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Court Reporter
(850) 894-0828

APPEARANCES: (As heretofore noted.)

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

2 (Transcript continued from Vol. 21.)

3 BY MS. CHRISTENSEN::

4 Q Okay. Well, since we talked a little bit
5 earlier about the actual dollars for the miles trimmed
6 from 2011 to 2015, if I refer you to Exhibit HWS 6, you
7 see on Line 9 there is the -- Mr. Shultz has calculated
8 the five-year average from 2011 to 2015 as 61,360.

9 A Correct.

10 Q Okay. And is that average just slightly above
11 the \$60,953 that Mr. Shultz has used as his recommended
12 adjustment?

13 A Will you repeat that?

14 Q Looking at Line 12, you agree that the average
15 for the actual amount spent is just slightly above the
16 recommended 2017 recommendation on Line 12 of that -- of
17 Mr. Shultz's exhibit which is 60,953?

18 A It's -- it's above the average, but if you
19 look at it per respective years, it's even less than
20 what we spent in 2015 which was 62,900.

21 You know, vegetation varies. You know, all
22 our tree trimming on annual basis just varies. If one
23 year we're in Broward County verses North Florida versus
24 the west coast, our costs vary depending on where we're
25 trimming our trees at. So you have natural variation in

1 some of these costs.

2 So these budget estimates were prepared by our
3 vegetation management personnel. They know which miles
4 they're going to trim, when they're going to trim them,
5 and those are the estimates that they've calculated. So
6 -- it's not -- so the average of the averages in those
7 examples are really not the most appropriate way to look
8 at this thing.

9 **Q Well, let's continue on with discussing that a**
10 **little bit.**

11 On Page 10 of your rebuttal testimony, you
12 take issue with Mr. Shultz's not utilizing the company's
13 2017 budgeted amount of \$65,600; correct?

14 A Correct.

15 **Q Okay. And the budgeted amount for 2016 in --**
16 **as represented on Mr. Shultz's Exhibit HWS-6 is 64,700;**
17 **is that correct?**

18 A The amount in 2016 is 64,700.

19 **Q Yes. Correct. All right. Now I want to turn**
20 **to the final exhibit that I have passed out which is**
21 **FPL's Response to OPC's First Set of Interrogatories No.**
22 **9.**

23 CHAIRMAN BROWN: And we're going to mark that
24 one as 706. Okay?

25 (Whereupon Exhibit No. 706 was marked for

1 identification.)

2 CHAIRMAN BROWN: Mr. Miranda, you have a copy
3 of that?

4 THE WITNESS: I do. Thank you.

5 CHAIRMAN BROWN: Good.

6 BY MS. CHRISTENSEN::

7 Q All right. I just wanted to make sure you're
8 there.

9 For the first three months of 2016, what does
10 the response indicate was budgeted?

11 A For the first three months?

12 Q Correct. I believe if you look at --

13 A Yes. It says 20 -- the budget is 20.7, and
14 the actual, 14.3.

15 Q Okay. And you would agree that that
16 represents approximately 32 percent of the 2016 budget;
17 is that correct?

18 A That would be correct.

19 Q Okay. And that would mean that, as of the
20 first three months of 2016, you are under budget;
21 correct?

22 A That's correct.

23 Q Okay. That's all I have for that exhibit. On
24 Lines 11 and 14, you criticize Mr. Shultz's use of an
25 average variance as being inconsistent with that for

1 pole inspection; is that correct?

2 A That's correct.

3 Q Okay. And referring to your rebuttal
4 testimony at Pages 11 through 13, can we agree that you
5 take issue with applying the average variance, whether
6 it be a three-year or five-year variance to the budget
7 for 2017 rates --

8 A What -- my --

9 Q -- test year?

10 A I'm sorry. Yes. We take exception with --
11 what Mr. Shultz did was for vegetation he, instead of
12 using the five years, he used a three year -- which we
13 understood what he did. I get it. It's not
14 inconsistent. But then once he established that
15 percentage, instead of applying it to the 2017 budget,
16 he went back to the 2015 budget.

17 And if you look at what he did with the pole
18 inspections, it's the exact opposite. He used the
19 three-year average, but then went and multiplied it
20 against the 2017 budget which we believe is the
21 appropriate methodology to use. And when you do, that
22 significantly reduces the amount of reductions that he
23 was proposing.

24 Q All right. Well, let's talk through a little
25 bit about the pole inspection adjustment that Mr. Shultz

1 makes. Let's -- can I refer you to Exhibit No. -- HWS
2 No. 7, please?

3 A Yes. I am there.

4 Q Okay. And you would agree at the bottom of
5 this exhibit Mr. Shultz had identified discovery
6 responses that are basis for this exhibit; correct?

7 A Yes.

8 Q Okay. And do you dispute whether the numbers
9 used in Mr. Shultz's exhibits are from responses
10 provided by the company?

11 A No, I don't dispute it.

12 Q And do you agree that for four out of the five
13 -- five years, from 2011 to 2015, the company actually
14 -- actual spending was less than budgeted?

15 A Overall it was less than the budget, yes.

16 Q Okay. Now, on Lines 16 through 20, you
17 discuss the complete pole inspection budget of capital
18 and O and M; is that's correct?

19 A That's correct.

20 Q Okay. Would you agree that the adjustment and
21 analysis on Exhibit HWS 7 is for O and M only?

22 A That's correct. This program is really made
23 up of two parts. It's made up of an O and M component
24 and a capital component, and when you look at this --
25 and by what I mean is many parts of -- when you inspect

1 the pole, it's typically an operating expense. But
2 depending on what you find there, or if you can get
3 pieces of what you do to mitigate that pole where you
4 can make a capital improvement on it, then it shifts to
5 capital and/or if we replace the capital. So really
6 what you have to do is look at this program in its
7 entirety. And when you look at the --

8 **Q Again, I appreciate the explanation, but I**
9 **think --**

10 MR. BUTLER: If he -- if he can be allowed to
11 finish his answer, please.

12 MS. CHRISTENSEN: Always.

13 THE WITNESS: So when you look at the program
14 as far as O and M and capital as a composite, we
15 have met or exceeded our budget almost every year.

16 BY MS. CHRISTENSEN::

17 **Q Okay. Well, since we're discussing the way**
18 **you treat the different components of the poles, you**
19 **would agree that the O and M and capital costs are**
20 **reflected differently on the company's financial**
21 **records; is that correct?**

22 A Yes.

23 **Q Okay. I'm going to move to your rebuttal**
24 **testimony, Pages 14 through 18, and I believe that's**
25 **where you explained your disagreement with Mr. Shultz's**

1 method for determining this adjustment; is that correct?
2 Or his judgment?

3 A For the hardening component?

4 Q Correct.

5 A That's correct.

6 Q Okay. And on Page 17 and 18 of your
7 testimony, you suggest that his methodology is arbitrary
8 and inconsistent with the adjustments to tree trimming
9 and pole inspections; is that correct?

10 A Right. All three methodologies were
11 different.

12 Q Okay. Now, I want to refer you back to HWS
13 No. 6, and that would be the Page 1 of 1 that we were
14 talking about earlier.

15 A Page 1 of 2, or --

16 Q Well, there are two pages. I want to refer to
17 the first page just for purposes of this discussion.

18 You would agree that looking at the actual
19 tree trimming spending that level has been fairly
20 consistent?

21 A Again, it all depends on the -- what we find
22 in the field when we're out doing your vegetation. So,
23 you know, our folks forecast it, and they go and execute
24 the work, but there's a lot of variables when it relates
25 to vegetation trimming. It is -- it is probably one of

1 the most difficult things that we do is trimming,
2 trimming a palm versus trimming a -- you know, a
3 different type of species can have varying costs.

4 **Q And I appreciate that. But just to respond to**
5 **the question --**

6 A I said yes --

7 **Q -- that I asked you --**

8 A Yes.

9 **Q Did you say yes?**

10 A I did say yes.

11 **Q Okay. Great. Then let's look at HWS No. 7**
12 **for the pole inspection costs. And you would agree that**
13 **those have been declining significantly, especially when**
14 **you look at the year 2014 to 2015; is that correct?**

15 A Yes. They have been declining. Again, this
16 is an area where we have been able to enhance and move
17 some of that operating expense into a capital component
18 so we can have long-term benefits on those poles for a
19 longer period of time.

20 **Q Okay. And then finally I'm going to direct**
21 **your attention to HWS-9.**

22 A I am there.

23 **Q Okay. Great. And that -- if you look on Line**
24 **11, it talks about the capital budget for the storm**
25 **hardening. Do you see that --**

1 A Yes, I do.

2 Q -- Line 12? Okay. Great. Would you agree
3 that the capital budget in
4 2014 was 300,000?

5 A That's correct.

6 Q And then for '15, it went to 348,000?

7 A That's correct.

8 Q And in '16, it increased to 471,000?

9 A Correct.

10 Q And then finally for the test year, 2017, it
11 has also again increased to 604,000; correct?

12 A Correct.

13 Q And would you agree that that's approximately
14 an increase in spending of about 74 percent from 2015 to
15 2017?

16 A I haven't done that math, but --

17 Q Sound about right subject to check?

18 A Yes.

19 Q Great. Okay.

20 Now, would you agree that given the fact that
21 tree trimming is levelized or about the same expenditure
22 pole -- pole inspection costs have been decreasing and
23 that capital costs for storm hardening are increasing
24 significantly, the methodologies for estimating these
25 costs is appropriate?

1 A I wouldn't agree with that.

2 Q Okay. But you do not disagree with the
3 premise that tree trimming budget has been fairly the
4 same for the last few years in actual spending; correct?

5 A That's correct.

6 Q And you would also agree that the budgeted
7 cost for pole inspections has significantly decreased
8 from 2013 through 2016?

9 MR. BUTLER: Asked and answered.

10 MS. CHRISTENSEN: Okay. With that I would
11 actually conclude my questions.

12 Thank you.

13 CHAIRMAN BROWN: That you, Ms. Christensen.
14 FIPUG. I want to give the parties a heads-up.
15 We'll probably be taking lunch around 12:30, about
16 45 minutes or so.

17 MR. MOYLE: Okay. Thank you. That may work
18 nicely with my questions, but if it doesn't, please
19 interrupt me, and -- we break at 12:30.

20 CHAIRMAN BROWN: Or after.

21 MR. MOYLE: Okay.

22 EXAMINATION

23 BY MR. MOYLE::

24 Q Good afternoon.

25 A Afternoon.

1 Q I want to ask you some questions about your
2 planning process to acquire plants held for future use.
3 I'll direct you to Page 4, Line 11. You state,
4 "Exclusion of these properties would" --

5 A I'm sorry.

6 Q -- "compromise FPL's ability to implement its
7 dynamic planning process for locating and acquiring
8 alternative properties to build necessary transmission
9 and distribution facilities." Is that right?

10 A I'm sorry, Mr. Moyle. I lost you at the
11 beginning. What? Page 4?

12 Q Yes, sir.

13 A What line?

14 Q It's a portion of a sentence that begins on
15 Line 11.

16 A Okay. I see it.

17 Q My question is -- because I want to understand
18 what you mean when you say, "dynamic planning process
19 for locating and acquiring alternative properties to
20 build necessary transmission and distribution
21 facilities."

22 Could you describe that process to me, please?

23 A Absolutely. So when you look at our -- I'll
24 start with the distribution which is -- we have a lot of
25 variables when we go to design our distribution planning

1 systems; so we have to take into account many factors.
2 For example, we have to look at the existing customer
3 base. Is it growing? If you can imagine, customers
4 continue to add growth inside their homes. They add
5 maybe a second refrigerator in their garage, add new
6 technologies, you know, smart technology; right? So as
7 they add growth, the existing customer base growth load
8 grows. So we have to see what's happening in the
9 geographical area.

10 We have new construction. So we have
11 construction that's happening, whether it's residential,
12 commercial, and as we get projects that come in and out,
13 Mr. Moyle, what happens is not every project that
14 customers bring forward are always -- go forward. So we
15 have to understand the dynamic piece of that. So we
16 look at all the residential new homes that are being
17 built, construction that's being built in an area.

18 And so we take all these factors and we
19 understand what's going to be the load impact in that
20 area. So we evaluate it, and then we look forward to
21 try to determine what kind of capacity we have on our
22 existing feeders or our existing circuits to meet that
23 load growth. If, for some reason, our substation is
24 heavily loaded and we can't meet that load to sustain
25 our -- our ratings, then we will look for a new site to

1 purchase a substation site and in order to build a
2 substation in the future.

