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

2 (Transcript follows in sequence from Volume
3 13.)

4 CHAIRMAN BROWN: Good evening. Thank you all
5 for being back so promptly. I appreciate it. Hope
6 you had a nice little break.

7 COMMISSIONER EDGAR: Little.

8 CHAIRMAN BROWN: Little.

9 (Laughter.)

10 My apologies, but we have a lot to get
11 through. And I want to be fair to all of the
12 parties and give them the latitude of the questions
13 that they need to ask. So, with that, we have to
14 run a little bit longer than any of us probably
15 want. So, thank you for all being patient and
16 considerate of others.

17 So, with that, we are still on AARP.

18 MR. COFFMAN: Thank you. Shall I continue?

19 CHAIRMAN BROWN: Yes.

20 CONTINUED EXAMINATION

21 BY MR. COFFMAN:

22 Q Okay. Mr. Barrett, when we last left off, we
23 were trying to understand the two numbers that you were
24 comparing to say that residential consumer -- customer
25 bills would grow roughly in line with inflation through

1 **2020? And --**

2 A Can you -- can you point me back to the
3 testimony? I closed my book. I apologize.

4 **Q It's Page 12 of your direct testimony.**

5 A Okay. I got it. Thank you.

6 **Q And the -- so, the inflation number that you
7 gave me roughly 2.5 percent or 2.58 percent --**

8 A Correct.

9 **Q -- per year. So, is that -- that's over
10 10 percent maybe over four years?**

11 A Yeah.

12 **Q Okay.**

13 A Maybe 11, yeah.

14 **Q And in making the statement, you were
15 comparing that number to an overall total residential
16 customer bill number. Do you know what that number is?**

17 A As of April of '16, 9173.

18 **Q Well --**

19 A Is it --

20 **Q What I was asking was: What were you --
21 you're --**

22 A I'm sorry. I didn't get your --

23 **Q You're predicting that, under FPL's proposed
24 four-year plan, residential rates will grow roughly in
25 line with inflation.**

1 A Correct.

2 Q And so, are you -- so, are you saying that you
3 would expect overall total residential bills to only go
4 up over 10 percent over that four-year period?

5 A Compound annual growth of 2.8 percent, which
6 is on Exhibit TCC-2 in Ms. Cohen's testimony. So, I'm
7 comparing 2.8 to the 2.6 roughly, same as roughly in --

8 Q Per year?

9 A Average per year.

10 Q Average per year. Okay.

11 And that is conditioned -- your statement is
12 conditioned based on current fuel curves?

13 A Yes.

14 Q And I believe I heard yesterday that Witness
15 Morley said that the projection for natural gas prices
16 has actually been modified for 2017; is that right?

17 A I did not hear her say that.

18 Q Okay. Well, maybe I heard her wrong, but I
19 thought that maybe that had been -- that projection was
20 going up or increasing. But you're not aware?

21 A I think I've heard that 17 is maybe a little
22 bit higher than what was contained in the filing, but I
23 think beyond that, the longer part of the curve is
24 roughly where it has been.

25 Q Okay. So, you don't think that that changes

1 your statement in any way?

2 A No.

3 Q But the only way that you're able to say this
4 is taking into the account the historically-low natural
5 gas rates that have been experienced and that you're
6 expecting to continue for the next four years.

7 A It's based on our current forecast of fuel
8 prices, which we -- we do routinely -- excuse me -- and
9 which is based on the forward prices for the next two
10 years. And it blends to some forecasts, but yeah, it's
11 based on that forecast of fuel.

12 Q But -- but this particular rate case that
13 we're hearing today is about base rates?

14 A Yes.

15 Q And you can't say that, under your proposal,
16 base rates would stay in line with inflation for
17 residential customers, would you?

18 A No, that's not my testimony.

19 Q And that would be somewhere in excess of
20 17 percent on your proposal; is that right?

21 A I -- I think that's the case.

22 Q Yeah, I think Mr. Moyle showed you on the --
23 one of your schedules, that that was the --

24 A Yes.

25 Q That was your proposal.

1 A Yes.

2 Q And earlier we -- I believe you said that, as
3 far as projections go, some things are more certain than
4 others, as far as projecting?

5 A That's fair.

6 Q And so, I assume some things -- like if you
7 had a contract for particular cost, you would have a lot
8 of certainty about that, right?

9 A Yes.

10 Q And would you agree with me that financial
11 information is a little bit tougher to predict?

12 A What type of financial information?

13 Q Well, can you tell me what -- can you make a
14 good projection as to what ten-year treasury bond yields
15 will be next month?

16 A No. I wouldn't be sitting here if I could.

17 Q Well, could you -- but you have -- you could
18 guess, though, right? You could make a projection.

19 A We could project.

20 Q You could make an educated --

21 A We would probably look at what the market is
22 saying about treasury rates.

23 Q Right. Right. And you could also make a
24 guess as to what ten-year treasury bonds would yield in
25 2017, right?

1 A Again, we would look at what the market is
2 telling us that the collective market thinks rates are
3 going to be.

4 Q And wouldn't you agree with me that you would
5 **have greater certainty in your guess about what that**
6 **number would be in 2016 than 2017?**

7 A I don't know. I think that the market is
8 making trades every day based on the value that they
9 expect for treasury bonds, for instance. And so, they
10 are placing a lot of money at risk for '17 bonds, '16
11 bonds and --

12 Q But -- but if you were making a bet on, say,
13 **treasury -- ten-year treasury bond yields in 2020 and**
14 **ten-year treasury bond yields in 2017, which is the**
15 **safer bet?**

16 A I wouldn't bet on that. So, I -- I don't I
17 don't know what's a safer bet.

18 Q Now, you wouldn't tell me that you -- that you
19 **have just as much -- you could make -- have just as much**
20 **competency in a prediction about ten-year treasury bonds**
21 **in 2020 as you would -- and what they would be in 2017,**
22 **do you?**

23 A That's fair.

24 Q Okay. So, the further you go out, the harder
25 **it is to predict, right? The less certain you can be**

1 **about your projections.**

2 A Generally speaking.

3 MR. COFFMAN: Okay. Thank you. That's all I
4 have.

5 CHAIRMAN BROWN: Thank you, Mr. Coffman.

6 All right. We are moving on to Mr. Skop.

7 MR. SKOP: Thank you, Madam Chairman.

8 CHAIRMAN BROWN: Sure.

9 EXAMINATION

10 BY MR. SKOP:

11 Q **Good evening, Mr. Barnett.**

12 A Barrett.

13 Q **Barrett. Sorry. Excuse me.**

14 A Good evening.

15 Q **I'm Nathan Skop, representing the Larsons. I
16 just have a couple of lines of questions for you. In
17 response to a line of questions from OPC, you were
18 somewhat critical of the Commission decision in the 2009
19 rate case, correct?**

20 A I don't recall.

21 Q **Okay. But you did mention, in the wake of the
22 2009 rate case, that projects were delayed and your --**

23 A Yes.

24 Q **Okay. All right. So, it's fair to say that
25 you were somewhat critical of the outcome of the**

1 **decision, right?**

2 A Yes.

3 **Q Okay. Thank you.**

4 And also, in response to a line of questions
5 from OPC, you spoke favorably about the value of past
6 settlement agreements, correct?

7 A Correct.

8 **Q But we don't have a settlement in this rate
9 case, correct?**

10 A Correct.

11 **Q Not yet.**

12 A Not yet.

13 **Q Okay. So, in an election year, doesn't that
14 put the Commission in the difficult position of being
15 asked to approve one of the largest electric rate
16 increases in Florida's history?**

17 A I don't know what an election year has to do
18 with it.

19 **Q All right. Fair enough.**

20 The 2009 FPL rate-case decision required FPL
21 to amortize surplus depreciation, correct?

22 A Correct.

23 **Q Okay. And at the time, FPL was critical of
24 the Commission's 2009 rate-case decision to require FPL
25 to amortize surplus depreciation, correct?**

1 A I don't recall if we were critical. I think
2 we preferred a remaining-life method.

3 **Q Okay. All right. Thank you.**

4 The ability to amortize surplus depreciation
5 was part of the 2010 settlement that the firm -- the
6 2009 rate-case decision, correct?

7 A Yes, with an explanation. I mean, the
8 Commission had ordered the reduction in rates for the
9 flowback of the reserve surplus. The settlement gave us
10 the flexibility --

11 **Q Yeah.**

12 A -- to do what the Commission had already
13 ordered us to do.

14 **Q Right. Fair enough. And thank you for that**
15 **clarification. That was going to be my next -- my next**
16 **point.**

17 Also, the ability to amortize surplus
18 depreciation was part of the 2012 settlement, correct,
19 subject to the clarification that you just provided?

20 A Yes, with an expansion on the 2012 settlement
21 agreement. It was codified in that agreement as
22 something called a reserve amount, and it had two
23 components. Whatever was leftover from the surplus
24 depreciation that had not been amortized from the 2010
25 order, combined with an amount of fossil dismantlement

1 reserve to -- together make up \$400 million.

2 **Q Thank you.**

3 So, you would agree that FPL has embraced the
4 ability to amortize surplus depreciation as an effective
5 means to manage ROE at the upper end of the approved
6 range, correct?

7 A I would agree that FPL sees the value in this
8 reserve mechanism to allow it to take the ups and downs
9 in the business and to keep its earnings within the
10 range that's authorized by the Commission.

11 **Q Okay. So, with respect to the use of surplus**
12 **depreciation, the 2009 Commission got it correct -- got**
13 **it right, correct? I'm sorry. Let me -- let me restate**
14 **that.**

15 All right. So, with respect to the use of
16 surplus depreciation, the 2009 Commission got it right,
17 correct?

18 A I would respectfully just give you a
19 clarification on that. There is a very big difference
20 in what happened in the 2009 case versus what was
21 approved in the 2012 settlement. In the 2009 case,
22 rates were reduced for the amount of the flowback of
23 surplus. And then, we were allowed in the settlement
24 agreement to flexibly use that annual amount.

25 In the 2012, rates were not reduced, we were

1 allowed that flexibility to keep our earnings within our
2 allowed range. Very big difference. In 2009, it was a
3 flowback and a reduction in rates. So, we kind of made
4 lemonade out of lemons, if you will, in the 2010
5 settlement.

6 Q And so, let me -- let me ask that just in a
7 slightly different way, then, with the addition of the
8 flexibility for FPL to manage versus a mandate from the
9 Commission, it's -- it's more amenable to FPL to use
10 that to manage ROE in the upper end of the range,
11 correct?

12 A I would say, it's -- yes and no. It's
13 amenable to FPL, but it's also good for customers in
14 that it allows us the flexibility to stay out of rate
15 cases.

16 Q Correct. So, that -- that was my point going
17 back to the 2009 and the settlements. Thank you.

18 All right. So, with respect to the line of
19 questions from OPC, you mentioned the delay of projects
20 after the 2009 rate-case decision. Expanding on that,
21 that was the Canaveral and Riviera projects, correct?

22 A There were a number of projects that were --
23 that were put on hold, if you will. We put out a press
24 release. Those were the modernization projects that
25 you're referring to, but we also indicated that there

1 were infrastructure projects that we were going to put
2 on hold while we kind of weighed the outcome and
3 determined whether we could proceed at that level of --
4 of ROE.

5 Q Okay. And then just a few follow-up questions
6 on that. So, with respect to the suspension of the
7 Canaveral and Riviera modernization programs -- and that
8 was announced via press release -- FPL was already
9 accruing AFUDC on these projects, correct, at the time
10 of suspension?

11 A Yes. I don't recall on Riviera how far along
12 we were, but we certainly were underway on Canaveral.

13 Q Okay. So, I guess the question I have --
14 well, let me ask it this way: Why would a company do
15 something against the financial self-interest of its
16 shareholder by suspending projects that it was earning a
17 return on?

18 A We had to take a pause and evaluate whether
19 our investors wanted us to invest money at 10 percent,
20 which was the ROE that we were awarded, which, at that
21 time, was the lowest in the -- in the state, I think the
22 lowest in the southeast. And we wanted to be sure that
23 investors were okay with that.

24 CHAIRMAN BROWN: Mr. Skop?

25 MR. SKOP: Yes.

1 CHAIRMAN BROWN: May I stop you for a moment?

2 MR. SKOP: Yes.

3 CHAIRMAN BROWN: I just want to make sure that
4 you stick to the prefiled direct testimony on this
5 cross examination.

6 MR. SKOP: Yes, Madam Chair. I'm -- I'm
7 exploring his responses to a line of cross from
8 Public Counsel. So, I'm trying to stick directly
9 on.

10 CHAIRMAN BROWN: Okay.

11 MR. SKOP: Okay. Thank you.

12 BY MR. SKOP:

13 Q All right. And just as a point of
14 clarification, Mr. Barnett -- or Barrett. Barrett.
15 Sorry. It's late.

16 A It's happened throughout my life.

17 Q So, the mid-point ROE awarded by the
18 Commission in 2009, as affirmed in the 2010 settlement
19 and is currently in place, was 10.5 percent, is that
20 correct? I think you said --

21 A No, that's not correct.

22 Q It was ten?

23 A It was 10 percent.

24 Q Subject to -- all right. Thank you.

25 So, the Commission has always allowed timely

1 cost recovery for prudently-incurred costs associated
2 with new plants placed in service, correct?

3 A I guess the answer to that is yes depending on
4 your definition of timely.

5 Q Okay. GBRA --

6 A GBRA was an artifact of the settlement
7 agreements.

8 Q I understand, but --

9 A The Commission denied that in the 2009 case.

10 Q I understand that, but in the settlement, it
11 was granted, correct?

12 A Correct.

13 Q All right. So, moving along, in the interest
14 of time, I believe you've -- you've also testified in
15 your direct testimony, and also in response to Public
16 Counsel, that FPL needs a higher ROE to continue to make
17 investments, correct?

18 A I'm sorry. Could you repeat that?

19 Q Yes. In your direct testimony, and also in
20 response to a line of questions from Public Counsel, I
21 think you indicated that FPL needs a higher ROE to
22 continue to make investments, correct?

23 A Can you point me in my testimony where I say
24 that?

25 CHAIRMAN BROWN: Please.

1 MR. SKOP: I can.

2 Bear with me.

3 (Examining document.) Yes.

4 CHAIRMAN BROWN: What page?

5 MR. SKOP: I am -- I am looking for it as we
6 speak, Madam Chair.

7 But I will move on. I have other questions.

8 I can come back to that.

9 CHAIRMAN BROWN: Okay.

10 MR. SKOP: Okay.

11 BY MR. SKOP:

12 Q If I could ask you to turn to Page 12, Line 7
13 of your testimony, please -- or direct testimony.

14 A I'm there.

15 Q Okay. You state at Line 12 that --

16 MR. BUTLER: I'm sorry. Line 12?

17 MR. SKOP: No, I'm sorry. Excuse me. It is
18 very late. Page 12, Lines 6 and 7.

19 MR. BUTLER: Okay.

20 BY MR. SKOP:

21 Q Okay. And in that, you state: It's likely to
22 keep FPL's customers' bill among the lowest in the
23 state, correct?

24 A Yes.

25 Q Okay. All right. And that assumes that

1 **natural gas prices remain at current levels, correct?**

2 MR. BUTLER: Objection. Asked and answered.

3 This is pretty much the exact same line that AARP's
4 counsel was pursuing with Mr. -- Mr. Barrett.

5 MR. SKOP: Okay.

6 CHAIRMAN BROWN: Mr. -- Mr. Skop.

7 MR. SKOP: I'll move -- I'll move along --

8 CHAIRMAN BROWN: Thanks.

9 MR. SKOP: -- on a similar line within that
10 question. Bear with me for one second.

11 BY MR. SKOP:

12 **Q As part of its rate-case justification, FPL is**
13 **citing low customer bills, correct? That it has low --**
14 **the lowest bills in the state and some --**

15 A Yeah, generally speaking, I would say that's
16 part of the value proposition that we testified to.

17 **Q Okay. Is FPL aware of the competitive retail**
18 **electric market in Texas?**

19 A Is FPL aware or am I aware?

20 **Q Are you -- I'm sorry. Are you aware of it?**
21 **I'm sorry.**

22 A I'm aware that it's competitive, and that's
23 about it.

24 **Q Okay. Subject to check, would you agree that**
25 **Reliant Energy and the Encore Electric delivery service**

1 area offers retail electricity to its customers at \$64
2 per 1000 kWh?

3 CHAIRMAN BROWN: Mr. -- Mr. Skop, I hate to
4 stop you. I'm just trying to follow that along the
5 prefiled testimony and where that is relevant to
6 this witness.

7 MR. SKOP: Madam Chair, may I explain?

8 CHAIRMAN BROWN: Sure.

9 MR. SKOP: Okay. So, FPL has contended
10 superior service, low bills, lowest in the state,
11 and it should be rewarded appropriately.

12 The point I'm trying to make is that if, in
13 the competitive market in Dallas, Texas, you can
14 get the same unit of electricity, thousand kWh for
15 \$64 --

16 CHAIRMAN BROWN: FPL --

17 MR. SKOP: And so --

18 CHAIRMAN BROWN: Any response?

19 MR. BUTLER: Yes. I think that that is
20 completely irrelevant to Mr. Barrett's testimony.
21 He's also assuming facts not in evidence that I
22 doubt will be put into evidence. So, I would
23 object to it.

24 CHAIRMAN BROWN: Mr. Skop, can you proceed
25 with further questions outside --

1 MR. SKOP: All right. Thank you.

2 CHAIRMAN BROWN: -- that line?

3 MR. SKOP: All right.

4 BY MR. SKOP:

5 Q On Page 35, Lines 19 through 21, please.

6 A Okay.

7 Q Okay. And on Page 39, beginning at Line 19,
8 you discuss the increase and the weighted average cost
9 of capital indicated that it is driven by the required
10 increase in ROE. Is it not also driven by the equity
11 ratio?

12 A Which page are you referring to now --

13 Q Page --

14 A -- that you pointed to?

15 Q I said -- yeah, Page 35 --

16 A Yep.

17 Q -- Lines 19 through 21?

18 A Okay. Then you've put me over to 39, I
19 thought. Okay.

20 Q I'm sorry. Maybe I wasn't clear in my --

21 A No, it's not at all driven by the -- by the
22 equity ratio in the context of the statement.

23 Q Okay. So, the question -- again, you
24 testified that the increase in the weighted average cost
25 of capital is driven by the required increase in ROE.

1 Is the increase in the weighted average cost of capital
2 not also a function of the equity ratio?

3 A It is.

4 Q Okay.

5 A And in this case, the equity ratio is going
6 down.

7 Q Okay. And can I ask you to turn to Page 47 at
8 Lines 7 through 9, please.

9 A Okay.

10 CHAIRMAN BROWN: What -- I'm sorry? Did you
11 say seven?

12 MR. SKOP: Yes, I'm -- I'm sorry. Page 37 --

13 CHAIRMAN BROWN: Uh-huh.

14 MR. SKOP: -- Lines 7 through 9.

15 CHAIRMAN BROWN: Thank you.

16 MR. SKOP: Okay.

17 BY MR. SKOP:

18 Q And Mr. Barrett, in that portion of your
19 testimony, you talked about project momentum and the
20 main catalyst that's contributed to a tremendous success
21 in lowering operating costs since the last base-rate
22 case.

23 Can you be more specific as to which base-rate
24 case you're talking about?

25 A The whole context of this part of my testimony

1 is since the 2013 test year.

