



October 11, 2012

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**BY HAND DELIVERY**

Ms. Ann Cole, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

**Re: Docket No. 120015-EI; Pre-Filed Direct Testimony and Exhibits of FIPUG witness Jeffry Pollock**

Dear Ms. Cole:

Enclosed please find an original and 15 copies of the direct, pre-filed testimony and exhibits of FIPUG witness Jeffry Pollock in the above styled matter. If you have any questions or need any additional information, please let me know

Sincerely,

Jon C. Moyle

Enclosure

cc: Counsel for Parties of Record (w/encl.)

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FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for Increase in Rates by  
Florida Power & Light Company.

DOCKET NO. 120015-EI

FILED: October 12, 2012

**CERTIFICATE OF SERVICE**

I **HEREBY CERTIFY** that a true and correct copy of the Florida Industrial Power Users Group's Testimony and Exhibits of Jeffry Pollock has been furnished by U.S. Mail this 12<sup>th</sup> day of October, 2012, to the following:

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s/ Jon C. Moyle, Jr.  
Jon C. Moyle, Jr.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Increase in Rates by  
Florida Power & Light Company

DOCKET NO. 120015-EI  
Filed: October 12, 2012

**SUPPLEMENTAL DIRECT TESTIMONY AND EXHIBITS OF  
JEFFRY POLLOCK**

ON BEHALF OF  
THE FLORIDA INDUSTRIAL POWER USERS GROUP



**J. POLLOCK**  
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FPSC-COMMISSION CLERK

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## LIST OF ACRONYMS

CDR	Commercial/Industrial Demand Reduction
CILC	Commercial/Industrial Load Control
E-RIM	Enhanced Ratepayer Impact Measure Screening Test
E-TRC	Enhanced Total Resource Cost Screening Test
FIPUG	Florida Industrial Power Users Group
FPL	Florida Power & Light Company
GBRA	Generation Base Rate Adjustment
Gulf	Gulf Power
kW	Kilowatt
O&M	Operation & Maintenance Expense
PEF	Progress Energy Florida
ROE	Return on Equity

## SUPPLEMENTAL DIRECT TESTIMONY

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A Jeffrey Pollock; 12655 Olive Blvd., Suite 335, St. Louis, MO 63141.

3 Q ARE YOU THE SAME JEFFRY POLLOCK WHO PREVIOUSLY TESTIFIED IN  
4 THIS PROCEEDING ON BEHALF OF THE FLORIDA INDUSTRIAL POWER  
5 USERS GROUP?

6 A Yes.

7 Q WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

8 A I am addressing Issue No. 5 identified in Appendix A of the Commission's Third  
9 Order Revising Order Establishing Procedure.<sup>1</sup> Specifically, this issue asks  
10 whether the Settlement Agreement is in the public interest. For the reasons set  
11 forth below, I have concluded that the proposed Settlement Agreement is in the  
12 public interest and should be approved by the Commission.

13 Q ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR  
14 SUPPLEMENTAL TESTIMONY?

15 A Yes. I am filing **Exhibits JP-1** through **JP-4**. These exhibits were prepared by  
16 me or under my direction and supervision.

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<sup>1</sup> Order No. PSC-12-0529-PCO-EI Issued October 3, 2012.

1 Q CAN YOU BRIEFLY SUMMARIZE WHY YOU CONCLUDE THAT THE  
2 SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST?

3 A Yes. The public interest is served when a settlement achieves a balance  
4 between competing interests. Specifically, in a general rate case there are two  
5 sets of competing interests:

- 6 1. The utility versus customers;
- 7 2. Individual rate classes.

8 Balancing the first set of competing interests means allowing the utility an  
9 opportunity to recover its costs and earn a reasonable rate of return on its  
10 investment while providing customers reliable electricity service at rates that are  
11 both affordable and stable. As discussed later, FPL would be afforded an  
12 opportunity to earn a competitive return, and the vast majority of FPL's  
13 customers would experience lower base rates than under FPL's filed case.