3 Transmission has a little bit different
4 variables. It's also looking at load growth. It's
5 looking at injections of generation points. It also has
6 many NERC requirements as far as reliability standards
7 that we have to meet. So it's taking in all those
8 factors as parts of the transmission planning process to
9 look at what's -- how's power flowing in the state;
10 right? Is it flowing from north to south, east to west,
11 under what scenario?

12 So they look at all the power flows and
13 understand, where do I inject transmission substations
14 to facilitate that, but they also have the
15 responsibility of feeding the distribution systems. So
16 they have to also take into account distribution and
17 take, for example, a 230,000 volt line and step it down
18 so that we can feed the residential components of it.

19 So lots and lots of moving parts as you can
20 imagine, and that's the dynamic component of our
21 planning process.

22 CHAIRMAN BROWN: Mr. Miranda, I will say --
23 just note that you're getting a little narrative
24 and going --

25 THE WITNESS: I'm sorry.

1 CHAIRMAN BROWN: If you could please be more
2 direct.

3 MR. MOYLE: Okay. I asked him a very broad
4 question. So it was one of the W questions: who,
5 what, where, when, why. So he explained it, but
6 thank you.

7 BY MR. MOYLE::

8 Q One part of that answer I wanted to clarify.
9 What you just described, are you responsible or
10 generally knowledgeable about what you described?

11 A Generally, yes.

12 Q Okay. So with respect to your forecasting of
13 future load, what forecasts do you -- do you prepare
14 forecasts, or do you rely on forecasts prepared by
15 another FPL person? Could you explain that, please?

16 A Witness Morley would prepare the overall
17 cooperative forecasts for us.

18 Q Okay. And so right now, with respect to what
19 you're planning for, what year are you using with
20 respect to future plans?

21 A We typically look for, like, 10 years out.

22 Q And I think you were here for a lot of the
23 testimony. You also generally agree it's harder to
24 predict things further out in time as compared to closer
25 in time, all other things being equal; is that correct?

1 A That would be correct.

2 Q So as a matter of practice, you plan out 10
3 years?

4 A Yes, we do.

5 Q Do you -- are you aware -- does the Commission
6 have a rule with respect to how far out you should plan?
7 I know they have a ten-year site plan. Do you follow
8 that for planning purposes or just 10 years happens to
9 be the same -- it's a coincidence that you also use 10
10 years internally to plan your -- your transmission and
11 distribution system?

12 A Okay. That's the planning process, the
13 process that's followed by the FRCC as well which is the
14 regional coordinating agency for the State.

15 Q Okay. So you do not plan out past 10 years?

16 A We look -- we understand the future -- no.
17 And the -- some of it depends on the -- if we look
18 forward, Mr. Moyle, and see that if there's some project
19 that may, you know, require something a little bit
20 different. We look forward, but typically it's in that
21 ten-year time period.

22 Q So you plan beyond 10 years maybe on a
23 project-specific basis; is that fair?

24 A That would be fair.

25 Q I guess one of the issues you -- well, let me

1 **do this.**

2 I told your counsel that I was going to ask
3 you some questions about a document that's already in
4 evidence. It's 4640. It's already been admitted. It
5 is OPC's Second Sets of Interrogatories, Interrogatory
6 No. 105 Amended. Do you have that in front of you?

7 A Yes, I do.

8 MR. MOYLE: And I don't think I need to ask
9 him to identify it. It's already in evidence,
10 so --

11 CHAIRMAN BROWN: It is. It was asked of the
12 Witness Barrett. Staffed asked him on that item.

13 MR. MOYLE: Okay.

14 BY MR. MOYLE::

15 Q **Sir, I'm going to ask you some -- some**
16 **questions about -- about this document. What -- first**
17 **of all, what is this document?**

18 A It is a listing of property held for future
19 use for multiple business units.

20 Q **Okay. And it included properties held for**
21 **future use for transmission and for substations; is that**
22 **right?**

23 A That's correct.

24 Q **So let's look at the Arch Creek property. Do**
25 **you see that on Page 1 of 6? It's under "Transmission**

1 **Future Use," and it's the second project down. Do you**
2 **see that?**

3 A Correct.

4 Q **And how much did FPL pay to acquire this?**

5 A It states \$682,000.

6 Q **And what was it acquired for?**

7 A It was acquired for the future use of a
8 transmission or distribution or transmission circuit.

9 Q **And it was -- when was it acquired?**

10 A It was purchased in 1993.

11 Q **And there is no transmission line on this**
12 **presently; correct?**

13 A This is an existing substation that's to
14 expand that substation site.

15 Q **Right. But this is for transmission; right?**

16 A Correct.

17 Q **So I assume you acquired land that would be,**
18 **like, a lineal quarter for transmission; is that right?**

19 A This is a property, a piece of acre on the
20 existing substation, and it's -- you know, I don't have
21 all the details with me, but it's -- it's probably to
22 either, you know, do something with a new transmission
23 line, maybe build -- bring a new -- put a new
24 transmission breaker in the site to be able to more
25 effectively utilize our transmission system.

1 Q Have you been to this site?

2 A I have many years ago. I used to be a service
3 engineer in that area.

4 Q And -- and so it's 1.49 -- one point -- an
5 acre and a half; is that right?

6 A Correct. It's the expansion of an existing
7 substation.

8 Q Okay. And so when is the expected in-service
9 date?

10 A It states here in June of '23.

11 Q Okay. And how many years would that be from
12 December 1993 to June --

13 A It would be --

14 Q Go ahead.

15 A I'm sorry. Go ahead and ask your question.

16 Q It's so far out I'm not even sure how to add
17 it. It's 2023; right? 2023?

18 A Correct.

19 Q How many years is that?

20 A It would be 20 years -- or 30 years.

21 Q You and I had the same math teacher; so let me
22 -- let me refer you down -- well, actually, let me ask
23 some questions about that site since you've been there.

24 So is it -- is it just a piece of raw dirt
25 that has a fence around it?

1 A The plant is -- it's -- we acquired a piece of
2 land that we had an existing substation in a very
3 developed neighborhood, and so the land became
4 available, and we had future plans for that area. So
5 the thought would be that we would expand our
6 transmission grid as an effective use of that property.

7 A Again, I don't have the details of that
8 specific one, of the exact plans that we're going to do
9 at each one of those sites.

10 Q **What -- do you know what the last column of**
11 **this exhibit represents? It says, "Date recorded in**
12 **account 105?"**

13 A That's the date I understand it was placed in
14 property held for future use.

15 Q **And that's one those accounting things; right?**
16 **Where you -- it, and then you get to start earning money**
17 **on it; is that right?**

18 A Again, I don't understand all the mechanics,
19 but yes. You would put it in property held for future
20 use, and Witness Barrett can -- can explain that.

21 Q **Ms. Ousdahl might know something about it --**

22 A Ms. Ousdahl as well, yeah. Either one of them.

23 Q **The -- I'm going to ask you about DeSoto,**
24 **Orange River. Are you familiar with that? This is**
25 **further down on the exhibit.**

1 A I don't have all the details with me on that
2 one.

3 Q **All right. Well, it looks like it costs**
4 **\$900,000; right?**

5 A Correct.

6 Q **And it was 4.25 miles of right-of-away?**

7 A Correct.

8 Q **When did you acquire it?**

9 A It was acquired in 1978.

10 Q **And when's the expected in-service date?**

11 A December of 2022.

12 Q **That's 38 years, the difference there?**

13 A It would be a little bit more than that.

14 Q **How many?**

15 A It would be 44 years.

16 Q **And this was placed in service to earn a**
17 **return on in 1978; is that right?**

18 A That's correct.

19 Q **I have a few more I would like to ask you**
20 **about.**

21 The next page, the Manatee, Ringling Line, you
22 see that this is Page 2 of 6?

23 A Yes.

24 Q **That was purchased for \$1.5 million and**
25 **change?**

1 A Correct.

2 Q And it was purchased when?

3 A In 1996.

4 Q And when is it expected to go in service?

5 A December of '22.

6 Q And is that 26 years?

7 A It is. Serves a very specific purpose, as you
8 can see from the description, to build a transmission
9 line for a double circuit to serve an area in the
10 Cortez, Bradenton area.

11 Q You don't have any reason to doubt the
12 accuracy of any of the items that's -- that are found on
13 this exhibit; correct?

14 A No. We're trying to be as transparent as
15 possible -- properties. It's like I shared with you.
16 It's a little dynamic if you're forecasting into the
17 future, and there's lots off moving parts with these.

18 Q All right. I wanted to flip you to Page 5.
19 We were just talking about transmission assets; right?

20 A Correct.

21 Q And then the chart goes in and breaks up into
22 substations?

23 A Yes.

24 Q On Page 5 of 6 at the top --

25 A Yes.

1 Q Now, that was 487,000 paid for it?

2 A Page 5 of 6?

3 Q Yes, sir.

4 A For which site?

5 Q Port SED or Port SED substation. It's the one
6 at the very top.

7 A Hold up.

8 CHAIRMAN BROWN: It's on Page 5 of 6.

9 THE WITNESS: I had a different -- yes.

10 BY MR. MOYLE::

11 Q And -- and that was acquired when?

12 A In December of '95.

13 Q And when is the inspected -- expected
14 in-service date?

15 A June of '24.

16 Q 29 years?

17 A It would be 29 years, yes.

18 Q And the -- going further down, there is one
19 called "Challenger." Do you see that? It's towards the
20 bottom of the page.

21 A Yes.

22 Q And that was two and a half acres in Brevard
23 County; is that right?

24 A Correct.

25 Q When was that acquired?

1 A That one was acquired in February of 1970.

2 Q **And what's the expected in-service date?**

3 A It's December of '28. This property has a
4 little bit of history to it though. So it was -- it was
5 -- if you notice, it wasn't placed into property placed
6 into future use until 1994. For the first 20 -- for the
7 24 years of this -- of that property, it was one of our
8 service centers, and it was utilized as our Titusville
9 Service Center. And in 1994 we closed that service
10 center just from a productivity and efficiency
11 perspective.

12 So at this point the property's still valued
13 to us as far as it relates to future load growth in the
14 area. So it was placed into Property Held for Future
15 Use at that point.

16 CHAIRMAN BROWN: Mr. Moyle, could I ask you if
17 now is a good time to stop for lunch?

18 MR. MOYLE: I have about 25 more -- no, I'm
19 kidding. Yeah. That's fine.

20 CHAIRMAN BROWN: Let's take a lunch break, and
21 we will be back at -- I can't see -- 1:15? 1:55.
22 Thanks.

23 (Whereupon there was a short break for lunch.)

24 CHAIRMAN BROWN: Mr. Miranda, are you ready?

25 THE WITNESS: Yes.

1 CHAIRMAN BROWN: Please feel free to proceed.

2 MR. MOYLE: Thank you. Thank you, Madam
3 Chair.

4 BY MR. MOYLE::

5 Q Mr. Miranda, I was in the process of taking
6 you through Exhibit No. 640 and identifying a number of
7 projects there. It's Friday, and I know you have
8 responsibilities, and I think maybe I can move it along
9 a little bit if I could get you to agree that there are
10 many projects that we did not specifically talk about
11 contained on Exhibit 640 that are -- have been in FPL's
12 rates for more than 10 years; is that right?

13 A That would be correct. And this is a listing,
14 Mr. Moyle, as you know, a listing of properties that,
15 you know, we have identified as potential -- and, you
16 know, what's not on here are, of course, are all the
17 properties that are currently in service, you know, that
18 serve -- our over 600 substations and transmission
19 lines.

20 And as you know, and I think I've shared
21 before is, we reviewed these properties annually, and we
22 try to make the best possible decision of whether to
23 keep them or sell them. And in some of the cases we
24 sell them, and, you know, those dollars -- if we make --
25 you know, the incremental dollars we make we put back

1 and vice versa. You know, if some of these projects --
2 the dates get moved in and out throughout time.

3 So they're -- it's a lot of moving -- it's a
4 dynamic part. And I'll just point out one great
5 example, if you don't mind --

6 **Q Actually, my question just simply was whether**
7 **we could move it along. By --**

8 CHAIRMAN BROWN: He did preface it that way.

9 MR. MOYLE: It sort of --

10 THE WITNESS: Yes.

11 MR. MOYLE: -- it sort of defeats the point.

12 BY MR. MOYLE::

13 **Q But, no. You may have a chance to talk to**
14 **your lawyer on redirect. So why don't we just let --**

15 A Okay.

16 **Q -- let that process run its course.**

17 MR. MOYLE: And, Madam Chair, it is Friday; so
18 maybe you can give me a little latitude on this,
19 but --

20 CHAIRMAN BROWN: Are you saying give you
21 latitude because it's Friday?

22 MR. MOYLE: Indirectly, yes.

23 BY MR. MOYLE::

24 **Q Have you heard the -- I don't know if "joke's"**
25 **the right word, but maybe it's an analogy about when all**

1 of a sudden Alexander Graham Bell -- he returns and he
2 is with Thomas Edison, and both of them are -- you know
3 -- have come back and are here in 2016 and are together,
4 and they're looking around. Have you -- have you ever
5 heard that?