2 **Q Okay. And isn't project momentum what a**
3 **prudently-managed utility should be doing to begin with**
4 **to be more efficient and tighten -- tighten its belt or**
5 **lower its cost?**

6 A I don't know that I would agree with that. I
7 think what we've done is gone beyond what a prudent
8 utility would do. I mean, otherwise, kind of de facto,
9 everybody else in the industry is not prudent since
10 we're the best in the industry.

11 **Q All right. Fair enough.**

12 And now, if I could ask you to turn to
13 Page 45, please. I just have a few more questions.

14 A Okay.

15 **Q On Lines 19 through 22, on Page 45, you**
16 **discuss the proposed transfer of the lateral --**

17 A Yes.

18 **Q -- into a FERC-regulated affiliate.**

19 And if this transfer is approved, the transfer
20 to the FERC-regulated affiliate will result in higher
21 ROE on that asset placed into service, correct?

22 A I don't think so, no.

23 **Q So -- so, as a general practice, you would --**
24 **let me reframe this.**

25 So, is it your -- would you -- it's late.

1 You would agree that the FERC ROE on
2 transmission-related assets is higher than that awarded
3 by the Florida Public Service Commission, correct?

4 A I don't know.

5 **Q Okay.**

6 A I should add that this would be a negotiated
7 rate below a recourse rate. So, I don't -- I wouldn't
8 know how to determine what their ROE is. It's --

9 **Q Okay.**

10 A It's Florida Southeast Connection.

11 **Q All right. With respect to Line 22, when it's**
12 **contemplated to be in service of May 1st, 2017, what**
13 **happens if that's delayed?**

14 A Well, then the transfer wouldn't take place
15 until it went into service.

16 **Q What would happen to -- how would FPL meet its**
17 **gas requirements if the -- if the pipeline is delayed?**

18 A You should probably ask Mr. Forrest that
19 question. That's not really the scope of this
20 testimony.

21 **Q All right. Fair enough. Thank you.**

22 If I could ask you to turn to Page 46 of your
23 testimony, please.

24 A Okay.

25 **Q Lines 10 through 14.**

1 A Yes.

2 Q Okay. And you suggest preliminary estimates,
3 cumulative present value revenue-requirement savings of
4 \$3 million over the life of the contemplated contract.
5 Question is: Did the CPVRR assume a higher ROE under
6 FERC jurisdiction if the transfer was approved?

7 A I -- I don't know what was assumed. What I do
8 know is that this analysis looked at current cost of
9 ownership, which was FPL's ROE, and a set of tariff
10 rates that we got from FSC to compare to that. When you
11 compare those two, it had a lower CPVRR.

12 Q All right. So, with respect to the projected
13 savings, is FPL willing to guaranty these savings to
14 customers?

15 A No. I mean, we're willing to come back to the
16 Commission in January and show an updated analysis,
17 which is our projection of the savings. But it will be
18 a tariff rate. So, to that extent, if it's a fixed rate
19 over the life of the contract, I would presume that
20 that's pretty much a guaranty.

21 Q If I could ask you, now, to turn to Page 47 of
22 your testimony, Lines 11 through 14.

23 A Okay.

24 Q And same general question: To the extent
25 that, simultaneously, you're going to lower base rates

1 through a pipeline base-rate reduction and increased
2 Fuel Clause factors to cover the transportation costs,
3 are those transportation costs generally going to be
4 higher than they -- they currently are?

5 A No.

6 Q Okay. So, they are expected to be lower,
7 correct?

8 A Yes.

9 Q Okay. So, if we looked, for example, in 2006,
10 the cost of generation and in cents per kilowatt hour,
11 including transportation costs, and compared it to the
12 introduction of this pipeline in 2017, do we expect that
13 the generation costs in cents per kilowatt hour would be
14 higher or lower, including transportation?

15 A I -- I got lost in the question.

16 Q Okay.

17 A You said 2006?

18 Q 2006.

19 A Okay. I don't know --

20 Q Okay.

21 A -- anything about 2006.

22 MR. SKOP: All right. Fair enough. We'll
23 just move on.

24 I may have a few more questions on the
25 pipeline. Give me one second, please.

1 CHAIRMAN BROWN: Okay.

2 BY MR. SKOP:

3 Q Okay. Let me ask a question with respect to
4 storm reserve. Is FPL requesting a storm reserve in
5 this rate case?

6 A We're not in- -- we're not requesting any
7 increase to the storm reserve.

8 Q Okay. You're asking it to remain funded to
9 current level?

10 A Yes.

11 Q Okay. Has the Commission always allowed the
12 timely cost recovery for storm restoration via the storm
13 charge?

14 A I think that that's -- that's fair to say;
15 that there has been various mechanisms that the
16 Commission has used throughout its giving us decisions
17 on storm recovery. And it's been timely.

18 Q All right. So, if the Commission decided not
19 to fund the storm reserve in order to reduce revenue
20 requirement of what is a pretty large request, there is
21 no --

22 CHAIRMAN BROWN: Mr. Skop -- I'm sorry. I
23 don't -- I don't believe this is the right witness
24 for the storm reserve -- or for the storm.

25 MR. BUTLER: That would be Mr. Dewhurst.

1 MR. SKOP: Mr. Dewhurst? All right. Fair
2 enough. I mean, again, the witness is speaking
3 generally in his testimony about the elements that
4 make up the request, so that --

5 CHAIRMAN BROWN: I appreciate that, but -- but
6 I think there may be --

7 MR. SKOP: All right. Fair enough.
8 So, one or two more questions.

9 BY MR. SKOP:

10 Q And if I could refer you back to what's been
11 marked for identification as Exhibit 639, please.

12 A Okay.

13 Q All right. And in REB-9 -- and I'll give you
14 a second to refer to that.

15 A Yes.

16 Q Okay. Let me have one moment to get to it
17 myself in this voluminous packet of papers.

18 So, in REB-9, does the cost comparison assume
19 the gas turbines will retire in a particular year?

20 A This year.

21 Q This year?

22 A (Nodding head affirmatively.)

23 Q Okay. All right. Fair enough.

24 Then, also, within Exhibit 639 -- and I guess
25 the other one was in reference to your testimony. So, I

1 think I got my tongue twisted. So, I apologize there.

2 With respect to what's been marked as
3 Exhibit 639, can I ask you to turn to the last page --
4 or second -- third page of that exhibit.

5 A Which page is the --

6 Q **It's marked --**

7 A The one that says two of three on the bottom
8 right?

9 Q **Yes, sir.**

10 A Okay.

11 Q **And this exhibit quotes, I believe, the CEO of**
12 **NextEra Energy, I believe Mr. Robo. And the quote**
13 **there, according to Mr. Robo, is: Post-2020, there may**
14 **never be another peaker built in the United States.**
15 **Very likely, you'll just be building energy storage**
16 **instead.**

17 Do you have any reason to doubt that Mr. Robo
18 made that statement?

19 A No, I believe he made that statement.

20 MR. SKOP: Okay. All right. Thank you.

21 No further questions. Thank you,

22 Mr. Barnett --

23 CHAIRMAN BROWN: Thank you, Mr. Skop.

24 MR. SKOP: Barrett.

25 CHAIRMAN BROWN: Okay. Staff.

1 MS. JANJIC: Good evening, Mr. Barrett.

2 CHAIRMAN BROWN: Could you please put the mic
3 closer to you so the court reporter --

4 MS. JANJIC: Okay.

5 Good evening, Mr. Barrett. Before we begin,
6 we will have several exhibits that we will be
7 passing out.

8 THE WITNESS: Okay.

9 CHAIRMAN BROWN: Staff, we will be marking the
10 first one at 640.

11 MS. JANJIC: Okay. And that will actually be
12 the FPL response to OPC's second set of
13 interrogatories, No. 105 that was amended and we
14 authenticated at the beginning. So, we will not be
15 moving that after the cross into the record. That
16 will be done at the end of the hearing.

17 CHAIRMAN BROWN: Thank you for that
18 clarification.

19 You want to just wait a sec while we --

20 MS. JANJIC: Yeah.

21 CHAIRMAN BROWN: 640. So, that would -- the
22 first one you wanted to label --

23 MS. JANJIC: Yes, and the remainder will be
24 marked by a second attorney that will be asking
25 questions after me of Mr. Barrett.

1 CHAIRMAN BROWN: Okay.

2 (Whereupon, Exhibit No. 640 was marked for
3 identification.)

4 EXAMINATION

5 BY MS. JANJIC:

6 Q Good evening, Mr. Barrett.

7 A Good evening.

8 Q I know it may seem like it was forever ago,
9 but do you recall your earlier discussion with South
10 Florida Hospital regarding the emissions savings for the
11 large-scale solar projects?

12 A Yes.

13 Q Would you agree that the emissions savings
14 include CO2?

15 A Yes.

16 Q Thank you.

17 Let's see. Does FPL include the cost of CO2
18 emissions in its negotiated purchase power agreements
19 with renewable facilities?

20 A I don't know. I believe we do. I think we
21 include it in everything.

22 Q Is there someone else that would be better
23 able to answer that question?

24 A Mr. Forrest might be able to answer that.

25 Q Forrest. Okay.

1 And does FPL include the cost of CO2 emissions
2 in its standard offer contract that is -- that it files
3 annually with the Commission?

4 A I don't know.

5 **Q Mr. Forrest, again?**

6 A I think he would be able to. He's going to
7 love me.

8 **Q Next, I'm going to move on and ask questions**
9 **regarding the construction work in progress.**

10 A Okay.

11 **Q I provided you a copy of the ECRs and MFRs**
12 **that are marked as Exhibit No. 556 on the comprehensive**
13 **exhibit list, for everybody else's reference.**

14 A Did you hand that out to me?

15 **Q Yes, sir. It should be there, a packet, 14**
16 **pages. It was also used --**

17 MR. BUTLER: We don't have it.

18 **Q -- in your depositions.**

19 CHAIRMAN BROWN: 556?

20 MS. JANJIC: 556 on the --

21 CHAIRMAN BROWN: FPL, do you have a copy of
22 that?

23 MR. BUTLER: No.

24 CHAIRMAN BROWN: Can you please provide FPL
25 with a copy of that?

1 THE WITNESS: Is this the one that's in
2 response to 105?

3 MS. JANJIC: No, it's 556 in the comprehensive
4 exhibit list. It's the late-filed deposition
5 Exhibit No. 3. It's 556 on our list.

6 THE WITNESS: Okay. But it wasn't just handed
7 to me.

8 MS. JANJIC: It should have been.

9 CHAIRMAN BROWN: All right. Staff, can you
10 just make sure that you hand the witness a copy of
11 that because he --

12 THE WITNESS: Oh, I'm sorry. It was --

13 MS. JANJIC: Yes, you have that.

14 THE WITNESS: It was clipped to something
15 else.

16 MS. JANJIC: I'm sorry?

17 CHAIRMAN BROWN: So, you have it, Mr. Barrett?

18 THE WITNESS: I do believe I have it.

19 It's this, right (indicating)?

20 CHAIRMAN BROWN: Thank you.

21 Staff?

22 MS. JANJIC: Okay. Thank you.

23 CHAIRMAN BROWN: FPL, you have a copy?

24 MR. BUTLER: I'm sorry. We're still trying to
25 find it here.

1 CHAIRMAN BROWN: Just a sec.

2 MR. BUTLER: It's this, right?

3 MS. JANJIC: That was just for the witness.

4 It's a courtesy copy for him. Rest of it should be
5 on your CDs, 556 on the comprehensive exhibit list.

6 (Discussion off the record.)

7 THE WITNESS: It's the --

8 MS. JANJIC: -- late-filed --

9 THE WITNESS: -- MFR -- MFR-B1, the CWIP
10 balances?

11 MS. JANJIC: Yes.

12 THE WITNESS: Yes.

13 CHAIRMAN BROWN: All right. Everyone has a
14 copy?

15 MS. JANJIC: May I proceed?

16 CHAIRMAN BROWN: Yes. Please do.

17 BY MS. JANJIC:

18 **Q Mr. Barrett, can you refer to MFR Schedule B-1**
19 **in Docket No. 080677-EI, which is Page 5 of 14 of your**
20 **Deposition Exhibit 3, which you have in front of you.**
21 **This reflects the 13-month adjusted rate base for the**
22 **prior year ended in 2009.**

23 Column 5 reflects the CWIP balances. In that
24 column, the jurisdictional adjusted utility amount is
25 542,817,000, correct?

1 A Yes.

2 Q Please refer to the ECR Schedule 2, Page 6 of
3 14 of your Deposition Exhibit 3 for 2009, which gives
4 the actual 13-month adjusted rate base for the year
5 2009.

6 The FPSC jurisdictional adjusted CWIP balance
7 is in the amount of 462,843,628, correct?

8 A Yes.

9 Q And would you agree that the variance between
10 those two numbers is approximately 79,973,372 or
11 14.73 percent?

12 A I would say, yes. That's more than
13 approximately.

14 Q Exactly, I guess.

15 And can you explain why this variance
16 occurred, Mr. Barrett?

17 A Well, this was in 2009. And this MFR was put
18 together in -- in 2008, before that rate-case filing.
19 And we were just at the beginning of understanding what
20 was going on with the -- with the turndown in the
21 economy.

22 And so, we, as a result of the deepening
23 recession, we changed the timing of some projects. We
24 pulled back on some projects. We had some discussion
25 earlier about cancellations and -- and deferrals of some

1 projects. So, that's -- that's what caused this
2 variance in 2009.

3 **Q Thank you.**

4 Please refer to the MFR Schedule B-1 in Docket
5 080677-EI. This is on Page 7 of 14 of your Deposition
6 Exhibit 3, which reflects the 13-month adjusted rate
7 base for the projected test year ended in 2010.

8 Column 5, again, reflects the CWIP balances.
9 In that column, the jurisdictional adjusted utility
10 amount is 707,530,000, correct?

11 A Yes.

12 **Q And please refer to the ESR Schedule 2, which**
13 **is on Page 8 of 14 of your deposition exhibit for 2010,**
14 **which gives the average rate base for the year 2010.**

15 The FPSC jurisdictional adjusted CWIP balance
16 is in the amount of 379,521,621, correct?

17 A Correct.

18 **Q And would you agree that the variance between**
19 **these two numbers is, again, approximately, 328,008,379**
20 **or 46.36 percent?**

21 A Yes.

22 **Q And can you explain this variance for us?**

23 A Yes. As I explained about 2009, this was as
24 the recession was really starting to -- to take root.
25 And these -- and these forecasts were put together,

1 again, before the recession was -- was even really
2 acknowledged.

3 And so, this was impacted by the timing of
4 some projects having to pull back, growth was coming
5 down. And also, specifically, 2010 -- and we're going
6 to get to 2011, in a minute, I assume --

7 **Q That's right.**

8 A -- was impacted as well by the -- our
9 reflection of the rate-case outcome that we got in
10 January of 2010 and, subsequently, decided that we
11 needed to put on hold some projects and -- and defer
12 some projects.

13 **Q Refer to your MFR Schedule B1 in Docket**
14 **0807 -- I'm sorry -- 080677-EI, Page 9 of 14 of your**
15 **Deposition Exhibit 3, which reflects the 13-month**
16 **average adjusted rate base for the projected subsequent**
17 **test year ended in 2011.**

18 Column 5 reflects the CWIP balances. The
19 jurisdictional adjusted utility amount is the
20 772,484,000, correct?

21 A Correct.

22 **Q And refer to the ESR Schedule 2 -- this is on**
23 **Page 10 of 14 -- for 2011, which gives the average rate**
24 **base for the year 2011.**

25 The FPSC jurisdictional adjusted CWIP balance

1 in the amount 359,029,953; is that correct?

2 A That's correct.

3 Q And the variance between these two numbers is
4 413,454,047 or 53.52 percent? Do you agree?

5 A Yes.

6 Q And can you explain this variance for us,
7 Mr. Barrett?

8 A It's much of the same that we just talked
9 about in terms of the slow-down of our construction
10 program. However, I would note, in 2011, our net plan
11 in service, contrary to CWIP being down, net plan in
12 service was actually up.

13 So, we were beginning to catch back up on
14 getting some projects done. And so, an overall rate
15 base was actually higher than what we had projected for
16 2011 and our MFR filing. So, a lot of this has to do
17 with the timing of the projects.

18 Q Two more. Bear with me. I'm almost done.

19 A Yeah.

20 Q Please refer to the MFR Schedule B1 in Docket
21 120015-EI. This is Page 11 of 14, which reflects the
22 13-month average adjusted rate base for the prior test
23 year ended in 2012.

24 Column 5 reflects the CWIP balances. The
25 jurisdictional adjusted utility amount is 596,059,000,

1 correct?

2 A Yes.

3 Q And please refer to the ESR Schedule 2 -- this
4 is on Page 12 of 14 -- for 2012, which gives the average
5 rate base for the year 2012.

6 The FPSC jurisdictional adjusted CWIP balance
7 is in the amount of 438,262,399; is that correct?

8 A Yes.

9 Q And would you agree that the variance between
10 these two numbers is 157,796,601 or 26.47 percent?

11 A Yes.

12 Q And can you explain why this variance
13 occurred?

14 A This was primarily just timing. The net plan
15 of service was actually up 292 million. And total rate
16 base was within .5 percent. So, it was just timing of
17 closings from CWIP to plant.

18 MS. JANJIC: Thank you. I guess I'll save you
19 the last question. I will not be answering -- or
20 asking.

21 The remainder of the questions will be asked
22 by Adria Harper.

23 EXAMINATION

24 BY MS. HARPER:

25 Q Good evening, Mr. Barrett.

1 A Good evening.

2 Q I have a few questions on a couple of topics,
3 different topics that you covered in your prefiled
4 testimony and exhibits. First, I want to refer to your
5 Exhibit REB-14, which is No. 92 on our comprehensive
6 exhibit list.

7 A Okay.

8 Q And I just wanted to ask, what overall cost of
9 capital was used in calculated -- calculating the
10 avoided capital costs of the 208 million?

11 A It was the cost of capital reflected in the
12 27 -- 2017 test year. So, it reflected the 11.5 ROE and
13 the 59.6 equity ratio and all the other capital costs
14 that are reflected in D1A.

15 Q Okay. Okay.

16 A Or I should say on an incremental basis. So,
17 it's just debt and equity.

18 Q Okay. Now, I'm going to ask you some
19 questions about the D1A, actually. And that's
20 specifically the 2017 MFR Schedule D1A and the 2018
21 Schedule D4A.

22 A Do I have those? Did you pass them out to me?

23 Q They are No. 28 and 29 on the comprehensive
24 exhibit list. I'm not -- you might have a courtesy
25 copy. If not, I could provide one.

1 CHAIRMAN BROWN: For ease of accessibility,
2 can you please provide him one?

3 MS. HARPER: Yeah.

4 THE WITNESS: Thank you. Okay.

5 BY MS. HARPER:

6 Q Okay. These questions are directed to that.
7 But first I want to ask you about your direct testimony
8 on this issue.

9 On Page 42 of your direct testimony,
10 specifically Lines 14 through 21 --

11 A Okay.

12 Q Here, you testify that the 2018 weighted
13 average cost of capital is point-1 -- excuse me, .10 or
14 .10 percent higher than the 2017 weighted cost of
15 capital; is that correct?

16 A Yes.

17 Q And is that primarily because of an increase
18 in the cost of long-term debt?

19 A Yes.

20 Q Those cost rates are included on this MFR
21 Schedule D1A for the respective test years, correct?

22 A Yes.

23 Q You are a co-sponsor of the MFR Schedules D1A,
24 correct?

25 A I am.

1 Q Okay. In your testimony, you state that the
2 increase in the weighted average cost of capital is
3 projected to increase the 2018 revenue requirements by
4 31 million; is that correct?