14 Balancing the second set of competing interests (*i.e.*, between individual  
15 rate classes) means that rates should be moved to cost (or parity) as closely as  
16 practicable. This is consistent with this Commission's long-standing policy of  
17 tracking each class's revenue deficiency as determined from the approved cost-  
18 of-service study, and moving the classes as close to parity as practicable. Under  
19 this policy no rate class should have to subsidize other rate classes. Despite the  
20 wide range of cost-of-service studies filed in this case, it is clear that certain rate  
21 classes are presently subsidizing others. What is not so clear is the extent of the  
22 subsidy. As discussed later, the base rates under the Settlement Agreement will  
23 more closely reflect the cost of providing service for the majority of rate classes.



1 **Balancing of FPL and Customers' Interests**

2 **Q IN YOUR OPINION, WOULD THE SETTLEMENT AGREEMENT PROVIDE A**  
3 **REASONABLE BALANCING OF INTERESTS?**

4 A Yes. The Settlement Agreement authorizes FPL to implement a \$378 million  
5 base rate increase effective in 2013 and subsequent generation base rate  
6 adjustments (GBRA) when certain new generation capacity is placed in service.  
7 The 2013 increase will provide FPL an opportunity to recover new infrastructure  
8 costs incurred since FPL's last rate case (Docket No. 080677-EI), while the  
9 GBRA's will allow for timely recovery of infrastructure costs for certain new  
10 generation capacity placed into service after January 2013.

11 **Q WHAT DO YOU MEAN BY INFRASTRUCTURE COSTS?**

12 A Infrastructure costs include a return on investment plus associated income taxes,  
13 property insurance, depreciation and property taxes. Each of these costs is  
14 specifically related to FPL's investment in facilities that are used and useful in  
15 providing electricity service.

16 **Q HOW WOULD THE 2013 INCREASE ALLOW FPL TO RECOVER**  
17 **INFRASTRUCTURE COSTS INCURRED SINCE FPL'S LAST RATE CASE?**

18 A This is shown in **Exhibit JP-1**, which is a comparison of the infrastructure related  
19 costs between FPL's proposal in this rate case and the corresponding costs  
20 approved in the Commission's Final Order in Docket No. 080677-EI. In this  
21 comparison, I have assumed that FPL would be allowed to earn a 9.78% pre-tax  
22 rate of return, which reflects the 10.70% return on equity (ROE) as stipulated in



1 the Settlement Agreement. I have also assumed that the remaining \$191 million  
2 of surplus depreciation would be amortized over eighteen months.

3 As can be seen, the calculation yields a \$386 million revenue deficiency.  
4 This is only slightly higher than the \$378 million base revenue increase under the  
5 Settlement Agreement.

6 **Q WHAT DOES THE ANALYSIS IN EXHIBIT JP-1 DEMONSTRATE?**

7 A The analysis demonstrates that the \$378 million base revenue increase as  
8 authorized under the Settlement Agreement would provide FPL an opportunity to  
9 recover its incremental infrastructure costs only. In other words, there is no  
10 specific allowance for increases in operation and maintenance (O&M) expenses  
11 since Docket No. 080677-EI. In this regard, the Settlement Agreement is  
12 balanced because it would provide a significantly lower base revenue increase  
13 for customers while providing FPL an incentive to manage operating expenses to  
14 earn its authorized return.

15 **Q WOULD THE SETTLEMENT AGREEMENT ALLOW FPL TO RECOVER NEW**  
16 **PRODUCTION INFRASTRUCTURE COSTS?**

17 A Yes. The Settlement Agreement allows FPL to implement GBRA's timed to  
18 coincide with the completion of FPL's next three large generation capacity  
19 additions. The capacity additions and projected commercial operation dates are  
20 shown in the table below.

Modernization Project	Projected Commercial Operation Date
Canaveral	June 2013
Riviera Beach	June 2014
Fort Everglades	June 2016

1 Thus, FPL will have an opportunity to adjust rates in a timely manner to recover  
2 the costs of the above generation projects.

3 **Q WOULD FPL BE ALLOWED TO INCREASE BASE RATES TO REFLECT**  
4 **OTHER SUBSEQUENT INCREASES IN INFRASTRUCTURE COSTS?**

5 A No. Base rates will be frozen through December 2016. Thus, FPL must absorb  
6 any changes in infrastructure costs recoverable in base rates, other than those  
7 specifically covered under the GBRA's. Further, FPL cannot raise base rates to  
8 reflect higher O&M expenses incurred subsequent to the Test Year. These are  
9 further examples demonstrating how the Settlement Agreement reasonably  
10 balances the interests of both FPL and its customers.

