record. There's no prejudice to FIPUG or the hospitals from not trying to move that document in at this time, but we will continue to talk about that document and we -- FPL has graciously said we can bring it back up on cross or another point in time.

So I think we were just going to defer the current argument that may get resolved on 545. So that's the representation, and FPL said I could speak for them on their behalf, unless I said something wrong.

CHAIRMAN BRISE: All right. I'm seeing heads nod,

and so I think that means we're okay on that. So 559, we'll go ahead and move that into the record. Are there any objections? Looking on this side. Okay, seeing no objections, so we will move in 559 to accompany Mr. Dewhurst. Okay?

(Exhibit 559 admitted in evidence.)

MR. MOYLE: Thank you.

CHAIRMAN BRISE: There was a question that was raised earlier by Mr. Moyle concerning where we are with respect to process for dealing with the settlement, okay? There will be an order of procedure with respect to that that will be forthcoming on Monday. To sort of give you the layout of what's probably going to be in that order -- not probably -- what's going to be in the order, what's sort of in the air right now is the question of dates, considering we don't know what's going to happen next week with respect to how many days we're actually going to work through. Our plan is to work through next week, providing that the weather permits. Okay?

But what's going to be included in there is that there are going to be the availability for parties to get up to 100 data requests, okay, sort of all directional, so everyone can submit data requests of each other. And that after we get through the

evidentiary hearing for the rate case, then we will sort of conclude the evidentiary portion and then move into dealing with the settlement, okay? So that gives a framework of how we're going to proceed with this matter. Okay?

All right, so it will be all laid out on Monday in terms of an order of procedure, with dates, as long as we can control or sort of forecast those dates, okay? So that's where we are in terms of that.

MR. LITCHFIELD: Thank you, Mr. Chairman, for that clarification. Would it be appropriate also right now to refresh on the balance of today? We've got two FPL witnesses scheduled and it's a little unclear as to what follows from there.

CHAIRMAN BRISE: Sure. Today we have two FPL witnesses, witness Ender and Deaton. And we hope to conclude this afternoon between 6:00 and 7:00, hopefully 6:00, preferably. And if we have enough time then we will move with Saporito -- Mr. Saporito, sorry -- and Mr. Hendricks this afternoon, providing that we have ample time to do that. But if we don't, then we will move into Monday and we'll proceed after that.

MR. LITCHFIELD: So then that's as far as we would go today?

CHAIRMAN BRISE: That is as far as we will go

today, okay? And I think that that is sort of the agreement we had on hand as we dealt with the whole issue with the storm, with people having to go back down south, and so forth. Okay?

MR. WISEMAN: Mr. Chair, just a clarification. If by some chance we don't get to Mr. Saporito or Mr. Hendricks today, does that mean that they would start Monday or would you start Monday with the OPC witnesses?

CHAIRMAN BRISE: Mr. Young?

MR. YOUNG: We will start Monday. If we don't get to Mr. Saporito and Mr. Hendricks, they will fall, as laid out in the order -- the order of witnesses, and we will start with the Office of Public Counsel's case and their witnesses.

CHAIRMAN BRISE: Right. That was just to make sure that --

MR. YOUNG: We're starting with Woolridge first.

MS. CHRISTENSEN: Correct.

COMMISSIONER BROWN: Mr. Chairman, can you just clarify whether the meeting on Monday will begin at 9:00 or 9:30?

CHAIRMAN BRISE: Thank you. Good question. We hope to begin at 9:00 on Monday, Okay? 9:00 a.m. Okay?

All right, with that, I am going to turn the gavel

over to Commissioner Balbis.

COMMISSIONER BALBIS: Thank you, Mr. Chairman, and just to my fellow Commissioners, if we get to Commissioner questions, I don't have the light, so we'll have to do it the old-fashioned way. And Mr. -- I don't know if it's Ms. Clark or if it's going to be Mr. Butler that's going to proceed with the next witness.

MS. CLARK: We're ready to start?

COMMISSIONER BALBIS: Yes.

MS. CLARK: Okay. Mr. Ender is our next witness, but Mr. Ender, and also the witness after that, Ms. Deaton, have not been sworn.

COMMISSIONER BALBIS: Okay, if both of you could please stand. Raise your right hand.

Thereupon,

JOSEPH A. ENDER

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

COMMISSIONER BALBIS: Thank you. You may proceed.

DIRECT EXAMINATION

BY MS. CLARK:

Q Would you please state your name and business address.

A My name is Joseph A. Ender, business address is

700 Universe Boulevard, Juno Beach, Florida.

Q By whom and in what capacity are you employed?

A I am employed by Florida Power & Light as Manager of Cost of Service and Load Research.

Q And have you prepared and caused to be filed in this proceeding 28 pages of direct testimony?

A I have.

Q And did you also prepare and cause to be filed an errata sheet to your direct testimony?

A Yes, I have.

Q Do you have any other revisions to your direct testimony?

A I do not.

Q With the errata, if I asked you the same questions contained in your direct testimony, would your answers be the same?

A Yes.

MS. CLARK: Mr. Chairman, I would ask that the direct testimony of Joseph A. Ender be inserted in the record as though read.

COMMISSIONER BALBIS: Okay, are there any objections of entering that into the record? Seeing none, show that it is entered.

ERRATA SHEET

WITNESS: **JOSEPH A. ENDER - DIRECT**

PAGE #	**LINE #**	**CHANGE**
21	19	"used" to "approved"

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Joseph A. Ender. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as the Manager of Cost of Service and Load Research in the Rates & Tariffs Department.

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

A. I am responsible for managing FPL's load research and cost of service activities. In this capacity, my responsibilities include the preparation and filing before the Florida Public Service Commission ("FPSC" or the "Commission") of load research sampling plans and study results, the development of annual energy and demand line loss factors by rate class, and the preparation of jurisdictional separation and retail cost of service studies.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Business Administration degree in Accounting from Florida Atlantic University. I received full accreditation for successfully completing the Certified Public Accountant's examination. Since joining FPL in 1979, I have held a variety of positions at FPL and NextEra Energy, Inc. in the areas of corporate tax, accounting, business development, regulatory

affairs and rates. I have held the position of Manager of Cost of Service and Load Research since joining the Rates and Tariffs Department in 1998.

Q. Are you sponsoring any exhibits in this case?

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

- JAE-1 – MFRs and Schedules Sponsored or Co-Sponsored by Joseph A. Ender
- JAE-2 – Load Research Rate Classes and Related Rate Schedules
- JAE-3 – Rate Class Extrapolation Techniques
- JAE-4 – Cost of Service Methodology by Component
- JAE-5 – Rates of Return and Parity at Present Rates
- JAE-6 – Target Revenue Requirements at Proposed Rates

Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements ("MFRs") filed in this case?

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

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address four primary areas. First, my testimony explains in general terms what load research is, how it is used in the jurisdictional separation and cost of service studies, and how the projected load forecast by rate class and energy loss factors were developed. Second, I describe the process used in the development of FPL's jurisdictional separation study and resulting jurisdictional separation factors. Third, I discuss FPL's process of preparing a retail cost of service study and explain

the proposed methodologies to allocate production, transmission, and distribution plant to retail rate classes. Lastly, I discuss the results of the retail cost of service study for the 2013 Test Year filed in this docket.

Q. Please summarize your testimony.

A. FPL's cost of service study results for the projected 2013 Test Year are accurately determined and fairly present each rate class's cost responsibility, Rate of Return ("ROR"), and parity position relative to FPL's projected retail jurisdictional ROR. These results reflect the forecast of base revenues for each rate class, and an equitable allocation of rate base, other operating revenues, and expenses. The methodologies used to allocate rate base, other operating revenues, and expenses were appropriately applied and are consistent with those previously approved by this Commission.

FPL's projected retail ROR of 5.50% for the 2013 Test Year is below the projected Cost of Capital of 7.00% for the test year. This indicates that the incremental costs and infrastructure investments needed to meet growth and provide economic and reliability benefits to customers are greater than the costs supported by FPL's current rates. At the rate class level, this condition is also generally true. More than half of FPL's rate classes are being charged rates that are below the levels needed to allow for recovery of FPL's projected costs.

The rate class cost of service study shows that at present rates, certain rate classes, such as GS(T)-1, and GSD(T)-1, are above parity while some of the larger commercial/industrial rate classes, particularly GSLD(T)-1 and GSLD(T)-2, are well below parity. Exhibit JAE-5 lists the ROR and related parity index for each rate class along with the revenue requirement differential needed to achieve full parity at present rates for the 2013 Test Year. MFR E-1 provides the details supporting these results.

Finally, the cost of service study provides the target revenue requirements by rate class and underlying unit costs for each billing determinant, that is, demand, energy, customer, and lighting. This information is presented on MFR E-6b, and provides the basis for designing rates that would improve the parity among rate classes and better align FPL's rates and charges with the costs to serve each rate class. Exhibit JAE-6 shows for each rate class the target revenue requirements at proposed rates on an equalized basis, that is, at the retail ROR or at parity.

The Commission should approve the jurisdictional separation and cost of service study methodologies and results presented in my testimony. The cost of service study results are fair and reasonable, and utilize cost allocation methodologies that ensure the continued delivery of exceptional value to customers by properly allocating costs to rate classes. Furthermore, they are consistent with the methodologies previously approved by this Commission.

II. LOAD RESEARCH AND ENERGY LOSSES

Q. What information is provided by load research?

A. Load research provides, for each rate class, information on the contribution to the system peak (Coincident Peak, "CP"), as well as the class peak (Group Non-Coincident Peak, "GNCP"), and the customers' Non-Coincident Peak ("NCP"). The contribution to the system peak represents the rate class demand at the time of the system peak. By contrast, the class or group non-coincident peak represents a rate class's maximum demand as a class. The customer's non-coincident peak demand is the sum of the individual customer peak demands for all the customers within the rate class, regardless of when they occur. In addition, load research provides load shapes, hourly data, and load factors for each rate class. Load research data reflecting all of the above attributes is developed on a monthly basis for each wholesale and retail rate class. The monthly data is analyzed and reported on an annual basis as well.

Q. Has the Commission reviewed and approved the company's load research?

A. Yes. Florida Administrative Code ("FAC") Rule 25-6.0437, Cost of Service Load Research, requires that investor-owned utilities serving more than 50,000 retail customers submit a load research sampling plan to the Commission for review and approval every three years. FPL's most recent sampling plan was submitted in May 2011, and was approved in June 2011. In addition, the rule requires that utilities submit a complete load research

study every three years. FPL's most recent load research study was filed with the Commission in April 2010.

Q. Please describe the information provided and summarize the results achieved in the load research study filed with the Commission in April 2010.

A. This study provided the estimated CP and GNCP demands for the 12 month period ending December 28, 2009, for all rate classes subject to reporting under FAC Rule 25-6.0437. Also included in the report for the sampled rate classes are the 90% confidence intervals around the monthly peak demands and their percent relative accuracy. FPL met the target level of statistical accuracy required by the rule for the estimate of averages of the 12 monthly coincident peaks, as well as the summer and winter peaks for the sampled rate classes.

Q. Why is load research a necessary input into the jurisdictional separation and cost of service studies?

A. Load research provides information on usage characteristics, which provides the basis for allocating costs between retail and wholesale jurisdictions and for allocating costs among retail rate classes.

Q. Please explain what is meant by "rate classes."

A. In general terms, rate classes are groups of individual rate schedules with like billing attributes (customer type and load size) and rate design inter-relationships, which are treated for rate design purposes on a combined basis. As a result, one or more rate schedules may be combined into a single rate

class. For example, residential non-time-of-use, Rate Schedule RS-1, and residential time-of-use, Rate Schedule RST-1, are combined together into the RS(T)-1 rate class. The practice of combining time-of-use rate schedules with their non-time-of-use counterparts is consistent with the practice followed by FPL in the cost of service studies that were filed in the last four rate cases (Docket Nos. 830465-EI, 001148-EI, 050045-EI, and 080677-EI).

Q. Have you prepared an exhibit that lists the rate classes used for load research purposes?

A. Yes. Exhibit JAE-2 lists and describes the rate classes used for load research study purposes.

Q. How is load research information developed by rate class?

A. The first step is to collect and analyze load data by rate class. For certain rate classes, load data is captured by the recording metering devices that are used for billing purposes (100% metered). Unmetered rate classes, such as street lights, are modeled based on their equipment usage characteristics. Statistical samples developed in compliance with FAC Rule 25-6.0437 are used for all rate classes that are not modeled or 100% metered. Exhibit JAE-3 lists the rate classes that are 100% metered, modeled, or sampled.

FPL then uses extrapolation techniques identified in Exhibit JAE-3 to estimate the load research data for each rate class: the Ratio Extrapolation and the Mean Per Unit Extrapolation. The Ratio Extrapolation technique is the method used to expand the historical load research data for sampled rate

classes and for 100% metered rate classes with a large number of customers. This methodology estimates the total rate class demand by applying the ratio of demand to billed energy for each interval recorded multiplied by the billed energy for the rate class. The Mean Per Unit Extrapolation technique is used for rate classes with a small number of customers. The Mean Per Unit Extrapolation methodology estimates the total rate class demand by applying the average demand for each interval recorded multiplied by the number of customers in the rate class. Both extrapolation techniques are used for 100% metered rate classes as necessary to account for missing interval data resulting from meter, data translation, or communication issues.

Rate classes SL-1, OL-1, and SL-2 are billed as unmetered rates. The usage characteristics for the lighting rate classes, SL-1 and OL-1, are modeled based on the estimated number of burn hours or estimated hours of operation. This modeling estimates that light fixtures are on approximately 48% of all hours in a year. The Traffic Signal Service rate class, SL-2, is modeled based on a 100% load factor.

The load research sampling methodologies and extrapolation techniques described above are standard practices that are widely used in the industry. FPL has applied these techniques on a consistent basis in its load research filings with the Commission.

Q. Please discuss the historical load research information used in this filing.

A. The monthly load research data for the most recently completed three year annual load research studies was used. Load research data for the historical years 2008, 2009, and 2010 is provided in MFR E-11, Attachments 2, 3, and 4, respectively. The load research data for these years has been used in previous FPSC cost recovery clause filings. In addition, as stated previously, FPL's load research study for the year 2009 was filed with the Commission in April 2010. The historical load research information provided the basis for the projected 2013 Test Year load research data shown in MFR E-11, Attachment 1.

Q. Did the study results filed with the Commission in April 2010 cover the same rate classes as those being presented in this rate case?

A. No. Consistent with the Load Research Sampling Plan approved by the FPSC Staff in June 2011, the load research study results in this rate case reflect the aggregation of the optional rate schedules and riders such as HLFT-1 and SDTR-1 with the standard or "parent" rate class. For example, the HLFT-1 and SDTR-1 optional rate schedule and rider were combined with their parent rate class, GSD(T)-1. Exhibit JAE-2 lists and describes the rate classes used for load research study purposes. The Exhibit also shows the rate schedules that comprise each rate class.

Q. Please explain why this change was made.

A. FPL proposed the aggregation of optional rate schedules with their respective rate classes for load research purposes to remove class data that is not used for

rate design. FPL witness Deaton's testimony explains why the cost of service data at the optional rate schedule level is not used for rate design or for the allocation of revenue increases.

Q. What changes were made in the load research process to aggregate the optional rate schedules with their parent rate classes?