5 A Yes.

6 Q If the weighted average cost of long-term debt
7 for the subsequent test year ended December 31st, 2018,
8 and is lower than 1.44 percent, would the projected
9 31 million increase be reduced?

10 A Yes.

11 Q Okay. Now, I'm going to turn to my last issue
12 that I'm going to cover with you, Mr. Barrett. And that
13 is the FPL's Okeechobee Energy Center.

14 A Okay.

15 Q As a general rule, would you agree that
16 combined-cycle units have higher capital cost, but lower
17 fuel costs than simple-cycle combustion turbine units?

18 A Yes.

19 Q All else being equal, would you agree that the
20 revenue requirement for a given amount of capital
21 increase -- given amount of capital increases as the
22 rate of return increases?

23 A Yes.

24 Q Okay. I've provided everybody with a courtesy
25 copy of Order No. -- PSC Order No. PSC 160032-FOFEI.

1 And I'm going to ask you to turn to Page 24 on that
2 order and look at the third paragraph.

3 A Okay.

4 Q So, your testimony discusses the Okeechobee
5 unit and the determination-of-need proceeding. Subject
6 to check, would you agree that the next best alternative
7 in the Okeechobee need determination was a set of
8 combustion turbines and that the Okeechobee unit was
9 more cost-effective by approximately 72 million?

10 A Yes.

11 Q I'm going to ask you to refer to that order
12 again, the PSC Order 160 -- PSC's 160032-FOFEI, this
13 time, Page 17, second paragraph.

14 A Okay.

15 Q Subject to check, would you agree that in its
16 last need determination for Okeechobee Energy Center,
17 FPL used its current equity ratio, 59.6 percent, in
18 return on equity, 10.5 percent, in its analysis?

19 A Yes.

20 Q Would you agree that FPL's proposals in this
21 rate case for return on equity, equity ratio and
22 performance adder would result in a higher rate of
23 return than the current level?

24 A Yes.

25 Q Okay. Now, I'm going to ask you, please, to

1 refer to your late-filed deposition exhibit, which I've
2 included in that packet. It's going to be marked as
3 641, I believe, is the next number. And it's titled
4 Late-filed Deposition Exhibit 1, Okeechobee Plant ROE
5 comparison to CTs.

6 A I have it.

7 Q Okay. Great. This is a comparison between
8 what was presented in the Okeechobee need case and what
9 would the calculation -- what the calculation would have
10 been using FPL's proposed ROE from the rate case.

11 Would you agree that Okeechobee Energy Center
12 would have lost two-thirds of its benefits over the
13 next-best unit and only been 24 million more cost-
14 effective using an 11.5 percent return on equity?

15 A Yes, I would agree that it still has
16 \$24 million of value.

17 MS. HARPER: I have no further questions.

18 THE WITNESS: Thank you.

19 CHAIRMAN BROWN: Thank you.

20 Commissioners, any questions?

21 Redirect?

22 MR. BUTLER: Thank you, Madam Chair.

23 REDIRECT EXAMINATION

24 BY MR. BUTLER:

25 Q Mr. Barrett, you were asked a series of

1 questions by staff concerning what was identified as
2 Exhibit 556, the comparisons of the Schedule B-1 and
3 ESRs for a series of years. Do you recall that?

4 A Yes.

5 Q Okay. Would you consider it more appropriate
6 in evaluating utilities' revenue requirements to look at
7 CWIP balances or total rate-base balances?

8 A Total rate base is going to drive total
9 revenue requirements.

10 Q You were asked by Mr. Skop a series of
11 questions about the 2009 rate case. Do you know whether
12 FPL's credit ratings were affected by the Commission's
13 decision in the 2009 rate case?

14 A Yes, we were downgraded.

15 Q And if you would, turn, please, to
16 Exhibit 639. Do you have that? This is the Greentech
17 Media article.

18 A Let me find it. (Examining document.) Yes.

19 Q Okay. First of all, on Page 2 of 3, you were
20 asked about a quote in this, what Mr. Robo said. And
21 just to clarify, does -- does this article indicate that
22 Mr. Robo says that there certainly will be no other
23 peakers built or that there may not be other peakers
24 built post-2020?

25 A He said may never be.

1 Q Okay. When does FPL -- or when will FPL be
2 placing its current peaking CTs into service?

3 A This year.

4 Q Okay. At today's prices, would battery
5 storage be a cost-effective alternative to replacing the
6 old GTs with these current CTs?

7 A No.

8 Q You were asked by Ms. Csank about whether
9 there was value to keeping more than two of the old GTs
10 per site on -- around having sort of a larger retained
11 fleet of the old GTs. Do you think that that would be a
12 cost-effective alternative to retiring all but two per
13 site?

14 A No. I believe keeping just the two that we
15 need for black star capability or what -- would be the
16 prudent decision.

17 Q She also asked you questions about whether FPL
18 could or should explore procuring solar panels, solar
19 converters, other solar-plant equipment now for solar-
20 generation facilities that FPL might build in the
21 future. Do you have an opinion on whether that would be
22 a prudent business practice?

23 A I do, and that -- it would be a bad idea for
24 two reasons. One is, we would never procure today
25 what's going to be likely a lower cost tomorrow. And

1 then, you're going to have the cost of carry; that
2 you're going to have to warehouse these panels and carry
3 the capital investment costs until they are placed into
4 service. So, it would be a more-costly decision to
5 make.

6 **Q You were asked by Mr. Sundback some questions**
7 **about REB-14, your Exhibit REB-14. Is that a definitive**
8 **contractual proposal or an indicative proposal as to the**
9 **costs that would be paid to FSC at this point?**

10 A It's indicative.

11 **Q Would you explain why you presented an**
12 **indicative proposal in your testimony?**

13 A Primarily because we wanted to make sure that
14 whatever the outcome of this rate case was was reflected
15 in the economics of making this decision, primarily
16 around things like ROE that the -- so, we would be
17 better able to quantify the cost of holding it in base
18 rates and then to be able to compare that to the
19 alternative.

20 So, that's why we proposed kind of a framework
21 that we would come back after the rate case if we could
22 still provide benefits to customers and petition at that
23 time.

24 **Q And is it FPL's intention to proceed,**
25 **regardless of whether the ultimate contractual deal**

1 that's reached would save customers money, or only if it
2 saved customers money?

3 A Only if it saved customers money.

4 Q In response to some questions by Mr. Moyle,
5 you addressed or sort of compared the Okeechobee limited
6 scope or LSA proposal to the GBRAs that FPL has had in
7 effect on -- are there any differences between the
8 approach that would be used for those -- those two
9 mechanisms?

10 MR. SUNDBACK: Objection to the question. The
11 question was answered by the witness, and he said
12 he couldn't think of any at the time. He can't,
13 now, be, after the break, suddenly enlightened
14 about what the differences are. He answered that
15 question straight away without qualification on the
16 second try, basically, as you will recall.

17 So, we object to that question. It's asked
18 and answered.

19 CHAIRMAN BROWN: Objection sustained.

20 Mr. Butler, please move along.

21 MR. BUTLER: I am.

22 BY MR. BUTLER:

23 Q Okay. Regarding the Okeechobee LSA, you were
24 asked some questions about the support for that
25 proposal. Do you recall those questions?

1 A I believe so, yes.

2 **Q What support has FPL included in its filed**
3 **case regarding the Okeechobee LSA?**

4 A FPL has filed a complete set of documents
5 regarding the revenue requirements related to the first
6 year of operation for Okeechobee.

7 MR. BUTLER: Thank you. That's all the
8 redirect that I have.

9 CHAIRMAN BROWN: Thank you.

10 Exhibits.

11 All right. We have -- Mr. Butler, we have a
12 few exhibits attached to his prefiled testimony.

13 MR. BUTLER: Yes, I would move into the
14 record, Exhibit 79 through 92.

15 CHAIRMAN BROWN: Are there any objections?
16 Seeing none, we'll move in Exhibits 79 through
17 80 -- I'm sorry, 92.

18 MR. BUTLER: 92.

19 CHAIRMAN BROWN: 92.

20 (Whereupon, Exhibit Nos. 79 through 92 were
21 admitted into the record.)

22 CHAIRMAN BROWN: And then we'll go to OPC.

23 MR. REHWINKEL: The Public Counsel moves
24 Exhibit 636 and 637.

25 CHAIRMAN BROWN: 636 and 637.

1 Seeing -- any objections from FPL?

2 All right. We'll move in 636 through 637.

3 (Whereupon, Exhibit Nos. 636 and 637 were
4 admitted into the record.)

5 CHAIRMAN BROWN: Retail Federation?

6 MR. WRIGHT: 638, please, ma'am.

7 CHAIRMAN BROWN: Any -- any objections?

8 MR. BUTLER: No.

9 CHAIRMAN BROWN: We'll move 638 into the
10 record.

11 (Whereupon, Exhibit No. 638 was admitted into
12 the record.)

13 CHAIRMAN BROWN: Sierra Club, 639.

14 MS. CSANK: Yes, please.

15 CHAIRMAN BROWN: Any objections?

16 We'll move in 639.

17 (Whereupon, Exhibit No. 639 was admitted into
18 the record.)

19 CHAIRMAN BROWN: Staff, you're not moving in
20 640?

21 MS. HARPER: 640 and 641, ma'am, please.

22 Thank you.

23 CHAIRMAN BROWN: Any objections?

24 MR. BUTLER: No.

25 CHAIRMAN BROWN: We'll move in 640 and 641

1 into the record.

2 (Whereupon, Exhibit Nos. 640 and 641 were
3 admitted into the record.)

4 CHAIRMAN BROWN: Would you like this witness
5 excused for the evening?

6 MR. BUTLER: Yes, please.

7 CHAIRMAN BROWN: Mr. Barrett, have a great
8 night. Get some sleep.

9 THE WITNESS: I will.

10 CHAIRMAN BROWN: We won't. Just joking. I'm
11 just joking.

12 (Laughter.)

13 CHAIRMAN BROWN: FPL, would you like to call
14 your next witness?

15 MR. BUTLER: We would call Ms. Ousdahl.

16 CHAIRMAN BROWN: All right. Ms. Ousdahl.

17 (Discussion off the record.)

18 CHAIRMAN BROWN: All right. Everyone getting
19 settled in -- not a recess. Just FYI, not a
20 recess. Gas on the pedal tonight, guys.

21 (Laughter.)

22 CHAIRMAN BROWN: All right. Mr. Butler, has
23 Ms. Ousdahl been sworn?

24 MR. BUTLER: I don't believe so.

25 CHAIRMAN BROWN: Can you please pronounce her

1 name for me?

2 MR. BUTLER: Oz-doll.

3 CHAIRMAN BROWN: Oz-doll. Okay.

4 Please raise your right hand.

5 Whereupon,

6 KIM OUSDAHL

7 was called as a witness, having been first duly sworn to
8 speak the truth, the whole truth, and nothing but the
9 truth, was examined and testified as follows:

10 CHAIRMAN BROWN: Thank you. Please be seated.

11 And welcome.

12 THE WITNESS: Thank you.

13 MR. BUTLER: Thank you.

14 DIRECT EXAMINATION

15 BY MR. BUTLER:

16 **Q Ms. Ousdahl, would you please state your name**
17 **and business address for the record.**

18 A Kim Ousdahl, 700 Universe Boulevard, Juno
19 Beach Florida 33408.

20 **Q Thank you.**

21 By whom are you employed and in what capacity?

22 A I am the vice president, controller, and chief
23 accounting officer of Florida Power & Light Company.

24 **Q Have you prepared and caused to be filed 35**
25 **pages of direct testimony in this proceeding?**

1 A I have.

2 Q Okay. Do you have any changes or revisions to
3 make to your direct testimony?

4 A I do not.

5 Q Okay. Subject to the adjustments addressed in
6 your exhibits KO-19 and KO-20, if I asked you the
7 questions contained in your direct testimony, would your
8 answers about the same?

9 A They would.

10 MR. BUTLER: Madam Chair, I would ask that
11 Ms. Ousdahl's prepared direct testimony be inserted
12 into the record as though read.

13 CHAIRMAN BROWN: Ms. Ousdahl's prefiled direct
14 testimony will be inserted into the record as
15 though read.

16 MR. BUTLER: Thank you.

17 (Prefiled direct testimony inserted into the
18 record as though read.)

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1 American Institute of CPA's, the Texas Society of CPAs and the Florida
2 Institute of CPAs.

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

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

- 5 • KO-1 MFRs and Schedules Sponsored and Co-sponsored by Kim
6 Ousdahl
- 7 • KO-2 MFR A-1 for the 2017 Test Year
- 8 • KO-3 2017 and 2018 ROE Calculation Without Rate Relief
- 9 • KO-4 MFR A-1 for the 2018 Subsequent Year
- 10 • KO-5 Nuclear Maintenance Outage Costs Revenue Requirement
- 11 • KO-6 Fukushima Project Cost by Recovery Mechanism – Company
12 Adjustment
- 13 • KO-7 Clause Recoverable Projects CWIP – Company Adjustment
- 14 • KO-8 Accumulated Deferred Income Tax Proration Adjustment to
15 Capital Structure for 2017 Test Year and 2018 Subsequent Year
- 16 • KO-9 FPSC Adjustments for Cedar Bay and Woodford Project Costs
- 17 • KO-10 NextEra Energy, Inc Primary Operating Entities Structure and
18 Affiliate Support Services
- 19 • KO-11 2016 Cost Allocation Manual
- 20 • KO-12 Direct Charges – Historical and Projected
- 21 • KO-13 Corporate Services Charges – Historical and Projected Specific
22 Cost Drivers and Massachusetts Formula Ratios

- 1 • KO-14 Historical and Projected Corporate Services Charges - Cost
2 Pools and Costs Billed to Affiliates

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

4 A. The purpose of my testimony is to support the calculation of the rate relief and
5 appropriateness of the ratemaking adjustments FPL proposes in this
6 proceeding. I support accounting and ratemaking practices that affect the
7 determination of the appropriate rate base, working capital, rate of return,
8 capital structure and net operating income. Specifically, this includes:

- 9 1. The calculation of rate relief requested for the 2017 Base Rate
10 Increase;
- 11 2. The calculation of the rate relief request for the 2018 Subsequent Year
12 Adjustment (“2018 SYA”);
- 13 3. The calculation of the 2019 Okeechobee Clean Energy Center
14 (“Okeechobee Unit”) Limited Scope Adjustment (“2019 Okeechobee
15 LSA”) that FPL is requesting in order to recover the non-fuel revenue
16 requirements of the Okeechobee Unit, which is scheduled to go into
17 commercial operation on June 1, 2019;
- 18 4. Commission and Company adjustments that FPL proposes to rate base,
19 net operating income and capital structure in order to properly
20 represent the 2017 Test Year and 2018 Subsequent Year results for
21 ratemaking purposes;
- 22 5. The treatment of West County Energy Center Unit 3 (“WCEC3”)
23 revenues in the 2017 Test Year and 2018 Subsequent Year; and

1 6. The reasonableness of the methods employed by the Company for
2 allocating corporate service costs to affiliates and compliance with the
3 Florida Public Service Commission (“FPSC” or “Commission”) and
4 the Federal Energy Regulatory Commission (“FERC”) requirements to
5 ensure that no improper subsidization exists between FPL and its
6 affiliates.

7 **Q. Please summarize your testimony.**

8 A. FPL has prepared its request for base rate relief in this filing in accordance
9 with the rules and requirements of the FPSC. The Commission has a number
10 of long standing practices for the determination of proper retail base rates, and
11 FPL has consistently applied those practices in this filing. Those practices
12 include items such as the use of forecasted test periods, proper
13 synchronization of retail rate base and capital structure, specified rules
14 directing assumptions for Construction Work in Progress (“CWIP”) earning
15 Allowance for Funds Used During Construction (“AFUDC”), and the use of
16 capital recovery schedules for assets retired but not fully recovered.

17
18 FPL is also proposing some new practices for Commission consideration. For
19 example, FPL proposes to recover nuclear maintenance costs on a deferred
20 basis versus recovering those costs in advance of outages. My testimony will
21 provide information to support that adjustment, which lowers FPL’s base rate
22 request in this proceeding. Other adjustments that I support include
23 movement of certain project costs from base rates to clause recovery,

1 including the Cedar Bay costs as prescribed by the settlement order approved
2 by this Commission as well as return on investment for clause related
3 construction projects that FPL has historically recovered as part of base rates.

4
5 I will address FPL's practices for providing shared corporate services to the
6 NextEra Energy, Inc. ("NEE") enterprise, including regulated and unregulated
7 affiliates. The long-standing cost charging methods approved by this
8 Commission and by the FERC are providing corporate services at lower costs
9 to FPL's customers while ensuring no subsidization of affiliate activities.
10 Those practices are unchanged and remain fully consistent with Commission
11 requirements.

12
13 Finally, I sponsor and co-sponsor many Minimum Filing Requirements
14 ("MFRs") and provide the calculation of net operating income, working
15 capital, rate base and revenue requirements for the 2017 Test Year, the 2018
16 Subsequent Year and the 2019 Okeechobee LSA.

17
18 **II. SPONSORSHIP OF MINIMUM FILING REQUIREMENTS**

19
20 **Q. Are you sponsoring or co-sponsoring any MFRs in this case?**

21 **A.** Yes. Exhibit KO-1 lists the MFRs and Schedules I sponsor and co-sponsor for
22 the 2017 Test Year and 2018 Subsequent Year.

23

1 **Q. Are you sponsoring or co-sponsoring any Schedules in support of FPL's**
2 **request for the 2019 Okeechobee LSA in order to address the additional**
3 **revenue requirements associated with that project?**

4 A. Yes. Exhibit KO-1 also reflects the 2019 Okeechobee LSA Schedules that I
5 sponsor and co-sponsor.

6 **Q. Please explain the time periods, including test years, reflected in the**
7 **MFRs and Schedules FPL has filed in this proceeding.**

8 A. FPL is filing MFRs that include actual costs incurred through 2015 and
9 forecasted costs for the 2017 Test Year as the basis for its jurisdictional
10 revenue requirement calculation for 2017. FPL's MFRs include a 2015
11 Historic Period, 2016 Prior Year and 2017 Test Year. Additionally, FPL has
12 prepared a complete set of MFRs for the 2018 SYA using forecasted 2018
13 costs. Lastly, FPL has prepared certain Schedules reflecting the first year
14 incremental annual revenue requirement for the 2019 Okeechobee LSA. The
15 2019 Okeechobee LSA is projected to be effective June 1, 2019, coinciding
16 with the projected in-service date of the power plant, and will cover the 12
17 months ended May 31, 2020, which represents the first full year of operation.

18 **Q. Please describe the 2019 Okeechobee LSA Schedules that you are**
19 **sponsoring or co-sponsoring in this proceeding.**

20 A. These Schedules include the incremental revenue requirement calculation
21 based on the net operating income and rate base impacts commencing with
22 commercial operation of the Okeechobee Unit. Due to the implementation of
23 this project, FPL is requesting an additional base rate increase to be effective

1 from the date the facility goes into commercial operation. FPL witness
2 Kennedy discusses the Okeechobee Unit in further detail; FPL witness Barrett
3 provides the basis for the 2019 Okeechobee LSA; and FPL witness Cohen
4 provides a summary of proposed tariff changes and the true up process related
5 to this requested increase in base rates.

6

7 **III. 2017 TEST YEAR REVENUE REQUIREMENT**

8

9 **Q. What is the amount of FPL's requested base rate increase for the 2017**
10 **Test Year?**

11 A. As shown on Exhibit KO-2, MFR A-1 for 2017 Test Year, the amount of FPL's
12 requested base revenue increase for 2017 is \$866 million.