11 **Q ARE THERE ANY OTHER BENEFITS OF THE SETTLEMENT AGREEMENT?**

12 A Yes. The authorized ROE (10.70%) would preserve investor confidence in  
13 Florida regulation while providing a competitive return for FPL shareholders.  
14 This is demonstrated in **Exhibit JP-2**.

15 **Q PLEASE EXPLAIN EXHIBIT JP-2.**

16 A **Exhibit JP-2** is a comparison of ROEs between the range authorized under the  
17 Settlement Agreement and the corresponding authorized ROEs for integrated  
18 electric utilities in rates cases decided since Docket No. 080677-EI. As can be

1 seen, the authorized ROEs fall within the 9.70%-11.70% ROE range under the  
2 Settlement Agreement. The midpoint ROE (10.70%) is higher than the  
3 authorized ROEs for electric utilities throughout the country including the ROEs  
4 authorized by this Commission in the recent Gulf Power (Gulf) and Progress  
5 Energy Florida (PEF) cases. Gulf and PEF were authorized ROEs of 10.25%  
6 and 10.50%, respectively. However, the midpoint ROE under the Settlement  
7 Agreement is comparable to the authorized ROEs for utilities located in  
8 southeastern states. I would further note that, in a recent settlement agreement  
9 that this Commission approved earlier this year, PEF was authorized to earn a  
10 10.70% ROE in the event that PEF successfully repairs and operates its idle  
11 Crystal River 3 nuclear power plant. The latter agreement was supported by a  
12 number of parties in this case, including the Office of Public Counsel, the Florida  
13 Retail Federation, the Federal Executive Agencies and FIPUG.

14 **Q HOW WOULD INVESTOR CONFIDENCE BE RETAINED?**

15 A Approval of a 10.70% ROE, coupled with timely recovery of new infrastructure  
16 costs, will be viewed favorably by the bond rating agencies. This should help  
17 FPL maintain a strong "A" bond rating, which should ensure unfettered access to  
18 capital at very reasonable terms.

19 **Q WHAT OTHER BENEFITS WOULD BE PROVIDED UNDER THE**  
20 **SETTLEMENT AGREEMENT?**

21 A The Settlement Agreement will provide a more stable and predictable rate path.  
22 This will allow customers to anticipate both the timing and magnitude of future  
23 rate adjustments associated with the GBRA's. Further, by utilizing the surplus

1 depreciation reserve, the Settlement Agreement would restore intergenerational  
2 equity. In Docket No. 080677-EI, the Commission determined that FPL had  
3 accumulated a \$1.25 billion surplus depreciation reserve. A surplus depreciation  
4 reserve means that current and past customers have paid a disproportionate  
5 share of the investment in facilities used to provide service. If not remedied,  
6 future depreciation rates are artificially low, thereby resulting in a subsidy to  
7 future customers. All but \$191 million of this surplus has been returned to  
8 customers, and the remaining surplus will be returned to customers under the  
9 Settlement Agreement. Eliminating the surplus will remove the subsidy, thereby  
10 ensuring that all customers pay their appropriate share of the investment.

11 Finally, the Settlement Agreement obviates the need for FPL and  
12 customers to incur significant costs of participating in periodic rate cases. This is  
13 clearly a benefit because intervenors have to fund their incurred rate case  
14 expenses while all customers fund FPL's rate case expenses.

15 **Balancing of Rate Class Interests**

16 **Q HOW DOES THE SETTLEMENT AGREEMENT BALANCE THE COMPETING**  
17 **INTERESTS AMONG THE DIFFERENT RATE CLASSES?**

18 A The Settlement Agreement would result in lower base rates for the vast majority  
19 of rate classes. This is shown in **Exhibit JP-3**.

20 **Q PLEASE EXPLAIN EXHIBIT JP-3**

21 A **Exhibit JP-3** is a comparison of the class revenue allocation between FPL's  
22 originally proposed 2013 increase (columns 1 and 2) and the Settlement  
23 Agreement (columns 3 and 4). As can be seen, with a few exceptions, all rate



1 classes would experience lower base rates than under FPL's original 2013 rate  
2 proposal 2013 (columns 5 and 6).