A. None. FPL's load research process is essentially the same, except that now the load research results for the parent rate classes include the optional rate schedules. The unit costs for the parent rate classes, for example, now include the costs associated with the optional rate schedules, whereas in the past these costs were determined separately for each optional rate schedule.

Q. Please describe how the projected 2013 Test Year load research data was developed.

A. The historical load research data was used in conjunction with the sales forecast by rate class to develop the CP, GNCP, and NCP demand estimates for the projected 2013 Test Year. Monthly ratios of each rate class's CP, GNCP, and NCP to actual kilowatt hours ("kWh") sales were developed for each of the three years of historical load research data.

Projected 2013 Test Year monthly CP, GNCP, and NCP ratios for each rate class were then developed based on the average of their respective historical ratios. The projected CP, GNCP, and NCP ratios were then applied to the sales forecast by rate class to derive the projected CP, GNCP, and NCP

demands for each class. The sales forecast, by rate class, was developed by FPL witness Deaton.

Q. Has this method of developing projected load research information just described been used previously?

A. Yes. The forecasted load research data in FPL's MFR filings in FPSC Docket Nos. 050045-EI, 001148-EI, and 080677-EI used this methodology.

Q. Is the projected load research data by rate class consistent with the system load forecast?

A. Yes. The projected load research data is consistent with the forecast of system monthly peak demands for the 2013 Test Year presented in MFR E-18 and with the forecast of system sales for the Test Year presented in MFR F-8.

Q. Which MFRs provide additional information on load research?

A. MFR E-9 and MFR E-17 provide additional information on load research.

Q. How is the load research data used in the development of the separation factors and cost of service study?

A. The load research data is used to develop the load-related allocation factors shown in MFR E-10. These load-related allocation factors, namely CP, GNCP, and NCP, are then adjusted to account for energy losses.

Q. What are energy losses?

A. Simply stated, energy losses represent the amount of energy produced that is neither sold nor used by the Company. There are two types of energy losses: technical and non-technical. Technical losses are inherent to the transmission and distribution of electricity and occur on generation step-up transformers,

transmission lines, distribution station step-down transformers, distribution lines, distribution transformers, and secondary service to customers. Non-technical losses include electricity theft and other unaccounted for use of energy.

Q. Why is it appropriate to adjust the load-related allocation factors for energy losses?

A. As discussed above, the load-related allocation factors are developed based upon the sales forecasts by rate class, which are then multiplied by the ratios established through load research to project CP, GNCP, and NCP. However, the forecasted sales for each rate class are measured at the customer's meter, which is net of energy losses that occur in delivering electricity to customers in that class. The peak load that is imposed upon the system by each rate class is actually more than the amount of energy delivered at the meter.

If all rate classes had the same level of energy losses, there would be no need to adjust for the losses because the relative relationship among the rate classes would remain the same, regardless of whether the losses were netted out. However, energy losses are different for rate classes served at transmission, primary distribution, and secondary distribution voltage levels. Therefore, it would not be appropriate to assume that the energy losses are the same for the different rate classes. Electric lines operating at higher voltage levels experience less energy loss per amount of energy delivered than lower voltage lines, thus transmission customers incur lower losses as a percent of energy

delivered than customers served at lower voltage levels. Primary distribution voltage losses are higher than transmission voltage losses because they include transmission losses, as well as distribution station step-down transformers and distribution line losses. Secondary distribution voltage customers incur the highest losses per unit delivered because their losses include losses due to transformers and secondary services in addition to losses from transmission and primary distribution voltages. Therefore, FPL develops and applies separate loss adjustments to each rate class so that these differences in energy losses among the rate classes are recognized.

Q. How are the adjustments for energy losses determined?

A. FPL witness Morley forecasts energy losses on a total FPL system basis. The forecasted system-wide energy losses are then converted into loss adjustment factors by voltage level and by rate class. MFRs E-19a, E-19b, and E-19c provide the details and results of this process. When these energy loss factors by rate class are applied to the corresponding rate class load-related data, the resulting values are termed 12 CP, GNCP, and NCP "adjusted for losses." Load data by rate class reflecting adjustments for energy losses is summarized in MFR E-9.

III. JURISDICTIONAL SEPARATION STUDY

Q. What is a jurisdictional separation study?

A. A jurisdictional separation study allocates the Company's total rate base and net operating income between different rate-regulated jurisdictions. FPL's utility business operates under two rate-regulated jurisdictions: retail, regulated by the FPSC; and wholesale, regulated by the Federal Energy Regulatory Commission ("FERC"). FPL must maintain its accounting books and records in accordance with the Uniform System of Accounts as prescribed by the FERC and the FPSC. Compliance with the Uniform System of Accounts requires electric utilities to record costs incurred and investments made at original cost. Since most investments made and costs incurred by a regulated utility serve all of its utility customers, retail and wholesale, it is necessary to prepare a jurisdictional separation study. For example, a power plant is normally constructed to serve the aggregate load requirements of all customers on the Company's system, not just one customer or group of customers. The jurisdictional separation study develops allocations or jurisdictional separation factors for allocating this power plant investment as well as all other rate base and net operating income items recorded on the Company's accounting books and records to jurisdictions.

Q. How are costs separated between the retail and wholesale jurisdictions?

A. Costs are first functionalized, then classified, and finally allocated between the retail and wholesale jurisdictions. The term "functionalization" refers to the

assignment of costs into one or more of the major functions of an electric utility (e.g., production, transmission and distribution). The term "classification" refers to the categorization by cost driver, that is, the determination of whether a cost is driven by demand, energy, or number of customers. Finally, each component is "allocated" between jurisdictions using jurisdictional separation factors. The method of allocating a cost should be consistent with its functionalization and classification. For example, a cost classified as demand-related should not be allocated on the basis of kWh of energy consumed, nor should a cost classified as energy-related be allocated based on peak demand.

Q. What are jurisdictional separation factors?

A. Jurisdictional separation factors are the result of the process just described and are used to allocate rate base and net operating income items between retail and wholesale jurisdictions. These factors are expressed as figures between zero and one, with the former indicating no retail responsibility and the latter indicating complete retail responsibility. The jurisdictional separation factors are primarily based on demand or energy sales for the retail and wholesale jurisdictions. However, other factors that best represent each jurisdiction's cost responsibility are also used. MFR E-10, Attachment 1, outlines the specific methodology used to develop the separation factors by each component of cost.

Q. What types of transactions are considered wholesale sales?

A. Wholesale sales consist of electricity sold to other electric utilities for resale. They include requirement power sales to other utilities, which are firm, long term sales, as well as opportunity sales which are non-firm and of shorter duration. Transmission service between utilities also falls under the wholesale jurisdiction regulated by the FERC.

Q. What is the significance of the different types of wholesale transactions in developing separation factors?

A. It is important to understand the significance of a wholesale sale that is a "separated sale" and a wholesale sale that is a "non-separated sale" because different regulatory treatments apply to the costs and revenues associated with each type of sale. The FPSC has historically made a distinction between separated versus non-separated wholesale power sales. As outlined in Docket No. 970001-EI, Order No. PSC-97-0262-FOF-EI, wholesale sales that are non-firm or less than one year in duration are treated as non-separated sales because a utility does not commit long-term capacity to such wholesale customers. Non-separated sales are not assigned cost responsibility through the separation process. Therefore, the revenues and costs associated with non-separated sales are shared by both retail and long term firm wholesale customers.

Q. How are separated wholesale sales treated in the jurisdictional separation study?

A. The FPSC has historically required that firm sales of more than one year (long-term firm sales) be separated and treated as 100% wholesale for jurisdictional separation purposes. In essence, the wholesale sale is separated to remove the production plant, operating expenses (including fuel expenses), and operating revenues associated with the sale from the retail jurisdiction's cost responsibility. FPL's separated wholesale sales for the 2013 Test Year include Florida Keys Electric Cooperative, City Electric System of Key West, City of Wauchula, and Lee County Electric Cooperative power sales contracts. The jurisdictional separation factors for separated wholesale sales are calculated using the wholesale customers' loads.

Q. How are wholesale transmission service contracts treated in the jurisdictional separation study?

A. Consistent with the FPSC order in FPL's most recent rate case, Docket No. 080677-EI, FPL has separated the costs and revenues associated with wholesale transmission service contracts that are firm and longer than one year. These wholesale contracts are separated to remove the transmission plant, operating expenses, and operating revenues associated with the service contracts from the retail jurisdiction's cost responsibility.

Revenue from short-term, non-firm wholesale transmission service contracts are credited to both retail and wholesale jurisdictions, thereby reducing the

costs to serve both jurisdictions. In other words, these contracts are not assigned cost responsibility through a separation process; therefore, the retail and wholesale firm transmission customers support all of the transmission investments and costs. In exchange for supporting the investment, both the retail and wholesale firm transmission customers receive all of the revenues.

Q. Please explain how the results of the jurisdictional separation study are incorporated into the cost of service study.

A. The jurisdictional separation factors are applied on a line item basis to the Company's total utility rate base and Net Operating Income ("NOI") to compute jurisdictional or retail rate base and net operating income. The jurisdictional results and associated factors are shown on MFR B-6 and MFR C-4. The jurisdictional separation factors are among the inputs used to calculate the jurisdictional or retail-adjusted rate base and NOI reported in MFRs B-1 and C-1, respectively, sponsored by FPL witness Ousdahl. The jurisdictional or retail-adjusted rate base and NOI are allocated to retail rate classes in the cost of service study.

IV. RETAIL COST OF SERVICE STUDY

Q. Please provide an overview of a retail cost of service study.

A. A retail cost of service study is the continuation of the jurisdictional separation study but at the retail rate class level. The cost of service study starts with the jurisdictional-adjusted rate base and net operating income. To

determine FPL's costs to serve each retail rate class, the various components of the jurisdictional-adjusted rate base and net operating income are functionalized, classified, and allocated to the retail rate classes.

Q. Please explain the treatment of production plant in FPL's cost of service study.

A. As required by MFR E-1, FPL's cost of service study utilizes a 12 CP and $1/13^{th}$ methodology for production plant. The 12 CP and $1/13^{th}$ methodology recognizes that the decision to add generating capacity is driven primarily by peak demands on the system. This methodology classifies $12/13^{ths}$, or approximately 92%, of costs on the basis of coincident peak demand and $1/13^{th}$, or approximately 8%, of costs on the basis of energy. That portion classified to demand is allocated to the individual rate classes based on their 12 CP contributions, adjusted for losses, while the portion classified to energy is allocated based on their kWh sales, adjusted for losses. Under the 12 CP and $1/13^{th}$ methodology, all generating units are treated consistently based on their function (i.e. production), their classification ($12/13^{ths}$ demand and $1/13^{th}$ energy), and their allocation (contribution to the system peak and kWh of energy). The 12 CP and $1/13^{th}$ methodology has a significant history of regulatory acceptance in Florida. The 12 CP and $1/13^{th}$ methodology was used in Docket No. 830465-EI and Docket No. 080677-EI. Furthermore, the FPSC has approved the 12 CP and $1/13^{th}$ methodology in rate cases involving other investor-owned utilities.

Q. How does FPL's cost of service methodology treat transmission plant?

A. With the exception of transmission pull-offs, which are required to connect transmission voltage customers to the grid, transmission plant has also been classified on the basis of 12 CP and 1/13th. The portion of transmission plant classified to demand is allocated to the individual rate classes based on their 12 CP contributions, adjusted for losses, while the portion classified to energy is allocated based on the kWh sales, adjusted for losses. Costs associated with transmission pull-offs are classified as customer-related and allocated to transmission voltage customers. This approach mirrors the treatment of transmission plant approved in Docket No. 830465-EI and Docket No. 080677-EI.

Q. How does FPL's cost of service methodology treat distribution plant?

A. Unlike production and transmission plant, which serve all of FPL's retail rate classes, distribution plant is often specific to particular rate classes. Metering costs, for example, are not relevant to lighting classes, such as SL-1 and OL-1, which are unmetered. Likewise, the cost of secondary lines is not incurred in providing service to transmission level customers. Thus, the distribution function is actually a mix of a number of distinct sub-functions, each with its own allocation methodology. Substations and primary voltage lines are allocated on the basis of the GNCP of customers served from the distribution system. Secondary voltage lines are allocated on the basis of the GNCP of customers served at secondary voltage levels. Transformers are allocated on the basis of the NCP of customers served at secondary voltage levels.

The cost of metering equipment is classified as a customer charge and is allocated to rate classes based on the fully loaded cost of the meters in service for each rate class. Service drops and primary voltage pull-offs are also classified as a customer charge. Primary voltage customers are allocated the cost of primary pull-offs, and secondary voltage customers are allocated the cost of service drops.

Lastly, costs specifically dedicated to lighting customers, including fixtures, poles, and conductors, are directly assigned to those rate classes. FPL's methodology for treating distribution plant just described is consistent with that approved in Docket No. 830465-EI and Docket No. 080677-EI.

Q. Is additional detail available outlining the methodology used in the retail cost of service study?

A. Yes. Exhibit JAE-4 provides details of the methodologies used in the cost of service study to allocate the various components of rate base and NOI.

Q. Which MFRs outline the functionalization, classification, and allocation of costs in the cost of service study?

A. MFRs E-4a and E-4b show the functionalization and classification of rate base and expenses by FERC account. MFRs E-3a and E-3b show the allocation of rate base and expenses by FERC account to the individual rate classes.

V. RETAIL COST OF SERVICE RESULTS

Q. What results are produced in the cost of service study?

A. The cost of service study produces specific data for each rate class including rate base, net operating income, ROR, target revenue requirements, and unit costs for demand, energy, and customer charges. Target revenue requirements and unit costs serve as the initial basis in the rate design process.

Q. How is the rate of return by rate class determined?

A. ROR is calculated by dividing NOI by rate base. The retail jurisdictional ROR represents the jurisdictional adjusted net operating income divided by the jurisdictional adjusted rate base. The ROR for each rate class is calculated once the various components of jurisdictional adjusted rate base and jurisdictional adjusted net operating income are allocated to all rate classes. ROR on a total retail and on an individual rate class level are reported in MFR E-1.

Q. How are comparisons in ROR by rate class made?

A. A measure of how a rate class's ROR compares to the total retail ROR can be computed by dividing the class ROR by the retail ROR. The resulting figure is referred to as the parity index. A rate class with a parity index of 100% would be earning the same ROR as the retail average, and deemed to be precisely at parity. A rate class with a parity index of less than 100%, or below parity, would be earning an ROR that is less than the retail average

ROR, while the opposite would be true for a rate class with an index above 100%.

Q. What does FPL's cost of service study show regarding the retail average ROR and the parity indices by rate class?

A. At present rates, FPL's cost of service shows a projected retail jurisdictional ROR of 5.50% for the 2013 Test Year, which is the same earned rate of return as that reported on Line No. 12 of MFR A-1. The study shows that at present rates certain rate classes, such as GS(T)-1 and GSD(T)-1, are above parity, while other rate classes, such as GSLD(T)-1, and GSLD(T)-2, are below parity. Exhibit JAE-5 lists the rate of return and relative parity index for each rate class along with the revenue requirement differential to achieve full parity at present rates for the 2013 Test Year. MFR E-1 provides the details supporting these results.