13 **Q. Which MFRs directly support the 2017 Test Year revenue increase**
14 **calculation?**

15 A. Exhibit KO-2 lists the MFRs that directly support the overall 2017 Test Year
16 jurisdictional revenue requirement increase of \$866 million requested by FPL.
17 Those MFRs include schedules that support jurisdictional adjusted rate base of
18 \$32.5 billion, jurisdictional adjusted net operating income of \$1.6 billion and
19 the calculation of the jurisdictional revenue expansion factor of 1.63024 used
20 to derive the requested overall jurisdictional revenue requirement.
21 Additionally, I sponsor the jurisdictional adjusted capital structure and the
22 overall rate of return ("ROR") of 6.61%, which reflects FPL's requested return
23 on equity ("ROE") of 11.5% (including a 50 basis point ROE performance

1 adder) that is further discussed in the testimony of FPL witnesses Hevert and
2 Dewhurst. The related Commission and Company adjustments applicable to
3 the above schedules are also included in the MFRs filed in this case.

4 **Q. What would be the resulting ROE for the 2017 Test Year absent the**
5 **requested rate relief?**

6 A. Exhibit KO-3 shows that absent the requested rate relief, the 2017 Test Year
7 jurisdictional adjusted ROE is projected to be 7.88% which is well below the
8 bottom end of the current authorized range for ROE and the proposed ROE
9 supported by FPL witnesses Hevert and Dewhurst.

10

11 **IV. 2018 SUBSEQUENT YEAR REVENUE REQUIREMENT**

12

13 **Q. What is the amount of FPL's requested base rate increase for the 2018**
14 **Subsequent Year?**

15 A. As shown on Exhibit KO-4, MFR A-1 for the 2018 Subsequent Year, the
16 amount of FPL's requested base revenue increase for 2018 is \$262 million.

17 **Q. Are all of the Company adjustments requested for the 2017 Test Year also**
18 **applicable to the 2018 Subsequent Year?**

19 A. Yes. We have consistently applied the proposed Company adjustments
20 reflected on MFRs B-2 and C-3 for the 2017 Test Year to the 2018 Subsequent
21 Year and reflected the amount of those adjustments applicable for the 2018
22 Subsequent Year.

23

1 **Q. Which MFRs directly support the 2018 SYA calculation?**

2 A. Exhibit KO-4 lists the MFRs that directly support the 2018 SYA jurisdictional
3 revenue requirement of \$262 million. Those MFRs include schedules that
4 support FPL's jurisdictional adjusted rate base of \$33.9 billion, jurisdictional
5 adjusted net operating income of \$1.6 billion and the calculation of the
6 jurisdictional revenue expansion factor of 1.63024 to arrive at the requested
7 overall jurisdictional revenue requirement. Additionally, I present the
8 jurisdictional adjusted capital structure that reflects FPL's requested ROE of
9 11.5% and an overall ROR of 6.71%.

10 **Q. What would be the impact on ROE for the 2018 Subsequent Year absent**
11 **the requested rate relief?**

12 A. Exhibit KO-3 shows that, absent both the 2017 Test Year and 2018
13 Subsequent Year requested base rate relief, the 2018 jurisdictional adjusted
14 ROE is projected to be only 6.95%. The exhibit also shows that, with FPL's
15 requested base relief for 2017 but absent the requested rate relief for 2018, the
16 2018 jurisdictional adjusted ROE is projected to be 105 basis points below the
17 requested ROE and below the bottom end of the required cost of equity range
18 supported by FPL witnesses Hevert and Dewhurst.

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V. 2019 OKEECHOBEE LIMITED SCOPE ADJUSTMENT

Q. What is the amount of FPL's requested base rate increase for the 2019 Okeechobee LSA?

A. As shown on Schedule A-1 for the 2019 Okeechobee LSA, the amount of FPL's requested base revenue increase for the first 12 months of operation is \$209 million.

Q. What is the basis for the revenue requirement calculation associated with the 2019 Okeechobee LSA?

A. The Commission approved the determination of need for the Okeechobee Unit on January 19, 2016 in Docket No. 150196-EI, Order No. PSC-16-0032-FOF-EI. The revenue requirement computation is based on the estimated capital expenditures and operating costs for the facility presented in that docket, and it reflects the impact of the recently approved bonus depreciation on the calculation of income taxes, proposed composite depreciation rate for FPL's newest and most comparable combined cycle plant based on the 2016 Depreciation Study, and incremental cost of capital reflected in FPL's 2018 Subsequent Year. FPL witnesses Kennedy, Barrett and Cohen provide additional support for the 2019 Okeechobee LSA.

1 **VI. ADJUSTMENTS TO 2017 TEST YEAR AND 2018**
2 **SUBSEQUENT YEAR**

3

4 **Q. Has FPL presented Commission and Company adjustments to rate base**
5 **and net operating income necessary in order to properly reflect the 2017**
6 **Test Year and 2018 Subsequent Year for ratemaking purposes?**

7 A. Yes. These adjustments are detailed in MFRs B-2 and C-3 for their respective
8 periods. The Commission adjustments are consistent with those currently
9 reflected in FPL's monthly Earnings Surveillance Report ("ESR").

10 **Q. Would you please describe the Company adjustments FPL is proposing?**

11 A. Yes. FPL is providing support for a number of appropriate ratemaking
12 adjustments. First, I will demonstrate the reasonableness of newly offered
13 Company adjustments that provide customer benefits and ensure consistent
14 ratemaking for project costs recovered in either base or clause, but not both.
15 Second, I will present the Company adjustment to accumulated deferred
16 income taxes ("ADIT") required under the Internal Revenue Code ("IRC")
17 when a projected test year is used in setting rates. Lastly, I will provide
18 support for certain Commission adjustments that are required by FPSC rules,
19 practice and/or precedent.

20

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23

1 **Nuclear Maintenance Costs**

2 **Q. Please describe the ratemaking adjustment you propose for nuclear**
3 **maintenance outage costs.**

4 **A. FPL has historically recovered the estimated costs to conduct nuclear facility**
5 **outages ratably over the 18 month period in advance of the outage in**
6 **accordance with Order No. PSC-96-1421-FOF-EI, issued November 21, 1996.**
7 **FPL has determined that it would be beneficial to instead defer the costs at the**
8 **time of the outage and amortize those deferred costs over the subsequent**
9 **period prior to the next outage. This approach is consistent with GAAP;**
10 **however, for regulatory accounting purposes, the proposed change can only be**
11 **appropriately made in the context of a base rate proceeding**

12
13 Beginning in 2013, FPL incorporated into the budget process a step that is
14 specifically focused on generating and evaluating productivity and efficiency
15 improvement ideas – an initiative known internally as Project Momentum.
16 Since then, through the Project Momentum initiative, outage durations are
17 being reduced and outage cost increases, which would normally be expected
18 over time, have been moderated as well. These improvements are now fairly
19 stable, so introducing this change in methodology for base rate recovery in the
20 instant proceeding is timely. This change does not violate accounting
21 requirements under FERC’s Uniform System of Accounts (“USOA”), and
22 FPL’s strong balance sheet can support financing the deferral of these
23 transition costs and prospective amortization over a three-year period. The

1 effect of this change reduces FPL's 2017 and 2018 revenue requirement by
2 \$36 million and \$39 million, respectively. Exhibit KO-5 summarizes the
3 impact on revenue requirements of deferral and subsequent amortization of
4 the transition liability created by this proposed Company adjustment over a
5 three-year period.

6

7 **Consolidating Clause-Recoverable Projects for Clause Recovery**

8 **Q. Please describe the proposed Company adjustment that moves certain**
9 **costs related to clause-recoverable projects currently recovered in both**
10 **base and clause, to solely clause recovery.**

11 A. It is preferable to identify projects as either wholly base or clause recoverable
12 at the outset in order to avoid having to bifurcate the recovery of a given
13 project into two recovery mechanisms. FPL accountants must manually
14 identify costs in accordance with prior orders for base and clause recovery,
15 and this bifurcation exercise becomes even more challenging when plant is in-
16 service and being depreciated. During the planning phase for this rate case,
17 FPL carefully reviewed the forecast in light of its business and operational
18 plans in order to identify all projects that are eligible for clause recovery for
19 the entire project lifecycle, and we have excluded those project costs in their
20 entirety from this base rate request.

21

22 Consistent with this approach, FPL is proposing an adjustment to transfer the
23 portion of the Incremental Nuclear Regulatory Commission ("NRC")

1 Fukushima-related Compliance Costs (“Fukushima Project”) currently
2 recovered in FPL’s base rates to FPL’s Capacity Cost Recovery Clause
3 (“CCRC”). During FPL’s previous base rate filing, Docket No. 120015-EI,
4 the Company included a preliminary level of capital expenditures of \$10
5 million and approximately \$144,000 of O&M in its 2013 Test Year for the
6 Fukushima Project, which represented its best estimate of compliance costs at
7 that time. Since that original estimate, the scope of work necessary to be
8 compliant with NRC requirements has been clarified, and the incremental
9 project costs have grown substantially. During 2013, FPL petitioned the
10 Commission for recovery of the *incremental* costs through the CCRC (i.e.,
11 above and beyond the original \$10 million of capital and \$144,000 of O&M)
12 which was approved by the Commission in Order No. PSC-13-0665-FOF-EI.

13

14 Consistent with Order No. PSC-13-0665-FOF-EI, FPL is currently recovering
15 both incremental capital and O&M associated with the Fukushima Project
16 through the CCRC, which amounts are reviewed annually by the FPSC.
17 Exhibit KO-6 reflects the breakdown as of December 31, 2016 of the
18 Fukushima capital costs delineated between base and clause recoverable. The
19 Company adjustment FPL is proposing in this proceeding will ensure that all
20 costs related to the Fukushima Project will be reflected and recovered solely
21 through the CCRC, reducing complexity in accounting and ratemaking. The
22 reductions in base rate revenue requirement associated with this adjustment

1 for the 2017 Test Year and 2018 Subsequent Year are \$1.6 million and \$1.5
2 million, respectively.

3 **Q. Please describe the Company adjustment for capital projects identified as**
4 **clause recoverable CWIP and the proposed movement of those projects**
5 **from base to the proper clause.**

6 A. Presently, a handful of small, approved Environmental Cost Recovery Clause
7 (“ECRC”) and Energy Conservation Cost Recovery (“ECCR”) projects
8 remain in base rates and do not earn a clause return at FPL’s weighted average
9 cost of capital (“WACC”) while classified as in-construction or CWIP.
10 Instead, these projects earn a return as part of CWIP in base rates, while all
11 other clause in-service and some CWIP associated with large projects earn a
12 return at FPL’s midpoint WACC in their respective cost recovery clauses.
13 This distinction is not required by FPSC rule or precedent; clause recovery of
14 return on investment associated with these projects while in construction was
15 simply not proactively requested by the Company at the time original petitions
16 were filed for recovery of these specific projects. Historically, in petitioning
17 for approval of new, higher cost clause projects, the Company requested the
18 project be reflected in clause for recovery of a return on construction costs
19 through its entire life cycle; however, the Company did not make such a
20 request for the smaller, capital clause projects and instead started clause
21 recovery when those projects entered into service. FPL believes that
22 consistency in recovery vehicle for the entire project lifecycle is appropriate;

1 therefore, we request consolidation of all clause-recoverable CWIP into the
2 clauses.

3 **Q. What clause capital investment projects and amounts has FPL removed**
4 **from CWIP in rate base in this proceeding in order to move their**
5 **recovery to clause?**

6 A. FPL has identified all clause recoverable CWIP and has removed each item
7 from this base rate filing as either a FPSC or a Company adjustment. The
8 CWIP balance for each clause project that was removed from rate base will
9 earn a return while in CWIP in its respective clause at the midpoint WACC as
10 reflected in the May ESR, consistent with Order No. PSC-12-0425-PAA-EU.
11 The revenue requirement reduction in the 2017 Test Year and 2018
12 Subsequent Year is \$825,000 and \$493,000, respectively. Exhibit KO-7
13 reflects a list of the projects and amounts comprising the basis for the FPSC
14 and the Company adjustment. Additionally, for the FPSC adjustments, it
15 contains the orders approving this treatment in the respective clauses.

16

17 **Normalization Adjustment to ADIT**

18 **Q. Please explain why FPL has presented a Company adjustment to**
19 **decrease the amount of ADIT included in capital structure in the 2017**
20 **Test Year and 2018 Subsequent Year.**

21 A. In light of recent Internal Revenue Service (“IRS”) Private Letter Rulings
22 (“PLRs”) and in order to comply with the IRC set forth under Treasury
23 Regulations §1.167(1)-1(h)(6), ADIT that is treated as zero cost capital, or a

1 component of rate base, in determining a utility's cost of service must be
2 determined by reference to the same period as is used in determining the
3 income tax expense utilized for ratemaking purposes. The IRC goes on to
4 state that a utility may use either historical data or projected data in
5 calculating these two amounts, but it must be consistent. If the amounts are
6 computed using projected data, in whole or in part, and the rates go into effect
7 during the projected period, then the utility must use the formula provided in
8 Treasury Regulations §1.167(1)-1(h)(6)(ii) to calculate the amount of ADIT to
9 be included for ratemaking purposes. Because FPL is presenting a change in
10 base rates at the beginning of both the projected 2017 Test Year and 2018
11 Subsequent Year, the Company is required to comply with Treasury
12 Regulations §1.167(1)-1(h)(6) in this proceeding.

13 **Q. Please describe the required formula FPL must follow to adjust ADIT in**
14 **the 2017 Test Year and 2018 Subsequent Year.**

15 A. Treasury Regulations §1.167(1)-1(h)(6)(ii) contain a precise formula
16 ("Proration Requirement") for computing the amount of depreciation-related
17 ADIT to be treated as zero cost capital when a future test period is used. The
18 Proration Requirement is as follows:

19 The pro rata portion of any increase to be credited or decrease
20 to be charged during a future period....shall be determined by
21 multiplying any such increase or decrease by a fraction, the
22 numerator of which is the number of days remaining in the
23 period at the time such increase or decrease is to be accrued,

1 and the denominator of which is the total number of days in the
2 period.

3 **Q. Please explain the calculation of the Proration Requirement and its**
4 **impact to FPL's capital structure for the 2017 Test Year and 2018**
5 **Subsequent Year.**

6 A. As reflected on Exhibit KO-8, the calculations of the Proration Requirement
7 for ADIT for the 2017 Test and 2018 Subsequent Year results begin with 13-
8 month average balances of \$8.3 billion and \$8.5 billion, respectively. FPL
9 then compared the balances using the Proration Requirement totals for 2017
10 of \$8.2 billion and 2018 of \$8.5 billion to the per-book 13-month average
11 ADIT balance. The difference results in the Company adjustment of \$58
12 million for the 2017 Test Year and \$43 million for the 2018 Subsequent Year.
13 This Company adjustment is reflected as a specific adjustment to decrease
14 ADIT on MFR D-1a.

15 **Q. Why has FPL not introduced this adjustment in previous base rate**
16 **filings?**

17 A. Prior to the issuance of the recent PLRs, the Company interpreted the IRC
18 consistency requirements as potentially being compromised if this adjustment
19 were singularly made. The recent PLRs issued by the IRS during 2015 make
20 it clear that to ignore this adjustment in a forecasted test year base rate setting
21 will violate normalization requirements.

22

1 **Q. Has FPL also reflected the Proration Requirement in the calculation of**
2 **the 2019 Okeechobee LSA?**

3 A. Yes. FPL has included the impact of the Proration Requirement related to the
4 projected first year of operations for the 2019 Okeechobee LSA in the
5 calculation of ADIT, which is a component of rate base.

6

7 **Rate Case Expenses**

8 **Q. What adjustment is FPL requesting for rate case expenses?**

9 A. FPL is requesting a four-year amortization period for estimated, incremental
10 rate case expenses associated with this case totaling \$4.9 million. In addition,
11 FPL is requesting that the unamortized balance be included in rate base in the
12 2017 Test Year and 2018 Subsequent Year in order to avoid an implicit
13 disallowance of reasonable and necessary costs. The fact that FPL is
14 requesting a 2018 SYA and the 2019 Okeechobee LSA as part of one
15 proceeding reduces the amount of rate case expenses we would otherwise
16 incur for multiple back-to-back rate cases. Full recovery of necessary rate
17 case expenses is appropriate but will not occur unless FPL is afforded the
18 opportunity to earn a return on the unamortized balance of those expenses.

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1 **Commission Adjustments for Woodford and Cedar Bay Projects**

2 **Q. Please describe the Commission adjustments you are making consistent**
3 **with Orders in Docket No. 150001-EI - Gas Reserves Woodford Project**
4 **and Docket No. 150075-EI - Cedar Bay Transaction.**

5 A. As a result of recent transactions approved by this Commission, certain items
6 must be removed from base rates in a different fashion from typical
7 Commission adjustments. The Company is highlighting these items for ease
8 of review. Exhibit KO-9 shows the components of each transaction by FERC
9 account and its removal from rate base, net operating income, and capital
10 structure, as applicable.

11 • **Gas Reserves Investment – Woodford Project** – Pursuant to Order No. PSC-
12 15-0038-FOF-EI, Docket No. 150001-EI, FPL recovers the revenue
13 requirements associated with the Woodford Project through its fuel recovery
14 clause. As such, FPL removes the net plant-in-service, depletion and
15 depreciation expense, O&M, and working capital associated with the gas
16 reserves investment as an FPSC adjustment in its monthly ESRs and is
17 doing the same for base rate setting purposes. A listing of each component
18 of the gas reserves investment removed from the filing is reflected on
19 Exhibit KO-9.

20 • **Cedar Bay Transaction** – Pursuant to the settlement agreement approved by
21 the Commission in Order No. PSC-15-0401-AS-EI, Docket No. 150075-EI,
22 FPL was authorized to recover the \$520.5 million purchase price for the
23 stock purchase of CBAS Power, Inc and \$326.9 million income tax gross up

1 associated with the loss on the termination of the power purchase
2 agreement. Recovery of these costs under the settlement was apportioned
3 between FPL's CCRC and base rates as follows: \$85 million of the purchase
4 price and its associated income tax gross up of \$53 million initially to be
5 recovered through base rates and the balance to be recovered through the
6 CCRC. This treatment was to be in place only until FPL's next Test Year
7 for a general base rate proceeding; therefore, the remaining unamortized
8 portion of the \$85 million and related income tax gross up at the beginning
9 of the 2017 Test Year would be removed from rate base and recovered
10 through FPL's CCRC. The unamortized amount to be reclassified to the
11 CCRC as of December 31, 2016 is \$73 million for the purchase price and
12 \$46 million for its associated income tax gross up. Exhibit KO-9
13 demonstrates the removal of all Cedar Bay amounts from FPL's base rate
14 filing.

15

16 VII. TREATMENT OF WCEC3 IN 2017 TEST YEAR AND 2018

17

SUBSEQUENT YEAR

18

19 **Q. How are the revenues associated with WCEC3 currently treated in FPL's**
20 **monthly ESR?**

21 **A.** Consistent with the 2012 Rate Settlement approved in Order No. PSC-13-
22 0023-S-EI, the revenue requirements associated with WCEC3 are currently
23 collected through FPL's CCRC. Because the O&M expenses and return on

1 investment for WCEC3 are base rate components, the WCEC3 revenues
2 collected through CCRC are in turn reclassified on FPL's books and records
3 from CCRC revenues to base revenues. Therefore, the amounts reported in
4 FPL's monthly ESR already reflect revenues associated with WCEC3 as base
5 revenues.