3 **Q IS THE CLASS REVENUE ALLOCATION PRECRIBED UNDER THE**  
4 **SETTLEMENT AGREEMENT IN THE PUBLIC INTEREST?**

5 A Yes. As previously stated, The Commission's support for cost-based rates is  
6 longstanding and unequivocal. The Commission reiterated this principle in the  
7 most recent Tampa Electric Company rate case:

8 It has been our long-standing practice in rate cases that the  
9 appropriate allocation of any change in revenue requirements,  
10 after recognizing any additional revenues realized in other  
11 operating revenues, should track, to the extent practical, each  
12 class's revenue deficiency as determined from the approved cost  
13 of service study, and move the classes as close to parity as  
14 practicable. The appropriate allocation compares present revenue  
15 for each class to the class cost of service requirement and then  
16 distributes the change in revenue requirements to the classes. No  
17 class should receive an increase greater than 1.5 times the  
18 system average percentage increase in total, and no class should  
19 receive a decrease. (Docket No. 080317-EI, *Order No. PSC-09-*  
20 *0283-FOF-EI*, Issued: April 30, 2009 at 86-87).

21 **Q WOULD THE SETTLEMENT CLASS REVENUE ALLOCATION RESULT IN**  
22 **MOVING RATES CLOSER TO PARTIY?**

23 A Yes. In general, rate classes that are currently above parity should receive a  
24 below-average base revenue increase, and vice-versa for classes that are below  
25 parity. As can be seen in **Exhibit JP-3**, the classes that are farthest above parity  
26 (e.g. GS(T)-1, GSCU-1, GSD(T), SL-2 and SST-TST) would receive either no  
27 base revenue increase or a below-average increase. The Settlement Agreement  
28 would also assign above-average base rate increases for certain rate classes  
29 that are below parity (e.g. CILC-1D, CILC-1T, MET, SL-1, OL-1 and OS-2).

1 Thus, the Settlement Agreement would make some progress to moving rates  
2 closer to parity.

3 **Q EXHIBIT JP-3 SHOWS THAT CERTAIN COMMERCIAL/INDUSTRIAL LOAD**  
4 **CONTROL (CILC) RATE CLASSES WOULD RECEIVE AMONG THE**  
5 **HIGHEST BASE RATE INCREASES. HOW WOULD THE SETTLEMENT**  
6 **AGREEMENT BALANCE THEIR INTERESTS?**

7 A The Settlement Agreement provides for a 56% increase in the non-firm credits.  
8 This includes the credits paid to customers taking Commercial/Industrial demand  
9 response under Rider CDR and CILC customers. Prior to this rate case, the  
10 CDR and CILC credits had not been significantly changed since the inception of  
11 the CDR and CILC programs in 2000 and 1990, respectively.

12 **Q IS IT COST-EFFECTIVE TO INCREASE THE RIDER CDR AND CILC CREDITS**  
13 **BY 56%?**

14 A Yes. FPL's own cost-effectiveness analysis shows that both Rider CDR and the  
15 CILC rates would remain cost-effective even with a 56% increase in the  
16 applicable credits. FPL's analysis is provided in **Exhibit JP-4**. As can be seen in  
17 the Table below, which summarizes FPL's cost-effectiveness analysis, the Rider  
18 CDR and CILC rates would produce benefits of 2.69 and 2.0 times the  
19 associated costs under the Enhanced Ratepayer Impact Measure screening test  
20 (E-RIM).



Non-Firm Rate	E-RIM	E-TRC	Participant
<b>Commercial/Industrial Demand Reduction (CDR)</b>			
2012 Rate Filing	4.12	124.91	Infinite
Proposed Settlement	2.69	124.91	Infinite
<b>Commercial/Industrial Load Control (CILC)</b>			
2012 Rate Filing	3.07	123.59	Infinite
Proposed Settlement	2.00	123.59	Infinite

1 Further, under the Enhanced Total Resource Cost screening test (E-TRC), the  
2 overall benefits exceed the costs by over 100 times. The E-RIM and E-TRC  
3 tests are also used by the Commission to evaluate various conservation  
4 programs.