Q. Are there specific factors contributing to the disparities in rates of return among rate classes?

A. Yes. Prior to Docket No. 080677-EI, customer rates were adjusted several times without regard to parity levels causing significant disparities among rate classes. For example, the implementation of the FPSC-approved 1999 reduction in base rates resulted in higher percentage reductions in base revenues for the larger commercial/industrial ("C/I") rate classes. The 1999 rate reduction was implemented by reducing all energy rates by the same rate factor; therefore, rate classes with lower than average energy rates, such as large C/I classes, received higher effective percentage reductions in their rates,

thereby exacerbating their disparity relative to other classes. In addition, some of FPL's current rate classes consist of a very limited number of customers, so customer migration and individual variations in load usage can be expected to have a larger impact on parity for those rate classes.

FPL's current base rates were set in March 2010 in Docket No. 080677-EI. Parity levels among rate classes were significantly improved as a result of the order in that docket, Order No. PSC-10-0153-FOF-EI. However, due to the significant disparities existing prior to this docket and the application of the FPSC's practice of limiting rate class increases to 1.5 times the system average, the base rates for each rate class were not set at full parity.

Q. Please explain the other results produced in the cost of service study.

A. As previously mentioned, a cost of service study also calculates revenue requirements or target revenues by rate class. Revenue requirements consist of a return on rate base plus income taxes and expenses. Thus, revenue requirements represent the level of revenues required to earn a particular ROR. Consistent with FPSC filing requirements, three sets of projected revenue requirements by rate class have been developed. One set of revenue requirements, shown in MFR E-6a, is based on each rate class's projected individual ROR. The second set of revenue requirements, also presented in MFR E-6a, is based on FPL's projected retail ROR applied uniformly to each class. The third set of revenue requirements, shown in MFR E-6b, is based on FPL's requested retail ROR applied uniformly to each rate class. MFR E-6b

provides the target revenue requirements by rate class and underlying unit costs for each billing determinant (i.e., demand, energy, and customer) used by FPL witness Deaton in the rate development process. Exhibit JAE-6 shows target revenue requirements for each rate class at proposed rates on an equalized basis, that is, at the retail ROR or at parity. As can be seen on this Exhibit, the total revenue requirements deficiency shown in Column 4 equals the amount shown on MFR A-1, line 16. The target revenue requirements shown in Column 3 are reported on MFR E-1.

The unit costs by billing determinant shown in MFRs E-6a and E-6b are derived by dividing the demand, energy, customer, and lighting-related revenue requirements by the appropriate billing determinants. Thus, the cost of service study provides the basis to determine the demand, energy, and customer unit costs for each rate class. As stated earlier, the rate classes' target revenue requirements and underlying unit costs at the requested retail ROR serve as the initial basis in the rate design process, which FPL witness Deaton addresses.

The cost of service study in MFR E-1 also provides the impact of the proposed revenue increase on the ROR and parity index for each rate class. The proposed revenue increase by rate class used in this MFR is provided on MFR E-5, sponsored by FPL witness Deaton.

Q. Does this conclude your direct testimony?

A. Yes.

BY MS. CLARK:

Q And do you also have exhibits that consist of 15 pages, JAE-1 through JAE-6?

A Yes.

MS. CLARK: Mr. Chairman, there are -- four of those exhibits are marked on Staff's exhibit list. They are 213 through 216. JEA-6 -- excuse me, JEA-5 and 6 were not marked. I don't know, is your preference to make them as Exhibits 216-A and B, or just add them to the current list as a 500?

COMMISSIONER BALBIS: I'd rather keep them together as 216-A and B.

MS. CLARK: Okay.

(Exhibits 216-A and 216-B marked for identification.)

BY MS. CLARK:

Q Mr. Ender, have you prepared a summary of your direct testimony?

A I have.

Q Would you give that now?

A Sure. Good afternoon, Commissioners. Thank you for the opportunity to address you today. My testimony explains how FPL determines the cost to serve each rate class, which is the initial step in setting new rates. In a nutshell, the cost of service study first separates costs between the wholesale and retail jurisdictions and then

allocates the retail costs to the appropriate retail rate classes.

The cost of service study determines the cost responsibility for each rate class and whether the revenues from each class cover the cost to serve it. While there are many elements to a cost of service study, the process involves three basic steps.

Costs are first functionalized; that is, by type, whether it's production, transmission or distribution. They are then classified by cost driver; that is, energy, demand or customer. And, finally, costs are allocated among rate classes using methodologies that reflect cost causation.

FPL's cost of service study results for the projected 2013 test year reflect the forecast of base revenues for each rate class and an equitable allocation of rate base, expenses, and other operating revenues. The study provides the target revenue requirements by rate class; that is, the revenue needed to cover the cost to serve each class.

The target revenue requirements and unit costs for demand, energy, customer and lighting, producing the cost of service study, provide the initial basis for designing new rates.

This Commission should approve the jurisdictional separation and cost of service study methodologies and results presented in my testimony. The methodologies used in

this study reflect the cost causation and are consistent with those previously approved by this Commission.

Furthermore, the results were accurately determined and fairly present each rate class cost responsibility. This concludes my summary of my direct testimony.

MS. CLARK: Mr. Chairman, we tender him for cross.

COMMISSIONER BALBIS: Okay, thank you.

Ms. Kaufman?

MS. KAUFMAN: Thank you, Commissioner.

CROSS EXAMINATION

BY MS. KAUFMAN:

Q Good afternoon, Mr. Ender, how are you?

A Fine, thank you. Good afternoon.

Q I understand from your summary that you're the witness responsible for the cost of service study, correct?

A That is correct.

Q And I want to talk to you about your testimony, beginning on page 20, at the bottom, and it goes over to page 21. And on page 21 you describe your choice of the 12 CP and 1/13th AD methodology for production plant, is that correct?

A Yes.

Q Were you here or did you listen to Mr. Pollock's testimony yesterday?

A I listened to a little bit of it. I didn't listen

to the whole thing.

Q Well, would you agree that the 12 CP and 1/13th methodology results in an allocation of about 92 percent of the cost of production plant to individual rate schedules based on their contribution to the 12 monthly peaks?

A That is correct. That's one of the components.

Q And then the 1/13th is the energy component, correct?

A That is correct.

Q And that's about eight percent?

A Correct.

Q And that's what you're recommending be used for production plant allocation, and by that I mean the generation plant, correct?

A That is correct.

Q Now, you also have to allocate transmission items using a methodology, correct?

A That is correct.

Q And what you've suggested to the Commission, I think, is that you want to use the same 12 CP and 1/13th for transmission as you have used for production, correct?

A Yes, that is correct.

Q And you talk about that on page 22, beginning, I guess, at line one. Now, would you agree with me that the need for transmission plant is dependent on peak demand? In

other words, the lines have to be sized large enough to carry energy at the time of the peak?

A Yes, but I think I addressed this in my rebuttal testimony regarding the fact that FPL, in planning the transmission infrastructure, looks at seasonal demands, seasonal peak demands. So it's not -- it is based on demand, but not just one peak demand.

Q I understand that. But it is based -- the sizing the line is based on peak, because that's when you have to have the largest capacity of the line, correct?

A That is correct.

Q Okay. And if you heard Mr. Pollock or you read his testimony, you'd agree that he suggests a straight peak method for the allocation of transmission.

A Yes, I understand that he is proposing that.

Q It's a straight coincident peak method. And would I be correct that you think that that is a reasonable method for allocation of transmission?

A I think that the methodology that FPL has used --

Q I'm sorry, Mr. Chairman -- the question that I asked was would you agree that Mr. Pollock's allocation on a straight coincident peak methodology for transmission plant is a reasonable method for allocation for those assets?

A Yes, it is. Can I explain?

Q Well, I didn't ask for any explanation, so thank

you.

A Okay.

Q I'm actually going backwards in your testimony, but I want to turn you back to page five, please, beginning at line eight. It's in the middle. You state there that these results -- and you're referring to the -- let me wait until you get there. Are you there?

A It's page five, line eight?

Q Page five, line eight. It begins -- the first sentence begins these results.

A Okay.

Q And by these results you're referring to the cost of service study results. These results reflect the forecast of base revenues for each rate class, and an equitable allocation of rate base, other operating revenues, and expenses. Correct?

A That is correct.

Q So it's important to you, I assume, that the allocation of these items be equitable?

A I think it is important that the allocation --

Q I'm sorry, I didn't give the little preliminary, but if you could try to start with a yes or no.

A It's one of the criteria, so it's yes and no.

Q Are you familiar with the term gradualism as that's used in the ratemaking context?

MS. CLARK: Mr. Chairman, I believe that's a question for Ms. Deaton.

MS. KAUFMAN: Mr. Chairman, this gentleman, in the passage that I cited, is talking about equitable allocation. I think gradualism is a component of that, and I think it's an appropriate question.

COMMISSIONER BALBIS: I'll allow the question.

MS. KAUFMAN: I'm sorry, I didn't know where to look.

BY MS. KAUFMAN:

Q Do you need me to repeat it?

A Yes, please.

Q Okay. I was asking you if you are familiar with the use of the term gradualism in the context of ratemaking.

A I am familiar with it, generally so, yes.

Q And what is your understanding of what that means?

A The gradualism, as it was applied in the company's last rate case -- and I think is what we're proposing in this case -- is to not allow any particular class to get more than 150 percent of the average increase.

Q And would you agree with me that one of the underlying principles behind this policy is to prevent what has been termed rate shock for any particular customer class?

MS. CLARK: Mr. Chairman, this clearly is a rate design issue, and Ms. Deaton addresses that. In fact,

Ms. Deaton is listed as the witness on this issue and she's prepared to answer this question for Ms. Kaufman.

COMMISSIONER BALBIS: Ms. Kaufman?

MS. KAUFMAN: As I said earlier, this gentleman performed the cost of service study, and part of his role is to ensure that the rates are fair, just and reasonable. I understand that Ms. Deaton addresses that, as well, but I think I'm entitled to cross examine this witness on these issues.

COMMISSIONER BALBIS: Well, let me respond. I think your line of questioning started with the cost of service study, and I think that the concept of gradualism was appropriate to ask as it reflects the cost of service study. But I think, starting to get into rate shock and other rate-setting principles, I think, are more appropriate for another witness.

MS. KAUFMAN: Okay, I will save those questions for Ms. Deaton.

BY MS. KAUFMAN:

Q Mr. Ender, how long have you been performing cost of service studies?

A I have been a manager of the rate -- the cost of service and load research section for the last 14 years.

Q So you have some significant experience in that area, do you not?

A You could say that.

Q Would you agree with me that there are some opinions and judgments that have to be applied when you are running or dealing with the cost of service study?

A I would agree with you on that.

Q Okay. And would you also agree with me that experts in this narrow field can disagree on the appropriate judgments or opinions to be applied in a particular case?

A Yes. There are a number of methodologies that are acceptable, and it depends on the facts and circumstances of the case. And for us, we believe, of course, that the 12 CP and 1/13th is the appropriate methodology.

Q But --

A And that reflects FPL -- the way FPL plans and builds a system.

Q But I think you would also agree that certainly others with expertise in this area might disagree?

A I -- I take that as a definite possibility, yes.

MS. KAUFMAN: I guess that's all I have for Mr. Ender. Thank you.

COMMISSIONER BALBIS: Okay, thank you. And Mr. Wiseman?

MR. WISEMAN: Thank you, Mr. Chair.

CROSS EXAMINATION

BY MR. WISEMAN:

Q Good afternoon, Mr. Ender.

A Good afternoon.

Q Mr. Ender, would you agree that a customer with a higher load factor is using system capacity more efficiently than a customer with a lower load factor?

A I can accept that.

Q Okay. And would you agree, all other things being equal, that it costs FPL more on a kilowatt-hour basis to serve a customer with a lower load factor than a customer with a higher load factor?

A I'll accept that for purposes of this hypothetical.

Q Okay. And would you agree, again, all other things being equal, that on a kilowatt-hour basis it's less costly for a utility to serve a customer with a relatively flat load profile as compared to a customer whose load profile varies to a higher degree?

A I would accept that.

MR. WISEMAN: All right. Now, if I could have two exhibits marked for identification. I think we're at 560?

COMMISSIONER BALBIS: That's the number I have, if Staff could confirm that. Well, we'll go with 560, then.

MR. WISEMAN: Okay, the first one is MFR E-9, and

that would be 560. And the second is FPL's response to SFHHA Interrogatory 179. That would be 561.

(Exhibits 560 and 561 marked for identification.)

BY MR. WISEMAN:

Q Mr. Ender, do you have both of those?

MR. BUTLER: We don't have the second one yet.

MR. WISEMAN: Oh, I'm sorry, I apologize. Just let me know when you're ready.

MR. LaVIA: Excuse me, Mr. Wiseman, is this MFR E-9 560?

COMMISSIONER BALBIS: I have it marked as 560.

MR. WISEMAN: MFR E-9 would be 560, and the response to interrogatory 179 would be 561.

BY MR. WISEMAN:

Q All right, Mr. Ender, first of all, you're the sponsor of MFR E-9, the document that's been marked for identification as Exhibit 560, correct?

A I am the co-sponsor.

Q Okay. And would it be correct that Exhibit Number 561, the response to interrogatory number 179, was prepared by you or under your direction?

A I don't recall whether this one, I was a sponsor. I'm not sure --

MS. CLARK: Mr. Wiseman, maybe you can clear it up. I think it says regarding Morley.

MR. WISEMAN: I know the question was posed to Dr. Morley, but the affidavit indicates that Mr. Ender prepared it.

THE WITNESS: And it was just me alone?

BY MR. WISEMAN:

Q I'm sorry, I didn't hear.

A Was it just me, alone?

Q That I don't know.

A Okay.

Q Well, let's go forward and let's see if we can work through these two documents. Let's first turn to Exhibit 560, the MFR E-9. Now, if you turn to -- I'm sorry, if you focus on column four, that column shows total delivered sales on a megawatt-hour basis that you are forecasting for each rate schedule for the year 2013, is that correct?

A Column four shows total delivered sales, but I do not forecast total delivered sales.

Q So that's an -- oh, this is a -- I'm looking at the top right-hand corner of the page, and it says projected test year ended December 31, 2013.

A Correct.

Q And so you're saying that the number in column four is an actual number?

A No, I am not saying that. What I said is that I

did not provide that information.

Q Who did?

A This is dealing with sales, so that would be witness Deaton at the rate class level.

Q All right. Well, would that mean that you can't answer questions about this particular document, that column?

A Not about that column, but I can -- not about that column.

Q Mr. Ender, maybe I can show this to your counsel. We have an affidavit -- unfortunately it's on the laptop -- that shows that you sponsored the response to interrogatory number 179. Does that refresh your recollection?

A The reason why I am saying that I don't recall it is because this deals with sales at a retail rate class level and on a total basis, and that's not an area that I deal with. That would be Ms. Deaton.

Q Okay. So if I were going to ask questions about column four in MFR E-9 and about the data in interrogatory number 179, it's your testimony that Ms. Deaton would be the proper witness?

A I believe so.

Q Okay. Mr. Ender, when I was cross examining Dr. Morley, I asked her about a document that was marked for identification as Exhibit Number 506, and it was FPL's response to SFHHA interrogatory number 109. And she

indicated that that was a document that was prepared by you. Do you happen to have a copy -- were you provided a copy of it by counsel?

A I do not have a copy with me.

MR. WISEMAN: Mr. Chair, would it be appropriate -- could we provide Mr. Ender with a copy of that exhibit?