6 **Q. How is the revenue associated with WCEC3 reflected in the 2017 Test
7 Year and 2018 Subsequent Year?**

8 A. Consistent with the 2012 Rate Settlement and with the treatment described
9 above for monthly surveillance reporting, the revenues associated with
10 WCEC3 are forecasted and reflected as base revenues.

11 **Q. Is FPL requesting to recover WCEC3 revenue requirements in base rates
12 as part of this filing?**

13 A. Yes. Pursuant to the 2012 Rate Settlement, the Company is reflecting revenue
14 requirements associated with WCEC3 in base rates.

15 **Q. If the Commission approves FPL's proposal to recover WCEC3 revenue
16 requirements costs through base rates, will FPL discontinue recovery of
17 those revenue requirements through the CCRC?**

18 A. Yes. If the Commission agrees to allow FPL to move the recovery of WCEC3
19 revenue requirements from the CCRC to base rates in the 2017 Test Year,
20 then the revenue requirements associated with WCEC3 will not be included in
21 FPL's CCRC billing factors beginning January 1, 2017. FPL witness Cohen
22 outlines the rate effect of this request.

1 **Q. If the Commission does not approve recovery of WCEC3 revenue**
2 **requirements through base rates in this proceeding, should FPL be**
3 **permitted to continue recovery through the CCRC?**

4 A. Yes. The Commission made an affirmative determination of need for
5 WCEC3 in Order No. PSC-08-0591-FOF-EI, finding it to be a cost-effective
6 addition to FPL's generating system that meets the customer's demand and
7 energy requirements with clean, fuel-efficient combined cycle generation.
8 FPL must be permitted the opportunity to fully recover the WCEC3 revenue
9 requirements either as a component of base rates or as a component of the
10 CCRC.

11

12 **VIII. CORPORATE SERVICES AND AFFILIATE TRANSACTIONS**

13

14 **Q. Please describe the NEE corporate and fleet services organizational**
15 **model, FPL's role in that model, and its benefits.**

16 A. In the years both before and since the formation of NEE, FPL has consistently
17 performed the required corporate center activities for all entities. Over the last
18 twenty years, FPL's sister operating affiliate, NextEra Energy Resources
19 ("NEER"), has expanded its unregulated renewables business to become the
20 largest renewables generator in the U.S. In addition to the remarkable growth
21 of NEER, NEE has developed a number of new operating entities that are also
22 served by FPL, albeit much smaller in size and scale, including an affiliate
23 engaged in FERC competitive transmission development. The simplified

1 organizational chart on Exhibit KO-10 reflects the primary operating entities,
2 both regulated and unregulated, receiving services from FPL today. Despite
3 the growth of its affiliates, FPL remains the primary NEE subsidiary by nearly
4 any metric.

5
6 As the functioning corporate center for NEE, FPL incurs costs in order to
7 perform all necessary shared fleet operating and corporate support functions,
8 with the ultimate goal to efficiently and cost effectively lever talent and
9 resources across the enterprise, which is beneficial to FPL and its customers.
10 Exhibit KO-10 lists both the traditional corporate center functions and the
11 fleet services activities provided by FPL across the broader NEE operating
12 businesses.

13
14 While the shared corporate service activities embedded in FPL today continue
15 to be necessary to support the provision of electric service to FPL's retail
16 customers, charging a portion of these support services to its affiliates has
17 allowed FPL to reduce its share of these necessary fixed costs for the benefit
18 of its retail customers. This structure has proven over the years to be efficient
19 and effective from an operating perspective. The special skills and talents of
20 FPL's employees and contractor resources are consistently leveraged over the
21 largest organizational reach.

22

1 **Q. Have there been any material changes in affiliate transaction processes or**
2 **controls since FPL's last base rate filing in Docket No. 120015-EI?**

3 A. No. FPL's current processes and billing practices continue to ensure that
4 affiliate transactions comply with all applicable regulatory rules and
5 regulations.

6 **Q. Are FPL's affiliate billing practices codified?**

7 A. Yes. FPL uses an integrated structure of billings and allocations that are
8 codified in the Company's Cost Allocation Manual ("CAM"). Maintaining
9 the CAM is a requirement under Rule No. 25-6.1351, Cost Allocations and
10 Affiliate Transactions, F.A.C. ("Affiliate Rule"). In addition, FPL's CAM
11 largely follows the published guidelines recommended by the National
12 Association of Regulatory Utility Commissioners ("NARUC"). FPL's 2016
13 CAM is included as Exhibit KO-11.

14 **Q. Please describe the three major categories of shared support provided by**
15 **FPL to its affiliates.**

16 A. The first category is strategic and governance related support traditionally
17 performed by the corporate center executive team. Strategic and governance
18 support includes activities such as those associated with the Board of
19 Directors, Legal Compliance, Investor Relations, Internal Audit and the Office
20 of the General Counsel.

21

22 The second category is the fleet construction and operations support, provided
23 by the Power Generation Division, Nuclear Division, Transmission,

1 Engineering and Construction, Integrated Supply Chain, and Environmental
2 departments. FPL has leveraged its commercial and technical practices and
3 knowledge regarding fleet construction, compliance and operating capabilities
4 in order to optimize results for its customers and the broader enterprise. The
5 larger scale of the enterprise fleet has facilitated sharing expertise in complex
6 commercial and technical operating skills, which has lowered FPL's share of
7 costs.

8
9 The third category of shared activities is comprised of traditional corporate
10 support services. This includes, but is not limited to, Human Resources
11 compliance, benefits administration and payroll processing, Information
12 Management, Treasury and Cash Management, Corporate Communications,
13 Corporate Tax, and SEC reporting.

14 **Q. What specific methods are utilized by FPL to charge costs to its affiliates?**

15 **A.** There are three methods FPL utilizes to charge costs of shared activities to its
16 affiliates. These methods are commonly employed by other utilities and are
17 recommended by the FERC and NARUC:

18 1. Direct Charges – Costs of resources used exclusively to provide
19 services for the benefit of one company and are directly charged to that
20 entity. Exhibit KO-12 recaps the direct charges for the 2013 and 2014
21 Actual Years, 2015 Historical Year, 2016 Prior Year, 2017 Test Year,
22 and 2018 Subsequent Year. As has been demonstrated historically,
23 these charges are largely project-specific and do not only represent the

1 use of embedded FPL resources. In many cases, the costs actually
2 incurred and billed to affiliates result from contractor or other third
3 party services engaged by FPL for a specific enterprise wide project.
4 FPL fully loads all internal direct charges and uses this methodology
5 whenever possible and practical. In 2015, approximately 45% of the
6 support provided to affiliates was charged using the direct charge
7 method.

8 2. Operations Support Charges¹ – Operations Support Charges are
9 utilized by FPL to allocate support costs for NEE's Nuclear fleet
10 support operations, which provide services to both FPL and NEER's
11 fleet of nuclear units. These charges are billed monthly based on
12 actual costs for the enterprise support activity. In 2015, approximately
13 11% of affiliate support was charged via the Nuclear Operations
14 Support Charges, which are described in more detail below:

15 a. Nuclear – Services include nuclear operations and security,
16 fuels support, nuclear business management, engineering, and
17 assurance support. Costs are fully loaded and allocated based
18 on the percentage of nuclear generating units across the
19 enterprise; and

20 b. Nuclear Information Management – Services include nuclear
21 procurement and work management system application
22 support, Information Management Business Unit management
23 team support, data services, and infrastructure support to

¹ FPL has formerly referred to the Operations Support Charges as Service Fees.

1 NextEra Energy Resources' nuclear plants. Costs are fully
2 loaded and allocated based on the percentage of nuclear
3 generating units across the enterprise.

4 3. Corporate Services Charges ("CSC")² – A significant portion of the
5 governance costs and general corporate support services that benefit
6 both FPL and its affiliates are billed through the CSC, which is further
7 defined by two distinct allocation methods:

8 a. Specific Driver – The allocation of costs of ongoing services
9 shared jointly to support utility and affiliate operations that
10 have distinct cost drivers. These drivers or factors have a
11 direct relationship to the causation of the expense and the effect
12 this activity has on the operations of the benefiting entity.
13 Examples of the cost pools that are allocated using specific
14 drivers include corporate systems capital costs and
15 applications, support for computer mainframe operations,
16 payroll processing, benefit programs and corporate security.
17 The drivers to allocate these costs are carefully selected in
18 order to properly allocate between FPL and its affiliates,
19 ensuring that FPL customers are not subsidizing affiliate
20 activities. Drivers for the 2013 and 2014 Actual Years, 2015
21 Historical Year, 2016 Prior Year, 2017 Test Year, and 2018
22 Subsequent Year are shown on Exhibit KO-13.

23 b. Massachusetts Formula – The costs of corporate governance

² FPL has formerly referred to the CSC as the Affiliate Management Fee or AMF.

1 and strategic activities shared jointly to support utility and
2 affiliate operations that do not have distinct cost drivers are
3 allocated using the Massachusetts Formula, a methodology
4 widely accepted by utility regulators as a fair and reasonable
5 way to allocate common costs among affiliates. The
6 Massachusetts Formula has three components: (1) property,
7 plant and equipment, (2) revenue, and (3) payroll. The annual
8 amounts forecasted for each of these components are used as
9 the basis in calculating the percentage to be charged to each
10 affiliate. Averaging the percentages for property, plant and
11 equipment, revenues and payroll has proven to be a reasonable
12 means of allocating corporate governance and general support
13 services. Exhibit KO-13 depicts the Massachusetts Formula
14 ratios that were used in forecasting the allocation of corporate
15 governance and strategic activities for the 2013 and 2014
16 Actual Years, 2015 Historical Year, 2016 Prior Year, 2017
17 Test Year, and 2018 Subsequent Year.

18 As shown on Exhibit KO-14, despite the significant growth in FPL by all
19 measures, FPL customers receive a steadily declining percentage of these
20 shared governance and corporate services costs. The success of the NEE
21 enterprise provides benefits directly to FPL customers as a result of the
22 sourcing of corporate services from FPL.

23

1 **Q. Are most of the costs included in the Corporate Services Charges**
2 **allocated using activity-specific drivers?**

3 A. Yes. For the 2015 Historical Year, 57% of the cost pool was allocated using
4 specific drivers and 43% was allocated using the Massachusetts Formula.
5 FPL makes a significant effort to identify causal relationships between costs
6 and the activities that drive them in order to achieve a more precise
7 distribution of shared costs among FPL and its affiliates. The percentage of
8 costs allocated using specific drivers is expected to increase through the 2018
9 Subsequent Year.

10 **Q. Does FPL use any other allocation methods to charge shared costs to**
11 **affiliates?**

12 A. Yes. For significant Information Management ("IM") projects, the business
13 case developed in support of the project will identify expected future benefits
14 to each of the entities that will be utilizing the system or application. This
15 benefit analysis is then used to determine the appropriate sharing of
16 implementation costs between FPL and its benefiting affiliates. Examples of
17 projects utilized by both FPL and NEER that are allocated using this
18 methodology are SAP, which is NEE's Enterprise Resource Planning ("ERP")
19 system, and Maximo, which is the Power Generation Division's new work
20 management system.

21

1 **Q. Please describe the integrated controls that FPL designs, maintains and**
2 **relies on to ensure that FPL retail customers do not subsidize the**
3 **operation of an affiliate.**

4 A. The Cost Measurement and Allocations (“CMA”) department within FPL
5 accounting is responsible for ensuring compliance with affiliate rules and
6 regulations. This group, in collaboration with the legal and compliance teams,
7 is the primary control and oversight organization, whose mission is to ensure
8 that FPL complies with affiliate transaction requirements. They monitor the
9 affiliate billing process and work with all business units to ensure that each
10 has an understanding of the affiliate rules and properly charges or allocate
11 costs as required.

12
13 In addition, FPL has codified the required practices and procedures that each
14 employee must adhere to in the conduct of corporate shared services and
15 appropriate billings in the CAM, following the guidelines recommended by
16 the NARUC. The CAM is updated annually by the CMA group and can be
17 readily accessed by each and every employee by accessing the internal NEE
18 corporate website.

19
20 The Company’s Sarbanes-Oxley processes document FPL’s required affiliate
21 transaction controls. In addition, other processes ensure proper control over
22 affiliate allocation. For example, bi-weekly payroll reviews by each
23 employee’s supervisor are conducted to ensure that any payroll incurred in

1 support of an affiliate is appropriately charged to that affiliate, and asset
2 transfer requirements detail market testing procedures for sales between FPL
3 and affiliates to ensure affiliate rule compliance.

4 **Q. Does the Company perform any internal reviews of its affiliate processes?**

5 A. Yes. During 2013 and 2014, the Internal Audit department performed a
6 review of the processes and procedures employed by CMA related to CSC,
7 Operations Support Charges, and direct charges. The audit report contained
8 no findings of non-compliance with affiliate rules. The controls in place were
9 determined to be effective and the policies and procedures around affiliate
10 transactions were consistently applied throughout the Company.

11 **Q. Is FPL subject to reporting requirements by the FPSC with respect to its
12 affiliate transactions?**

13 A. Yes. FPL complies with affiliate accounting and reporting requirements
14 mandated by this Commission. That reporting includes the required annual
15 filing of the Diversification Report, which includes details of transactions with
16 affiliates and changes in affiliate commercial contracts with FPL.

17 **Q. How has the potential merger with the Hawaiian Electric Companies
18 impacted the allocation of costs that is reflected in the calculation of rate
19 relief requested in this proceeding?**

20 A. The proposed merger with the Hawaiian Electric Companies has not yet been
21 approved by the Hawai'i Public Utility Commission. Unless and until the
22 merger is approved, FPL cannot assume an outcome. If the merger is
23 approved during this rate proceeding, FPL will propose an adjustment as part

1 of rebuttal testimony that would reduce FPL's overall revenue requirement by
2 the estimated amount of corporate services costs to be provided to Hawaiian
3 Electric companies.

4 **Q. Are affiliate costs subsidized by FPL customers?**

5 A. No. To the contrary, FPL will continue to accomplish two important
6 objectives for its customers with respect to corporate support and affiliate
7 charges. It will continue to insure that it complies with all regulatory
8 requirements and that FPL customers do not subsidize affiliates. Second, it
9 will continue to lever the robust, highly specialized, commercial and technical
10 talents of the broader business teams that it has amassed in performing these
11 corporate and fleet services, which enable far greater benefits than it could
12 ever deliver to customers as a standalone business.

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

14 A. Yes.

1 BY MR. BUTLER:

2 Q Ms. Ousdahl, do you have exhibits that were
3 identified as KO-1 through KO-14 attached to your
4 prepared direct testimony?

5 A I do.

6 Q Were these prepared under your direction and
7 supervision?

8 A Yes, they were.

9 MR. BUTLER: I would note that these were
10 identified as 93 through 106 in the --

11 CHAIRMAN BROWN: Thank you. Noted.

12 MR. BUTLER: Thank you.

13 CHAIRMAN BROWN: Staff --

14 MR. BUTLER: Staff?

15 CHAIRMAN BROWN: Can you please proceed.

16 MS. BROWNLESS: Yes, ma'am.

17 EXAMINATION

18 BY MS. BROWNLESS:

19 Q Good evening, Ms. Ousdahl.

20 A Hello.

21 Q Have you had an opportunity to review
22 Exhibit No. 579 and the documents listed there under
23 your name?

24 A Yes.

25 Q And are they true and correct, to the best of

1 your knowledge and belief?

2 A Yes, they are.

3 Q And if you were asked the same questions today
4 as in these interrogatories, would your responses with
5 the same?

6 A Yes, they would.

7 Q In addition, you've been handed a package that
8 has FP&L's response to staff's first set of
9 interrogatories, No. 36; FPL's response to OPC's second
10 set of interrogatories, No. 103; and attachment to
11 Interrogatory No. 155 of FPL's response to OPC's fourth
12 set of interrogatories.

13 Can you review those quickly, please.

14 A Yes.

15 Q And did you prepare these responses or were
16 they prepared under your direct supervision?

17 A Yes, they were.

18 Q Are they true and correct, to the best of your
19 knowledge and belief?

20 A Yes.

21 Q If you were to ask -- be asked these same
22 questions today, would your answers be the same?

23 A Yes.

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

1 CHAIRMAN BROWN: Thank you.

2 Mr. Butler?

3 MS. BROWNLESS: Oh, and we need to mark
4 these --

5 MR. BUTLER: Yes, do you want to mark it?

6 MR. MOYLE: Can I -- can I ask you clarity
7 on -- on this?

8 CHAIRMAN BROWN: Absolutely.

9 MR. MOYLE: Was this on the exhibit list that
10 you all had previously provided with the handout?

11 CHAIRMAN BROWN: Ms. Brownless?

12 MS. BROWNLESS: Yes, sir. And in it -- it was
13 inadvertently omitted from the CD, which is why
14 we're handing it out now.

15 CHAIRMAN BROWN: So, this needs to be marked
16 as an exhibit?

17 MS. BROWNLESS: Yes, ma'am.

18 CHAIRMAN BROWN: Okay. So, we're going to be
19 at 642.

20 MS. BROWNLESS: Yes, ma'am.

21 CHAIRMAN BROWN: How would you like to title
22 it?

23 MS. BROWNLESS: FPL's discovery responses.

24 CHAIRMAN BROWN: Okay. We will do that.

25 (Whereupon, Exhibit No. 642 was marked for

1 identification.)

2 CHAIRMAN BROWN: Mr. Butler.

3 All right. Thank you.

4 CONTINUED EXAMINATION

5 BY MR. BUTLER:

6 Q Ms. Ousdahl, would you please summarize your
7 direct testimony.

8 A Yes. Thank you.

9 Good evening, Commissioners. I'm Kim Ousdahl,
10 vice president, controller, and chief accounting officer
11 of FPL.

12 My direct testimony provides the calculation
13 of our requested increase in revenue requirements
14 totaling 866 -- 866 million in 2017 and 262 million in
15 2018. It also includes the proper calculation of the
16 209-million limited-scope adjustment for the Okeechobee
17 Clean Energy Center, which coincides with its commercial
18 operation in 2019.

19 I demonstrate that the methods that we have
20 used to allocate support services to affiliates are
21 reasonable and that the charges to affiliates provide
22 benefits to customers through lower rates.

23 Finally, I provide the adjustments to capital
24 structure necessary to reconcile classes of capital to
25 rate base, which result in overall rates of return of

1 6.61 percent in 2017, and 6.71 percent in '18.

2 The revenue requirements that I calculate
3 reflect proposed company adjustments to proposed
4 forecasted results, which I show are reasonable and
5 appropriate.

6 I'm presenting the proposed change in
7 accounting method to record and recover nuclear
8 maintenance outage costs, which provides a reduction to
9 customer rates of over 35 million per year for the
10 requested multi-year rate period.

11 I also support the calculation of the
12 proration adjustment to deferred income taxes and
13 capital structure, which is required to ensure
14 compliance with the IRS normalization requirements.

15 I'll demonstrate that every accounting
16 adjustment to rate base, working capital, rate of
17 return, capital structure, and net operating income is
18 appropriately reflected based on this Commission's
19 rules, practice, prior orders, and/or sound regulatory
20 policy.

21 Regarding affiliate transactions, I described
22 the methods that we've used consistently over many years
23 to charge these shared activities to affiliates, and the
24 controls we have in place to ensure that our customers
25 do not subsidize those affiliates.