5 **Q WHAT IS THE SIGNIFICANCE OF E-RIM TEST BENEFIT-TO-COST RATIOS**  
6 **ABOVE 2 TIMES?**

7 A Benefit-to-cost-ratios of 2 times or higher indicates that the CDR/CILC credits  
8 could be even higher than are being proposed under the Settlement Agreement.  
9 As I indicated in my direct testimony, the current Rider CDR credit is \$4.68 per  
10 kW, while the “effective” credit paid to CILC customers is \$3.79 per kW.  
11 However, CDR/CILC credits could exceed \$12 per kW and still produce a  
12 benefit-to-cost ratio > 1.2 times. In other words, to reflect the present value of  
13 these rates would require increases of 155% and 216%, respectively, in the  
14 Rider CDR and CILC credits. Thus, the 56% increase proposed under the  
15 Settlement Agreement would move the credits approximately one-third of the  
16 way toward reflecting the value that Rider CDR and CILC customers bring to  
17 Florida.

1 **Q WHY ELSE IS THE INCREASE IN THE NON-FIRM CREDITS IN THE PUBLIC**  
2 **INTEREST?**

3 A The non-firm customers taking service on Rider CDR and the CILC rates are  
4 generally large customers such as military bases and manufacturers. In this time  
5 of economic recovery, it is very important that the right signals are sent to entities  
6 that create jobs in this state. Adjusting the non-firm rates and the related credits  
7 as prescribed under the Settlement Agreement would help achieve this objective.  
8 It would also help to retain the fixed costs that CDR and CILC customers provide.  
9 Should these customers terminate service, these fixed costs would be shifted to  
10 FPL's remaining customers. Thus, retaining the Rider CDR and Rate CILC  
11 customers under the rates proposed in the Settlement Agreement would  
12 minimize rates and, thus, is clearly in the public interest.

13 **Q PLEASE SUMMARIZE YOUR SUPPLEMENTAL TESTIMONY.**

14 A The Settlement Agreement fairly balances the two sets of competing interests in  
15 this case. First, FPL would have the opportunity to recover its growing  
16 infrastructure investments. Second, customers would retain rates that are both  
17 more affordable and more stable. Further, the proposed Settlement rates would  
18 be consistent with the Commission's long-standing policy to move all rates closer  
19 to costs and would recognize the value that non-firm customers provide to the  
20 state of Florida, thereby helping to preserve the economic benefits that these  
21 customers provide.

22 For all of these reasons, the Settlement Agreement is in the public  
23 interest and should be adopted.

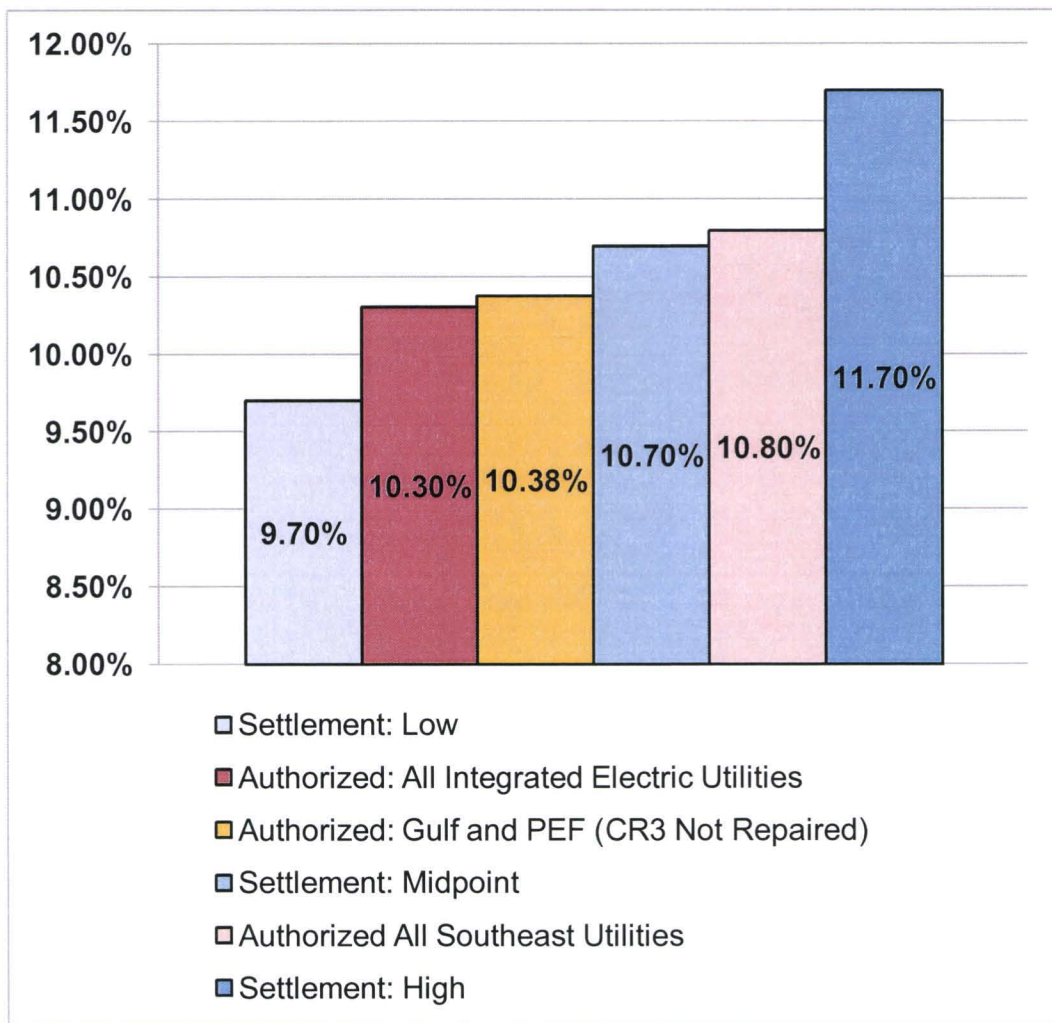
1 Q DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