COMMISSIONER BALBIS: Yes.

MR. WISEMAN: Thank you.

BY MR. WISEMAN:

Q Do you recall this document, Mr. Ender?

A Yes.

Q And this document was prepared by you or under your supervision?

A Yes, it was.

Q All right. Can you turn to page three of three in attachment number one to the response. Now, would you agree that this particular page shows actual contributions to summer peak for the various rate classes based on actual data recorded for the year 2010?

A Yes, among other things.

Q Okay. And let's focus, if you could go to the column on the far right where it says percent contribution to summer peak. Do you see that?

A I do.

Q Would you agree that this page shows that the

RST-1 rate class contributed 57.03 percent to the 2010 summer peak, is that correct?

A That is what is indicated in there, correct.

Q Okay. And as we go down the page, if you go down two rows to GSLDT-1, is it correct that the GSLDT-1 rate class contributed 9.22 percent to the 2010 summer peak?

A That is what is indicated on the sheet, yes.

Q Okay. And then going down a little further to the fifth row, the CILC-1D rate class contributed 5.66 percent to the 2010 summer peak, correct?

A Let me just line them up.

Q Sure.

A You said CILC-1D?

A 1D, as in dog.

Q It shows 5.66 percent, correct.

Q Okay. And the GSLDT-2 rate class contributed 1.55 percent to the 2010 summer peak, right?

A Can you repeat that again?

Q Sure. The GSLDT-2, which I think is the sixth row down, contributed 1.55 percent to the 2010 summer peak, right?

A That is correct.

Q Okay. Now, can you refer to the corrected supplemental response that is the last page of the document. Do you have that, where it says 2011 coincident peak analysis

at generation kW?

A Yes, I have it.

Q All right. Now, first of all, if I recall, originally FPL did not produce this -- didn't produce data to us concerning 2011, this was produced subsequent to the data that was initially produced in response to interrogatory 109, is that correct?

A That is correct.

Q And you'd agree, looking at this page that I referred you to, that for whatever reason -- and this isn't a criticism -- but this is just in a different format than the prior document, right?

A It appears to be in a different format, yes.

Q Right. So whereas in the prior document you actually had a specific column that listed your calculation of the contribution of each rate class to the summer peak, that column is just -- it's just not on this particular page, right?

A Well, it is not there for a reason. We have not --

Q Excuse me, I think the question was answered.

MS. CLARK: I think he should be allowed to explain the reason.

COMMISSIONER BALBIS: I agree.

THE WITNESS: It is not there for a reason because

we have not done the cost of service study which is where we would actually be able to provide the information that was provided in response to the prior pages.

BY MR. WISEMAN:

Q All right. Well, would you -- I mean, do you have a -- if you don't have a calculator there -- do you have a calculator? To make this easy, let's see if we can do this by subject to check, okay?

Would you accept, subject to check, that the RST-1 rate schedule contributed 59.87 percent to the August, 2011 summer peak? And if you want a calculator, that's fine.

A For purposes of keeping this going, I guess I could agree subject to check.

Q All right, great. And will you accept, subject to check, that the GSLDT-1 rate class contributed 18.01 percent to the 2011 summer peak?

A Subject to check.

Q And would you accept, subject to check, that the CILC1-D rate class contributed 1.8 percent to the 2011 summer peak?

A I will have to again say subject to check.

Q Okay. And finally, will you accept, subject to check, that the GSLDT-2 rate case contributed 1.57 percent to the August, 2011 summer peak?

A Subject to check.

Q All right. Now, can you refer back to the first page, your initial response to this interrogatory, to page one of three of that attachment. Do you have that?

A I have it.

Q All right. And would I be correct that this shows that the residential rate class, the RST-1 rate class, contributed 55.67 percent to the -- I'm sorry, that you're forecasting, rather, that the RST-1 rate classes will contribute 55.67 percent to the 2013 summer peak?

A Yes.

Q Okay. And for the -- to shortcut this, all of the percentages that are in the right-hand column that's listed percent contribution to summer peak, those would be your forecasts by rate schedule of the contribution each rate schedule made to the 2013 summer peak, right?

A This is a summary by rate class, not by rate schedule.

Q Okay, by -- okay, with that correction, would you agree that that column to the right where it says percent contribution to summer peak contains your forecast of the contribution of each of the rate classes listed to the 2013 summer peak?

A That is the calculated value of the percent contribution by rate class for the summer peak, correct.

Q All right. Well, if you recall, we saw on page three of three of this first attachment that in 2010 the RST-1 rate schedule or rate class actually contributed 57.03 percent to the 2010 summer peak, right?

A That is correct.

Q And I asked you to accept subject to check that in 2011 that percentage was 59.87 percent, right?

A Subject to check.

Q Okay. And so would you agree, Mr. Ender, that your forecast of contribution to the 2013 summer peak for the RST-1 rate class is lower than the actual contributions to the summer peak that rate class made based upon recorded data in 2010 and 2011?

A No, I do not agree with that.

Q So these numbers are wrong?

A No, those numbers are based, as I indicated in my testimony, they're based on a three-year average, based from 2008, 2009 and 2010, load research data, which formed the basis for the average that we applied for 2013.

Q Mr. Ender, are the numbers -- are the data that are shown on attachment number one in this response, are these actual recorded data?

A Attachment one? Page one?

Q I'm sorry, I apologize. Attachment -- attachment one, page three of three. Those are actual recorded data for

2010, correct?

A That is for just 2010.

Q And the data on the supplement, the last page, has actual recorded data for 2011, is that correct?

A That is what that shows, yes.

Q And your testimony is that if the numbers on those two charts are higher than the number that's on attachment number one, that that doesn't show that the numbers on the two latter attachments of actual recorded data are not higher than attachment one?

A Mathematically they may be.

Q Thank you.

A However, that's not how we based our forecast.

Q Thank you. So you're basing your forecast on an average?

A I'm basing my forecast on historical data, load research data, for the three years prior to the time that we did the forecast, which is 2008, 2009 and 2010.

Q And so you didn't include 2011 in your forecast?

A Did not have it at the time.

MR. WISEMAN: Okay. All right, let's move to another exhibit, if we could, Exhibit MFR E-17, if we could have that marked for identification as the next exhibit in order.

COMMISSIONER BALBIS: 562.

(Exhibit 562 marked for identification.)

BY MR. WISEMAN:

Q Mr. Ender, you're the sole sponsor of this MFR, is that correct?

A That is correct.

MS. CLARK: Mr. Wiseman, can I just ask -- I was here when it was discussed, but I just can't remember. Are we -- even though they're in the MFRs, are we marking them as exhibits?

COMMISSIONER BALBIS: That's --

MS. HELTON: We --

COMMISSIONER BALBIS: I'll mark it, you know.

MR. WISEMAN: If I could say, that's the process that we've been following, and frankly, the only reason I did it that way was for the convenience of the parties so that we're not shuffling, you know, a giant book of MFRs all the time. But that's the way we have been doing it.

MS. HELTON: The MFRs have been marked in total with one exhibit number. Having written a few briefs in my time, I like having the smaller bits of information with an exhibit number. And it's really up to the parties, I think, as far as whether they want them marked individually or not. I'm not saying that we're going to be writing briefs here, but I'm just saying as

far as, you know, writing the recommendation or doing whatever we're doing, so --

COMMISSIONER BALBIS: Okay, not seeing any objections, we'll just continue to mark the individuals.

MS. CLARK: I just thought that we were doing it differently, but I'm fine with that, Mr. Wiseman.

BY MR. WISEMAN:

Q Mr. Ender, can you take a look at page one of 17 in this MFR? And that applies to the CILC 1-D rate schedule, right?

A Okay. I'm there.

Q Okay. Now, if you look down toward the bottom of the page, it shows that the 12-month coincident peak -- I'm sorry, the 12 CP load factor for the CILC 1-D rate schedule rate class is 106.28 percent, do you see that?

A Yes, I do.

Q Now, could you turn to page seven of this document. And this is the -- this page pertains to the GSLDT-1 rate class, correct?

A Correct.

Q And it shows here that the 12 CP load factor for the GSLDT-1 rate class is 77.95 percent, correct?

A Correct.

Q And if you'll turn to the next page, page eight of 17, this page is for the GSLDT-2 rate class, correct?

A That is correct.

Q And it shows that the 12 CP load factor for the GSLDT-2 rate class is 93.94 percent, right?

A Correct.

Q Okay. And last, if you turn to page 13 of this document, this page pertains to the RST-1 rate class, correct?

A Correct.

Q And it shows that the 12 CP load factor for the RST-1 rate class is 57.60 percent, right?

A Yes.

MR. WISEMAN: Okay. If we could have marked now for identification as the next exhibit in order MFR E-11.

COMMISSIONER BALBIS: Okay, that will be marked as Exhibit Number 563.

(Exhibit 563 marked for identification.)

BY MR. WISEMAN:

Q Mr. Ender, you, I think, are a co-sponsor of this MFR, is that right?

A That is correct.

Q Okay. And would it be correct that this particular schedule shows, among other things, forecasts for the 2013 test year of coincident peak, group non-coincident peak and non-coincident peak, right?

A That is correct.

Q And are those three categories -- are those the type of data that you're familiar with and you can testify about?

A Yes.

Q Okay. Let's focus on the group non-coincident peak. And can you provide -- I think it would be helpful, so it's clear. Can you provide a definition of what that is?

A Sure. The group non-coincident peak is the maximum demand for the group, for the rate class as a whole. So it would be the maximum demand for the period.

Q So what is shown on -- I just happen to be on page one of the document, but they're all the same. And again, focusing on the group non-coincident peak, this is showing the group's maximum peak that you forecast for each of the months during 2013, correct?

A That is correct.

Q All right. Let's stay on page one. And do you see the data set right up at the very top pertains to the CILC 1-D rate class, correct?

A Yes.

Q Okay. Would you agree that the lowest group non-coincident peak that you forecast for 2013 would be in the month of March, and that would be -- well, I'm sorry, is this in kWh?

A I believe that this is kW.

Q kW?

A Subject to check?

Q All right, fair enough. Would you agree that the lowest group non-coincident peak that you forecast for 2013 for the CILC-D1 -- the CILC-1D rate class is in March and that's 347,227 kW?

A That looks correct.

Q Okay. And would you agree that the highest group non-coincident peak you forecast for the CILC-1D rate class would be in January at 422,622 kW?

A That's correct.

Q And using our agreement to agree to things subject to check, now that it's mutual, would you agree, subject to check, that the lowest group non-coincident peak that you forecast for 2013 for the CILC 1-D rate class is 82 percent of the highest group non-coincident peak that you forecast for that rate class in 2013?

A I would like you to repeat that sequence. I want to make sure I follow you.

Q Sure. Sure. What I'm trying to do is compare the low -- the percent of the lowest group non-coincident peak you forecast to the highest group non-coincident peak that you forecast.

A Okay.

Q And my question is, would you agree, subject to check, that the lowest group non-coincident peak you forecast for 2013 for the CILC 1-D rate class is 82 percent of the highest group non-coincident peak forecast for that rate class?

A Subject to check, it looks approximately correct.

Q Okay. Now, let's talk -- if you could refer to page two of this document. And I'd like you to look at the GSLDT-1 rate class, next to the bottom. Would you agree here that the lowest group non-coincident peak you forecast for the GSLDT-1 rate class was in February and that would be 1,816,701 kW?

A That looks correct.

Q Okay. And would you agree that the highest group non-coincident peak you forecast for the GSLDT-1 rate class was forecast in November at 2,057,808 kW?

A That is correct.

Q And will you accept, subject to check, that the lowest group non-coincident peak you forecast for the GSLDT-1 rate class is 88 percent of the highest group non-coincident peak you forecast for that rate class in 2013?

A Close enough.

Q Okay. And then also on that page we've got the GSLDT-2 rate class. There the -- you'd agree that the lowest group non-coincident peak you forecast would be in the month

of October at 337,399 kW, correct?

A Correct.

Q And then the highest you forecast for that rate class in 2013 was in January at 371,089 kW, correct?

A Correct.

Q And will you accept, subject to check, that the lowest group non-coincident peak for the GSLDT-2 rate class is 91 percent of the highest group non-coincident peak for that rate class in 2013?

A Subject to check.

Q Fine. Now, let's go to the -- actually, page four of the document. And I'd like you to look at the data set for the RST-1 rate class up at the top of that page. Do you have that?

A Yes, I do.

Q Okay. And here you'd agree that the lowest forecast for the RST-1 rate class was in the month of April at 8,883,012 kW, correct?

A Correct.

Q And the highest forecast you made for group non-coincident peak for the RST-1 rate class is in January at 12,495,859 kW, is that right?

A Correct.

Q And will you accept, subject to check, that the lowest group non-coincident peak in this instance for the

RST-1 rate class is just 71 percent of the highest GNCP you're forecasting for 2013?

A It looks approximately correct, subject to check.

MR. WISEMAN: Thank you. I have no further questions.

COMMISSIONER BALBIS: Okay, thank you. FEA?

CAPT. MILLER: Yes, thank you, Mr. Commissioner.

CROSS EXAMINATION

BY CAPT. MILLER:

Q Good afternoon, Mr. Ender.

A Good afternoon.

Q My name is Captain Sam Miller, and I represent the Federal Executive Agencies. And I'd like to remind everyone that these are all Federal Executive Agencies. Even though I'm wearing an Air Force uniform today, it represents actually all rate classes. So I just wanted to put that out there.

Did you -- although that is the case, two of the main installations that do belong to the FEA and that are served by FPL are in fact Patrick Air Force Base and Cape Canaveral. Are you aware that these two installations are CILC-1T rate class customers of FPL?

A Well, I typically don't get down to the customer specific level, but I'll take it subject to check.

Q Sure. That works for me. Well, I assume your

answer will be the same for this next question, then. And that is, are you aware that the CILC-1T rate class is facing a 34 percent increase in this case as filed?

MS. CLARK: Mr. Chairman, that is a question better directed -- well, Ms. Deaton does rate design, if he wants to ask the question of Ms. Deaton.

COMMISSIONER BALBIS: Well, Captain Miller, if you could focus that question to his testimony, and if he addresses any of that information in testimony, focus it there. If not, it may be appropriate for another witness.

CAPT. MILLER: That's fine, I can save it for another witness.

COMMISSIONER BALBIS: Okay.

CAPT. MILLER: The fact will remain the same.

BY CAPT. MILLER:

Q Okay. Mr. Ender, are you familiar with single phase primary voltage facilities?

A I am generally familiar.

Q Okay. And are you familiar with how these either single, dual, or triple phase primary voltage facilities would differ as far as cost of service goes between primary and secondary customers?

MS. CLARK: Mr. Chairman, I would just point out that this is an issue addressed in the rebuttal. I

don't know if the Captain wants to wait for rebuttal on that.

CAPT. MILLER: I had thought about this and --

MS. CLARK: We'll be willing to answer the same questions on rebuttal. Well, I -- questions on the single phase, dual phase.

CAPT. MILLER: I think I'll just go ahead and do it now. I appreciate the insight. But I can go ahead with my questions?

COMMISSIONER BALBIS: Yes.

MS. CLARK: No objection.

BY CAPT. MILLER:

Q Okay. So concerning single phase circuits, would you agree that they can, in fact, operate on any number of primary or secondary voltages? It's feasible that they could?