1 Our shared service and fleet operating model
2 continues to provide benefits to customers through
3 improved capabilities at lower cost. The financial
4 benefit of this services model has shifted what are
5 primarily fixed costs from FPL to its affiliates
6 totaling nearly \$86 million in 2017 alone.

7 In summary, we've properly reflected the
8 relevant regulatory directives, practices, and policies
9 in our calculation of the required revenue requirements
10 for 2017, 2018, and the limited-scope adjustment in '19.
11 And we're continuing to ensure that our customers see
12 benefits from the conduct of our enterprise wide-shared
13 serviced.

14 This concludes my summary.

15 MR. BUTLER: Thank you, Ms. Ousdahl.

16 I tender her for cross examination.

17 CHAIRMAN BROWN: Thank you. And good evening,
18 Ms. Ousdahl.

19 THE WITNESS: Good evening.

20 CHAIRMAN BROWN: Office of Public Counsel,
21 Ms. Christensen.

22 MS. CHRISTENSEN: Yes. In my effort to move
23 this along tonight, I have no cross for -- on her
24 direct.

25 CHAIRMAN BROWN: Wow. Thank you.

1 MR. MOYLE: Puts a lot of pressure to me.

2 CHAIRMAN BROWN: I know. He thought he had
3 about 30 minutes, at least.

4 (Laughter.)

5 Mr. Moyle.

6 EXAMINATION

7 BY MR. MOYLE:

8 Q Good evening, Ms. Ousdahl.

9 A Hi. Good evening.

10 Q I have just a -- want to follow up. The
11 document that was just handed out to you that's been
12 marked 642 -- it has one of the documents that appears
13 to relate to plant held for future use that's
14 Interrogatory No. 103, Page 1 of 1; is that right?

15 A Yes.

16 Q Are -- are you conversant on plant held for
17 future use if I ask you some questions about it?

18 A Generally. I'm a co-sponsor on this.
19 Obviously, I know the accounting for these properties.

20 Q Okay. And I can -- I can get it to you if
21 need be. But in the -- there was an exhibit that was
22 marked at 640 with the prior witness. And it had a
23 number of plants held in future use. And I -- I noted
24 that there was one that was acquired for water rights.
25 Are you familiar with that? Mc- --

1 A I don't have it -- I'm sorry. I don't see --

2 Q **McDaniel first water parcel. It -- it was on**

3 **640. It's on Page --**

4 A I don't --

5 CHAIRMAN BROWN: Mr. Moyle, she just said she
6 didn't have it.

7 THE WITNESS: Somebody will have to help me
8 find it.

9 CHAIRMAN BROWN: Will you --

10 MR. MOYLE: Oh, I'm sorry.

11 THE WITNESS: -- prior witness' exhibit.

12 (Discussion off the record.)

13 THE WITNESS: Okay. I do have a copy of what
14 was marked as 640.

15 CHAIRMAN BROWN: Mr. Moyle, could you repeat
16 it, the question?

17 MR. MOYLE: Sure. I'm sorry. I didn't hear
18 she needed help. My apologies.

19 BY MR. MOYLE:

20 Q **So, do you have, now, what's marked as 640**
21 **before you?**

22 A Yes.

23 Q **Okay. And so, if you count the cover page,**
24 **would you go to the third -- the third page. It's**
25 **Page 1 of 6 of a schedule. Do you see that?**

1 A I do.

2 Q Okay. And if you go down six lines, there is
3 a property named called McDaniel first water parcel. Do
4 you see that?

5 A I do.

6 Q And this was -- this was land that was
7 acquired for benefit of an existing consumptive-use
8 permit; is that right?

9 A Well, what it says here is that we acquired
10 land associated with the future combined-cycle site.
11 This is the exercise of the first of three options for
12 land for the benefit of existing consumptive water
13 permits that are valuable to the acquisition of
14 necessary permits for future plant.

15 Q Okay. You're aware in Florida that water
16 can't be sold, right?

17 A I am -- I'm not.

18 Q You're not? So, you don't understand -- have
19 an understanding about the Water Management District's
20 issuing consumptive-use permits based on showing a need?

21 A I don't have any knowledge of that, no.

22 Q Okay. And in -- and in the amount paid for
23 this was 34,436,000 -- 436; is that right?

24 A Yes, that's what it says here.

25 Q Okay. And then, I guess above it, there's a

1 McDaniel site that was -- 40 million was paid for that?

2 A Yes.

3 Q Do you know what that site is going to be used
4 for?

5 A Future combined-cycle plant.

6 Q And -- and do you know when -- that's coming
7 in in December of 2000 -- December of '19 -- is that the
8 expected in-service date?

9 A That's what it says in this document, yes.

10 Q Do you know how long it typically takes to
11 construct a combined-cycle plant?

12 A A few years.

13 Q And there's a permitting process?

14 A I don't know specifically.

15 Q Okay. I haven't heard much about it. I
16 just -- do you know if this is still on track?

17 A I'm not the resource-planning witness.

18 Q Okay. And then let me just understand, if I
19 can, about how plant held for future uses is treated
20 from a regulatory standpoint. It's put into rate base,
21 correct?

22 A Yes, Account 105 is typically held in rate
23 base.

24 Q And when you say 105, that's a FERC account
25 number; is that right?

1 A That is.

2 Q Okay. And -- and so, are you -- when I say
3 "you," I mean FPL -- FPL, you're able to earn on plant
4 held for future use the same way you could earn on
5 capital invested in a nuclear power plant, correct?

6 A That's correct. It's an investment we're
7 making on behalf of customers for future use.

8 Q Is there any adjustment made given maybe the
9 relative risk of running a nuclear power plant compared
10 to holding vacant land?

11 A I don't understand the question.

12 Q If you have a parcel that you bought for
13 future use that has -- I was looking for the acreage,
14 but --

15 A 3400?

16 Q Okay. 3400 acres of unimproved --

17 A 3200, I'm sorry.

18 Q I'm sorry? 30 -- 3200 acres; is that right?

19 If you have 32 [sic] acres in Hendry County --

20 CHAIRMAN BROWN: Mr. -- Mr. Moyle, just a
21 second -- thank you.

22 MR. MOYLE: Okay.

23 BY MR. MOYLE:

24 Q If -- Hendry County is pretty rural, right?

25 A I've -- I've never been there. I imagine it

1 is.

2 Q All right. And -- and if it's 3200 acres of
3 unimproved pastureland that has a fence around it, as
4 long as people aren't trespassing and you have liability
5 associated with that, there's not much that's involved
6 in owning 3200 acres other than keeping -- keeping it
7 fenced and paying taxes on it, right?

8 MR. BUTLER: I'm going to object to this line
9 of questions. The exhibit that Mr. Moyle is
10 referring to was identified with Mr. Barrett, the
11 immediately-prior witness.

12 Ms. Ousdahl has indicated she's only familiar
13 with the accounting for the property held for
14 future use. And I think that these questions would
15 have been more-appropriately addressed to
16 Mr. Barrett.

17 CHAIRMAN BROWN: Mr. Moyle?

18 MR. MOYLE: Well, I had asked her -- I wasn't
19 needing to get into all of that, but she -- I asked
20 her whether there was any distinction between
21 plants held -- some that may have had more risk
22 associated with them, like a nuclear plant
23 compelled -- compared to unimproved land.

24 So, that was the pending question. And I
25 needed her to sort of describe the unimproved land.

1 CHAIRMAN BROWN: Are you --

2 MR. MOYLE: She just answered the question.

3 CHAIRMAN BROWN: Are you moving along?

4 MR. MOYLE: Yes.

5 CHAIRMAN BROWN: Okay.

6 MR. MOYLE: Thanks.

7 BY MR. MOYLE:

8 Q Is there any distinction made between
9 differing items that are in rate base with respect to
10 capital, like raw land, compared to a nuclear power
11 plant? Or are they all treated the same with respect to
12 earning on them?

13 A We earn the same return on every dollar of
14 investment in rate base.

15 Q Okay. Thank you.

16 And Mr. Silagy suggested that I ask some
17 questions of you yesterday when I asked him a couple of
18 questions.

19 (Laughter.)

20 MR. MOYLE: What --

21 MR. BUTLER: That pins it down.

22 MR. MOYLE: I missed it. I'm afraid to ask.

23 BY MR. MOYLE:

24 Q All right. So -- so, I believe -- I believe
25 Witness Kennedy said FPL has a policy that they do not

1 pay for lobbying expenses with ratepayer money. Are you
2 aware of that?

3 A It's not a policy; it's a requirement.

4 Q It's a requirement.

5 A Yes.

6 Q Okay. And who make makes that requirement?

7 A FERC and this Commission. Every Commission,
8 that I'm aware of, has that same requirement.

9 Q Okay. And I assume that that applies -- there
10 is a saying -- you're familiar with the saying, you
11 can't do -- do indirectly what you're prohibited from
12 doing directly?

13 A Okay.

14 Q So, are you familiar with Associated
15 Industries?

16 A No, I'm not.

17 Q Do you know whether -- do you know whether the
18 dues that are paid to Associated Industries are part of
19 what's being recovered from ratepayers in this rate
20 case?

21 A No, but here is what I do know. Typically, in
22 industry-association dues, they are required to separate
23 out lobbying cost from the dues themselves so that we
24 can separate those out for accounting purposes; above
25 the line for dues that do not include lobbying, and

1 below the line for those that do.

2 **Q Okay. So, if there was an association that**
3 **was devoted exclusively to lobbying, none of those**
4 **association fees or dues should be being paid by**
5 **ratepayers?**

6 A That's correct. The requirement is lobbying
7 expenses must be charged below the line. It cannot be
8 paid for by customers.

9 **Q Okay. Thank you for that.**

10 There was also -- I asked Mr. Silagy some
11 aircraft questions. And he said that -- that FPL
12 employees are still making use of -- of aircraft, jets
13 and helicopters. But I don't know that he was sure
14 whether ratepayers are paying for that or not. There
15 was an interrogatory that said they were not, but he
16 suggested that I explore that with you.

17 Does FPL -- is FPL asking -- well, does FPL
18 pay for jets or helicopters or pilots or maintenance of
19 aircraft?

20 A No, FPL does not.

21 **Q So, you don't have any -- any expenses**
22 **associated with aircraft in any way, shape, or form that**
23 **are FPL expenses?**

24 A No. The cost of the operation for aviation at
25 our company is held by the parent. FPL employees, on a

1 very limited basis -- I think we reimbursed at the coach
2 fare, at civil rate, a hundred thousand dollars or a
3 \$150,000 last year.

4 So, in the event an employee is -- it is
5 necessary to fly on that aircraft, we pay a coach fare.
6 So, it's no different than if we were, you know, taking
7 a trip on Southwest Airlines.

8 **Q Okay. So -- and that payment goes to NextEra;**
9 **is that right?**

10 A It goes -- reimburses the parent -- well, it
11 doesn't reimburse them for the cost, but reimburses at a
12 coach fare.

13 **Q Okay. And that's -- that's not governed by**
14 **any regulation or anything. That -- like, that's just a**
15 **policy you all have; is that right?**

16 A That's correct.

17 MR. MOYLE: And I have a couple of exhibits,
18 if I could have those handed out.

19 CHAIRMAN BROWN: Sure. Staff will help you.

20 Mr. Moyle, we're at 643.

21 MR. MOYLE: Okay.

22 CHAIRMAN BROWN: Mr. Moyle, would you like to
23 label them at this time or would you just like to
24 just wait?

25 MR. MOYLE: We can go ahead and do it now.

1 CHAIRMAN BROWN: Okay. So, which one would
2 you like labeled as 643?

3 MR. MOYLE: The --

4 CHAIRMAN BROWN: And I'll repeat it for
5 everybody.

6 MR. MOYLE: The affiliate transactions, wind
7 companies.

8 CHAIRMAN BROWN: Okay. That will be labeled
9 as 643.

10 (Whereupon, Exhibit No. 643 was marked for
11 identification.)

12 MR. MOYLE: The executive pay allocation with
13 subsidiaries.

14 CHAIRMAN BROWN: Hold on one second, please.
15 The executive pay -- that will be labeled as
16 644.

17 (Whereupon, Exhibit No. 644 was marked for
18 identification.)

19 MR. MOYLE: Right. And then 645 will be --

20 CHAIRMAN BROWN: -- the pension costs.

21 MR. MOYLE: -- the pension cost.

22 (Whereupon, Exhibit No. 645 was marked for
23 identification.)

24 CHAIRMAN BROWN: Okay. Let me just repeat for
25 everybody. 643 will be the affiliate transactions,

1 wind companies; 644 will be executive pay
2 allocation with subsidiaries; 645 is pension costs.

3 Ms. Ousdahl, do you have everything?

4 THE WITNESS: Yes, I do.

5 CHAIRMAN BROWN: Okay. Thank you.

6 Please proceed.

7 MR. MOYLE: Okay. Thank you.

8 BY MR. MOYLE:

9 Q Ms. Ousdahl, I'm going to ask you about these
10 exhibits. One question that I -- Mr. Silagy said he
11 didn't have familiarity with, but there was an exhibit
12 that came in that showed an aviation asset transfer from
13 FPL to NextEra. Do you have familiarity with that?

14 A Yes.

15 Q Did that result in ratepayers receiving a
16 credit or a gain from the transfer of aircraft?

17 A Yes.

18 Q Okay. And -- and what happened with that
19 transaction?

20 A I believe we were ordered by the Commission in
21 2000 -- in the 2009 case -- it may have been an indirect
22 order, but we made the determination that we needed to
23 transfer the aircraft out of the utility.

24 Q Those indirect orders are -- are interesting,
25 aren't they?

1 A It was quite interesting.

2 Q All right. Let's go to 643. And -- and you
3 have a -- a lot of services being provided by FPL to all
4 of these wind companies. And I was curious as to -- as
5 to what services FPL is providing to all -- all these
6 wind companies, if you knew.

7 A This is a 2011 diversification report. It
8 doesn't describe exactly what was done. It's also very
9 small dollars, but it doesn't look like an asset
10 transfer.

11 It could have been any number of things. We
12 have a -- fleet services for our engineering and
13 construction group. So, if they were involved in some
14 activity and -- and perhaps there was an FPL employee in
15 that team that was called upon to do some sort of work
16 for -- for wind.

17 It could have been some sort of combined
18 central maintenance operation. There is any number of
19 things, an ISC -- I'm sorry -- an integrated-supply-
20 chain activity, any number of things.

21 Q Okay. Next document, 644 -- do you have it?
22 It's entitled "executive pay allocation with
23 subsidiaries." Are you there?

24 A I'm -- I'm looking at it. It's also 2011, six
25 months end -- oh, okay. I -- I think I've got this one.

1 Q This was one you sponsored, right?

2 A Yeah. Yes. It's just a number of years ago.
3 So, I'm just trying to orient myself. Yes.

4 Q Right. So -- so, the question is: When you
5 have the category, affiliate driver -- I assume that
6 represents the percent by which the executive
7 compensation is allocated; is that right?

8 A Well, first -- yes.

9 Q Why don't --

10 A This is not just executive comp, but yes.

11 Q Okay.

12 A It looks like it is.

13 Q I'm sorry. I thought there was one line that
14 said "executive comp."

15 A Okay.

16 Q How do you do the 33 percent? How is that
17 determined?

18 A Well, there are different drivers. This
19 includes a number of different drivers. It has some
20 charges going a hundred percent to affiliates here. It
21 has some charged out at 33.6, which looks like, back in
22 2011, it probably represented something related to the
23 Massachusetts formula.

24 And then it's got a 50/50 driver, the same
25 driver we use today for nuclear. You heard that

1 testimony from Witness Goldstein. It's got each
2 appropriate driver for the payroll in these groups.

3 And it's a true-up calculation because, back
4 in 2011, we were just implementing SAP. So, we didn't
5 have actual charges being billed each month the way we
6 do today. We had to true-up at the end of the year.

7 **Q So, for the top line where -- the 2011, it**
8 **says "executive ongoing activities."**

9 A Right.

10 **Q There's a \$9.8 million payroll number?**

11 A Right.

12 **Q And then the affiliate driver is 33 percent.**

13 With respect to how you allocate executive
14 compensation amongst FPL and the subsidiaries, do you
15 use the Massachusetts model?

16 A Well, as I just explained, it depends on the
17 executive. So, for a number of the executive team
18 that's in an enterprise role, which would include the
19 vast majority of the C-Suite officers, they would be
20 allocated on a Massachusetts-formula basis, which,
21 today, is allocating a greater percent to affiliates
22 because of the growth in a smaller pool, by the way.

23 **Q So --**

24 A But the nuclear officers are 50/50. And PGD
25 is based on -- power generation officers are based on

1 the relative amounts of generation, megawatt hours of
2 generation.

3 **Q What's the current allocation of executive**
4 **compensation with respect to the Massachusetts formula?**

5 A Well, again, it depends on the executive. You
6 want just the Massachusetts formula percent? That's in
7 my testimony.

8 **Q Well, you had said you had knowledge of it**
9 **because you said, today, it allocates more to the**
10 **affiliates and less to the regulated company. I was**
11 **just wondering if you knew those percentages.**

12 A The Massachusetts formula drivers are in my
13 testimony on Exhibit KO-13. And for the 2017 test year,
14 FPL will retain 60 percent, and the affiliates will be
15 billed 40 percent on a -- just at the Massachusetts
16 formula. So, for those executives, they are billed on
17 that basis; 40 percent of the amounts will go to the
18 affiliates.

19 **Q Okay. And some of your executives have a lot**
20 **of different positions with a lot of different**
21 **subsidiaries, rights?**

22 A We have an enterprise, an integrated
23 enterprise-wide model. And we've talked a lot about,
24 over the years, how that serves us well both from an
25 affiliate and an FPL perspective.

1 So, yes, there are a lot of folks at the
2 higher levels of the company that service the entire
3 organization.

4 **Q Okay. I -- I noted -- I don't know if I'll be**
5 **able to point you right to it, but I noted that, with**
6 **respect to -- it looked like state taxes and federal**
7 **taxes, that NextEra paid those, and FPL paid them back;**
8 **is that right?**

9 A FPL files -- prepares and makes available our
10 pro forma stand-alone taxes for both state and federal.
11 The taxpayer of the enterprise is the parent.

12 **Q So, you have to do those transfers between the**
13 **parent and FPL?**

14 A We don't have a transfer, no. We pay taxes to
15 our parent just as though we would be paying them to the
16 third-party entity.

17 **Q So -- so, FPL does not write a check to the**
18 **state of Florida or the Federal Government. They write**
19 **a check to NextEra and NextEra writes a check to state**
20 **of Florida or the Federal Government?**

21 A That's correct.

22 **Q And I asked Mr. Barrett a question with**
23 **respect to whether he was aware of FP&L taking advantage**
24 **of a state renewable-energy tax credit. He didn't think**
25 **so or didn't know. Do you have any information on that?**

1 A The state of Florida did have a very limited
2 production tax credit. It expired in June of this year.

3 Q And did FPL take advantage of it when it was
4 in place?

5 A I believe there might have been some minimal
6 benefit provided for the prior solar.

7 Q It's more than a million dollars, wasn't it?
8 Do you know?

9 A You must have a better memory than I. I don't
10 recall.

11 Q All right. Let's go to 645, the pension
12 costs. You sponsored this?

13 A Yes.

14 Q Okay. And the question is: Describe the
15 response FPL uses to determine the appropriateness of
16 its pension cost. And the answer suggests you use third
17 parties to manage the pension. And you meet with them
18 regularly and discuss things such as discount rates,
19 long-term asset return, mortality rates, retirement
20 rates, et cetera; is that right?