2 A Yes.

**FLORIDA POWER & LIGHT COMPANY**  
**Revenue Requirement Associated With**  
**Additional Infrastructure-Related Costs**  
**Since FPL's Last Rate Case**  
**Test Year Ending December 31, 2013**  
**(Dollar Amounts in \$000)**

Line	Description	Incremental Infrastructure Costs
		(1)
1	Jurisdictional Adjusted Rate Base	\$4,282,845
2	Pre-Tax Return at 10.70% ROE	<u>9.78%</u>
3	Return and Associated Taxes	\$418,740
4	Property Insurance	\$6,515
5	Depreciation (excluding Decommissioning)	\$48,911
6	Property Tax	<u>\$26,622</u>
7	Revenue Deficiency	\$500,788
	Amortize Remaining Surplus Depreciation	
8	Over 18 Months	<u>-\$114,800</u>
9	Adjusted Revenue Deficiency	\$385,988
10	Settlement Base Revenue Increase	\$378,000

**FLORIDA POWER & LIGHT COMPANY**  
**Authorized Versus Settlement**  
**Return on Equity**



**FLORIDA POWER & LIGHT COMPANY**  
**Proposed Versus Settlement Increase**  
**Test Year Ending December 31, 2013**  
**(Dollar Amounts in \$000)**

Line	Rate Class	Proposed Increase		Settlement Increase		Difference	
		Amount	Percent	Amount	Percent	Amount	Percent
		(1)	(2)	(3)	(4)	(5)	(6)
1	Residential	\$279,823	11.0%	\$219,981	8.7%	-\$59,842	-21.4%
2	GS(T)-1	1,065	0.3%	0	0.0%	-1,065	-100.0%
3	GSCU-1	38	2.3%	34	2.0%	-4	-10.4%
4	GSD(T)	92,661	10.8%	64,172	7.5%	-28,489	-30.7%
5	GSLD(T)-1	65,246	21.3%	24,936	8.1%	-40,310	-61.8%
6	GSLD(T)-2	12,932	22.9%	4,916	8.7%	-8,016	-62.0%
7	GSLD(T)-3	591	14.6%	0	0.0%	-591	-100.0%
8	CILC-1D	12,927	22.8%	5,693	10.1%	-7,234	-56.0%
9	CILC-1G	331	7.4%	471	10.6%	140	42.1%
10	CILC-1T	5,670	35.1%	2,779	17.2%	-2,891	-51.0%
11	MET	553	19.1%	559	19.3%	6	1.0%
12	SL-1	7,832	11.1%	8,019	11.3%	187	2.4%
13	SL-2	-296	-23.6%	0	0.0%	296	-100.0%
14	OL-1	1,230	10.7%	1,257	10.9%	27	2.2%
15	OS-2	123	14.4%	126	14.8%	3	2.3%
16	SST-DST	58	15.8%	59	16.0%	1	1.4%
17	SST-TST	736	17.2%	0	0.0%	-736	-100.0%
18	Total Electricity Sales	<u>\$481,522</u>	11.4%	<u>\$333,002</u>	7.9%	<u>-\$148,520</u>	-30.8%
19	Other Revenues	<u>34,999</u>	20.9%	<u>44,998</u>	26.8%	<u>9,999</u>	28.6%
20	Total FPSC Jurisdiction	<u>\$516,521</u>	11.7%	<u>\$378,000</u>	8.6%	<u>-\$138,521</u>	-26.8%