A I'll accept that as a theory.

Q And alternatively, a primary voltage customer could receive single, dual or three phrase service?

A I'm not an engineer, but I'm familiar with the issue that your witness raised and I don't know if --

Q Neither am I so we can work through this together.

A Sounds good.

Q However, would you agree that certain phase voltage combinations can lead to instabilities in the

electric system?

A Again, I am not an engineer, and I can't opine on that.

Q If this were the case, would you say that that would be a reason not to combine the two unless it was in fact completely necessary?

COMMISSIONER BALBIS: Captain Miller, I'm going to have to -- the witness already established that he's not familiar with the specific engineering issues and I think you're continuing down that path, so I think you need to move along.

CAPT. MILLER: Yes, sir, I can move on to the conclusion I was trying to make.

MS. CLARK: I guess it takes an engineer to catch that.

THE WITNESS: Thank you, Commissioner.

BY CAPT. MILLER:

Q So let's direct this to cost of service and try and stay away from the real technical stuff, if I can.

So if you had a single phase distribution system that primarily serves secondary customers, would you agree that a primary customer that's on that same system who is not being served should not incur the cost of service that the secondary customers are in fact incurring?

A Can you repeat that, please? I want to make sure

that I'm doing the primary and single phase, dual phase, triple phase correct.

Q So assuming a single phase distribution system serves primarily to serve a secondary customer, if a primary customer is in fact on that same system but isn't getting service from it, do you agree that it would not be fair for that primary customer to incur those costs?

A I think that that's an issue that, yes, I agree that it wouldn't be fair, but we don't have the capability to be able to break that out today, as I responded to in my -- in my rebuttal testimony.

Q Would this be something, if directed by the Commission to include in your cost of service study to try to separate these, that you'd be able to work on before the next rate case?

A I believe that that's feasible if the Commission decides that that's the way we ought to go.

CAPT. MILLER: Okay. Thank you for working through that with me, and that's all the questions I have.

THE WITNESS: Thank you, Captain. Thanks for your service.

MR. WISEMAN: Mr. Chair, could I raise an issue?

COMMISSIONER BALBIS: Sure.

MR. WISEMAN: And I apologize for interrupting, but I wanted to raise this before we go down this road of

cross examination too far. I had intended to ask Mr. Ender a series of questions about the documents that have been marked as 560 and 561, and particularly 561 is an interrogatory response. And Mr. Ender said that he was unfamiliar with the document, he couldn't recall the data, he thought Ms. Deaton is the right witness.

Well, we've checked the affidavit and the affidavit says that Mr. Ender prepared that request -- response, rather. And we have no affidavit from Ms. Deaton preparing that response.

I'm happy to defer the questions to Ms. Deaton if she's the appropriate witness, but I don't want to be caught in a situation where we have a witness who is here on the stand whose affidavit says that he prepared that document and he says he's unfamiliar with it, and then Ms. Deaton -- and so I've deferred the questions because of that. And then Ms. Deaton will come up and say, well, she's not familiar with it, either. In fact, we have no affidavit that indicates that she prepared it.

So if FPL is willing to stimulate that Ms. Deaton is the appropriate witness to ask those questions, I'm fine. But I don't want to be caught in a position where I've got a witness telling me something that's inconsistent with the affidavit that we have from FPL,

signed by him.

COMMISSIONER BALBIS: I think that's a valid concern. FPL?

MS. CLARK: I think it is, as well. And if you want to take a short break, we can sort it out, or we can continue for a little bit.

MR. BUTLER: Mr. Chairman, I just was advised that I think there really is a little bit of confusion between the witnesses as to who would be the right one to answer the question. So we don't put Mr. Wiseman in a difficult circumstance, or our witnesses, if we could have just a couple of minutes to let them confer and be sure that we are having the right witness responding to the exhibit that's been identified, I think it would be helpful to everybody.

COMMISSIONER BALBIS: Yeah, that's fine. We can take a quick five-minute break.

MR. BUTLER: Thank you.

(Brief recess)

CHAIRMAN BRISE: Okay, Ms. Clark?

MS. CLARK: Ms. Deaton will handle these questions. And we've talked to Mr. Wiseman; he's fine with that.

COMMISSIONER BALBIS: Okay, so just for the record, then, you're stipulating that Ms. Deaton is the proper witness, even though the affidavit does not indicate

such, correct?

MS. CLARK: That's correct. The issue is there are different parts of them that are provided.

COMMISSIONER BALBIS: Okay.

MS. CLARK: That would be for 560 and 561.

MR. WISEMAN: Yes, and we've agreed to that.

CHAIRMAN BRISE: Okay. So with that, I believe, we're finished with FEA and we'll move on to the Office of Public Counsel.

MS. CHRISTENSEN: Office of Public Counsel has no questions for this witness.

CHAIRMAN BRISE: And the Retail Federation? No questions.

CHAIRMAN BRISE: Mr. Saporito?

MR. SAPORITO: Yes, Mr. Chairman, just very briefly.

CROSS EXAMINATION

BY MR. SAPORITO:

Q Hello, sir, my name is Thomas Saporito. I'm here in a pro se capacity, and I'll be very quick with you. Do you recall the first counselor asking you some questions in the area of your transmission lines and she said -- I'm not quoting her -- but generally she was asking you about peak loads and that the peak loads required you to have heavier wires, or words to that effect.

MS. KAUFMAN: I guess I'm going to object. I don't think that that was the question that I asked.

BY MR. SAPORITO:

Q Do you recall that series of questions regarding peak demand?

A I believe she did ask me questions about peak demand.

Q And was it in connection with your transmission lines?

A It was in connection with the transmission system.

MR. SAPORITO: Okay. Okay. No further questions.

COMMISSIONER BALBIS: Okay, thank you. And Mr. Hendricks? No questions. Staff?

MR. HARRIS: We have no questions for this witness's direct testimony.

COMMISSIONER BALBIS: Commissioners? Commissioner Brown.

COMMISSIONER BROWN: Thank you. I just have one question for you. Thank you for being here today.

In your testimony on page 21, lines 18 to 22, you state that the 12 CP and one 13th methodology has a significant history or regulatory acceptance in Florida. You also state there that this methodology was used in FPL's last rate case as well as in rate cases involving other IOUs. Can you just tell us how long FPL has been

utilizing the current and proposed methodology?

THE WITNESS: Commissioner, we've been using this since, I believe, 1982, so it's about 30 years ago.

COMMISSIONER BROWN: Wow, a long time.

THE WITNESS: It's the right methodology because it does deal with how FPL plans -- properly accounts for how FPL plans and builds a system.

COMMISSIONER BROWN: Great. Thank you.

COMMISSIONER BALBIS: Any other questions from Commissioners? I do have one quick follow-up from Commissioner Brown's question. I believe it was the Hospital Association -- actually it was FIPUG -- pointed out discrepancies in the contribution to the overall peak demand.

It seems that if you've been using that same method since 1982, why the discrepancy between 2010, 2011 and what you're projecting in 2013 for the percentage contribution to peak demand?

THE WITNESS: Commissioner, since 1982, I mean, the situations have changed, and what we reflect now is the most recent historical data. So we use load research data that is filed with this Commission on a tri-annual basis and that information is what's used to develop our forecast for the 12 CP.

COMMISSIONER BALBIS: Okay, thank you. I don't

have any other questions, I don't see any others, and we have some exhibits to deal with? I'm sorry, we'll go do that part, too. FPL, redirect?

MS. CLARK: I'm thinking no redirect.

COMMISSIONER BALBIS: Okay, now exhibits.

MS. CLARK: Mr. Chairman, FPL would move 213 through 216, plus 216-A and B.

COMMISSIONER BALBIS: Any objections?

(Exhibits 213, 214, 215, 216, 216-A and 216-B admitted in evidence.)

MR. WISEMAN: Mr. Chair, SFHHA would move the admission of Exhibits 506, 562 and 563.

COMMISSIONER BALBIS: Okay, any objections?

MS. CLARK: No objection.

CHAIRMAN BRISE: Okay, let the record show that those exhibits have been entered into the record.

(Exhibits 506, 562 and 563 admitted in evidence.)

MR. YOUNG: I think you might have -- was it 506 or 560?

MR. WISEMAN: No, 506 is the one that we had introduced a couple days ago, and it was deferred to Mr. Ender. And we'll move 560 and 561 in after we've cross examined Ms. Deaton.

COMMISSIONER BALBIS: Okay, is FPL requesting this witness be excused until rebuttal?

MS. CLARK: Yes.

CHAIRMAN BRISE: Okay, Mr. Ender, you are excused. Thank you.

THE WITNESS: Thank you, Commissioners.

MS. CLARK: Mr. Chairman, we would call Renae Deaton.

COMMISSIONER BALBIS: Ms. Clark, I believe Ms. Deaton has been sworn, correct?

MS. CLARK: Yes, she just was sworn.

Thereupon,

RENAE B. DEATON

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

DIRECT EXAMINATION

BY MS. CLARK:

Q Are you ready, Ms. Deaton?

A Yes, thank you.

Q Would you please state your name and business address.

A I'm Renee Deaton, and my business address is 700 Universe Boulevard, Juno Beach, Florida, 33408.

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

A I'm employed by Florida Power & Light Company, and I am the Rate Development Manager.

Q And have you prepared and caused to be filed 26 pages of direct in this proceeding?

A Yes, I have.

Q And did you also prepare and file an errata sheet?

A Yes, I did.

Q Do you have any further changes to your testimony?

A No.

Q And with the errata, if I asked you the same questions contained in your direct testimony would your answers be the same?

A Yes, they would.

MS. CLARK: Mr. Chairman, I would ask that the testimony -- the direct testimony of Ms. Renee Deaton be inserted in the record as though read.

COMMISSIONER BALBIS: Okay, any objections? Seeing none, let the record show that the direct testimony has been put into the record as though read.

ERRATA SHEET

WITNESS: **RENAE B. DEATON - DIRECT**

PAGE #	LINE #	CHANGE
5	16	$50.23 to $50.35
5	18	$1.74 to $1.86
5	18	$6.97 to $7.09
5	21	$2.48 to $2.18
5	21	8 to 7
6	16	"MFR E-8" to "RBD-2, pages 2 of 5 and 3 of 5"
6	19	"4 and 16" to "3 and 16"
7	6	3 to 2
25	4	$1.71 to $1.87
25	4	77 to 31
25	5	$2.48 to $2.18
25	5	8 to 7
25	8	$3.62 to $3.64
25	9	"27 cents" to "$12"
25	9	"Less than 1%" to 1%
25	10	$789 to $727
25	10	$3,206 to $3,372
25	15	$96.33 to $96.49
25	15	$97.10 to $96.80

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as the Rate Development Manager in the Rates & Tariffs Department.

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

A. I am responsible for developing electric rates at both the retail and wholesale levels. At the retail level, I am responsible for developing the appropriate rate design for all electric rates and charges. I am also responsible for proposing and administering the tariff language needed to implement those rates and charges.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science in Business Administration and a Master's of Business Administration from Charleston Southern University. Since joining FPL in 1998, I have held various positions in the rates and regulatory areas. Prior to this, I was employed at South Carolina Public Service Authority (d/b/a Santee Cooper) for fourteen years, where I held a variety of positions in

the Corporate Forecasting, Rates, and Marketing Department and in generation plant operations.

Q. Are you sponsoring an exhibit in this case?

A. Yes. I am sponsoring nine exhibits which are attached to my direct testimony. They are as follows:

- RBD-1 MFRs and Schedules Sponsored or Co-sponsored by Renae Deaton
- RBD-2 FPL Bill Comparisons – January 2012 to January 2013 and June 2013
- RBD-3 Florida Utility Bill Comparisons
- RBD-4 Change in the Consumer Price Index versus FPL Bills
- RBD-5 Parity of Major Rate Classes Current and Proposed
- RBD-6 Summary of Proposed Rates
- RBD-7 Bill Calculation under Proposed RTR
- RBD-8 FPL Proposed ROE Performance Adder

Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements ("MFRs") in this case?

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

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support FPL's proposed base rates and service charges that will produce revenues sufficient to recover the Company's jurisdictional revenue requirements in the 2013 Test Year.

Q. Please summarize your testimony.

A. My testimony addresses four general areas:

1) The forecast of base revenues from the sale of electricity;

2) The development of the proposed service charges;

3) The development of FPL's proposed target revenues by rate class; and

4) The proposed rate design for achieving the target revenues by rate class.

FPL's jurisdictional revenue requirements for the test year ending December 31, 2013, requires an increase in base revenues of 11.7% or $516.5 million in January 2013 and an additional step increase of 3.5% or $173.9 million in June 2013 for the Cape Canaveral Next Generation Energy Center ("Canaveral Modernization Project").

As reflected in Exhibit RBD-2, page 1, the base component of the typical residential (1,000 kilowatt-hours) bill would increase from $43.26 in December 2012 to $48.49 in January 2013 and then to $50.23 in June 2013. This is an increase of $5.23 in January 2013 and an additional increase of $1.74 in June 2013 for a total impact of $6.97 or 23 cents per day. Based on fuel efficiency savings, current projections of fuel prices and other expected changes to base rates and clauses in 2013, the net impact on the total typical residential bill is projected to be about $2.48 per month or 8 cents per day. Exhibit RBD-3, pages 1-2, show that FPL's typical residential bill at proposed rates is expected to remain the lowest in the state as compared to the other 55

Florida Utilities' typical residential bills at current rates. Exhibit RBD-3, page 5, shows that FPL's Commercial and Industrial ("CI") bills are also among the lowest in the state of Florida and below the state average (as compared to the 34 companies reported by the Florida Municipal Electric Authority ("FMEA")).

The CI rate classes will see varying increases in January 2013 depending on the current rate of return as compared to the system average rate of return, i.e., parity index, for their respective classes. As part of a base rate case, Florida Public Service Commission ("FPSC" or "Commission") practice has been to adjust rates and charges in a manner that improves parity among the rate classes. FPL's filing proposes adjustments to rates and charges to more closely reflect the projected cost of service for the various rate classes, and thus address the parity issue, while following the Commission's practice of limiting rate increases to 1.5 times the system average increase in total class operating revenue as well as not allowing any rate decreases. MFR E-8 shows that the base increase for most CI customers' bills, i.e., those on the General Service Non-Demand ("GS-1") and General Service Demand ("GSD-1") rates, is between 4 and 16 percent. For a small number of larger CI customers, increases range from 10 to 30 percent. However, due to fuel efficiency savings, current projections of fuel prices, and other expected changes to base rates and clauses in 2013, the net impact on total bills is estimated to range from a decrease of 3 percent to an increase of 4 percent.

Exhibit RBD-4 demonstrates that since 2006, FPL's total bills have decreased while the Consumer Price Index ("CPI") has increased. FPL's total typical residential bill has decreased by 13 percent since 2006, while inflation has increased by 14 percent. Even though the base portion of the bill will increase by about 16 percent from January 2012 to June 2013, the total bill will increase by only 3 percent resulting in a net decrease in the total bill of 10 percent from 2006 to 2013. Similarly, CI bills have decreased, on average, about 14 percent from 2006 to today.

II. OVERVIEW OF BASE REVENUE AND RATE STRUCTURES

Q. What is meant by "base revenue" from the sale of electricity?

A. Base revenue represents FPL's total revenues from the sale of electricity less revenues generated from adjustment clauses, storm charge, gross receipts taxes, and franchise fees. See MFR C-5.