21 A Pension accounting is -- yes, pension
22 accounting is highly complex. We have actuaries that
23 develop the estimates for the obligation for the return
24 on assets and for all -- from the mortality -- for all
25 of the inputs into that calculation.

1 Our meetings with them and the determination
2 is highly controlled also because it's an important
3 input from an accounting and financial-reporting
4 standpoint.

5 **Q I know Ms. Slattery has some -- has some**
6 **testimony on pensions and -- and I wanted to ask you**
7 **your understanding with respect to how the pension fund**
8 **is presently funded.**

9 I read -- I have some information that
10 suggests it's over-funded. And there is a credit of
11 that somehow inures to the benefit of the ratepayers.
12 Did I not get that right?

13 A Yes. FPL does not -- first of all, it's not
14 FPL's pension plan. The non-contributory plan is
15 sponsored by our parent. So, FPL participates in the
16 plan along with all of the affiliates.

17 To answer your -- your first question, it is
18 in a very advantageous funding position, which allows us
19 to pass through a credit to customers. We bear -- FPL's
20 credits bear no pension expense for its 8,000 employees.

21 We actually have a \$60-million credit that we
22 forecasted in 2017. Part of that is capitalized. Just
23 as the employees that do capital labor -- that portion
24 of their pension would be capitalized. The rest flows
25 through as a reduction to our O & M.

1 Q And with respect to a \$60-million credit per
2 year, that's unusual for a pension, isn't it?

3 A We're pretty proud of our financial discipline
4 at the company and the record we have of managing
5 through some very difficult years, yes.

6 Q And my understanding is that not many people
7 are offering pension these days. And a lot of people
8 that do offer pensions, governmental entities -- they
9 are under-funded. Is that consistent with your
10 understanding?

11 A Yeah. I'm not an expert in what others do,
12 but I think our position -- I do read others' 10Ks. And
13 it's -- it's -- it's nice to be able to have a fully-
14 funded -- more than fully-funded pension plan that
15 provides the benefits to customers, too.

16 Q Okay. And that's not necessarily the result
17 of getting huge returns, is it, in terms of -- I mean,
18 you're not earning 30, 40 percent on the investment.

19 A I think it's the result of good fiscal
20 discipline, which we've got a good track record for at
21 our company.

22 Q Has the Commission -- I mean, I guess the
23 question is: Has this maybe been over-funded in rate
24 cases, the pension been over-funded, and the
25 over-funding is contributing to the surplus?

1 A We have not funded the pension plan for
2 decades.

3 Q And you say "we," you mean FPL?

4 A The company.

5 Q Right. But -- but -- but the company is
6 asking for ratepayers to pay for pension costs; are they
7 not?

8 A No. We're giving the customer a \$60-million
9 reduction in O & M. It's the opposite.

10 Q Okay. And let me ask you this: I -- with
11 respect to the pensions, my understanding is that, if
12 you're a pension -- and you're a beneficiary of the
13 pension, you put it in there -- I thought it was kind of
14 like a lockbox. You can't take money out of a pension
15 if it's devoted to someone and credited back to somebody
16 else; is that wrong?

17 A No, the -- the beneficiaries of the trust
18 assets are our employees; they are not -- it's not cash
19 available to FPL or to its parent.

20 Q Okay.

21 A Strictly controlled.

22 Q On the response here, you talk about the long-
23 term asset return. And I guess that is when you meet
24 with these people and say, what -- what's our projected
25 return on the pension; is that right?

1 A That's correct.

2 Q Do you know what the -- what the long-term
3 asset return is projected to be or what you're trying to
4 seek in the market, the goal, the objective?

5 A Well, I -- again, it's a very long-term view.
6 And it was 7.75 -- I think it's 7.5 now because we
7 net -- in our compilation of the cost to the pension, we
8 net some investment fees. So, it's in the 7, 7.5 range.

9 Q Is there any ability to take the pension
10 assets and to use it as equity and invest in FP&L and
11 earn 11 percent or 10.5 percent return on equity or
12 whatever the earning is of the regulated utility? Or is
13 that prohibited?

14 A As I just stated, the employees are the
15 beneficiaries of the pension trust.

16 Q Right. And I -- I didn't ask my question
17 well.

18 MR. BUTLER: I'm going to object to this line
19 of questioning. I think it's really gone pretty
20 far afield of both Ms. Ousdahl's testimony and
21 relevance to the determination of revenue
22 requirements in this proceeding.

23 CHAIRMAN BROWN: I'm going to overrule it
24 based on this -- based on some of the answers that
25 she's provided, and as long as Mr. Moyle keeps it

1 within the scope of her direct.

2 MR. MOYLE: Thank you.

3 BY MR. MOYLE:

4 Q I was -- I was simply trying to understand,
5 sometimes companies have provisions that you can't, in a
6 retirement plan, invest in the company that you work
7 for. Are you familiar with that?

8 A The pension plans are controlled by federal
9 law, ERISA. We have no access to the funds in the
10 pension trust.

11 Q So, you don't --

12 A I mean -- it's controlled. I shouldn't say we
13 have no access. We obviously access those funds to pay
14 benefits to our employees through the pension, but it's
15 strictly controlled.

16 Q Is there a third-party administrator or --

17 A Yes.

18 Q Okay. And I think on the next page -- that
19 was the question I had with respect to the funding
20 amount. You said -- the question relates to an
21 accumulated pension plan over-funding. Is that -- that
22 was the 60 million you were referencing; is that right?

23 A The -- the excess in the trust over the
24 pension obligation is the \$1.2 billion referenced to
25 this response. The cumulation of the credits we've

1 given customers over the many years is represented by
2 the deferred-pension asset of 1.2 billion on FPL's
3 books.

4 **Q Okay. So, I'm sorry -- so, the over-funding**
5 **amount is 1.2 billion?**

6 A Yes, the cash greater than the projected
7 benefit obligation, trust assets in excess of.

8 **Q Okay. And then the last page -- that**
9 **represents the annual pension credit?**

10 A Yes.

11 **Q The highlighted -- you said it ranges from**
12 **41 million to 63 million?**

13 A Yes.

14 MR. MOYLE: Okay. That's all I have. Thank
15 you.

16 CHAIRMAN BROWN: Thank you, Mr. Moyle.
17 Moving on to Mr. Wiseman.

18 MR. WISEMAN: Thank you, Madam Chair.

19 I have an exhibit, a large exhibit to be
20 marked, please.

21 CHAIRMAN BROWN: Okay. Staff, a large
22 exhibit. I don't know what that means.

23 (Laughter.)

24 You mean it's heavy?

25 MR. WISEMAN: It's weighty.

1 CHAIRMAN BROWN: Weighty. Okay.

2 Is it just one?

3 MR. WISEMAN: I actually thought about making
4 it 18, but it is just one.

5 (Laughter.)

6 CHAIRMAN BROWN: All right. Good.

7 We're at 646. So, while it's being
8 distributed, I'm going to label it 646.

9 And title?

10 MR. WISEMAN: It is titled "excerpts from
11 Florida Power & Light Company's rate of returns
12 balance reports from January of 2015 through
13 May 2016."

14 CHAIRMAN BROWN: Okay. We will title it that.

15 MR. WISEMAN: Great.

16 (Whereupon, Exhibit No. 646 was marked for
17 identification.)

18 MR. WISEMAN: May I proceed?

19 CHAIRMAN BROWN: Ms. Ousdahl, do you have a
20 copy of it in front of you?

21 THE WITNESS: I do.

22 CHAIRMAN BROWN: It's very voluminous.

23 MR. WISEMAN: Weighty.

24 CHAIRMAN BROWN: Weighty.

25 Please proceed.

1 MR. WISEMAN: Thank you.

2 EXAMINATION

3 BY MR. WISEMAN:

4 Q Ms. Ousdahl, do you recognize the documents
5 that are contained in Exhibit No. 646? It's excerpts
6 from FPL's surveillance reports filed with the
7 Commission.

8 A Yes.

9 Q And the surveillance reports are filed under
10 your signature; is that correct?

11 A Yes.

12 Q To try to move through this quickly, let me
13 represent to you that these are the surveillance reports
14 for the period of January 2015 through May 2016. Okay?

15 A Yes.

16 Q Okay. And if you need to check a few of these
17 documents, you know, please feel free to do so, but if
18 you know off the top of your head on Schedule -- well,
19 it's the first page with data. I don't -- it's
20 Schedule 1, Page 1 of 1.

21 There is a figure on Line G, FP -- FPSC
22 adjusted return on common equity of 11.5 percent. Do
23 you see that?

24 A Yes.

25 Q So, without checking, if you know off the top

1 of your head, would you agree that from January --
2 excuse me -- 2015 through May 2016, each one of these
3 reports would report return on common equity in Line G
4 of 11.5 percent?

5 A 11.5, yes.

6 Q Yes?

7 A Uh-huh.

8 Q Okay. And if you could, turn to the third --
9 just the -- we'll use January 2015 as an example. If
10 you could, turn to the third page, which is Schedule 2,
11 Page 2 of 3. Do you have that?

12 A Yes.

13 Q Okay. And if you go over, there is a column
14 that says "depreciation and amortization." Do you see
15 that?

16 A Yes.

17 Q Okay. Now, at the bottom, there is a -- well,
18 it's about midway down the page, FPSC adjusted. In this
19 one, there is a figure of \$1,181,000,000, approximately;
20 is that correct?

21 A Are you in January of '15?

22 Q January 2015.

23 A Okay. I'm sorry. Oh, yes, FPSC. I'm with
24 you. One billion.

25 Q \$1,181,000,000, correct?

1 A Yes.

2 Q Why don't you explain what that figure
3 represents?

4 A Well, the ESR, the Earnings Surveillance
5 Report, is intended to take our consolidated books and
6 records and make adjustments to those to reflect what is
7 represented by the company's base-rate-related revenues
8 investment and expenses.

9 So, it mirrors what we do in ratemaking, what
10 we're doing in our filing today. This column --

11 Q Well --

12 A This column represents the adjusted on a
13 retail basis for a depreciation and amortization.

14 Q Thank you for that.

15 What I was actually trying to get at is the --
16 the figure -- let's just call it approximately 1.2
17 billion. Is that okay?

18 A Okay.

19 Q All right. That approximate \$1.2-billion
20 figure -- is that a running 12-month accumulation of
21 depreciation and amortization?

22 A Yes.

23 Q Okay. Would you agree that, if we went
24 through these reports, January 2015 through May 2016,
25 that that figure is going to be approximately

1 **\$1.2 billion in each of those reports? Sometimes a**
2 **little more, sometimes a less.**

3 A No, I mean, I would have to --

4 Q What --

5 A I could accept it subject -- subject to check.

6 Q Okay. Now, you've testified about the
7 **Okeechobee limited-scope adjustment, correct?**

8 A Yes.

9 Q Okay. Now, as part of that adjustment, FPL is
10 going to propose to increase its rate base by the
11 capital investment in the Okeechobee plant; is that
12 right?

13 A That's correct.

14 Q Okay. Is FPL also proposing to reflect the
15 approximate 18 months of depreciation that would
16 accumulate between January 2018 and, roughly, June 2019,
17 when the Okeechobee plant is expected to go in service?

18 A No. It -- the plant will not begin book
19 depreciation until it begins commercial operation.

20 Q I --

21 A Perhaps I misunderstood you.

22 Q Yeah. I'm sorry. Maybe I wasn't clear enough
23 about it. I'm not talking about depreciation associated
24 with the Okeechobee plant. I'm talking about the
25 depreciation of FPL -- of the remaining -- the existing

1 **part of FPL's rate base.**

2 My question is: When you increase rate
3 base -- when you're -- if your proposal -- well, under
4 your proposal, you've proposed the increase rate base by
5 the capital investment in the Okeechobee plant.

6 My question is: Are you going to offset rate
7 base with all of the depreciation that's accumulated
8 from January 2018 forward?

9 A No, and nor are we going to increase the
10 investment for all of the other investments we would
11 make that are not reflected in that same period.

12 Q All right. Let's go to another subject. If
13 you could, turn to Page 30 of your testimony, please.

14 A Yes.

15 Q Okay. On Line 4, you -- there is a
16 description there beginning with corporate service --
17 services charges, correct?

18 A Yes.

19 Q And what that -- those charges relate to is,
20 for lack of a better phrase, you call it, Line 5,
21 government -- governance costs and general corporate
22 support services that benefit FPL and its affiliates,
23 correct?

24 A Correct.

25 Q And so, if I understand, you've split that up

1 into some components. The first one is labeled specific
2 driver on Line 8 on Page 30. Is that category of those
3 sorts of governance costs or corporate overhead -- those
4 are -- is that essentially direct-assigned costs?

5 A Those -- yes, essentially, they represent
6 costs that still need to be allocated. We can't
7 directly charge them, but we use a much more
8 specifically-designed and identified allocation method.

9 Q Okay. And that's -- that's distinct from the
10 costs that are allocated based upon the Massachusetts
11 formula, correct?

12 A Which is a more-general allocator, yes.

13 Q Right. And there, under the Massachusetts
14 formula, essentially what you're doing is you're
15 allocating corporate overhead costs that really can't be
16 assigned directly to one affiliate or another; is that
17 fair?

18 A That's fair. There is no clear cost
19 causation.

20 Q Now, if you turn to Page 34 of your testimony,
21 starting at Line 17, you talk about the -- well, what --
22 what, at that time, was the potential merger was
23 Hawaiian Electric Companies, correct?

24 A That's correct.

25 Q And your proposal was that, if that

1 proposal -- if that proposed merger had been approved by
2 the Hawaii Public Utility Commission, that you were
3 going to make an adjustment to corporate overheads to --
4 the allocation of corporate overheads as a result of the
5 acquisition -- of the merger with Hawaiian Electric,
6 right?

7 A We were. Uh-huh.

8 Q Okay. Now, we know that the Hawaiian
9 Commission rejected the proposed merger and, at least
10 from what I understand from what's been in the public
11 press, that both Hawaiian Electric Utilities and F- --
12 and NextEra, excuse me -- have just called off the deal.
13 And they're not -- that's not going forward at all,
14 correct?

15 A That's correct.

16 Q Would it be correct, though, that the premise
17 of the adjustment is that, all else equal, if you're
18 allocating the costs over -- these corporate overheads
19 under the Massachusetts formula, over a larger number, a
20 broader number of affiliates, each of the shares of the
21 existing affiliates of that allocation are -- they're
22 going to be somewhat less, correct?

23 A Yes, I agree, all else equal, if the -- if
24 there was a new affiliate or a -- or an increase in an
25 existing affiliate, and they took all of the services or

1 all of the allocations were deemed appropriate in that
2 cost pool, then the relative cost shared by others
3 would -- would decline.

4 Q Okay. And now, you're aware, no doubt, that
5 NextEra has proposed to -- I'm not sure if it's to
6 acquire or merge with Encore, correct?

7 A Yes.

8 Q And that deal, at least what I've seen
9 publicly -- I think it's valued at \$18.4 billion,
10 correct?

11 A That's what I understand.

12 Q And that is a -- would you agree Encore is a
13 much-larger organization than Hawaiian Electric
14 Companies?

15 A Certainly an investment from a balance-sheet
16 perspective, yes.

17 Q All right. So, if the merger -- is it a
18 merger or an acquisition? I -- I'm not sure. Do you
19 know?

20 A I think it's been described as a merger.

21 Q If the merger with Encore is successful, is
22 FPL going to make the adjustments to its rates to
23 reflect the different allocation of corporate overheads
24 that would result as a result of the Encore merger?

25 A Well, no. And let's talk about the

1 differences between where we were with HECO and where we
2 are with Encore.

3 At the time I filed this testimony in March,
4 we had a transaction that we had been working on for
5 over a year and a half. We were deep into integration.
6 We knew the level of services that were going to be
7 provided.

8 And there was a very significant difference
9 between the needs of HECO and the benefits that could be
10 provided by some fairly immediate integration with that
11 business, the lift that FPL and NextEra could provide
12 versus Encore.

13 Encore is a very successful, well-operated T
14 and D business. We don't intend, if we are
15 successful -- and that's a very big if -- we don't
16 intend to be working on any sort of very rigorous
17 integration any time soon.

18 So, it's just a completely different situation
19 and the -- you know, the success or failure of that --
20 of that acquisition is unknown to all of us today.

21 **Q Well -- well, assuming that it is successful,**
22 **you're not testifying that there aren't going to be**
23 **merger savings, are you?**

24 A It's -- it's not a synergies transaction.

25 **Q All right. So, is your testimony there won't**

1 **be any merger savings as a result of that transaction?**

2 A No, what I'm -- what I'm testify- -- what I'm
3 trying to explain is that I agree with your premise
4 that, all else equal, if the pool of corporate shared
5 services is reasonable to be allocated to Encore -- and
6 I don't think it would be a hundred percent of the pool,
7 but certainly some of that pool would ultimately be
8 allocated -- then the relative amounts made by FPL and
9 NEER -- the other affiliates would decline. I'm
10 agreeing with that premise.

11 What I'm suggesting to you is that is no more
12 probable than any of the other many changes that could
13 occur between now and 2017, 2018, 2019.

14 **Q And you're proposing to adjust rates in 2018,**
15 **correct?**

16 A We are.

17 **Q And you're proposing to adjust rates in**
18 **mid-June -- approximately June 2019, correct?**

19 A We're not proposing a base-rate adjustment in
20 2019; we're proposing a limited-scope adjustment in
21 2019.

22 **Q You're proposing a rate increase in June of**
23 **2019.**

24 A We're proposing an increase for a limited-
25 scope adjustment. That's correct.

1 **Q** **I apologize. I didn't -- I didn't mean to**
2 **interrupt you.**

3 Clear -- you said it was a limited-scope
4 adjustment, not base rates. But it is actually a change
5 in base rates?

6 A Oh --

7 **Q** **Were you meaning to distinguish between a**
8 **general rate-case base rate --**

9 A Yes. I'm sorry. I -- I may have misspoken.
10 I -- it was not a general base-rate increase.

11 **Q** **Okay.**

12 A But a change in -- an increase of 209 million
13 in base rates.

14 **Q** **Got it. Thank you.**

15 A Commensurate with the decline in fuel costs,
16 yes.

17 **Q** **Thank you.**

18 It's not -- it's not quite one-for-one, is it?
19 It's, like, 209 million for base rates and negative 140
20 for fuel savings project --

21 A I'll accept that. I'm not certain.

22 **Q** **I've seen that somewhere in y'all's testimony.**

23 I just have a couple of other questions. And
24 I just want -- these were triggered by an answer you
25 gave to Mr. Moyle about income taxes, in which I think

1 you said, FPL writes a check to the parent for the tax
2 liability?

3 A That's correct, for current tax expense.

4 Q For --

5 A Current tax expense.

6 Q Yes. So, if I'm looking at -- you don't have
7 to do this, but if I'm looking at MFR-C22, which you
8 sponsored, there are a couple of lines; one is current
9 tax expense and the other is total income-tax provision.
10 The amount that you write the checks -- checks for is
11 the current tax-expense amount, correct?

12 A That's correct.

13 Q Thanks.

14 And then the amount -- the total income-tax
15 provision is the amount that is factored into the
16 revenue requirement, correct?

17 A Well, it's all factored into revenue
18 requirements. The provision is our obligation that's on
19 the balance sheet.