**Q.**

Please refer to paragraph 3(b) of the Stipulation and Settlement.

- a. For both the proposed CILC and CDR programs, please provide the assumptions and results of a participant test, rate impact measure test, and total resource cost test. All three tests should be performed using the credits as proposed in FPL's 2012 rate filing and the proposed settlement dated August 15, 2012.
  - b. For both the proposed CILC and CDR programs, please provide an estimate of the total dollars of credits that will be charged to the energy conservation cost recovery clause using the credits as proposed in FPL's 2012 rate filing and the proposed settlement dated August 15, 2012.
  - c. In its original petition, FPL requested a \$5 minimum late payment fee. Please explain in detail the rationale for increasing that to \$6 in the stipulation, and what are the additional revenues resulting from a \$6 minimum late payment fee (when compared to the \$5 fee)?
  - d. What is the relationship between the Economic Development rider and the enumerated changes listed on paragraph 3(b)(ii) concerning the adjustments to the demand and energy charges for commercial rates, the demand credits and the relationship between the non-fuel energy and demand charges for the CILC rate?
  - e. What adjustments were made to accommodate the increased CILC credit since the CILC rate schedule has no stated credit in the tariff?
  - f. Under the stipulation, does the CILC rate remain closed to new customers? If not, what is the rationale for opening this rate to new load?
- 
- g. If the intent is to reopen the CILC rate, how many additional customers does FPL expect to take service under the rate and what is the impact on other customers (base or cost recovery clauses) of reopening this rate?
  - h. Is it correct that the only "credits" to be adjusted under the GBRA increases are the Curtailable credit and the transformation rider?
  - i. Does the language in paragraph 3(a), which says the proposed rates are "based on the billing determinants, cost of service allocations and rate design in the MFRs accompanying the 2012 Rate Petition," mean that the rates are based on the use of the 12 CP and 1/13th average demand cost allocation methodology without the incorporation of the Minimum Distribution Methodology?

A.

- a. Please see the table below which summarizes the results of the requested preliminary cost-effectiveness screening tests for the CDR and CILC programs. Also included, in Attachment No. 1 to this request, are the relevant pages from FPL's model runs for each program consisting of the input page showing the assumptions and the individual pages for each of the preliminary cost-effectiveness screening tests.

	E-RIM	E-TRC	Participant
<b>Commercial/Industrial Demand Reduction (CDR)</b>			
2012 Rate Filing	4.12	124.91	Infinite
Proposed Settlement	2.69	124.91	Infinite
<b>Commercial/Industrial Load Control (CILC)</b>			
2012 Rate Filing	3.07	123.59	Infinite
Proposed Settlement	2.00	123.59	Infinite

For each program, moving to the higher incentive levels proposed in the Settlement Agreement remains cost effective under the RIM test, which correctly accounts for all DSM-related impacts to electric rates including incentive payments and unrecovered revenue requirements. Because the TRC does not account for incentive payments (or unrecovered revenue requirements), the TRC test ratios are not changed by the higher incentive levels. Because there are no participant out-of-pocket costs with either program, the cost-effectiveness results for the Participant test in all cases are "Infinite."

For the CDR program analyses, all the assumptions and results for the 2012 Rate Filing are the same as those provided in FPL's response to Staff's First Set of Interrogatories in Docket 120002-EG on June 28, 2012. The Proposed Settlement scenario uses these same assumptions, adjusting only for the proposed higher incentive level.