6 MR. GUYTON: I'm going to object. That's
7 outside the scope of his rebuttal testimony.

8 CHAIRMAN BROWN: You think?

9 MR. MOYLE: If permitted, I -- the point is --
10 this story was told to me, and I'm not a good joke
11 teller --

12 MR. GUYTON: I still object. I --

13 CHAIRMAN BROWN: Little outside of the scope
14 of the testimony, and you are testifying on
15 Alexander Graham Bell.

16 MR. MOYLE: All right.

17 BY MR. MOYLE::

18 Q Sir, you would agree that the telephone
19 industry has changed dramatically and rapidly in the
20 last 20 years, and that now people have these devices
21 that they talk on and calendar on and e-mail on. It's a
22 lot different than the wire line that may have been in a
23 home when you grew up; is that right?

24 MR. GUYTON: Objection. Beyond the scope of
25 the rebuttal testimony.

1 CHAIRMAN BROWN: Sustained.

2 BY MR. MOYLE::

3 Q How long have you been working for FPL?

4 A 34 years.

5 Q Has there been any material change in how the
6 transmission and distribution and substation system
7 works and distributes electricity to customers?

8 A I think it's been pretty dramatic over the
9 years since I've been here.

10 Q Okay. So when you first started, did you --
11 did you use transmission lines to provide electricity to
12 customers?

13 A Yes, we did.

14 Q And you still do today.

15 A Correct.

16 Q You still use distribution lines?

17 A Yes, we do.

18 Q And you still use substations?

19 A Correct.

20 Q You still use big generating plants?

21 A Correct. But we also used a lot of
22 technology; right? We have smart meters. We have
23 self-healing grids. We have all kinds of technology
24 just -- you know, that have capabilities that we never
25 had before to be able to more effectively distribute

1 that power to our customers, whether it's, you know --
2 and pass the upgrades to the conductors. It's not the
3 same conductor it was many years ago. They've been
4 upgraded to where it has more capabilities than ever
5 before.

6 **Q Do you -- when you're doing your planning**
7 **process, do you make assumptions with respect to how**
8 **things may change in the future with respect to the**
9 **provision of electricity to customers?**

10 A We have to be always watching on emerging
11 technologies.

12 **Q So what assumptions are you making as you do**
13 **your planning process now with respect to rooftop solar,**
14 **if any?**

15 MR. GUYTON: Objection. It's beyond the scope
16 of his rebuttal testimony.

17 MR. MOYLE: He -- it's not. He's testified
18 about their planning process. That's the first
19 thing that I read.

20 CHAIRMAN BROWN: Could you direct me?

21 MR. MOYLE: Sure. On Page 4, Line 11.

22 CHAIRMAN BROWN: Of his August testimony?

23 MR. MOYLE: That's right. It says, "Exclusion
24 of these properties would compromise FPL's ability
25 to implement its dynamic planning process for

1 locating and acquiring alternative properties to
2 build necessary transmission and distribution
3 facilities."

4 I asked him the question, explain the planning
5 process. He did. He's put it in play. A
6 follow-up question with respect to the planning
7 process whether they consider things like Mr. Robo
8 saying, we don't have a need for --

9 MR. GUYTON: Objection. Counsel's now
10 attempting to testify instead of respond. I simply
11 said this is beyond his scope of his testimony
12 because you was asking him about rooftop solar
13 installations in regard to this -- to the planning
14 process.

15 MR. MOYLE: As it relates to their planning
16 process.

17 CHAIRMAN BROWN: His -- his rebuttal testimony
18 is pretty specific. I mean, just because he's got
19 the words "dynamic planning process" in there
20 doesn't open up the door for him to testify about
21 the planning on the broad basis.

22 If you could be specific and tie it to his
23 rebuttal, that -- I'll allow the question, but
24 you'd have to rephrase it, or you can move along.

25 MR. MOYLE: Okay. Thank you.

1 BY MR. MOYLE::

2 Q In your planning process, sir, do you consider
3 advancements that may be taking place in the future?

4 MR. GUYTON: Objection. Asked and answered.

5 MR. MOYLE: That's what she just said I could
6 answer -- I could ask.

7 CHAIRMAN BROWN: I don't know if that answered
8 -- he can ask the question.

9 THE WITNESS: Could you repeat the question,
10 please?

11 BY MR. MOYLE::

12 Q In your planning process, do you consider
13 advancements that may take place in the future?

14 A Yes. I think Witness --

15 Q Yes or no, please.

16 A Yes. I think Witness Morley would be the best
17 to describe her forecasting tool which we depend on for
18 all the -- all the assumptions that are made in the
19 forecasting.

20 Q Okay. She's not here; so you affirm that you
21 could talk about this.

22 So distributed generation. Do you plan and
23 consider that in your planning process?

24 MR. GUYTON: Objection. It's beyond the scope
25 of rebuttal.

1 CHAIRMAN BROWN: Mr. Moyle, I don't believe
2 that this is the witness for this line of
3 questioning specifically addressing his rebuttal.

4 MR. MOYLE: So -- well, I guess maybe I should
5 just make a proffer. What I want to do is I want
6 to show that I believe they're not considering
7 things like distributed generation. They're not
8 considering things like battery storage, and that
9 if they are considering that, they wouldn't have a
10 need to buy properties 30 years in advance and hold
11 them. That the more prudent approach would be to
12 say, you know, given the changes that are on the
13 horizon, maybe we shouldn't buy properties so far
14 in advance. That's what I'm trying to do with
15 respect to whether they are considering those
16 things because I think it impacts your decision.

17 You don't have a rule about how far in advance
18 they can recover. One of the issues is can they go
19 beyond 10 years.

20 CHAIRMAN BROWN: I do feel -- I feel some of
21 that's appropriate, but I feel that you are tending
22 to go beyond the scope of his prefilled rebuttal.

23 Mary Ann?

24 No.

25 Mary Ann, please?

1 MS. MELTON: If it's beyond the scope of his
2 prefiled rebuttal, I think you have the discretion
3 to not allow him to go down that line of
4 questioning.

5 CHAIRMAN BROWN: Anne?

6 MS. BROWNLESS: Yes, ma'am. If you look at
7 Mr. Miranda's testimony on Page 4, Line 5, he's
8 specifically responding to Mr. Smith's
9 recommendations and Mr. Smith's direct testimony
10 which have to -- have to do with removing certain T
11 and D properties.

12 So my question would be: Does Mr. Moyle have
13 some specific properties referred to in Mr. Smith's
14 recommendations because that's what Mr. Miranda's
15 rebuttal is specifically directed to.

16 CHAIRMAN BROWN: That's a great suggestion,
17 Suzanne.

18 Mr. Moyle?

19 MR. MOYLE: Well, on Page 19, he -- Page 19,
20 Lines 6 through 16, he talks about the planning
21 study's ten-year horizon, and it's not an
22 appropriate cut-off for the purposes of determining
23 what property you acquire and when to acquire it.
24 And he goes on, "If we were to wait for -- to
25 acquire future property for transmission needs,

1 we'd need to have a definitive in-service day for
2 new transmission. Or for a specific needs to
3 manifest itself in a ten-year planning process.
4 Often we would be left with limited or perhaps no
5 suitable choices and/or would face potential higher
6 cost." And I think his rebuttal hits on the issues
7 I'm asking him about.

8 MS. BROWNLESS: And if you turn to the
9 previous page, on Page 18 they're talking about,
10 again, OPC's Witness Smith's rationale. Witness
11 Smith made specific exclusions that he identified
12 in his testimony and specifically to which Dr.
13 Miranda is responding. Ergo, I think Mr. Moyle is
14 trying to broaden the scope of the rebuttal.

15 MR. MOYLE: Can I just make one point before
16 you rule, please?

17 CHAIRMAN BROWN: No. Not just yet. Wait one
18 second.

19 Ms. Brownless, so what would your suggestion
20 be?

21 MS. BROWNLESS: Well, if Mr. Moyle can come up
22 with some specific properties that he believes
23 should be in there because -- based upon what Mr.
24 Smith is saying, then I think that would be
25 appropriate. But to talk about generation planning

1 in a broad sense or plants held for future use in a
2 broad sense, I think that was appropriate
3 cross-examination for direct testimony but not
4 appropriate cross-examination to respond to Mr.
5 Smith's concerns because that's what Mr. Miranda is
6 responding to.

7 CHAIRMAN BROWN: Excellent. Great advice.
8 Mr. Moyle, please move along with your -- or
9 your questions or try to do as suggested by
10 our legal staff.

11 MR. MOYLE: Okay. So just so we have a clear
12 record, I assume you're -- you're ruling that I'm
13 not able to ask him questions about as part of
14 their planning process whether they consider things
15 like distributed generation of batteries; is that
16 correct?

17 CHAIRMAN BROWN: Did I not say that? I
18 overruled your -- your direct question to him. You
19 can pose a different question in accordance with
20 staff's recommendation. If you can't, then you can
21 move along.

22 MR. MOYLE: I'm not sure I completely
23 understood what staff's recommendation was; so I'm
24 a little --

25 MS. BROWNLESS: You want me to clarify --

1 MR. MOYLE: I don't want to ask a question and
2 say, Mr. Moyle, you're not listening to what Staff
3 said, but maybe you can provide clarity. As --
4 if --

5 CHAIRMAN BROWN: My understanding from what
6 Suzanne said, Ms. Brownless said, was that she
7 wants you to directly address his testimony as it
8 relates to Mr. Smith's. He's rebutting Mr. Smith's
9 testimony. If you could point to specific
10 properties, that line of questioning will be
11 permissible as it relates to planning.

12 MR. MOYLE: I may have another way to come at
13 it. Let me see if this will work.

14 BY MR. MOYLE::

15 **Q Sir, do you and Mr. Smith have a dispute about**
16 **-- about the number of years for which property held for**
17 **future use should be something that rate payers should**
18 **pay for?**

19 A I'm not sure I understand the word "dispute,"
20 but --

21 **Q Disagreement with respect to something that**
22 **prompted you to file rebuttal testimony, i.e., mister --**
23 **the witness for OPC is saying anything longer than 10**
24 **years shouldn't get recovery, and you're saying, well,**
25 **no, not exactly.**

1 A We believe that properties that we have -- and
2 properties held for future use as listed are reasonable
3 and necessary.

4 **Q Did I characterize an issue in this case with**
5 **respect to how you and the expert witness for OPC view**
6 **things with respect to a ten-year cut-off?**

7 A Yes. He defines it that way. We define it
8 that these properties are necessary.

9 **Q Okay. And you say that notwithstanding the**
10 **fact that you use a ten-year planning process for FPL as**
11 **previously testified to; correct?**

12 MR. GUYTON: Asked and answered.

13 CHAIRMAN BROWN: He already answered.

14 BY MR. MOYLE::

15 **Q Are you suggesting that the Commission adopt a**
16 **particular view with respect to how long a plant held**
17 **for future use should be recovered in rates?**

18 A No. What we're saying is we -- we start our
19 planning process with a 10-year view, but it's a dynamic
20 -- there is a lot of pieces that move throughout time as
21 it relates to these properties whether it's
22 customer-driven or load-driven, and that's how we -- we
23 make -- we do an annual review of these projects to make
24 sure that there's still a valid need for them.

25 **Q So then I'm maybe not misunderstanding your --**

1 or I'm not understanding your testimony clearly because
2 I -- I thought you said on Page 20 at Line 13, quote,
3 "That the test should be whether the facility is needed
4 or likely to be needed." Is -- do I have that
5 incorrect?

6 A Which -- I'm sorry. Page what?

7 Q Page 20.

8 A Line?

9 Q Starts on Line 13. There is a sentence -- did
10 you read the sentence that says, "The test"?

11 A Uh-huh. Correct. Yes.

12 Q I read that correctly; didn't I?

13 A Uh-huh.

14 Q And when you say "the test," you're referring
15 to what test?

16 A What we state there is that, you know, there
17 is a technical review of the process, you know, when you
18 can identify load, a specific load, a specific customer.
19 But sometimes there is just common sense, you know. We
20 have some -- some areas that we've purchased property
21 where the load had materialized, or we -- to be
22 materialized, and it's grown. And so we would never be
23 able to acquire that property again. So we evaluate it
24 and say we are going to need a future location at that
25 site. And so we completely review it, do an annual

1 review, and if the property's not needed, we will sell
2 it, and we will sell it. And, you know, that --
3 whatever profits are made there go back to our
4 customers.