20 Q Okay.

21 A Some of that is paid currently; some of it is
22 deferred.

23 MR. WRIGHT: Thank you very much. That's
24 really all I have.

25 THE WITNESS: Okay.

1 MR. WRIGHT: Thanks.

2 CHAIRMAN BROWN: Thank you, Mr. Wright.

3 Mr. Jernigan.

4 MR. JERNIGAN: No questions. Thank you.

5 CHAIRMAN BROWN: Thank you.

6 Sierra Club.

7 MS. CSANK: No questions, Madam Chair.

8 CHAIRMAN BROWN: Thank you.

9 Ms. Roberts?

10 MS. ROBERTS: No questions. Thank you.

11 CHAIRMAN BROWN: Thank you.

12 Mr. Coffman?

13 MR. COFFMAN: Yes, I have a few. And I have
14 an exhibit that could probably be handed out.

15 CHAIRMAN BROWN: Staff.

16 We will be at 647.

17 Mr. Coffman, would you like it as presented,
18 "investor presentation, Encore acquisition?"

19 MR. COFFMAN: Yes, that's fine.

20 CHAIRMAN BROWN: We'll do that. And again,
21 it's 647.

22 (Whereupon, Exhibit No. 647 was marked for
23 identification.)

24 MR. COFFMAN: Okay. And I -- I will try not
25 to be repetitious. Mr. Wiseman stole some of my

1 thunder, but I --

2 CHAIRMAN BROWN: Don't you hate that.

3 EXAMINATION

4 BY MR. COFFMAN:

5 Q So, good evening, Ms. Ousdahl.

6 A Good evening.

7 Q Hi.

8 CHAIRMAN BROWN: Again, I'm sorry. Could you
9 put the mic a little closer?

10 MR. COFFMAN: I'm sorry, again. I need to
11 keep my mouth close. Okay.

12 BY MR. COFFMAN:

13 Q So, following up on Mr. Wiseman's questions, I
14 had the same line of inquiry, but with respect to the
15 Hawaiian Electric Companies, if that deal had gone
16 through, it would have reduced FPL's corporate services
17 cost, as you mentioned in your testimony, correct?

18 A Uh-huh. Yes.

19 Q And how would it have reduced FPL's corporate
20 services cost?

21 A We never got to it -- are you asking the
22 amount?

23 Q No. In what way would it have reduced?

24 A Oh. Oh. Well, we were in the process of
25 trying to identify which of our shared corporate

1 services were going to be appropriately allocated. And
2 in large part, in most -- in most transactions such as
3 these, you take careful steps at integration. And
4 though we did believe there would ultimately be quite a
5 bit of integration with Hawaii in order to help them
6 along, we thought we had a lot to offer.

7 It was going to move slowly. So, as we looked
8 at our 240 -- we have a 240-ish-million-dollar shared
9 cost pool for all corporate costs in that corporate
10 service charge today. There was going to be a fraction
11 of that, largely the executive-officer team and
12 executive oversight, so --

13 **Q So, that -- I'm sorry. To paraphrase that,**
14 **\$240 million would be shared over a larger --**

15 A No, what I'm trying to communicate is a
16 fraction of the 240 million would have been shared.
17 There were officers that had -- would have had no
18 interaction, no support with Hawaii such as the nuclear
19 team. You know, they -- we were not going to be
20 providing direct environmental services.

21 So, there were some of the governance
22 activities that simply were not going to be relevant to
23 be allocated. We were going through that pool and
24 selecting and working with Hawaii on, here are the --
25 the activities that would be involved.

1 Q And so, with regard to the new merger
2 agreements signed last month, regarding Encore in Texas,
3 is it possible that there will be a fraction of the
4 corporate-services cost ultimately shared with that
5 utility?

6 A Yes, it's possible.

7 Q And I believe you said that if -- this is a
8 different deal because it's not going to happen any time
9 soon. Now, is -- would any time soon be within the next
10 four years?

11 A It -- it could be.

12 Q What is the --

13 A We hope --

14 Q Yeah.

15 A -- we can do a deal --

16 Q Isn't the deal --

17 A -- eventually.

18 Q -- expected? Don't you hope to have the deal
19 approved in 2017?

20 A Yes, I think we do hope.

21 Q And isn't this deal a much, much bigger deal
22 than the proposed Hawaii Electric Company merger?

23 A As I said, certainly on the basis of assets,
24 it's a larger entity.

25 Q Would it -- it's in the neighborhood of

1 \$18 billion as opposed to -- as compared to 4 million --
2 or \$4 billion for the Hawaiian Electric Companies?

3 A No, \$18 billion is the acquisition value.
4 Their balance sheet, I don't believe, is nearly that
5 big.

6 Q Could you describe -- could the 18 billion be
7 described as the announced enterprise value for Encore?

8 A Yes.

9 Q Okay. Do you see the Exhibit No. 647 that was
10 handed to you?

11 A Yes.

12 Q Are you familiar with that --

13 A I haven't --

14 Q -- presentation?

15 A -- even looked at it, so -- (examining
16 document). I'm familiar with --

17 Q Are you familiar with the consent?

18 A I've certainly seen portions of this, if not
19 this exact document, so --

20 Q Could you --

21 A Generally.

22 Q -- flip through that and see if there is
23 anything in there that you think is inaccurate or --

24 A Oh, I have no reason to believe it's
25 inaccurate.

1 Q Have you been involved with any part of the
2 **proposed Encore acquisition?**

3 A I've -- have had some limited time spent, yes,
4 and hours billed, yes.

5 Q **Right. So, obviously, the expense forecasts**
6 **in this rate case proposing, I guess, for the 2017**
7 **projected test year did not assume that there would be a**
8 **merger with Encore to reduce the corporate services,**
9 **correct?**

10 A That's correct. We forecast what we believe
11 is probable of occurring. So, there are a lot of
12 possibilities that don't show up in our forecast.

13 Q **And it's not assumed for the -- for your**
14 **proposed 2018 subsequent test year or for the 2019**
15 **Okeechobee step increase, is it?**

16 A That's correct.

17 Q **If, in fact, this deal is closed in 2017 and**
18 **ultimately results in corporate-services expenses being**
19 **shared or reduced, shouldn't FPL ratepayers benefit from**
20 **those savings?**

21 A I think FPL's ratepayers and the company will
22 benefit from those savings. So, I don't view that as
23 any differently than -- we've talked about a lot in this
24 proceeding about the momentum exercises and the
25 management actions we've tried to take as a company

1 post-rate-filing, to lower costs. And ultimately, cost
2 reductions are shared with customers.

3 We do have regulatory lag. I understand that
4 question. But when you look at my testimony, and you
5 look at the corporate cost pools declining, that's a
6 result of management action and cost reduction. And
7 it's showing up in customers' rates. So, I think it
8 will benefit customers if we're able to execute that
9 transaction.

10 **Q If it would have been fair to make a**
11 **subsequent adjustment for the Hawaiian Electric Company**
12 **merger, why wouldn't it be fair to also make that**
13 **adjustment if the Encore deal is approved?**

14 A Well, I think I spent a fair amount of time
15 talking about that; that Hawaii was much further down
16 the path; was, at the time that I filed my testimony,
17 what I thought would be a probable transaction.

18 What I didn't know was the amount of the
19 adjustment to make. But I knew we had months that we
20 were going to litigate this case. And I would be filing
21 rebuttal testimony. And we would be able to drop in an
22 estimate of a savings amount. That did not transpire.

23 We are nowhere near that kind of knowledge
24 with Encore.

25 **Q Couldn't those numbers be sorted out after**

1 **this rate-case decision is made and with the subsequent**
2 **adjustment?**

3 A Any -- the Commission could choose to do any
4 number of things. I filed rebuttal testimony on this
5 issue. I -- I view this as regulatory lag. It's not
6 going to be any different than any other unknowns that
7 we deal with at the time we file the case. We file our
8 estimate based on what we know. The following year,
9 there will be differences.

10 This acquisition is being pursued very
11 aggressively by other parties. And we haven't had a
12 successful deal yet. So, I just don't view this as
13 something that is important for us to try to factor into
14 the case. I don't know how we would do that.

15 Q **Well, would you agree with me that an**
16 **\$18-billion deal is kind of an important magnitude of**
17 **cost?**

18 A We're not going to have an \$18-billion input
19 into our Massachusetts formula. I can guarantee you
20 that.

21 Q **Well, could you make a wild guess as to the**
22 **magnitude of what that might be?**

23 A Well, sure, but we don't set rates based on
24 wild guesses.

25 Q **Well, there are a lot assumptions in these**

1 **projections.**

2 A The assumptions are reasonable. Our
3 assumptions in our forecast are those that we feel are
4 reasonable. We -- we could come up with all sorts of
5 possibilities to raise our expected O & M, but we don't
6 do that.

7 Q But my question is not about whether you could
8 make an agreement to an adjustment now based on an
9 assumption, but rather, whether you could make a
10 subsequent adjustment after the deal was done and you
11 knew with some certainty what the adjustment would be.

12 A It could be done. I would advise against it.
13 I don't think this merits having some sort of special
14 treatment.

15 Okeechobee is very different. We're
16 delivering an investment to customers that's lowering
17 fuel costs. This is a one-off item. There -- we could
18 come up with a laundry list of these sorts of items --

19 Q Well, this --

20 A -- that might be interesting to consider.

21 Q Well, this happens to be an offsetting
22 adjustment that would actually benefit ratepayers.

23 A It could.

24 Q If the Commission made an adjustment, right?

25 A If the deal is done.

1 MR. COFFMAN: Okay. Thank you.

2 That's all I have.

3 THE WITNESS: You're welcome.

4 CHAIRMAN BROWN: Thank you, Mr. Coffman.

5 Mr. Skop?

6 MR. SKOP: Thank you, Madam Chair.

7 EXAMINATION

8 BY MR. SKOP:

9 Q Just a few questions. Good evening,
10 Ms. Ousdahl.

11 A Good evening.

12 Q With respect to some of the questions
13 regarding Hawaii and the cost allocation of FPL
14 personnel, thereof, in Hawaii, FPL had a full compliment
15 of regulatory attorneys that were involved on a day-to-
16 day basis in the hearing process; I think, my
17 recollection, Mr. Reuben, Mr. Lichfield, Mr. Anderson.

18 How can my client, the Larsons, be assured
19 that -- that those charges are properly reflected and
20 not billed to FPL customers for the acquisition of
21 something that really has nothing do with FPL?

22 A Well, we have great visibility on that. My
23 testimony is filled with information about the control
24 process we have in place. And I've answered
25 interrogatories, at least a handful about the charges

1 that were billed.

2 I can tell you we had many, many people from
3 FPL working on that acquisition for a long period of
4 time -- many more than you saw in the hearing room. And
5 we had some 50,000 hours of FPL time billed to the
6 parent, out of FPL, away from the customers, into the
7 parent.

8 **Q Thank you.**

9 And on Page 30 of your testimony, beginning at
10 Lines 23, continuing down to the bottom of Page 31 at
11 Line 22, I believe you speak about the Massachusetts
12 formula.

13 And also, I believe on KO-13, you gave a
14 percentage breakdown with the allocation between
15 corporate and then parent was -- and I believe you
16 testified that was 60 percent to FPL and 40 percent to
17 the affiliate, generally, under the Massachusetts
18 formula?

19 A For 17, yes.

20 **Q Okay.**

21 A It has steadily increased the amount billed
22 out to affiliates as the cost pool has declined.

23 **Q Okay. So, is -- as the unregulated operations**
24 **continue to grow and employees become somewhat**
25 **indistinguishable between FPL and the affiliates because**

1 of the many hats they wear, do you expect that that
2 percentage will continue to be adjusted more
3 appropriately to reflect the growth of these unregulated
4 operations?

5 A Yes, it's -- it's arithmetic with a fair
6 amount of annual review to make sure that the -- the
7 math still works, that the allocation methods still
8 work.

9 But because the Massachusetts formula, as we
10 deploy it -- kind of the traditional model is, you know,
11 the gross plant revenue and employees near our largest
12 affiliate has grown dramatically. And more and more,
13 the costs are shifting to NEER.

14 Now, I do want to clarify, though, your
15 statement that we can't tell employees apart. I'm not
16 sure exactly how you said that. Each of us have an
17 employee, whether it's FPL or NEER or the parent or
18 another affiliate. And it's very clear that that's
19 where our payroll is charged. And if we spend time
20 working for another, we either direct-charge, if we're
21 doing a specific project, or we are part of --

22 Q And just one -- one brief follow-up as to that
23 direct charge. Assuming, for the sake of discussion, we
24 had an FPL engineer and, you know, he supported various
25 regulated functions through FPL as well as unregulated

1 functions through NEER, and he was a direct-charge
2 employee, does that mean that he would enter his time as
3 hours spent to a NEER project and hours spent to an FPL
4 project, and punch in and out, kind of like you used to
5 do when you build nuclear submarines? Or I mean, is it
6 that simple or --

7 A It's simple, but I missed the very first part
8 of your question. I apologize. Was it an FPL employee
9 we were talking about?

10 Q Yes.

11 A Okay. An engineer that worked on --

12 Q Yes, ma'am.

13 A Yes. Okay. That's a good example.

14 Q Yeah.

15 A That employee's time is default-paid by FPL,
16 assuming they are not in a cost pool. So, let's assume
17 they are strictly a hundred-percent FPL employee. And
18 then we have a payroll system through SAP. And you go
19 in biweekly or you can do it every day, if you would
20 like.

21 And you just simply indicate in the payroll
22 system the project -- we use internal orders -- the
23 project you're working on, the number of hours you've
24 worked. We do it -- we all do it. And that pay is
25 charged directly to that affiliate.

1 Q Okay. So, in some regards, that requires the
2 employee to document and record his time, maybe at the
3 end of the week as opposed to contemporaneously, like
4 a -- like a lawyer would where, if I'm working on a
5 matter and you bill an hour, and you go to a different
6 matter, you bill an hour.

7 So, the employees don't do that
8 contemporaneously when they're working on the project,
9 like a time-clock type of thing.

10 A As I said, they can either do it biannually
11 [sic] before the payroll process closes. We all get an
12 automated notice from payroll. And then our supervisors
13 have to review each of the payroll forms to make sure
14 the time is properly charged. It all is online.

15 But it does require action. You can't be
16 passive and get it right. It requires action. It
17 requires following the rules and the requirements.

18 MR. SKOP: Thank you. No further questions.

19 Thank you, Madam Chair.

20 CHAIRMAN BROWN: Thank you, Mr. Skop.

21 Staff?

22 MS. BROWNLESS: We have no questions, ma'am.

23 CHAIRMAN BROWN: Commissioners?

24 Redirect?

25 MR. BUTLER: Thank you, Madam Chair. Just a

1 couple of redirect questions.

2 REDIRECT EXAMINATION

3 BY MR. BUTLER:

4 Q Ms. Ousdahl, do you have what was handed to
5 you as Exhibit 646, the big package of the surveillance
6 reports?

7 A Yes.

8 Q I'm going to ask you real quickly, if you
9 could go to the first report in this package, and if you
10 will, look to Schedule 2, Page 1 of 3 there for the
11 January 2015.

12 A Yes, I'm there.

13 Q And this shows total rate base -- what is that
14 figure on an FPSC adjusted basis?

15 A 25,000,829- -- 25 billion, 829 million, 869 --
16 I'm having trouble saying the number tonight. 139 --
17 sorry.

18 Q 25.8 billion, we'll go with. Okay?

19 A Thank you.

20 Q If you will, turn, then, to the corresponding
21 schedule, way at the back of the May 2016 ESR, what is
22 the FPSC adjusted total rate base at that point?

23 A 27.6 billion.

24 Q So, would you agree that's an increase of
25 about an 1.6 billion over that time period?

1 A Yes.

2 Q And that's net of depreciation through that
3 period; is that right?

4 A Yes.

5 Q Based on what you know at this point about the
6 nature of Encore's operations, do you have an
7 expectation as to the materiality of any allocations of
8 costs to Encore were the merger to materialize?

9 A I -- I -- I don't. I mean, I haven't
10 attempted to hazard a guess. We talked about wild
11 guesses earlier. I certainly don't believe that any
12 amount we would end up billing in any early periods as a
13 result of an acquisition of Encore or any other company
14 would be material to this filing.

15 MR. BUTLER: Thank you.

16 That's all the redirect that I have.

17 CHAIRMAN BROWN: Thank you.

18 Let's get to exhibits. Ms. Ousdahl has FPL
19 Exhibits 93 prefiled --

20 MR. BUTLER: 93 through 106, we would move.

21 CHAIRMAN BROWN: Okay. Does anybody have any
22 objection to 93, 106? Seeing none, we'll move in
23 93 through 106 into the record.

24 (Whereupon, Exhibit Nos. 93 through 106 were
25 admitted into the record.)

1 CHAIRMAN BROWN: All right. Now, we've got --
2 staff has 642.

3 MS. BROWNLESS: We would ask that it be moved
4 into the record, please.

5 CHAIRMAN BROWN: Any objections? Seeing none,
6 we're going to move in 642 into the record.

7 (Whereupon, Exhibit No. 642 was admitted into
8 the record.)

9 CHAIRMAN BROWN: FIPUG, you have 643, 644, and
10 645.

11 MR. MOYLE: Yes, we would like to move those
12 in, please.

13 CHAIRMAN BROWN: Any objections, FPL?

14 MR. BUTLER: No.

15 CHAIRMAN BROWN: All right. Seeing none,
16 we'll move 643, 644, 645 into the record.

17 (Whereupon, Exhibit Nos. 643 through 645 were
18 admitted into the record.)

19 CHAIRMAN BROWN: Mr. Wiseman, hospitals.

20 MR. WISEMAN: I would move for the admission
21 of 646, please.

22 CHAIRMAN BROWN: All right. Any objections?
23 We'll move in 646.

24 (Whereupon, Exhibit No. 646 was admitted into
25 the record.)

1 CHAIRMAN BROWN: And AARP.

2 MR. COFFMAN: Yes, I would like to offer into
3 the record Exhibits 647, please.

4 CHAIRMAN BROWN: Any objection? Seeing none,
5 we'll move in 647 into the record.

6 (Whereupon, Exhibit No. 647 was admitted into
7 the record.)

8 CHAIRMAN BROWN: Would you like your witness
9 excused for the evening?

10 MR. BUTLER: That would be --

11 MR. MOYLE: Can I --

12 CHAIRMAN BROWN: What?

13 MR. MOYLE: Just one thing, I used, with her,
14 640. Did that go in?

15 CHAIRMAN BROWN: One second.

16 Yes.

17 MR. MOYLE: So, 640 is already --

18 CHAIRMAN BROWN: Oh, wait a second. Yes --

19 MS. HELTON: It's in. According to my notes,
20 it went in.

21 CHAIRMAN BROWN: Yeah.

22 MR. MOYLE: Thank you. I was going to move it
23 if it hadn't, but -- thank you.

24 CHAIRMAN BROWN: Okay.

25 MR. BUTLER: And yes, I would like my witness

1 to be excused. Thank you.

2 CHAIRMAN BROWN: Have a good night.

3 All right. So, let's see where we are. I
4 know you're wondering. People are wondering.

5 Let's take about a five-minute break before
6 FPL calls its next witness.

7 MR. MOYLE: Mr. Butler and I have discussed --
8 he said he was going to make a motion about --
9 about -- what was it -- our first witness -- first
10 witness today.

11 CHAIRMAN BROWN: Oh -- oh, the witness -- the
12 one --

13 (Simultaneous speakers.)

14 CHAIRMAN BROWN: Let's get him on the stand in
15 about five minutes. Okay?

16 (Brief recess from 9:43 p.m. to 9:45 p.m.)

17 (Transcript continues in sequence in Volume
18 15.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, Court Reporter, do hereby
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I FURTHER CERTIFY that I am not a relative,
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DATED THIS 25th day of August, 2016.



ANDREA KOMARIDIS
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