However, because the CILC program is closed to new participants, the standard cost-effectiveness testing perspective (which is based on evaluating future incremental participation) was not applied. In order to respond to Staff's request, FPL instead examined all of the currently enrolled participants (approximately 497 MW at the generator) in a case in which all CILC participants remain on the program at the proposed higher incentive levels, and compared it to a case in which the program was discontinued. Removing this large amount of MWs alters the in-service date of FPL's next avoided unit; therefore, the CILC programs are compared to a 2017 avoided unit as opposed to a 2019 avoided (as was used in the analyses of the CDR program). All other assumptions for the CILC program analyses, except for the proposed higher incentive level and the in-service date of the avoided unit, are also identical to those used in response to Staff's First Set of Interrogatories in Docket 120002-EG as mentioned above in regard to analyses of the CDR program.

- b. Please see the table below for FPL's estimates of the total credits (i.e., for all projected participants) associated with CILC and CDR, consistent with the assumptions used in the rate filing and proposed settlement.

	2013 Total Credits (000's)	
	2012 Rate Filing	Proposed Settlement
CILC	\$25,197	\$39,308
CDR	\$10,301	\$16,070

- c. As addressed by Witness Deaton in her direct testimony (pages 15-16), FPL proposed in its original filing to charge the greater of 1.5% or \$5 in order to encourage timely payment by customers. The late payment fee is not a cost-based rate, but rather is designed to incent better payment behavior by late-paying customers for the benefit of all other customers. Thus, support for a \$5 or a \$6 rate is based on the same rationale. Other industries use late payment charges greater than \$10 to encourage customers to pay on time; some other Florida utilities charge a much higher fee than FPL proposes, such as City of Miramar Utilities at \$15.00 and Lee County Electric Cooperative at \$10.00 for residential customers.

The additional revenues associated with moving from the \$5 minimum to a \$6 minimum are approximately \$10.6 million. We make an assumption that the number of late payments will reduce from current projections as the intended result of a higher fee. In this case, we have assumed that approximately six percent, or about \$600,000, will not be realized due to such behavioral changes. To the extent it is under-estimated, FPL is at-risk of not recovering the projected revenues.

- d. There is no direct relationship and no change is intended in the Economic Development Riders. The referenced section of the Agreement reads as follows: "(ii) consistent with FPL's recently approved Economic Development Rider and to promote further economic development and job creation." This reference is intended to reflect that an important benefit of the stipulation and settlement agreement energy and demand charges for business and commercial rates as well as the CILC and CDR credits is to further support business and commercial customers in their respective efforts to support the economy, which was also the goal of FPL's Economic Development Riders:
- e. The current CILC credits were increased 56%. The increased credits reduced the amount of revenues to be recovered from CILC customers through base rates. The CILC rates were set to recover the revenue increase shown on Line 1 of Exhibit A. Also, see Attachment No. 2 to this request showing the derivation of the rates for each rate schedule.
- f. Yes, it remains closed.
- g. Not applicable. Please see FPL's response to subpart (f).

- h. No.** As with the GBRA previously in effect under the 2005 settlement agreement, the CDR credit is increased as well as the CS and TR credits.
  
- i. Yes.** There is no change in the cost of service methodology, only a change in the allocation of certain costs as part of a settlement, which will provide economic benefit to a broad range of commercial customers, including virtually all of FRF's constituents.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Increase in Rates by  
Florida Power & Light Company

DOCKET NO. 120015-EI  
Filed: October 12, 2012

AFFIDAVIT OF JEFFRY POLLOCK

State of Missouri    )  
                                  ) SS  
County of St. Louis )

Jeffry Pollock, being first duly sworn, on his oath states:

1. My name is Jeffry Pollock. I am President of J. Pollock, Incorporated, 12655 Olive Blvd., Suite 335, St. Louis, Missouri 63141. We have been retained by Florida Industrial Power Users Group to testify in this proceeding on its behalf;

2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony and Exhibits, which have been prepared in written form for introduction into evidence in Florida Public Service Commission Docket No. 120015-EI; and,

3. I hereby swear and affirm that the answers contained in my testimony and the information in my exhibits are true and correct.

  
Jeffry Pollock

Subscribed and sworn to before me this 11 day of October, 2012.



Kitty Turner, Notary Public  
Commission #: 11390610

My Commission expires on April 25, 2015.



**J. POLLOCK**  
INCORPORATED