5 **Q So your proposed test is to in effect make it**
6 **kind of an ad hoc determination and look at the facts**
7 **and circumstances surrounding each particular piece of**
8 **property; is that fair?**

9 A It's not an ad hoc for each one. It's a
10 consist approach that we look at each piece of property
11 to determine, you know, what the value is for -- whether
12 reliability or load or any future growth in the area.

13 **Q So given your testimony, when was the last**
14 **time you looked at the Arch Creek property?**

15 A It would have been done annually; so it was
16 done under one of my -- my -- one of my direct reports.

17 **Q And nothing's convinced you for 30 years that**
18 **-- that it needed to change?**

19 A That property is located in a very congested
20 part of North Miami, and that property is already sited
21 for substation. It's a very critical site. Growth
22 around it is -- continues to grow, and we believe that
23 it's still value-added, and it's in the right -- for our
24 customers for the long run.

25 **Q Sir, the Florida legislature has given you a**

1 tool to acquire property needed for transmission and
2 distribution lines including doing so in a hurry;
3 correct?

4 A Could you clarify that?

5 Q Do you have any understanding as to whether
6 the Florida legislature has acted in any way to enable
7 you to acquire property for distribution and
8 transmission lines?

9 A I'm aware of some of the process we have if
10 you're referring to eminent domain.

11 Q What's your understanding of that process?

12 A We have a right to -- but, you know,
13 typically, it's for transmission, but it's not the
14 process that is very easy to follow, and at the end of
15 the day, you know, anytime we have -- in my
16 recollection, I don't have much history with it, but it
17 is a very expensive process. And typically you pay
18 significantly more for that property at the end of the
19 day versus making a prudent acquisition at this time.

20 Q Do you have any studies that back up that
21 statement that you just made that look at the cost of
22 eminent domain as compared to buying a piece of property
23 and holding it for a number of years?

24 A I don't have it with me, you know --

25 Q Do you -- are there any that are out there?

1 A I don't know if we have a study, if you will,
2 but I know that our experience with eminent domain, you
3 know, where we have applied that it's very, very costly.

4 **Q Do you have an understanding as to whether FPL**
5 **has the ability to use something called a "quick take**
6 **eminent domain statute" that allows you to get the**
7 **property in a hurry so that you can do whatever you need**
8 **to do with respect to keeping the lights on and then go**
9 **argue about the fair value for that property later? Yes**
10 **or no, and then explain if you need to.**

11 A No. I'm not -- no. And, again, this is not
12 the type of action we want -- we want to implement with
13 our customers. You know, these are planning processes.
14 We can make, you know, reasonable time frames, work with
15 our communities, make sure these substation sites are
16 sited property, work very closely, you know -- we want
17 to make sure that we're long-term partners with our
18 customers in these communities.

19 **Q And there's already a document in evidence; so**
20 **I'm going to ask you about it. But are you -- are you**
21 **acquiring any sites now for the purposes of locating**
22 **battery storage facilities? I read about doing**
23 **something in Flamingo. Are you part of that effort**
24 **where you may be acquiring property for battery storage,**
25 **or no?**

1 A We have several projects going on to look at
2 battery storage and the power delivery organization.

3 Q Okay. And I would assume that battery storage
4 -- that when you make a decisions about property related
5 to battery storage there are different facts that you
6 would need to consider as compared to making decisions
7 about substation location; is that fair?

8 MR. GUYTON: Objection. This is going beyond
9 the scope of this particular witness's testimony.
10 It was addressing, I think, 16 particular
11 properties that were addressed by Mr. Smith in his
12 testimony and his rebuttal to those 16 properties.

13 CHAIRMAN BROWN: Mr. Moyle, it just addressed
14 just the T and D properties.

15 MR. MOYLE: Right. But he has -- he's kind of
16 put into play the whole process for FPL acquiring
17 properties, and he said, I got one going in
18 Flamingo. Just trying to understand is that part
19 of the rate case?

20 It's my last question if that -- it has any
21 significance.

22 CHAIRMAN BROWN: I'll give you the latitude.

23 MR. MOYLE: Thank you.

24 THE WITNESS: Can you repeat the question,
25 Mr. Moyle?

1 BY MR. MOYLE::

2 Q The question -- may not state it exactly, but
3 it essentially was: with respect to decisions that are
4 being made for acquiring property for the purposes of
5 battery storage, I assume that those decisions have
6 different facts and circumstances --

7 CHAIRMAN BROWN: Mr. Moyle, that's not exactly
8 what you asked.

9 MR. MOYLE: Maybe they can read it back if
10 they want. You want to read the pending question
11 back?

12 CHAIRMAN BROWN: Thank you.

13 (Record read.)

14 MR. MOYLE: That's not a problem.

15 BY MR. MOYLE::

16 Q You would agree that battery storage property
17 acquisition decisions require consideration of different
18 facts and circumstances as compared to decisions about
19 substation location, all other things being equal;
20 correct?

21 A I don't know the answer to that yet.

22 Q Okay. All right.

23 MR. MOYLE: And, Madam Chair, I know I said --

24 I have one little technical question --

25 CHAIRMAN BROWN: I only allowed you to ask

1 that question because --

2 MR. GUYTON: It was conditional. No more,
3 John.

4 MR. MOYLE: I know. I'm sorry.

5 CHAIRMAN BROWN: That was --

6 MR. GUYTON: That's what saved you from my
7 objection on the last one.

8 MR. MOYLE: The Exhibit 22 that he identified
9 with Staff, I was going to ask him how many pages
10 that was approximately if he knew.

11 CHAIRMAN BROWN: Are we going to go through
12 that again like we did last night?

13 MR. MOYLE: Just a question. If he knows, he
14 can -- he identified a specific exhibit. I just
15 want to know how many pages approximately it is.

16 CHAIRMAN BROWN: If he knows.

17 THE WITNESS: I don't know. Which exhibit is
18 it?

19 BY MR. MOYLE::

20 **Q It was the one that Ms. Brownless asked you.**
21 **There's this big exhibit, and then you have a small**
22 **portion of it. I want to know how many pages it was**
23 **approximately.**

24 A I don't know.

25 CHAIRMAN BROWN: Fair enough. Mr. Moyle, are

1 **brief.**

2 You say FPL makes efforts to mitigate
3 transmission and distribution-related costs where
4 possible; is that right?

5 A Yes.

6 **Q And specifically on Page 3 of your prefiled**
7 **rebuttal testimony in Lines 18 to 20, you refer to**
8 **initiatives to mitigate upward cost pressure affecting**
9 **FPL's removal costs; is that right?**

10 A I'm sorry. Page --

11 **Q Page 3, Lines 18 to 20.**

12 A Yes.

13 **Q And then on Page 17 of your prefiled rebuttal**
14 **testimony, you also state that FPL has met its storm**
15 **hardening capital expenditures budget 100 percent of the**
16 **time between 2012 and 2015.**

17 A I'm sorry. Can you repeat the page?

18 **Q Page 17.**

19 A Yes.

20 CHAIRMAN BROWN: Lines 8 and 9.

21 THE WITNESS: Okay.

22 BY MS. CSANK::

23 **Q Yeah.**

24 A Yes.

25 **Q And that -- that's a trend that will continue.**

1 **The budget -- the actual expenditures will generally**
2 **come very close to the budgeted amounts?**

3 A We will execute in our plan.

4 **Q Does FPL benchmark its performance in this**
5 **regard to other utilities?**

6 A As it relates to --

7 **Q To the storm hardening expenses and your other**
8 **transmission distribution-related expense.**

9 A On the capital component?

10 **Q Yes.**

11 A We -- we look at what other industries, other
12 utilities are doing as far as hardening is concerned.
13 As far as the expenditures, they're based on our
14 hardening plan that we submit to the Commission every
15 three years.

16 **Q Are the results of such benchmarking to other**
17 **utilities in the record in this case?**

18 A I don't know what's on record, but following,
19 for example, Tropical Storm Sandy in the northeast, you
20 had companies like PEPCO that announced hardening
21 initiatives, and so those are the type of things that we
22 refer to.

23 **Q And do you know how you compared to those**
24 **utilities in their initiatives?**

25 MR. GUYTON: Objection. Beyond the scope of

1 the rebuttal testimony.

2 CHAIRMAN BROWN: I'm going to give Ms. Csank a
3 little latitude here.

4 MS. CSANK: Thank you.

5 THE WITNESS: As far as the amount that they
6 -- that they -- if you'll forgive me one second
7 maybe.

8 CHAIRMAN BROWN: While you do that, can you
9 just tell us what you're referring to?

10 THE WITNESS: Just looking at what -- what
11 their announced plan was just at the time.

12 BY MS. CSANK::

13 **Q If you can't find it, then a range is fine.**

14 A I want to say it's a pretty significant
15 investment. So they were going to harden, do very
16 similar things after Hurricane Sandy, harden some
17 feeders, put some -- some flood monitors type equipment.
18 Very similar.

19 **Q Are you aware that geographically targeted**
20 **energy efficiency measures can defer or entirely**
21 **eliminate the need for transmission and distribution**
22 **costs?**

23 MR. GUYTON: Objection. Beyond the scope of
24 the rebuttal.

25 CHAIRMAN BROWN: Again, I'm going to give

1 Ms. Csank a little latitude here. Overruled.

2 MS. CSANK: Thank you, Madam Chair.

3 THE WITNESS: You mean as far as efficiency,
4 you know, of homes and so forth can defer some of
5 it. You know, we see continued new growth, you
6 know, continued to add lots of new customers in our
7 service territory.

8 So though you see some efficiency as far as
9 homes, whether it's air-conditioning and so forth,
10 we still see the incremental addition of new
11 customer growth in our service territory.

12 BY MS. CSANK::

13 **Q Thank you, Mr. Miranda. That wasn't quite my**
14 **question.**

15 I was asking whether you're aware, as a
16 general matter, that geographically targeted energy
17 efficiency measures can defer or entirely eliminate the
18 need for transmission and distribution-related capital
19 expenses?

20 MR. GUYTON: Objection. Assumes facts not in
21 evidence.

22 CHAIRMAN BROWN: Ms. Csank, can you rephrase
23 your question?

24 MS. CSANK: I'll try.

25 BY MS. CSANK::

1 Q So when you refer to the various mitigation
2 initiatives that FPL has undertaken to reduce its
3 transmission and distribution-related costs, can you say
4 anything to us with respect to whether that includes
5 geographically targeted energy efficiency measures?

6 A And could you define "energy efficiency" for
7 -- for my sake?

8 Q Energy efficiency is a suite of technologies
9 that typically -- well, I think it's described further
10 by Witness Koch as far as what FPL's programs are, but
11 there are various technologies that can reduce demand
12 and have applications throughout the economy to reduce
13 energy demand. Are you familiar with energy efficiency
14 as I've explained it?

15 A Not in that context that you're referring to.

16 Q Okay. How would you define energy efficiency?

17 CHAIRMAN BROWN: I think you're getting
18 into -- going excessively beyond the scope.

19 BY MS. CSANK::

20 Q I think this is a very important point because
21 to the extent that you were describing to Mr. Moyle that
22 there is a very dynamic planning process and with
23 respect to these property you're looking at them on
24 annual basis. You said that the key driver -- excuse me
25 -- the key drivers were customer driven and load driven,

1 and to the extent that you're looking at load, then
2 presumably you're looking at the various factors that
3 determine load. And demand would be one of those;
4 right?

5 A Correct.

6 Q And demand can be mitigated and reduced using
7 energy efficiency; is that generally right?

8 MR. GUYTON: Objection. The witness has
9 already stated that he doesn't have an awareness of
10 what this particular counsel is asking about. Now,
11 she's trying to testify through the --

12 CHAIRMAN BROWN: Objection sustained.

13 MS. CSANK: Very well.

14 BY MS. CSANK::

15 Q Mr. Miranda, it sounds like you are aware of
16 what some other utilities are doing with respect to
17 innovative techniques for reducing transmission and
18 distribution-related costs. Is that a fair --

19 A That's not what I said.

20 Q No?

21 A What I said was as it relates to the hardening
22 initiatives.

23 Q Are you aware of whether those other utilities
24 are including energy efficiency measures as part of
25 their hardening measures?