Q. How is base revenue from the sale of electricity determined?

A. Base revenue from the sale of electricity is determined by applying the applicable base rate tariff charges, excluding the cost recovery adjustment clause factors and the storm charge, to the appropriate billing determinants.

As described in Exhibit RBD-6, FPL has more than 40 retail rate schedules, each with its own set of tariff charges and billing determinants.

Q. What is meant by billing determinants?

A. Billing determinants are the parameters used for billing customers. The applicable billing determinants reflect the rate structure established for a given rate schedule. Customer, demand, and energy charges are each associated with their own set of billing determinants. The annual customer billing determinants are expressed in terms of the number of accounts billed by month in a year. Demand billing determinants are expressed in terms of the sum of the kilowatts ("kW") of customer monthly demand during a year, while energy billing determinants are expressed in terms of kilowatt-hours ("kWh"). Some rate schedules are limited to customer and energy billing determinants only. For example, customers in the small general service rate schedule (GS-1) are charged a customer charge in addition to a cents-per-kWh energy charge. GS-1 customers represent the smallest of the commercial/industrial electric customers, whose demands are 20 kW or less, and whose rate does not include a demand charge. Larger commercial/industrial customers, on the other hand, are charged on the basis of their demand, i.e., the maximum electric usage in a given time period, and energy consumed. Thus, the rate structure for the general service demand rate schedules, e.g., GSD-1, includes a customer charge, a cents-per-kWh energy charge and a dollar-per-kW demand charge.

Q. What are the proposed rate structures for the major rate schedules?

A. Exhibit RBD-6 provides a narrative explanation of the proposed rate structures of FPL's major rate schedules.

III. FORECAST OF BASE REVENUE

Q. What were the major inputs used to produce the forecasts of retail base revenues from the sale of electricity for the 2013 Test Year?

A. The major inputs used were the customer and energy (kWh) sales forecasts by revenue class produced by FPL witness Morley, the existing tariff charges, and the cost of service data produced by FPL witness Ender.

Q. What is the difference between revenue classes and rate schedules?

A. Revenue classes represent general categories of customers and are used for financial reporting purposes. There are six retail revenue classes: residential, commercial, industrial, street and highway lighting, railroads and other. The revenue classes are a combination of different rate schedules with the exception of the railroads revenue class. This class is the only class that is specific to a particular rate schedule: the Metropolitan Transit Service ("MET") rate schedule. To provide the level of detail required in MFR E-13, the forecasts of sales and customers by revenue class were converted into forecasts of sales and customers by rate schedule.

Q. What is the difference between rate classes and rate schedules?

A. Rate classes are groups of individual rate schedules with like billing attributes (customer type and load size) and rate design relationships, and are therefore treated for rate design purposes on a combined basis. As a result, one or more rate schedules may be combined into a single rate class. For example, general

service, Rate Schedule GS-1, and general service time-of-use ("TOU"), Rate Schedule GST-1, are combined together into the GS(T)-1 rate class

Q. Please describe the steps for developing the forecasts of base revenues.

A. First, the billing determinant forecast for customers, kWh sales, and kW demand is developed by rate schedule. Next, these billing determinants are applied to the currently applicable rates, adjusted to include the West County Energy Center Unit 3 ("WCEC3") capacity factors as discussed below, to provide the base revenue forecast at present rates. The customer, demand, and energy rates are then adjusted as discussed in Section VI, Proposed Changes to Existing Rates, and applied to the forecasted billing determinants to provide the base revenue at proposed rates.

Q. Why does your forecast of base revenue at present rates include revenue associated with WCEC3?

A. The Settlement Agreement approved in FPSC Order No. PSC-11-0089-S-EI provides for recovery of WCEC3 costs through the Capacity Cost Recovery Clause until WCEC3 costs are included in base rates. As described by FPL witness Ousdahl, the WCEC3 costs are included as part of base revenue requirements for surveillance reporting purposes and therefore the revenue associated with WCEC3 recovered through the capacity clause is classified as base revenue in order to appropriately match costs and revenues. To be consistent with this approach the forecast of base revenue at present rates properly includes revenue for WCEC3 that would continue to be recovered through the capacity clause but be classified as base revenue.

Q. How were the currently effective rates adjusted to include the WCEC3 factors?

A. The estimated 2013 capacity clause factors for WCEC3 were added to the currently effective rates. The WCEC3 2013 capacity clause factors were developed consistent with the methodology approved in the 2012 Capacity Clause Projection Filing, Docket No. 110001-EI. These adjustments are detailed in Attachment 4 to MFR E-14.

Q. Do the proposed base rates also reflect recovery of WCEC3?

A. Yes. The jurisdictional revenue requirement for WCEC3 is included in the cost of service study. The proposed base rates are designed to recover the total jurisdictional revenue requirement, including WCEC3.

Q. How is the billing determinant forecast developed?

A. The customer and sales forecast is provided by FPL witness Morley for the appropriate time period. This forecast is developed on a revenue class basis by FPL witness Morley and must be allocated to the rate schedule level for use in the revenue forecast.

The allocation of customers and kWh sales by rate schedule is developed based on the historical relationship between the number of customers and sales by rate schedule, and customers and sales by revenue class. Historical percentages are applied to the forecast of customers and sales by revenue class. The result is an estimate of sales and customers by retail rate schedule for the appropriate time period, which in this case is the 2013 Test Year.

Finally, additional derivations are made to complete the estimate of customer and energy billing determinants by rate schedule. For example, the kWh sales for RS-1 are segmented to reflect the inverted rates described in Exhibit RBD-6. Likewise, for TOU rate schedules, total sales are segmented between on-peak and off-peak sales based on historical patterns. In addition, for demand-metered rate schedules, billing demands are developed based on the historical relationship between billing demand and billed sales by rate schedule.

Q. Are there any exceptions to the process as described?

A. Yes. If a rate class is closed or there is no customer growth, then the number of customers under those rate schedules is based on their actual values during the last 12 months ending September 2011. These exceptions are limited to a small number of customers (less than 0.5%).

Q. Which MFRs provide detail on the retail base revenue forecast described above?

A. MFR A-3 lists the currently-approved base tariff charges adjusted to include WCEC3 factors. MFR E-15 provides a description of how the billing determinants were developed. MFR E-13c provides the results of applying the base tariff charges to the billing determinants and MFR E-13d provides additional detail on the base revenue forecast for the lighting rate schedules.

IV. TARGET REVENUES BY RATE CLASS

Q. How is the target revenue by rate class shown on MFR E-8 determined?

A. In a rate case proceeding where an adjustment in rates is proposed, the cost of service provides a guide for evaluating any proposed changes to the level of revenues by rate class. More specifically, the allocation of any revenue increase should be assessed in terms of its impact on the parity index for the respective rate class. FPL has set the target revenue by rate class to improve parity among the rate classes to the greatest extent possible while following the Commission practice of limiting the increase to each rate class to 1.5 times the system average increase in revenue, including adjustment clauses, and not allowing any class to receive a decrease. In general, FPL has followed the Commission practice regarding parity adjustments with the exception of allowing a decrease to the traffic signal, SL-2, rate. The cost of service indicates that the per unit energy charge for traffic signals is less than the current charge. FPL has established the SL-2 rate at the per unit energy charge to be consistent with the energy rates for Street Lighting, ("SL-1"), and Outdoor Lighting, ("OL-1"). The net impact is an increase for all lighting classes that is below the maximum allowed 1.5 times the system average increase.

Q. What does FPL's cost of service study show regarding the system average Rate of Return ("ROR") and the parity indices by rate class?

A. As explained by FPL witness Ender, FPL's cost of service study shows a system average earned ROR of 5.5% for the 2013 Test Year. This is consistent with the retail ROR reported in MFR A-1. The cost of service study indicates that the parity indices vary by rate class, with some class indices well above parity while others fall well below parity. When a rate class is under parity, its ROR is less than the overall FPL ROR and, as a result, that class is being subsidized by other rate classes. An important goal in setting rates is that all classes should be as close to the FPL ROR as possible.

Q. What impact would FPL's target revenues by rate class have on parity?

A. As shown in Exhibit RBD-5, under FPL's proposed target revenues by rate class, the parity of most rate classes is improved. As shown in MFR E-8, the proposed rates results in 14 of the 17 rate classes being within 10.0% of parity.

Q. How does FPL propose to achieve these target revenues by rate class?

A. FPL proposes to achieve these target revenues through changes to existing rates along with revisions to service charges. Each element of FPL's proposal is outlined below.

V. SERVICE CHARGES

Q. Is FPL proposing any changes to its service charges?

A. Yes. FPL is proposing to modify its returned payment charge, the late payment charge, and the temporary construction service rates. The returned payment charge is being modified to reflect the governing Florida Statute. FPL currently charges $23.24, or 5.0% of the amount of the payment, whichever is greater, per returned payment. Section 68.065, Florida Statutes, however, specifies a tiered fee structure based on the returned payment amount. Consistent with Section 68.065, FPL's proposed return payment charge is as follows:

- $25 if the payment amount does not exceed $50;
- $30 if the payment amount exceeds $50 but does not exceed $300; or
- $40 if the payment amount exceeds $300 or 5% of the payment amount, whichever is greater.

This proposed change would also be consistent with the Commission-approved return check charge for Tampa Electric Company, Progress Energy Florida, Gulf Power Company and Florida Public Utilities Company.

In addition, FPL currently charges 1.5% for late payments, but is proposing to charge the greater of 1.5% or $5 to encourage timely payment. The requested Late Payment Charge is consistent with the amount charged by Tampa

Electric Company, Progress Energy Florida, and Florida Public Utilities Company.

Finally, FPL is proposing to update the temporary construction service rates to reflect the cost of performing this service.

Q. Has the revenue impact from adjusting service charges been taken into account in calculating the revenue increase that is necessary to meet the target revenue by rate class for the 2013 Test Year?

A. Yes. As shown in MFR E-8, the increase in service charge revenue is taken into account in calculating the revenue increase needed to meet the target revenue by rate class. In effect, the increase in service charge revenue helps offset the needed increase in revenue from the sale of electricity for each rate class.

VI. PROPOSED CHANGES TO EXISTING BASE RATES

Q. Please explain FPL's objective for the proposed changes to existing rates.

A. The objective of the proposed changes to existing base rates and charges is to achieve the target revenues by rate class outlined above. The changes to existing rates are consistent with the objectives of providing rates that are cost-based, send appropriate price signals, and are understandable to customers.

Q. Please describe in general terms the methodology you used in developing the proposed changes to FPL's existing base rates.

A. Generally speaking, the inputs include the target revenues by rate class presented in MFR E-8, the unit costs at the required ROR presented in MFR E-6b and the projected revenues and billing determinants by rate schedule presented in MFR E-13c and MFR E-13d. As appropriate, the unit costs in MFR E-6b are used as a starting point and then adjustments are made to achieve the target revenue by rate class outlined above.

Q. FPL witness Ender discusses aggregation of the optional rate schedules in the cost of service study in this rate case. How does that affect rate design for the optional rates?

A. There is no effect on rate design. The optional rates for the High Load Factor TOU ("HLFT") rates, Seasonal Demand TOU riders ("SDTR"), and the Curtailable Service rates are combined with the standard or "parent" rate for cost of service purposes just as the optional TOU rates were and continue to be combined with the parent rate. These optional rates are designed to be revenue neutral, i.e., they are set to yield the same revenue as the parent rate at the class average load profile. Separate cost allocation studies for the optional rates are not necessary when using a revenue neutral rate design methodology. For example, customer and demand rates for the TOU and HLFT rate schedules are set based on the parent rate classes' unit costs, and adjusted as needed for rate design purposes. The off-peak energy rate is set to the parent rate classes' unit energy cost, and the on-peak rate is adjusted to achieve

revenue neutrality with the parent rate class. Since the optional rates and the resulting revenue are a function of the parent rate, the costs and revenues from the parent rate and all the optional rates and riders must be considered as a whole, i.e., at the parent rate class level.

Q. Which MFR outlines how the specific changes FPL is proposing to its existing rates were developed?

A. Attachment 2 of MFR E-14 provides work papers outlining the derivation of the proposed changes to FPL's existing rates. In addition, Exhibit RBD-6 provides a narrative explanation of the proposed rate structures and rate design.

Q. How does FPL propose to recover its target revenue from the lighting rate classes?

A. Attachment 3 to MFR E-14 provides the estimated cost of installing and maintaining new street lighting fixtures, poles and conductors. These figures suggest that the cost of installing and maintaining new poles and conductors substantially exceeds the charges under the current tariff. The target revenue increases for street light and outdoor light rate classes, SL-1 and OL-1, are achieved primarily through increases in the pole and conductor charges, with other adjustments as needed to achieve the classes' target revenues. In addition, the base energy charges for SL-1, SL-2, and OL-1 are based on the energy unit cost in MFR E-6b.

Q. Which MFRs provide additional information on the proposed changes to existing rates that you have outlined?

A. MFR A-2 presents the impact of the proposed rate changes to the typical bills. MFR A-3 provides a summary of those proposed rate changes. The applicable proposed tariff sheets are presented in Attachment 1 of MFR E-14.

The revenue impact from the proposed changes to existing rates is shown in MFRs E-12, E-13a, E-13c and E-13d, and the parity indices under proposed rates are shown in MFR E-8.

Q. Is FPL proposing any other tariff rate modifications?

A. Yes. FPL proposes to close the existing Residential TOU rate schedule ("RST-1") to new customers effective January 1, 2013, and replace it with a Residential TOU Rider ("RTR-1"). Additionally, FPL plans to add a provision to rate schedules SL-1 and OL-1 that allows for credits to the fuel charges on affected customers' bills when those customers are required to keep outside lights off during turtle nesting season.

Q. Why is FPL proposing changes to the RST-1 rate?

A. The RST-1 rate is designed to offer savings to customers who use less energy on peak than the class average. However, due to the inverted nature of the standard RS-1 rate, in which customers pay two cents per kWh more for usage above 1,000 kWh than is paid for usage under 1,000 kWh, some high usage customers may save under the RST-1 rate without making any behavior changes to reduce the amount of energy used on-peak. Exhibit RBD-7, page

1, illustrates the savings a high use customer can realize on the RST-1 rate without reducing on-peak usage. The purpose of a time of use rate is to encourage such shifting of usage from on-peak to off-peak. Although FPL currently has very few customers on the RST-1 rate and could close this loophole by simply closing the rate offering to new customers, FPL felt it was important to maintain the TOU alternative for residential customers who may wish to take advantage of the available Advanced Metering Infrastructure ("AMI") data to monitor and control their usage. Also, customers may wish to take advantage of the TOU rate for charging electric vehicles during off-peak periods.

Q. Please explain how charges under the RTR-1 rider will be determined.

A. First, the energy portion of the RTR-1 customer's bill will be calculated as if they are taking service under the standard residential rate, RS-1. Additional charges for on-peak usage and credits for off-peak usage will be added to the energy portion of the standard residential bill amount. Consistent with Commission precedent, RTR-1 is designed to be revenue neutral to the RS-1 rate. A customer taking service on the RTR-1 must use less energy during the on-peak hours than the class average to realize savings. An example of the bill calculation under the RTR-1 rider with on-peak usage below and above the residential class average is provided in Exhibit RBD-7, page 2. The exhibit illustrates that a customer benefits from the RTR-1 rider when on-peak usage is below the class average.