1 A Again, I'm not sure how you're defining energy
2 efficiency in that context.

3 MS. CSANK: Give me a moment, please?

4 CHAIRMAN BROWN: Sure.

5 BY MS. CSANK::

6 **Q Can we agree to refer to energy efficiency as**
7 **the demand-side programs that the company has?**

8 A Okay. That would be outside of my
9 responsibility.

10 **Q Okay. But so -- so is your testimony that for**
11 **the -- for the transmission and distribution-related**
12 **budgets that you're presenting to this Commission, you**
13 **have not consulted with colleagues who work on the**
14 **demand side?**

15 A Again, the entire process -- Witness Morley
16 puts together the load forecast for the entire company,
17 and she coordinates throughout the entire business
18 units, all the business units, in order to prepare that
19 forecast.

20 **Q And so beyond the forecasts that you're given**
21 **by Dr. Morley's group, you do not further investigate**
22 **the application of demand-side measures to --**

23 A That's -- that's --

24 MR. GUYTON: Objection. That goes to his
25 direct, if at all relevant, and it certainly

1 doesn't go to rebuttal.

2 CHAIRMAN BROWN: I tend to agree.

3 MS. CSANK: Madam Chair, his testimony is that
4 these expenses -- trying to figure -- he has
5 testified to the way that the company addresses
6 year-on-year whether the 18 properties and other
7 budgeted items should remain on its balances
8 sheets, and what I'm trying to understand is
9 whether there is any reconciliation or
10 consideration of demand-side resources and their
11 ability to put downward pressure on those costs.
12 And so far I have been unsuccessful in getting at
13 that, but I think it's very important because
14 there's potentially very significant savings.

15 CHAIRMAN BROWN: Staff?

16 MS. BROWNLESS: I'm sorry. I was reading the
17 rebuttal, and I didn't hear that. If you could
18 restate that, please.

19 MS. CSANK: I'll try. Mr. Miranda in his
20 rebuttal testimony is
21 speaking to the accuracy of the various
22 transmission and distribution-related budgets that
23 are in this case, and what I'm trying to explore
24 with him is to what extent in addressing the
25 testimony from other intervenors he is reflecting

1 the company's efforts to incorporate demand-side
2 measures in its efforts to mitigate those costs.

3 CHAIRMAN BROWN: FPL?

4 MR. GUYTON: That is a mischaracterization --
5 I'm sure quite unintentional, but it is a
6 mischaracterization of what -- of the scope of the
7 rebuttal testimony.

8 All he is addressing is the rebuttal
9 testimony. It is not the entire transmission and
10 distribution budget. It is simply a handful of
11 properties that Mr. Smith had suggested be
12 disallowed, and he's addressed why they should be
13 allowed. It is not -- this is not a referendum on
14 DSM and how it may impact or void transmission and
15 distribution.

16 If that were part of the scope of this case,
17 which it's not, it would be in the DSM docket that
18 should have properly been asked in direct, not on
19 rebuttal.

20 CHAIRMAN BROWN: Staff?

21 MS. BROWNLESS: I agree.

22 CHAIRMAN BROWN: Why now?

23 MS. BROWNLESS: Because the purpose of
24 rebuttal is for the company to be allowed to very
25 specifically address issues that are raised in the

1 intervenor testimony. The issues that Ms. Csank is
2 speaking about, I believe she cross-examined other
3 witnesses on with regard to their direct testimony;
4 so I guess I have two points I'd like to make.

5 No. 1, that there were other FPL direct
6 witnesses who more fully addressed the issues, and
7 No. 2 is I looked at the rebuttal testimony that's
8 been filed here. It does not address that issue or
9 address intervenor testimony that brought that
10 issue up.

11 MS. CSANK: Madam Chair, may I just interject?
12 When I was examining Mr. Barrett, that was after
13 Mr. Miranda's direct testimony, and he referred me
14 specifically to Mr. Miranda and said those
15 questions that I was putting to Mr. Barrett at the
16 time were better put to Mr. Miranda. So it would
17 be prejudicial for me not to be able to ask this
18 witness those types of questions.

19 I promise to keep it short. I only have about
20 three questions left.

21 CHAIRMAN BROWN: FPL?

22 MR. GUYTON: The same series of questions were
23 asked of Mr. Silagy at the beginning of the
24 hearing, and he referred some of the same questions
25 to Mr. Miranda. Mr. Miranda came and went on

1 direct without those questions. The time has
2 passed.

3 CHAIRMAN BROWN: Mary Ann?

4 MS. MELTON: Madam Chairman, I agree with the
5 statements that Ms. Brownless made about rebuttal.
6 The purpose of rebuttal is for the -- the
7 petitioner to be able to narrowly craft a response
8 to the testimony filed by the intervenors, and if
9 the Florida Power & Light did not address any of
10 the issues raised by the Sierra Club now, then I
11 think that you can move on.

12 CHAIRMAN BROWN: Objection sustained.

13 MS. CSANK: Okay. If I may have just a
14 moment?

15 CHAIRMAN BROWN: Sure. Take your time.

16 MS. CSANK: Thank you.

17 BY MS. CSANK::

18 **Q Mr. Miranda, are you aware that other electric**
19 **utilities have been able to integrate in their long-term**
20 **forecasting energy efficiency and thereby defer hundreds**
21 **of millions of dollars worth of planned transmission**
22 **investments? Is that something that comes up in your**
23 **annual reviews with respect to the 18 specific sites**
24 **that are identified in your rebuttal testimony?**

25 MR. GUYTON: Objection. Assumes facts not in

1 evidence. Counsel's testifying as to what other
2 companies have done.

3 CHAIRMAN BROWN: Objection sustained.

4 BY MS. CSANK::

5 Q Are you aware of any utilities that are
6 deferring significant transmission and
7 distribution-related expenses as a result of
8 incorporating and integrating demand-side measures into
9 their review of transmission-related planned
10 expenditures?

11 MR. GUYTON: Objection. Goes beyond the scope
12 of the rebuttal.

13 CHAIRMAN BROWN: Objection sustained.

14 MS. CSANK: No further questions. Thank you.

15 CHAIRMAN BROWN: Thank you.

16 All right. Walmart. Oh, yeah. That's right.
17 She was excused.

18 AARP.

19 MR. MCRAJ: No questions.

20 CHAIRMAN BROWN: Thank you. Mr. Skop.

21 MR. SKOP: Thank you, Madam Chair. Just one.

22 EXAMINATION

23 BY MR. SKOP::

24 Q Good afternoon, Mr. Miranda.

25 A Good afternoon, Mr. Skop.

1 Q Just generally, if I could ask you to turn to
2 Pages 5 through 11 of your rebuttal testimony.

3 A Page 5 through 11?

4 Q Yes. Just generally. If FPL's actual
5 spending for storm hardening was less than the
6 Commission approved amount that was incorporated at the
7 base rates for respective test years, then FPL customers
8 would not be receiving the full benefit of the amount
9 that they had paid for storm hardening; correct?

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

11 Q Yes. It's a long question. If FPL's actual
12 spending for storm hardening was less than the
13 Commission-approved amount that was incorporated into
14 base rates for respective test years, then FPL customers
15 would not be receiving the full benefit of the amount
16 that they paid for -- or excuse me -- would not be
17 receiving the full benefit of the amount that they paid
18 for storm hardening; correct?

19 A I'm not sure I understand exactly what you're
20 saying.

21 Q I'll put it in simple terms. If you had a
22 large variance between actual and what was incorporated
23 into the base rates --

24 A I understand. You know, I don't know the
25 mechanics of when the actual goes into rate base or not.

1 It's -- I don't think it's driven by the budget amount
2 but more of what we actually spend in those respective
3 years that gets translated into the rate base. And that
4 would be more -- again, Witness Barrett can probably
5 give you the mechanics of that.

6 **Q Okay. Thank you.**

7 MR. SKOP: No further questions.

8 CHAIRMAN BROWN: Thank you, Mr. Skop. Staff?
9 Commissioners? Commissioner Edgar?

10 COMMISSIONER EDGAR: Thank you, Madam Chair.
11 I just wanted to follow up quickly, briefly.

12 EXAMINATION

13 BY COMMISSIONER EDGAR::

14 **Q On one or two of the questions that I asked**
15 **you, Mr. Miranda, when you were here on direct the other**
16 **day, I think I mentioned in those -- that brief exchange**
17 **that when I had read some of the prefiled testimony that**
18 **it seemed that there might have been some confusion on**
19 **amounts in different categories of amount. And while**
20 **I'm looking at your rebuttal testimony -- and I'm**
21 **starting on Page 6, one of the questions that is posed**
22 **to you is that -- and I'm reading -- I'm paraphrasing**
23 **from the text in front of me that Witness Shultz stated**
24 **that it's difficult to tease out storm hardening issues**
25 **and costs from some of the others.**

1 So when I spoke with you the other day, I
2 asked you if the delta increase for storm hardening from
3 -- request from the amount for 2016 to the request for
4 2017 was 175 million, and you said that that is correct.

5 A Let me maybe give you all the -- the right
6 numbers so -- because I went back and -- just to
7 clarify --

8 **Q And that may be exactly what I'm asking**
9 **because I had one number we talked about, and then you**
10 **gave me another set of numbers. And then when I went**
11 **and compared that to what's in your rebuttal, it's a**
12 **slightly different set of numbers, and that's what I**
13 **wanted to clarify.**

14 A And as you can only imagine, there is so many
15 components within the --

16 **Q Absolutely.**

17 A -- FPSC hardening. You've got the pole -- the
18 pole replacement program. You've got just the feeder
19 component.

20 So depending on how we define it, if you want
21 to know feeders only, which is the feeder hardening with
22 just the storm hardening docket in, and of it -- by
23 itself, for '16, '17, and '18 would be 357 million for
24 2016, 487 million for '17, and 675 million for '18.
25 That would be for feeders only.

1 **Q Okay.**

2 A Now, if you looked at other components of
3 hardening, if you will, but they're a little bit
4 different, some were under the 10-point plan and not
5 under the hardening, but pure hardening was just
6 strictly that amount, and then we also added the
7 laterals in 2018 of \$75 million.

8 **Q Okay.**

9 A So that makes up the absolute, pure hardening
10 component.

11 Now, there's other initials under the 10-point
12 plan that address hardening in a different way. So, for
13 example, the transmission pole replacement program and
14 the distribution rate that sits in a different bucket,
15 but --

16 **Q Are there increase -- thank you. I think**
17 **you're right on where my questions were.**

18 So, for instance, that other piece of the --
19 the additional piece of the 10-point plan that you were
20 just mentioning regarding transmission, is there an
21 increase?

22 A Those are more steady state.

23 **Q Okay.**

24 A Those have been more steady state. So, for
25 example, in the replacement transmission, it's -- this

1 year we'll spend 45 million. '17 is 50 million. 2018
2 is 50 million --

3 Q Okay.

4 A -- last year we spent 49 million. So it's
5 really a steady state. Really the increase is really in
6 the Feeder hardening component of it.

7 Q Okay. And the numbers you just read are even
8 slightly different than the ones we talked about before,
9 but I'm going to go with those.

10 A These are the absolute numbers.

11 Q All right. Thank you. And then just flipping
12 to Page 10, and you just touched on this in Lines 6 and
13 7. You talked about the -- the 2018 plan to target and
14 harden laterals. So this and the number you just gave
15 me is 75 million.

16 A 75.8 million, yes.

17 Q Okay. 75.8 million for laterals. So that
18 effort that you're referring to there for 2018, is that
19 the first -- the first year that the laterals are
20 planned to be a part of the overall hardening plan?

21 A That's correct. As part of the submittal for
22 the 20 -- for approval for '16 through '18 in the
23 hardening component, we've introduced the lateral
24 hardening for the first time, and that is more to
25 understand, you know, what -- what we need to start

1 doing on these laterals. You know, we have a lot of
2 customers sometimes on some of these laterals.

3 So it's kind of what we call a toe in the
4 water to get an understanding of what it's going to take
5 to harden some of these laterals as we move forward. So
6 we're going to --it's proposed to do about 850 of those.
7 We have about 80,000 laterals in our service territory;
8 so that's a very small percent in 2018 what we're
9 proposing.

10 Q Okay. All right. Thank you.

11 A Okay.

12 CHAIRMAN BROWN: Redirect?

13 MR. GUYTON: Thank you.

14 FURTHER EXAMINATION

15 BY MR. GUYTON::

16 Q Mr. Miranda, I'm going to try to expedite
17 this, and rather than take you through the series of
18 exhibits you've been asked, I just want to turn you to
19 Mr. Shultz's Exhibit HW-6 that you were referred to by
20 counsel for OPC.

21 A Yes. I am there.

22 Q All right. Would you quantify for the
23 Commission what Mr. Shultz suggests is the appropriate
24 vegetation management expense for the year 2017?

25 MR. MOYLE: That's already testimony on the

1 record. Now he's asking this witness to comment on
2 the testimony that's already in the record from
3 another witness? It's improper. I object.

4 MR. GUYTON: Merely laying the predicate.

5 CHAIRMAN BROWN: Objection overruled.

6 THE WITNESS: Its recommended amount is
7 \$60,900,000.

8 BY MR. GUYTON::

9 **Q And what is his recommended amount for**
10 **vegetation management for 2018?**

11 A 62,100,000.

12 **Q And how does that compare with FPL's actual**
13 **vegetation management expenses for 2015 shown on that**
14 **same exhibit?**

15 A It's a smaller amount. 2015, we -- our actual
16 spend was \$62,900 which, as you know, it's -- you know,
17 we're still dealing with growing service area, more
18 trees, and so it's -- it's significantly less than what
19 we even spent, you know, in 2015, and this is for '17
20 and '18. And at the end of the day, we have
21 responsibility to fulfill the obligations of the
22 Commission, to do our three-year hardening and six-year
23 lateral.

24 **Q And those vegetation and management expenses**
25 **that are shown for actuals on years 2011 through 2015**

1 and then your budget, those are for the vegetation
2 management plan that you filed with the Commission?

3 A Yes, they are.

4 Q And how, if at all, do those vegetation
5 management expenses affect the company's siting?

6 MS. CHRISTENSEN: Objection. I think that
7 goes beyond the scope of what I asked in my cross.

8 CHAIRMAN BROWN: Mr. Guyton?

9 MR. GUYTON: I would agree. I will withdraw
10 the question.

11 CHAIRMAN BROWN: You'll withdraw the question.

12 BY MR. GUYTON: :

13 Q Mr. Moyle asked you a series of questions
14 about some properties that the company has held for more
15 than 10 years and property held for future use?

16 A That's correct.

17 Q And in response to one of your responses -- in
18 response to one of his questions, you made a remark
19 about having sold some of that property. Did I hear
20 that correctly?

21 A Yes.

22 Q If there is a sale of property out of plant
23 held for future use, what is done with the gain on that
24 sale?

25 A Those gains are returned back to our

1 customers.

2 Q Now, you were asked about the company's right
3 of eminent domain. Do you recall that?

4 A Yes, I was.

5 Q Are you familiar with the transmission line
6 that FPL's planning along U.S. 1 through South Miami and
7 Coral Gables?

8 MR. MOYLE: That is beyond what I asked him.
9 I asked him as a general question whether he's
10 familiar with it. Now he's going into some
11 specific matter. I think that's inappropriate.
12 I'm going to object.

13 CHAIRMAN BROWN: Mr. Guyton.

14 MR. GUYTON: I can -- I'll rephrase the
15 question.

16 CHAIRMAN BROWN: Okay.

17 BY MR. GUYTON::

18 Q Are you aware of any company attempts to apply
19 the doctrine of eminent domain for a transmission line?

20 A I -- as it relates to that area, no.

21 Q Okay.

22 MR. GUYTON: That's all the questions we have.

23 CHAIRMAN BROWN: Okay. Exhibits. Mr. Guyton
24 you have two.

25 MR. GUYTON: I do. They are Exhibit 350 and

1 349. We will move both of those exhibits.

2 CHAIRMAN BROWN: Any objections? Seeing none,
3 we will move Exhibit 349 and 350
4 into the record.

5 (Whereupon Exhibits No. 349 and 350 was
6 admitted into record.)

7 CHAIRMAN BROWN: Office of Public Counsel, you
8 have three exhibits, 704 through 706.

9 MS. CHRISTENSEN: Yes. Office of Public
10 Counsel would move 704, 705, 706.

11 CHAIRMAN BROWN: Any objection?

12 MR. GUYTON: No objection.

13 CHAIRMAN BROWN: All right. We'll move 704,
14 705, 706.

15 (Whereupon Exhibits No. 704, 705, 706 was
16 admitted into the record.)

17 CHAIRMAN BROWN: I'm sure Mr. Miranda wants to
18 be excused.

19 THE WITNESS: Thank you.

20 MR. GUYTON: And if he may be excused from the
21 hearing?

22 CHAIRMAN BROWN: Yes. You are done. You are
23 excused. Safe travels.

24 THE WITNESS: Thank you very much. Hopefully
25 we all have nice weather, and we avoid the storm.

1 Thank you.

2 CHAIRMAN BROWN: Thank you. Take care.

3 We are going back to direct now, and the next
4 witness that is listed in order is Ms. Tiffany
5 Cohen. So we'll be getting to her now. Thank you.

6 (Whereupon there was a short break.)

7 CHAIRMAN BROWN: Ms. Cohen, please stand and
8 raise your right hand.

9 (Oath administered)

10 CHAIRMAN BROWN: Thank you. And I want to
11 welcome you to the Commission. I saw you in the
12 back last night --

13 THE WITNESS: Thank you.

14 CHAIRMAN BROWN: -- at the late hour. So
15 thank you for being here.

16 THE WITNESS: We returned.

17 CHAIRMAN BROWN: Thank you.

18 TIFFANY C. COHEN

19 called as a witness herein, having been first duly sworn
20 to speak the truth, was examined and testified as
21 follows:

22 EXAMINATION

23 BY MS. CLARK:

24 Q Would you please state your name and business
25 address for the record?

1 A It's Tiffany Cohen. 700 Universe Boulevard,
2 Juno Beach, Florida 33408.

3 **Q By whom are you employed and in what capacity?**

4 A I'm employed by FPL as a senior manager of
5 rate development.

6 **Q And have you prepared or caused -- and caused**
7 **to be filed 28 pages of direct testimony in this**
8 **proceeding?**

9 A Yes.

10 **Q And you did not file an errata; is that**
11 **correct?**

12 A That's correct.

13 **Q If I asked you the questions contained in your**
14 **direct testimony, would your answers be the same?**

15 A Yes.

16 MS. CLARK: Madam Chairman, I would ask that
17 Ms. Cohen's prepared direct testimony be inserted
18 in the record as though read.

19 CHAIRMAN BROWN: We will insert Ms. Cohen's
20 testimony into the record as though read.

21 (Prefiled direct testimony inserted into the
22 Record as though read.)

23

24

25

1 for five years, where I held a variety of positions in the Rates & Regulatory
2 Division, including managing rate cases, Corporate Risk Management and
3 Internal Audit departments. Prior to joining Duke Energy I was employed at
4 KPMG, LLP.

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

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

- 7 • TCC-1 MFRs and Schedules Sponsored or Co-sponsored by Tiffany
8 C. Cohen
- 9 • TCC-2 FPL Bill Comparisons - January 2016 to January 2020
- 10 • TCC-3 Florida Utility Bill Comparison
- 11 • TCC-4 Change in the Consumer Price Index versus FPL Bills
- 12 • TCC-5 Parity of Major Rate Classes
- 13 • TCC-6 Summary of Proposed Rates for Major Rate Schedules

14 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements**
15 **(“MFRs”) and schedules in this case?**

16 A. Yes. Exhibit TCC-1 lists the MFRs and schedules that I am sponsoring and
17 co-sponsoring.

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

19 A. The purpose of my testimony is to support FPL’s proposed base rates and
20 service charges that will produce revenues sufficient to recover the Company's
21 jurisdictional revenue requirements in the 2017 Test Year, the 2018
22 Subsequent Year and the limited scope adjustment in 2019 when the

1 Okeechobee Clean Energy Center (“Okeechobee Unit”) is projected to go into
2 service.

3 **Q. Please summarize your testimony.**

4 A. My testimony addresses the following general areas:

- 5 • Overview of base revenues and rate structures;
- 6 • Forecast of base revenues;
- 7 • Development of FPL’s proposed target revenues by rate class;
- 8 • Development of the proposed service charges;
- 9 • Proposed changes to existing base rates;
- 10 • Other tariff changes; and
- 11 • Proposed rates for the 2019 Okeechobee Limited Scope Adjustment
12 (“2019 Okeechobee LSA”).

13 FPL's jurisdictional revenue requirements for the test year ending December
14 31, 2017, reflect the need for an increase in base revenues of \$866 million in
15 January 2017, a subsequent year adjustment in base revenues of \$262 million
16 in January 2018, and \$209 million in June 2019 for the 2019 Okeechobee
17 LSA.

18
19 As reflected in Exhibit TCC-2, page 1, the base component of the typical
20 residential (1,000 kilowatt-hours) bill would increase from \$57.00 in April
21 2016 to \$65.56 in January 2017, then to \$68.20 in January 2018 and to \$70.28
22 in June 2019. This is an increase of \$8.56 in January 2017, \$2.64 in January
23 2018 and \$2.08 in June 2019, for a total impact of \$13.28 or 44 cents per day.

1 As discussed by FPL witness Ousdahl, these amounts do not reflect the
2 proposed transfer of the West County Energy Center Unit 3 (“WCEC3”) from
3 clause recovery to base rate recovery, which is the approach under the current
4 2012 Rate Settlement. This transfer will not have any impact on customers’
5 total bills. For illustrative purposes, WCEC3 is shown separately in Exhibit
6 TCC-2.

7
8 Exhibit TCC-3, pages 1-2, shows that FPL’s typical residential 1,000 kWh bill
9 (“typical bill” or “typical residential bill”) at proposed rates is expected to
10 remain among the lowest in the state as compared to the other reporting
11 Florida utilities’ typical residential bills at current rates. As shown in Exhibit
12 TCC-2, under FPL’s rate proposal, the five-year compound annual growth rate
13 (“CAGR”) of the total bill increase from January 1, 2016, through the end of
14 the four year rate proposal on December 31, 2020, is projected to be
15 approximately 2.8 percent.

16
17 Exhibit TCC-3, page 5, shows that FPL’s Commercial and Industrial (“CI”)
18 bills are also among the lowest in the state of Florida and significantly below
19 the state average (as compared to the 38 electric utilities reported by the
20 Florida Municipal Electric Association).

21
22 The CI rate classes will experience varying increases in January 2017
23 depending on the current rate of return for each class as compared to the

1 system average rate of return, i.e., parity index, for each respective class.
2 FPL's filing proposes adjustments to rates and charges to more closely reflect
3 the projected cost of service for the various rate classes, and thus address
4 parity, while following the Florida Public Service Commission's ("FPSC" or
5 "Commission") practice of limiting base rate increases to 1.5 times the system
6 average increase in total rate class operating revenue as well as providing no
7 rate decreases. MFR E-8 shows that the 2017 total increase for CI rate classes
8 is between less than one percent and 12.3 percent. Exhibit TCC-2, pages 2
9 through 5, shows the proposed typical bill changes for 2017, 2018 and 2019
10 for four CI rate classes (General Service, General Service Demand and
11 General Service Large Demand 1 and 2), which encompass over 95 percent of
12 FPL's CI customers.

13
14 FPL has a proven track record of providing customers excellent value in their
15 electric service. FPL's typical residential and CI bills have continually been
16 among the lowest in Florida and well below the national average. As of
17 December 2015, FPL's typical residential bill was about 20 percent below the
18 state average and approximately 30 percent below the national average.

19
20 Since 2006, FPL's typical residential bill has actually *decreased* 14 percent,
21 while the national average typical bill has increased by 29 percent. Also over
22 the same period, CI typical bills have also *decreased* 16 percent to 23 percent.
23 Exhibit TCC-4 demonstrates that from 2006 to 2020, FPL's projected typical

1 residential bill will have decreased by 1.4 percent, and the projected CI typical
2 bills will have decreased between 3 percent and 9 percent, while the projected
3 Consumer Price Index (“CPI”) will have increased 33 percent. FPL’s CI bills
4 continually rank near the lowest in the state and, depending on the size of the
5 customer, are between 20 and 41 percent below the national average. As
6 shown in Exhibit TCC-4, current CI customer bills are also significantly *lower*
7 than they were in 2006, in spite of the inflation-related increases in consumer
8 costs as measured by CPI. This is a significant accomplishment – one that has
9 provided tremendous value for our customers.

10

11 FPL’s track record in providing excellent value to our customers is further
12 illustrated by the impact on rates of FPL’s achievements in controlling non-
13 fuel operation and maintenance costs. FPL witness Reed estimates FPL’s
14 non-fuel operation and maintenance costs would have been \$1.9 billion higher
15 if FPL were just an average performer in this metric. The rate impact of that
16 savings is approximately \$17 a month for our customers (typical residential
17 bill).

18

19 **II. OVERVIEW OF BASE REVENUE AND RATE STRUCTURES**

20

21 **Q. What is meant by “base revenue”?**

22 **A.** Base revenue represents FPL’s total revenues from the sale of electricity and
23 other operating revenues, such as service charges, excluding revenues

1 generated from adjustment clauses, the storm charge, gross receipts taxes, and
2 franchise fees. This breakdown is reflected in MFR C-5.