Q. How will customers under the existing RST-1 rate be affected?

A. Currently, there are less than 200 RST-1 customers. If approved, FPL will begin making the necessary system changes to bill customers under the new RTR-1 rider. Existing customers under the RST-1 rate will be notified of the change in rate structure and the plan to transfer them to the new RTR-1 rider. If an existing RST-1 customer does not wish to be transferred to the new RTR-1, they may elect to take service under the normal RS-1 rate rather than the new RTR-1 rider. Once all billing system changes are complete and all existing RST-1 customers who wish to transfer to the RS-1 rate are migrated, FPL will request to cancel the RST-1 rate, make the RTR-1 rider effective, and transfer the remaining RST-1 customers to the RTR-1 rider.

VII. PROPOSED RATES FOR CAPE CANAVERAL STEP INCREASE

Q. How does FPL propose to recover the revenue requirements for the Canaveral Modernization Project?

A. FPL proposes to implement new rates to recover the annualized revenue requirements associated with the Canaveral Modernization concurrent with the in-service date, which is scheduled for June 1, 2013. FPL also plans to propose that the corresponding fuel savings associated with the Canaveral Modernization Project be reflected in the fuel factors effective June 1, 2013. Implementing the fuel factors reflecting those savings concurrent with the step base rate increase better aligns costs with the fuel savings benefits. Current

forecasts indicate that the first twelve months of fuel savings are estimated to be $104 million, and as discussed by FPL witness Barrett, the Canaveral share of the projected savings presented in the need proceeding is approximately $600 million.

Canaveral Step Increase Schedule A-1, which is sponsored by FPL witness Ousdahl, shows that the first 12 months of revenue requirements associated with the Canaveral Modernization Project is $173.9 million. Those revenue requirements are allocated to customer classes based on the cost of service data in MFR E-6b equalized at proposed rates for the 2013 Test Year. Canaveral Step Increase Schedule E-8 outlines the cost allocation and the resulting energy factors by rate class. Canaveral Step Increase Schedule A-3 shows the proposed rates for January 1, 2013, the proposed increase for the Canaveral Modernization Project, and the proposed rates to be effective on the in-service date, expected to be June 1, 2013. Schedule E-12 summarizes the increase allocated to each rate schedule. Typical bill calculations with the proposed step increase are provided in Schedule A-2.

VIII. ROE PERFORMANCE ADDER

Q. Please describe the ROE Performance Adder proposed by FPL.

A. As discussed by FPL witness Dewhurst, FPL requests a 0.25% ROE performance adder, contingent on continuing to maintain the lowest typical

residential bill in the state. As shown on exhibit RBD-3 pages 2-4, FPL has had the lowest residential bill of all 55 utilities in Florida on a 12-month average basis since 2009.

Exhibit RBD-8 reflects the rate impact of the incremental revenue requirements associated with FPL's proposed ROE Performance Adder. The incremental revenue requirements of $41.6 million, as shown on FPL witness Ousdahl's Exhibit KO-8, equate to a rate impact of 0.040¢ per kWh.

Q. What happens if FPL does not maintain the lowest typical residential bill in the state going forward?

A. Should FPL not maintain the lowest typical residential bill in the state, based on a 12 month average, FPL proposes to reduce rates to remove the ROE performance adder on a prospective basis until FPL's bill is once again the lowest. Each September, in conjunction with FPL's annual fuel filing, FPL will prepare and submit to the Commission a comparison of its typical residential bill to the other Florida utilities for the prior 12 months. The comparison will be based on publicly available data from the Commission web site, the FMEA bill survey, the JEA bill survey, and the Reedy Creek Improvement district web site.

If the comparison shows that FPL's typical residential bill is not the lowest on average over the past 12 months, FPL will propose to reduce rates by 0.040¢ per kWh effective January 1 of the following year. If, in subsequent years,

FPL's typical residential bill is again the lowest on average for the prior 12 months, FPL would propose to reinstate the ROE Performance adder and increase rates by 0.040¢ per kWh effective January 1 of the following year.

IX. CONCLUSION

Q. What impact will FPL's rate proposal have on the major rate classes?

A. MFR E-8 summarizes the proposed base revenue changes for FPL overall and by rate class. Overall, the total change in base revenue in January 2013 is 5.9%. In the case of RS-1, the total change in base revenue, including revenue from electric service, unbilled revenues and service charges, is approximately 6.0% of total revenues including adjustment clauses. For CI customers in the GS-1 rate class, which represents the majority of CI customers, the total change in base revenue is approximately 0.6% of total revenues. The increase for the GSD-1 rate class is 5.2%, and the increase for the GSLD-1 and GSLD-2 rate classes is approximately 8.8% of total revenues. Other rate classes will see varying increases depending on the parity index for their respective rate classes, although in no case is the increase greater than 8.8% of a class's current revenue.

MFR A-2 presents the typical bill impacts for the major rate schedules. The typical bill calculations in this MFR are based on the proposed changes to base rates and 2013 clause factor estimates, and include the effects of

Company proposed adjustments as discussed by FPL witness Ousdahl. Exhibit RBD-2 outlines the estimated changes customers will see in total bills from 2012 to 2013. In the case of RS-1, the change in the typical bill from 2012 to 2013 is $1.71 in January 2013, and an additional 77 cents in June 2013, for a total impact of $2.48 or 8 cents per day. For CI customers in the GS-1 rate class, which represents the majority of CI customers, the net change in typical bills from January 2012 to June 2013 is estimated to be a decrease of $3.62 or -3.0%. The net change for the GSD-1 rate class is estimated to be 27 cents or less than 1%. For the GSLD-1, and GSLD-2 rate classes, the net change in typical bills is estimated to be $789 or 4% and $3,206 or 4% respectively.

Q. If the requested base rate relief is granted, how will FPL's typical residential bill compare to other utilities in Florida?

A. As shown on RBD-2, the typical residential bill is $94.62 in January 2012, and is estimated to be $96.33 in January 2013 and $97.10 in June 2013, which includes the impact of all expected changes to base rates and clauses in 2013. FPL's typical bill is currently the lowest in the state and has been the lowest, on average, for the past three years. With the full requested increase and other known changes, FPL's typical residential bill at proposed rates is expected to remain the lowest in the state as compared to the other Florida Utilities' typical residential bills at current rates as shown in page 2 of Exhibit RBD-3.

Q. Should the Commission approve FPL's rate proposals?

A. Yes. FPL's rate proposals as presented in this testimony are reasonable, cost-based, produce the revenues required, and send the appropriate price signals to customers.

Q. Does this conclude your direct testimony?

A. Yes.

BY MS. CLARK:

Q Are you also sponsoring exhibits?

A Yes, I am.

Q And do those exhibits consist of RBD-1 through 8?

A Yes.

Q And you also had an errata sheet to those exhibits, correct?

A I did.

MS. CLARK: Mr. Chairman, I would note that those exhibits have been marked by the Staff as 217 to 224.

BY MS. CLARK:

Q Ms. Deaton, have you prepared a summary of your direct testimony?

A I have.

Q Would you give that now?

A Yes. Thank you, Chairman and Commissioners. My name is Renee Deaton, and I'm here today as a Rate Development Manager. My direct testimony shows that the rates FPL has proposed in this case reflect costs, are designed in accordance with prior Commission orders and guidance, and should be approved.

As presented by witnesses Ousdahl and Barrett, FPL has shown a need for an increase in January 1st, 2013 of $516.5 million, and a second increase of $173.9 million for the Cape Canaveral modernization project currently scheduled

to go on line June 1st.

The increase is allocated to the rate classes consistent with the Commission practice and orders from our prior rate case and additional orders in prior cases also, this Commission practice of limiting the rate increases so that no class receives more than one-and-a-half times the system average increase in total, including clauses.

The allocation of the increase under the Commission's guidelines results in most major rate classes being within 10 percent of parity. This ensures that most customers pay their share of costs and minimizes subsidies between rate classes.

The resulting bill impacts are shown here in Exhibit RBD-2. The base component of the typical residential bill due to the rate case increase would go from $43.26 in December, 2012, to $50.35 in June of 2013. This is an increase of $7.09.

Based on our fuel efficiency savings, projections of fuel prices as of August 3rd, and other expected changes to base rates and clauses in 2013, the net impact on the total typical residential bill is expected to be about seven cents per day. As shown here on Exhibit RBD-3, FPL's typical residential bill is the lowest in the state at currently 24 percent below the national average as of January, 2012. And even with the increase FPL's typical residential bill at

proposed rates is expected to remain the lowest in the state as compared to the other 55 utilities in Florida's averages January through June, 2012.

Also, this exhibit shows that FPL's commercial industrial bills, even with the increase, are expected to remain the lowest or among the lowest in the state. The commercial industrial rate classes will see varying degrees of increases based on their current parity index. For 95 percent of our commercial industrial customers, those that are on the general service non-demand and the small general service demand rates, the increase is between three and 16 percent.

For a small number of our larger commercial industrial customers the increases range from 10 to 30 percent on base. However, due to fuel efficiency savings, current projections of fuel prices and other expected changes to the base rates and clauses in 2013, the net impact on total bills is estimated to range from a decrease of three percent for the smallest CI customers to an increase of four percent for the larger customers.

Even with the requested increase, FPL's commercial industrial bills will remain among the lowest in Florida. As stated previously, FPL has allocated required increases based on the cost to serve each rate class, rates have been set in accordance with Commission orders and guidance and should be

approved. This concludes my summary. Thank you.

MS. CLARK: We tender the witness for cross examination.

COMMISSION BALBIS: Okay. Ms. Kaufman?

MS. KAUFMAN: Thank you, Commissioner. I do have one exhibit for this witness, but it's already been marked and entered as, I think, 482. I just have some additional copies. It is MFR E-13A.

MR. REHWINKEL: Mr. Chairman, to avoid any confusion, I've got six exhibits that I'm going to use and I gave them to the Staff on the break and what they're passing out is OPC's, just to get them logistically ahead of time. And Ms. Kaufman will give you hers. I apologize for the confusion; just trying to be a little more efficient. And keep those in the order that they're clipped. Thanks.

COMMISSIONER BALBIS: So, Ms. Kaufman, just to confirm, Staff is passing out another copy of 482?

MS. KAUFMAN: Yes, and it's just two pages, so I think it will be distinguishable from the bigger stack that we got. I'm sorry, mine doesn't have the number on it, but --

COMMISSIONER BALBIS: It's MFR E-13a, right?

MS. KAUFMAN: Yes. Are we ready?

COMMISSIONER BALBIS: Yes.

CROSS EXAMINATION

BY MS. KAUFMAN:

Q Do you have a copy, Ms. Deaton, of MFR E-13a?

A Yes, and I have all my MFRs here.

Q Okay. I just wanted to be sure we're on the same page. And you're the lucky witness; I think you've had more questions deferred to you than any other witness.

A I have asked for a count.

Q Well, the very first witness, Mr. Silagy, was asked some questions about MFR E-13a and I think he said those questions ought to be asked to you.

A Yes.

Q So let's start with that. I just want us to understand, first of all, what this MFR is supposed to portray. And my understanding -- and correct me if I'm wrong -- is that it shows the difference between the revenue currently collected from each class, the base rate revenue, and the revenue that you would like to collect if your rate increase is granted.

A That's partly true. That's party true. This revenue --

Q Can I -- let me see if I can clarify where I'm trying to go. I want to look particularly at line three, which is the CILC-1T rate.

A Right.

Q Okay, and if we follow over to column two, that's your base revenue at present rates and you're collecting about 2-point -- is it 2.6 million from that rate class?

A I have 16.1 million.

Q I'm looking under column two?

A Right, I think you're looking at the curtailable service rate.

Q Right. Isn't that CILC-1T?

A That's CS-1.

Q Okay, I want to look at the CILC-1T, the rate number three.

A Right, which is the 16,138,000.

Q Okay, I'm not sure that we have the same schedule.

A The third number down.

Q I'm sorry, I'm on the wrong line. I've got you. It's the 16 million. I had the wrong number circled. Okay.

A Get one of these.

Q So that's what you are currently selecting from the CILC-1T rate class? I'm going to use a piece of paper.

A That is the amount of billed sales base revenue we are collecting from that. It doesn't include all base revenues, but it is the billed sales base revenues.

Q And following that over to the third line, you want to increase the amount that you collect on base revenues to about 21.6 million?

A Yes, that's correct.

Q And so -- and then the fourth column there shows the difference, and it's about an additional $5.5 million that you'd like to collect from that class, correct?

A Yes, that's correct.

Q And then one more column over, just on base revenues, okay, the increase that class would receive -- and this does not include Canaveral, right, this schedule --

A Right. That's correct.

Q -- is 34 percent, correct?

A That's correct, that class is getting an increase in base sales revenues of 34 percent but the overall total net increase is a flat 24 percent.

Q Ms. Deaton, this is going to go on a long time if, you know, we don't have some communication here.

MS. CLARK: Mr. Chairman, I --

BY MS. KAUFMAN:

Q Let me ask my question again, just so we're clear for the record. And if you would answer my question, I'd appreciate it. You're suggesting from this schedule -- which is talking only about base revenues, right?

A It's billed sales base revenues.

Q Okay, billed sales base revenues.

A Yes.

Q If your request, again, not including Canaveral,

is granted, the base rate portion is going to be increased by 34 percent?

A Yes, that's their cost responsibility.

Q Okay. And if we were to include the Canaveral -- I guess we've called it step increase -- would you agree with me that it's going to go up to about 46 percent?

A It looks like another nine percent, but --

Q Okay, so that would be -- boy, I shouldn't do math -- about 43 percent?

A Subject to check.

Q Subject to check. Okay. Now, I started to ask Mr. Ender some questions about gradualism which, again, that's another area that I guess is in your bailiwick here?

A Yes, it is.

Q And I assume that you are familiar with the concept of gradualism as it applies to ratemaking?

A Yes, I'm quite familiar with the concept of gradualism, as the Commission has articulated it in several orders, including our last 2009 rate case order.

Q And would you agree with me -- well, let me ask it this way. Would you agree with me that one of the underpinnings of that policy is to prevent customers from experiencing what I've called rate shock?

A No, I would not agree. The expression that the Commission articulated in the initial order approving

gradualism policy was to mitigate bill shock, not rate shock.

Q You don't think that the gradualism policy is intended to mitigate what would be an otherwise unacceptable rate increase?

A The Commission recognized in their order that --

MS. KAUFMAN: I'm sorry, Mr. Chairman -- excuse me, Ms. Deaton --

THE WITNESS: I'm sorry?

COMMISSIONER BALBIS: Ms. Deaton, if you could please answer her question with a yes or no --

THE WITNESS: Oh, I'm sorry.

COMMISSIONER BALBIS: -- and then a brief explanation if it's required.

THE WITNESS: No, then it's no.

BY MS. KAUFMAN:

Q I just wanted to back up here; that's kind of been the protocol that we've been trying to follow.

A Oh, sorry.

Q So that's why we're having this give and take here. So you don't think that gradualism has anything to do with mitigating the base rate increase, or the rate shock?

A No, as I said, the gradualism was implemented to temper the impact on customer bills, and that's how the Commission expressed it was bills, not rates.

Q We're going to talk about that because I know that

you mentioned in your summary -- you talked about the lowest bill, and I understand that in your calculation you are including the impact of adjustment clauses for the test year, correct?