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

4 A. Base revenue from the sale of electricity is determined by applying the
5 applicable base rate tariff charges, excluding the cost recovery adjustment
6 clause factors and the storm charge, to the appropriate billing determinants.
7 As described in Exhibit TCC-6, FPL has more than 40 retail rate schedules,
8 each with its own set of tariff charges and billing determinants.

9 **Q. What is meant by billing determinants?**

10 A. Billing determinants are the parameters used for billing customers. The
11 applicable billing determinants reflect the rate structure established for a given
12 rate schedule. Customer, demand, and energy charges are each associated
13 with their own set of billing determinants. The annual customer billing
14 determinants are expressed in terms of the number of accounts billed by
15 month in a year. Demand billing determinants are expressed in terms of the
16 sum of the kilowatts ("kW") of customer monthly demand during a year,
17 while energy billing determinants are expressed in terms of kilowatt-hours
18 ("kWh"). Some rate schedules are limited to customer and energy billing
19 determinants only. For example, customers in the small general service rate
20 schedule ("GS-1") are charged a customer charge in addition to a cents-per-
21 kWh energy charge. GS-1 customers represent the smallest of the CI
22 customers, whose demands are 20 kW or less, and whose rate schedule does
23 not include a demand charge. Larger CI customers, on the other hand, are

1 charged on the basis of their demand, i.e., the maximum electric usage in a
2 given time period, and energy consumed. Thus, the rate structure for the
3 general service demand rate schedules (“GSD-1”), includes a customer
4 charge, a cents-per-kWh energy charge and a dollar-per-kW demand charge.

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

6 A. Exhibit TCC-6 provides a narrative explanation of the proposed rate structures
7 of FPL’s major rate schedules.

8

9 **III. FORECAST OF BASE REVENUE**

10

11 **Q. What were the major inputs used to produce the forecasts of retail base
12 revenues from the sale of electricity for the 2017 Test Year?**

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

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

17 A. Revenue classes represent general categories of customers and are used for
18 financial reporting purposes. There are six retail revenue classes: residential,
19 commercial, industrial, street & highway lighting, railroads & railways, and
20 other. The revenue classes are a combination of different rate schedules, with
21 the exception of the railroads & railways revenue class. This is the only class
22 that is specific to a particular rate schedule, i.e., the Metropolitan Transit
23 Service (“MET”) rate schedule. To provide the level of detail required in

1 MFR E-13, the forecasts of sales and customers by revenue class were
2 converted into forecasts of sales and customers by rate schedule.

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

4 A. Rate classes are groups of individual rate schedules with like billing attributes
5 (e.g., customer type and load size) and rate design relationships, and are
6 therefore treated for rate design purposes on a combined basis. As a result,
7 one or more rate schedules may be combined into a single rate class. For
8 example, general service, Rate Schedule GS-1, and general service time-of-
9 use ("TOU"), Rate Schedule GST-1, are combined together into the GS(T)-1
10 rate class.

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

12 A. First, the billing determinant forecast for customers, kWh sales, and kW
13 demand is developed by rate schedule. Next, these billing determinants are
14 applied to the currently applicable rates, adjusted to include WCEC3 rates as
15 discussed below, to provide the base revenue forecast at present rates. The
16 customer, demand, and energy rates are then adjusted as discussed in Section
17 VI, Proposed Changes to Existing Base Rates, and applied to the forecasted
18 billing determinants to provide the forecasted base revenue at proposed rates.

19 **Q. How is the billing determinant forecast developed?**

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

1 The allocation of customers and kWh sales by rate schedule is developed
2 based on the historical relationship between the number of customers and
3 sales by rate schedule, and customers and sales by revenue class. Historical
4 percentages are applied to the forecast of customers and sales by revenue
5 class. The result is an estimate of sales and customers by retail rate schedule
6 for the appropriate time periods, which in this case are the 2017 Test Year and
7 the 2018 Subsequent Year.

8
9 Finally, additional derivations are made to complete the estimate of customer
10 and energy billing determinants by rate schedule. For example, the kWh sales
11 for the residential rate schedule (“RS-1”) are segmented to reflect the inverted
12 rates described in Exhibit TCC-6. Likewise, for TOU rate schedules, total
13 sales are segmented between on-peak and off-peak sales based on historical
14 patterns. In addition, for demand-metered rate schedules, billing demands are
15 developed based on the historical relationship between billing demand and
16 billed sales by rate schedule.

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

18 A. Yes. If a rate class is closed or there is no projected customer growth, then the
19 number of customers under the rate schedules within that rate class is based
20 on their actual values during the last 12 months ending August 2015. These
21 exceptions are limited to a small number of customers (less than 0.5 percent).

22 **Q. Why does FPL’s forecast of base revenue at present rates include revenue**
23 **associated with WCEC3?**

1 A. The 2010 Rate Settlement approved in Order No. PSC-11-0089-S-EI provided
2 for recovery of WCEC3 costs through the Capacity Cost Recovery Clause
3 until WCEC3 costs are included in base rates. The 2012 Rate Settlement
4 approved in Order No. PSC-13-0023-S-EI continued recovery of WCEC3
5 costs through the Capacity Cost Recovery Clause. FPL is proposing to
6 include WCEC3 costs in base rates in 2017 and beyond.

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

9 A. The estimated 2017 and 2018 capacity clause factors for WCEC3 were added
10 to the current effective rates. These adjustments are detailed in MFR E-14,
11 Attachment 4.

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

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

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

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

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IV. TARGET REVENUES BY RATE CLASS

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

A. In a rate case proceeding where an adjustment in rates is proposed, the cost of service study provides a guide for evaluating any proposed changes to the level of revenues by rate class. More specifically, the allocation of any revenue increase should be assessed in terms of its impact on the parity index for the respective rate class. FPL has set the target revenue by rate class to improve parity among the rate classes to the greatest extent possible, while following the Commission practice of limiting the increase of each rate class to 1.5 times the system average increase in revenue, including adjustment clauses, and not allowing any class to receive a decrease.

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

A. As explained by FPL witness Deaton, FPL's cost of service study shows a retail jurisdictional average earned ROR of 4.97 percent for the 2017 Test Year and 4.65 percent for the 2018 Subsequent Year. This is consistent with the retail ROR reported in MFR A-1. The cost of service study indicates that the parity indices vary by rate class, with some class indices well above parity while others fall well below parity. When a rate class is under parity, its ROR is less than the overall FPL ROR. An important goal in setting rates is that all

1 rate classes should be as close to the FPL ROR as possible in order to
2 minimize the cross-class subsidies.

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

4 A. As shown in Exhibit TCC-5, under FPL's proposed target revenues by rate
5 class, the parity of most rate classes is improved. MFR E-8 reflects that
6 proposed rates result in 10 of the 17 rate classes being within 10.0 percent of
7 parity in 2017 and 13 of the 17 within 10.0 percent of parity in 2018.

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

9 A. FPL proposes to achieve these target revenues through changes to existing
10 rates while incorporating proposed revisions to service charges. Each element
11 of FPL's proposal is outlined below.

12

13 V. SERVICE CHARGES

14

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

16 A. Yes. FPL has updated the cost basis of all of the Company's service charges
17 as shown on MFR E-7. Deployment of smart meters has automated field
18 activities, including meter reading, connect and disconnect services, which
19 eliminates the need to send FPL personnel out to a customer's property. This
20 has reduced the cost of several service charges. When FPL personnel are still
21 required to visit the customer's property, such as with field collection, the
22 service charges have increased to reflect the current cost. The proposed

1 service charges are shown on MFR E-13b. The proposed charges better align
2 the rates for these services with their current cost structure.

3
4 Additionally, FPL is proposing to add a meter tampering penalty charge of
5 \$200 for residential and non-demand commercial customers (i.e., GS-1) and
6 \$1,000 for all other customers to be effective once the billing system has been
7 modified to accommodate the charge. FPL expects the billing system to be
8 ready on or about June 1, 2017. Currently, FPL's Tariff 6.061 states that
9 "unauthorized connections to, or tampering with the Company's meter or
10 meters, or meter seals, or indications or evidence thereof, subjects the
11 Customer to immediate discontinuance of service, prosecution under the laws
12 of Florida, adjustment of prior bills for services rendered, and reimbursement
13 to the Company for all extra expenses incurred on this account." The addition
14 of the meter tampering penalty is intended to be an additional deterrent for the
15 theft of electricity.

16
17 Finally, FPL is proposing to update the temporary construction service rates to
18 reflect the cost of performing this service.

19 **Q. Has the revenue impact from adjusting service charges been taken into**
20 **account in calculating the revenue increase that is necessary to meet the**
21 **target revenue by rate class for the 2017 Test Year and the 2018**
22 **Subsequent Year?**

1 A. Yes. As shown in MFR E-8, the change in service charge revenue is taken
2 into account in calculating the revenue increase needed to meet the target
3 revenue by rate class.

4

5 **VI. PROPOSED CHANGES TO EXISTING BASE RATES**

6

7 **Q. Please explain FPL's objective for the proposed changes to existing base**
8 **rates.**

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

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

16 A. Generally speaking, the inputs include the target revenues by rate class
17 presented in MFR E-8 and the projected revenues and billing determinants by
18 rate schedule presented in MFR E-13c and MFR E-13d. Other factors such as
19 unit costs in MFR E-6b and rate stability are also considered when developing
20 base rates. This methodology was applied to both of the increases proposed
21 for the 2017 Test Year and 2018 Subsequent Year.

22 **Q. What changes are being proposed to residential rates?**

1 A. FPL proposes resetting the inverted energy rates to a one-cent differential
2 between the first 1,000 kWh and all additional kWh. This is consistent with
3 historical precedent from prior dockets including Docket Nos. 120015-EI and
4 080677-EI.

5
6 FPL also proposes a \$2.00 increase to the RS-1 Customer Charge to recover a
7 portion of fixed distribution costs currently being recovered through the
8 variable energy charge.

9 **Q. Why is FPL proposing this rate structure change?**

10 A. Under traditional ratemaking principles, costs that do not vary with the
11 amount of electricity used, i.e., fixed costs, are recovered through fixed
12 charges; and costs that vary with the amount of electricity used, i.e., variable
13 costs, generally are recovered through variable demand and energy charges.
14 As discussed by FPL witness Deaton, over 80 percent of FPL's costs
15 recovered through base rates are fixed costs, while only 26 percent of these
16 fixed costs are recovered through a fixed charge. In order to more closely
17 align recovery of fixed costs with fixed charges, FPL is proposing this modest
18 customer charge increase.

19 **Q. What changes is FPL proposing for CI customers?**

20 A. In order to more closely align recovery of fixed costs with fixed charges, FPL
21 is also proposing a \$2.00 increase to the customer charge for the non-demand
22 General Service rate class ("GS(T)"). Also, credits provided under the 2012
23 Rate Settlement for Commercial Industrial Load Control ("CILC") and

1 Commercial Demand Rider (“CDR”) customers are reset to pre-settlement
2 levels (adjusted for Generation Base Rate Adjustments) as shown in MFR E-
3 14, Attachment 5.

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

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

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

12 A. The base energy charges for SL-1, SL-2, and OL-1 are based on the unit cost
13 in MFR E-6b adjusted if necessary to achieve the target revenues of each rate
14 class. Attachment 3 to MFR E-14, the Lighting Cost of Service, shows that
15 the cost of installing and maintaining new poles and conductors exceeds the
16 charges under the current tariff. Therefore, SL-1 and OL-1 pole and
17 conductor charges were increased to reflect the replacement costs.
18 Maintenance charges were also increased based on current cost.

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

21 A. MFR A-2 presents the impact of the proposed rate changes to the typical bills.
22 MFR A-3 provides a summary of those proposed rate changes. The

1 applicable proposed tariff sheets are presented in MFR E-14, Attachment 1.

2

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

6

7

VII. OTHER TARIFF CHANGES

8

9 **Q. Is FPL proposing any new tariffs?**

10 A. Yes. FPL is proposing two new tariffs for Lighting: Metered Customer-
11 Owned Street Lights (SL-1M) and Metered Traffic Signals (SL-2M). FPL
12 proposes to close the existing unmetered Street Lights tariff option for
13 customer-owned lights (SL-1) and also the Traffic Signal tariff (SL-2) to new
14 customers effective January 1, 2017. FPL proposes to place all new accounts
15 on the new metered SL-1M and SL-2M tariffs. FPL also proposes that all
16 current SL-1 and SL-2 customers taking service as of December 31, 2016, will
17 remain on the existing SL-1 and SL-2 tariffs, unless a customer voluntarily
18 selects the applicable new rate.