A Including the impact of adjustment clauses, as well as any additional base rate impact due to the nuclear extended power uprates that will go in service in January.

Q Okay. And what I want us to focus on, because we've heard a lot of discussion during the rate case, is I want to talk about some of the impacts in the clause area, particularly in the fuel clause, okay?

A Uh-huh.

Q And I guess I'd ask you to agree with me that in this case we're not dealing with, we're not implementing changes to the fuel clause, correct?

A No, in this case we're --

Q I'm sorry. Again, I think that answers my question. And you would also agree with me, would you not, that the fuel clause -- or can we call it the fuel factor that's on customers' bills?

A Sure.

Q Okay. The fuel factor typically changes once a year after the Commission conducts their fuel adjustment hearing, usually in November, would you agree with that?

A Yes.

Q And sometimes -- and I think it's happened this year due to the gas prices being so low -- sometimes a utility will come in for what's called a mid-course correction, either a reduction, as we've seen, or an increase if there's extreme volatility with fuel, is that correct?

A Yes, I understand the Commission has rules about when you should come in to adjust fuel prices in between normal annual filings.

Q And would you also agree with me that generally fuel, subject to the Commission's prudence determination, is what I would characterize as a pass-through expense?

A If you mean that the utility does not make any return on the fuel cost, then yes.

Q I accept that, and I guess what I mean is assuming that the activity of the utility is prudent in its purchasing and procurement practices, whatever the utility pays, say, for natural gas, is passed directly through to the ratepayers?

A Subjecting to the Commission approving that, yes.

Q Absolutely. And would you agree with me that recently, certainly, we've seen very, very low natural gas prices?

A Yes.

Q And would you also agree with me -- I believe that -- now I'm going to say his name wrong -- Dr. Avera --

sorry, I don't know why -- Avera testified to this Commission that gas prices are very volatile?

A I didn't hear Dr. Avera's testimony on gas prices but I do know gas prices are volatile.

Q Okay. And I don't know if you know this, but would you agree, subject to check, that about -- I'd say about four years ago gas prices were about $13 per MMBtu?

A No, I would not know that.

Q Do you know if today they're about $3?

A That sounds about right.

Q And I guess you -- I think you've agreed that certainly they're very low as we sit here today?

A That's correct.

Q Okay. And would you also agree with me that certainly there is a potential -- things are cyclical -- for gas prices to rise again?

A There's potential to rise and fall, yes.

Q Absolutely. And would you agree with me that to the extent that gas prices rise there is no gradualism policy applied in the fuel adjustment; as we said, it's a pass-through to customers?

A No gradualism policy applied, but I do know that the fuel efficiency gains that we've made have --

Q Excuse me, we're talking about fuel efficiency, we're talking about the price of gas, okay? And my question

is that if the price of gas were to rise to levels we've seen in the past, again, assuming prudence on the company's part, that whatever the price of natural gas is, it's passed through, high or low, and there's no gradualism policy applied to it?

A Well, actually, no. I think -- no, I think that's not correct, because I think there was a time recently where gas prices did rise very rapidly, and instead of coming in for a mid-course for the full amount that we were under-recovered, we actually volunteered to only collect half of the amount that we were under-recovered and agreed to carry that and collect it in the following year without interest.

Q Okay. And certainly that was a voluntary act on the part of Florida Power & Light.

A But it was a method of mitigating the rate shock on the bill.

Q Okay. That was something that, if I recall, that Florida Power & Light agreed to do after discussion with some of the parties in that case, is that right?

A I was not aware of the discussions, I'm just aware of the actual effect.

Q Okay. But typically, absent agreement or absent a voluntary action on the part of the utility, the fuel prices are passed through?

A Typically.

Q And as we sit here today, you don't know what fuel prices are going to do in 2014, '15, '16, do you? If you do, let us know.

A I was going to say, I wouldn't be sitting here today if I did.

Q Same here. I want to turn to a different topic, and that's going to -- it's going to relate to the CILC rate and the CDR rate, which stands for customer demand reduction, right?

A Commercial Industrial Demand Reduction.

Q Okay. I'm just going to call it CDR; can we agree on that?

A That's fine.

Q All right. Currently what we've called The CILC rate is closed to new customers, correct?

A That's correct, it was closed in 2000.

Q And the CDR program is an open program, correct?

A Yes, the CDR program was opened at the same time the CLC was closed, and it's a replacement for the CLC program.

Q So essentially those two programs do similar things in that they're demand reduction programs, correct?

A They are both -- yes, my understanding is they both allow FPL to interrupt customers for system emergencies.

Q That was where I was going. And would you agree with me that they allow customers -- excuse me, FPL to interrupt customers when there are capacity shortages, not only on FPL's system, but on the other systems of the other investor-owned utilities?

A I understand that that's a possibility. I'm not real clear on exactly the protocol of how that's done, but I do know that if there's an FRCC emergency, that that is a possibility.

Q Did you listen to Mr. Silagy's testimony?

A Yes, I did.

Q Okay. And do you agree with him that what we'll call the interruptible customers are a valuable resource on FPL's system?

A They're certainly a resource on the system, yes.

Q Are they a valuable resource?

A What the value of it is, I don't do the cost effectiveness, or don't look at the different values of different resource.

Q You don't disagree with Mr. Silagy, do you?

A No, of course not.

Q Thought you might want to say that. Do you have access to the prehearing order?

A Not the whole thing, no.

Q You're not going to need the whole thing -- oh,

thank you, Mr. Rehwinkel. Would you turn to page 166 and take a look at issue 169. And let me know when you've looked at that.

A I'm sorry, page 169?

Q Page 166, and it is issue 169.

A Okay.

Q Okay, and this is the issue that addresses whether the CDR credit should be increased, and I will represent to you that subsumed in this issue is also the CILC credit.

A Yes, I believe I address this issue on my rebuttal.

Q I just want to go ahead and ask you a few questions about the prehearing order, if that's okay.

A Okay.

Q To your knowledge, looking at 169, as far as you know as a participant in this case, FPL has not moved to strike this issue from the proceeding, has it?

A No, it was --

Q I'm sorry, that was really a yes or no answer.

MS. CLARK: Mr. Chairman, I would ask that she not interrupt the witness and allow her to explain. I mean, there is a position on that prehearing order and I think she should be allowed to explain.

MS. KAUFMAN: The discussion --

COMMISSIONER BALBIS: Hold on, hold on. I'll

partially agree with FPL on this, and what might help out, instead of you talking over the witness, is that if you can object to me, that way you two don't start getting into --

MS. KAUFMAN: Absolutely. I'll be glad to do that, Mr. Chairman.

COMMISSIONER BALBIS: -- a screaming match. I think that's a possibility.

MS. KAUFMAN: No, no, not a screaming match. It's kind of difficult sometimes, though, because, you know, the witness gets her entire explanation out --

COMMISSIONER BALBIS: I understand. We'll try to work with it. But again, if the witness can provide a yes or no and brief explanation, if the witness feels that they need it, and then, obviously you have a right to object to anything that is said.

MS. KAUFMAN: I appreciate that and I will do my best.

THE WITNESS: There was some discussion about objecting to this because it was allowed in the last rate case and because there are, you know, give and takes on issues, that it was decided not to object to it because it was allowed in the last rate case.

BY MS. KAUFMAN:

Q So my question was that you did not or the company

didn't move to strike this issue; that would be correct?

A That's correct.

Q Okay. And if you take a look at that issue and the parties' positions, understanding or accepting, subject to check, that the Larsons are no longer a party in this matter, aside from the hospitals and the Federal Executive Agencies -- they seem to be aligned with FIPUG on that issue -- the only other party to take a position on that issue is FPL, correct?

A That's correct.

Q Would you agree with me, Ms. Deaton, that when the CDR credit was established in 2000, it was $4.75 per kW?

A It would have to be subject to check. I haven't looked at the old tariffs.

Q I'm just going to, if it's all right -- I guess we're not doing the official recognition notice, but would you accept, subject to check, that in your last rate case the Commission found the credit was $4.75 per kW?

MS. CLARK: Mr. Chairman, I would ask that she give the order to the witness. Does she have an extra copy?

MS. KAUFMAN: I do have excerpts.

COMMISSIONER BALBIS: I agree.

MS. KAUFMAN: And I guess we don't need a number, following Ms. Helton's protocol for an order.

MS. HELTON: Well, it might be helpful to just give

the order number.

MS. KAUFMAN: I will. Thank you. Order Number PSC-10-0153-FOF-EI. And would you agree, Ms. Deaton -- Commissioners, I haven't given you the entire order, but I've only excerpted the section dealing with the credit.

BY MS. KAUFMAN:

Q Ms. Deaton, do you agree that this is an excerpt from your last rate case?

A Yes.

Q Okay. And if you would look on the second page, which is actually page 187 of the entire order, do you see there that the original program established in 2000 had a monthly credit of $4.75 per kW?

A That was -- yes, I see that that was when it included a one-and-a-half percent gross receipts tax, it was $4.75.

Q Right. And then -- you're anticipating me. If you flip the page, would you agree that in 2004 the credit was reduced from 4.75 per kW to 4.68 per kW, correct?

A This states it was reduced to remove gross receipts tax.

Q So it was reduced, correct?

A That's what it says.

Q Okay. And would you agree with me that since the inception of the program in 2000, that this credit has never

been increased?

A It has not. It's still 4.68.

Q And you would agree with me, would you not, that certainly, for example, the Consumer Price Index has increased since 2000?

A I'm sorry, I'm not the witness for CPI.

MS. CLARK: Would you repeat your question?

BY MS. KAUFMAN:

Q Yes, I was just asking you if you are aware if, since 2000, the Consumer Price Index for goods and services has increased.

A I could agree that a lot of costs have gone up since 2000.

Q That's fine. Would you agree that, for example, the cost of generation plant has gone up since 2000?

A I'm sorry, I'm not aware of the per kW cost of plant in 2000 versus today. I just don't have those numbers.

Q Did you hear Mr. Silagy testify that the cost has gone up?

A I must have missed that part.

Q We'll rely on him. Now, is it your understanding that Mr. Pollock recommends that the credit be increased to $12 per kW?

A I have read Mr. Silagy -- Mr. Pollock's testimony and answered that in rebuttal.

Q Okay, I'm going to turn now to a totally different topic, and this was another area that was directed to you from another witness. And I think, if my notes are right -- and this has to do with the ROE adder. And I believe that Mr. Reed deferred some implementation questions to you.

A Okay.

Q And I think you talk about that on page 22 of your testimony.

A Okay.

Q And so I just want to understand if the Commission were to approve the company's request how it would actually be implemented. And if I understand your testimony -- which is actually on page 23 at line 14 through 16 -- you said FPL will prepare and submit to the Commission a comparison of its typical residential bill to other Florida utilities for the prior 12 months.

A Yes.

Q Do you contemplate that, again, assuming that your request is granted, that before we go through that first cycle there will be a workshop or there will be rulemaking or there will be some kind of procedure to assess the inputs to what you've called the typical residential bill?

A No.

Q Okay. Did you -- were you present or did you hear Mr. Dewhurst's testimony?

A Unfortunately I missed a lot of it.

Q Well, if you would accept that I believe Mr. Dewhurst testified that some of the things that should be considered in regard to the adder are customer service and reliability?

A Yes, that's my understanding, that the justification for the adder is not based on the lowest bill, it's based on things like, you know, excellent reliability, excellent customer service, excellent cost containment and O&M costs.

Q Well, if -- if the premise for the calculation or the approval of the adder is the typical residential bill, how -- what kind of inquiry do you anticipate will be made into the area, for example, of excellent customer service?

MS. CLARK: Mr. Chairman, I think she has misstated the testimony.

BY MS. KAUFMAN:

Q Well, I don't mean to misstate it, Ms. Deaton. I was just looking at your testimony in which I understood that the proof, if you will, that will be presented to the Commission is a comparison of the typical residential bills for Florida utilities.

A That is only an administrative method for maintaining the ROE once granted. That's not a requisite for granting the ROE adder. I'm not aware of any other utility

that has volunteered to give up their performance adder once it has been granted by the Commission, but we have volunteered to do that. And the measure of that is the customers' lowest bills in typical residential bill in the state of Florida.

Q So we understand, in the initial approval, if you will, of the adder, we've had a lot of testimony from other witnesses about metrics and performance and whatnot.

A Right.

Q So it's the company's position that once the Commission were to make that determination, that subsequently they would look only at a bill comparison?

A Yes, that the lowest bill would be the way of managing or measuring whether or not FPL should continue to receive the adder.

Q Would you agree with me that a company that has the lowest residential bill doesn't necessarily have excellent customer service?

A I don't know.

Q But that's not --

A I'm sorry, go ahead.

Q But that's not contemplated as something the Commission will look at when you file your typical residential bill report?

A Again, this is not a measure for granting the

adder. There's, you know, certainly not another utility I know of that has volunteered to give up the adder, the performance adder. I don't think that Gulf volunteered to give up their performance adder when they got it in their rate case, so --

Q Well, there is no other Florida utility that currently has a performance adder that I'm aware of.

A I didn't say currently, I said once granted, which Gulf in the past did have one.

Q They don't have one any longer, do they?

A Not at this time, no.

Q And just one more question on that line. The Commission also, as I mentioned, won't be inquiring into Florida Power & Light's reliability in this annual filing on the typical residential bill, is that right?

A No other annual filing, but they have other annual reliability filings where we file SAIDI and SAIFI and CAIDI, and other things, so those are made available to the Commission.

Q I'm probably going to get an objection for this being a legal question but I'll try -- calling for a legal opinion, but I'll try it. In your layman's opinion is it contemplated the parties will be permitted to conduct discovery into the components of a typical residential bill of all the utilities in your comparison?

A I don't think so.
Q So it's no discovery contemplated?
A That's not what I said.
Q I'm sorry?
A That's not what I said.
MS. CLARK: Would you repeat your answer, please.
BY MS. KAUFMAN:
Q Go ahead. I want it to be clear.
A Certainly you could -- somebody could look at whether we calculated the bill comparisons correctly, and that would be something we would -- you know, we would provide the Staff to look at.
Q So if I understand your answer, the review or the inquiry would be whether the calculations are correct?
A Right.
MS. KAUFMAN: Give me one second. I think that's all I have, and thank you for your patience, Ms. Deaton.
THE WITNESS: You're welcome. Thank you.
COMMISSIONER BALBIS: Before we go to South Florida Hospital Association -- I assume you have questions for this witness?
MR. WISEMAN: Yes, I do.
COMMISSIONER BALBIS: Okay, because we're right at the two-hour mark for our court reporter, so if we can

take 15 minutes to change out court reporters and then we will reconvene at 3:41.

(The transcript continues in sequence in Volume 17.)

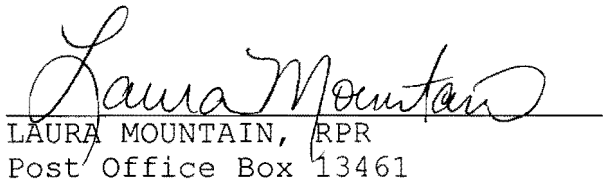
CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, LAURA MOUNTAIN, Court Reporter, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings; and that the transcript is a true record of the aforesaid proceedings.

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

Dated this 29th day of August, 2012.



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