19 **Q. Why is FPL proposing new metered lighting tariffs?**

20 A. FPL is proposing the metering of street lights and traffic lights to improve
21 customer service and ensure accurate billing. Over time, street light and
22 traffic light customers have replaced existing facilities with different facilities,
23 and in many cases, these customers have added new equipment to their

1 facilities without notifying the Company of the changes to the electrical load.
2 In other cases, traffic signal customers have moved to LED lights, thereby
3 reducing load. As a result, the Company's billings have become less accurate
4 for the provision of service. The use of meters for lighting and traffic signals
5 will address this issue. More importantly, by installing communicating meters
6 (i.e., AMI meters) the Company will receive an automatic notification of any
7 outage, and the restoration of service can occur sooner than it otherwise would
8 when notification is reported by a customer.

9 **Q. Is FPL proposing any other tariff rate modifications?**

10 A. Yes. FPL has proposed several modifications to the Company's lighting,
11 transmission and distribution tariffs and surety bond tariff.

12 **Q. Please explain the proposed modifications to FPL's lighting tariffs.**

13 A. FPL currently offers a relamping option for Street Lighting (SL-1) and
14 Outdoor Lighting (OL-1) customers who own their respective lights and
15 poles. The relamping option is a service whereby FPL replaces burned-out
16 lamps (light bulbs) for customer-owned lights with the customer remaining
17 responsible for providing all other necessary maintenance and repairs (e.g.,
18 fixtures, wiring, photocell). This has proven to be an inefficient option and a
19 source of recurring frustration and dissatisfaction to our customers. Non-
20 working lights are typically reported to FPL for follow-up/repair; however,
21 when the cause of the outage is not a burned-out lamp, FPL must then refer
22 the problem back to the light's owner. The light's owner must then dispatch
23 their own resources to investigate and make repairs. Not only does this

1 inefficient process unnecessarily waste resources and increase costs (i.e.,
2 unnecessary FPL service calls), but it also further delays the return of the light
3 to service. Because the light's owner is already responsible for having
4 resources available (either direct employees or contract crews) to make all
5 necessary repairs other than relamping, the same resources are capable of
6 relamping the lights as well. This results in faster restoration and lower
7 overall costs (only one trip per light) and more satisfied customers.

8
9 Finally, there is very little demand for the relamping option from our
10 customers. This is indicated by the fact that the number of customers
11 choosing this option continues to decline each year, with less than one percent
12 of the customer-owned street and outdoor lights in our system currently taking
13 this service. For these reasons, FPL is proposing to close the relamp option
14 for new customer-owned SL-1 and OL-1 lights. The remaining few street and
15 outdoor lights receiving the relamping service will continue to receive that
16 service.

17
18 There are three additional changes proposed to the Outdoor Lighting tariff: 1)
19 a clarification that outdoor lights will only be installed in areas accessible by
20 an FPL truck; 2) an addition of a willful damage clause, similar to that used
21 for the street lighting tariff, requiring customers to pay for the fixture if it is
22 damaged and replaced more than once; and 3) a requirement of an active
23 "house account" in order to install an outdoor light.

1

2 FPL proposes to add language to the SL-1 tariff to clarify this rate only
3 applies to pre-1992 parking lot lighting customers. After 1992, new parking
4 lot customers were required to take service under the Outdoor Lighting (OL-
5 1) rate schedule. Moving these customers from the SL-1 tariff to the OL-1
6 tariff could result in significant bill increases for certain customers (primarily
7 municipalities). Additionally, FPL also proposes to eliminate the word
8 “patrol” from the services provided in the SL-1 tariff. With the data and
9 information provided by the newly installed automated streetlight smart
10 nodes, physical patrols of the lights will no longer be necessary.

11 **Q. Please explain the proposed modifications to FPL’s transmission and**
12 **distribution tariffs.**

13 A. FPL proposes to remove the minimum 2,000 kW demand from transmission
14 level customer tariffs such as GSLD(T)-3. Customers would still be required
15 to take service at transmission voltage of 69 kV or higher but would not be
16 required to contract up to 2,000 kW if their demand was less.

17

18 FPL also proposes to clarify its distribution level tariffs by standardizing the
19 language in the Service section of the tariff to read “Single or three phase, 60
20 hertz and at any distribution voltage.”

21 **Q. Please explain the proposed modifications to FPL’s Surety Bond tariff.**

1 A. FPL is proposing additional language to its surety bond requirements to
2 ensure payment for electric service under the surety bond in the event of
3 bankruptcy or other insolvency.
4

5 **VIII. PROPOSED RATES FOR 2019 OKEECHOBEE LSA**
6

7 **Q. How does FPL propose to recover the revenue requirements for the 2019**
8 **Okeechobee LSA?**

9 A. FPL proposes to implement new rates to recover the annualized revenue
10 requirements associated with the Okeechobee Unit concurrent with the in-
11 service date of the unit, which is currently scheduled for June 1, 2019. FPL
12 also proposes that the corresponding fuel savings associated with the
13 Okeechobee Unit be reflected in the fuel factors effective upon the in-service
14 date. Implementing the fuel factors reflecting those savings concurrent with
15 the 2019 Okeechobee LSA better aligns costs with the fuel savings benefits.
16

17 The 2019 Okeechobee LSA will be implemented by adjusting base charges
18 and non-clause recoverable credits (e.g., the transformation rider credits and
19 the curtailable service credits) and commercial/industrial demand reduction
20 rider credits by an equal percentage. The calculation of this percentage, as
21 shown in Schedule E-14, is based on the ratio of jurisdictional annual revenue
22 requirements and the forecasted retail base revenues from the sales of
23 electricity during the first 12 months of operation. The 2019 Okeechobee

1 LSA Schedule A-1, which is sponsored by FPL witness Ousdahl, shows that
2 the first 12 months of revenue requirements associated with the Okeechobee
3 Unit is \$209 million.

4
5 The ratio is applied to FPL's base charges and credits as reflected in Schedule
6 A-3, which provides the summary of tariff changes by rate schedule. Typical
7 bill calculations with the proposed 2019 Okeechobee LSA are also provided
8 in Schedule A-2.

9
10 If the revenue requirements for the 2019 Okeechobee LSA are approved by
11 the Commission, FPL will calculate and submit the 2019 Okeechobee LSA
12 rates to the Commission for approval in the Capacity Clause projection filing
13 for 2019.

14 **Q. Is FPL proposing a true up mechanism for the 2019 Okeechobee LSA?**

15 A. Yes. To the extent the actual capital expenditures are less than the projected
16 costs used to develop the initial adjustment; FPL proposes that a one-time
17 credit be made through the Capacity Clause. In order to determine the amount
18 of this credit, a revised factor will be computed using the same data and
19 methodology incorporated in the initial adjustment, with the exception that the
20 actual capital expenditures will be used in lieu of the estimated capital
21 expenditures the need determination was based on. On a going forward basis,
22 base rates will be adjusted to reflect the revised factor. The difference
23 between the cumulative base revenues since the implementation of the initial

1 adjustment and the cumulative base revenues that would have resulted if the
2 revised adjustment had been in place during the same time period will be
3 credited to customers through the Capacity Clause with interest at the 30-day
4 commercial paper rate as specified in Rule 25-6.109.

5
6 In the event that actual capital expenditures for the 2019 Okeechobee LSA
7 were higher than the projection on which the LSA was based, FPL would have
8 the option to initiate a limited proceeding pursuant to Section 366.076, Florida
9 Statutes, limited to the issue of whether FPL has met the requirements of Rule
10 25-22.082(15), F.A.C., that the higher costs were prudently incurred due to
11 extraordinary circumstances. If the Commission finds that FPL had met those
12 requirements, then FPL would be permitted to increase the LSA by the
13 corresponding incremental revenue requirement due to such additional capital
14 costs. Alternatively, if FPL did not pursue such a proceeding, FPL would be
15 permitted to record any incremental costs for surveillance reporting and other
16 regulatory purposes subject to Commission prudence review and potential
17 disallowance.

18 **Q. Is FPL's proposed method of recovering the revenue requirements for the**
19 **2019 Okeechobee LSA consistent with the methodology approved by the**
20 **Commission for the recovery of the costs of the Riviera Beach Energy**
21 **Center in 2014 and Port Everglades Energy Center in 2016?**

22 **A.** Yes. As shown in Schedule E-14, FPL's proposal is consistent with the
23 methodology for cost recovery utilized by FPL for the Generation Base Rate

1 Adjustments for the Riviera Beach Energy Center and Port Everglades Energy
2 Center that were part of FPL's Commission-approved 2012 Rate Settlement.
3 As discussed above, at the time of the Okeechobee Unit's in-service date, base
4 charges, non-clause recoverable credits and CDR credits will be adjusted by
5 an equal percentage and new fuel factors will be calculated to incorporate fuel
6 savings. Additionally, a true-up mechanism is being proposed if capital
7 expenditures are less than projected costs with FPL retaining the option of
8 initiating a limited proceeding should capital expenditures exceed projected
9 costs.

11 IX. CONCLUSION

12
13 **Q. Please summarize your testimony.**

14 **A.** FPL has submitted a proposed distribution of revenue requirements by each
15 major customer class that is reasonable and moves all customer classes
16 towards parity. These changes equate to a CAGR of approximately 2.8
17 percent on the typical residential bill through 2020, roughly in line with the
18 annual rate of inflation. Even with FPL's proposed base rate increases, FPL's
19 projected typical bills in 2020 will be *lower* than 2006, as compared to the
20 CPI which is projected to increase 33 percent over the same time period. As
21 discussed by FPL witness Morley, FPL's typical bill for electric service
22 continues to be one of the best value propositions for our customers when
23 compared to other basic necessities. FPL has a demonstrated record of low

1 bills coupled with superior service. For these reasons, FPL believes its rate
2 proposals should be approved.

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

5 A. As shown on Exhibit TCC-2, FPL's typical residential bill is \$91.73 in April
6 2016, and is estimated to be \$101.18 in January 2017, \$104.45 in January
7 2018 and \$107.29 in June 2019, which includes the impact of all expected
8 changes to base rates and clauses for those periods. FPL's typical residential
9 bill is currently among the lowest in the state and has been the lowest, on
10 average, for the past seven years. With the full requested increase and other
11 known changes, FPL's typical residential bill at proposed rates through 2020
12 is expected to remain among the lowest in the state as compared to the other
13 Florida utilities' typical residential bills at current rates. This is shown on
14 page 2 in Exhibit TCC-3.

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

16 A. Yes.

1 BY MS. CLARK:

2 Q And, Ms. Cohen, do you have exhibits that were
3 identified as TCC-1 through TCC-6 attached to your
4 direct testimony?

5 A Yes.

6 Q And were these prepared under your direction
7 and supervision?

8 A Yes.

9 MS. CLARK: Madam Chair, I would note that
10 these exhibits have been identified by your Staff
11 as -- the numbers I have are 137 through 142.

12 CHAIRMAN BROWN: So noted. Staff?

13 MS. BROWNLESS: Yes, ma'am.

14 EXAMINATION

15 BY MS. BROWNLESS:

16 Q Good afternoon, Ms. Cohen.

17 Have you reviewed what's been marked as
18 Exhibit No. 579? And that's the exhibits.

19 A Yes.

20 Q Okay. And with regard to the items listed
21 next to your name, the exhibit list next to your name,
22 can you confirm that those were prepared by you or under
23 your direct supervision and control?

24 A Yes.

25 Q And if I were to ask you the same questions

1 today, would your responses be the same as those
2 contained in the exhibit?

3 A Yes.

4 Q Okay. And are they true and correct to the
5 best of your knowledge and belief?

6 A Yes.

7 Q And are any portions of your listed exhibits
8 confidential?

9 A No.

10 Q Okay. And with regard to Exhibit 479, which
11 were the OPC work papers, did you review the work papers
12 in that exhibit that you prepared?

13 A Yes.

14 Q Okay. And those were true and correct to the
15 best of your knowledge and belief?

16 A Yes.

17 MS. BROWNLESS: Thank you.

18 CHAIRMAN BROWN: Thank you.

19 FPL.

20 FURTHER EXAMINATION

21 BY MS. CLARK:

22 Q Ms. Cohen, would you please summarize your
23 direct testimony?

24 A Sure.

25 Good afternoon, Madam Chairman and

1 commissioners. My name is Tiffany Cohen. My testimony
2 covers three general topics.

3 First, FPL's rates are reasonable and among
4 the lowest in the state, even with the requested rate
5 increases.

6 Second, we followed the Commission's
7 guidelines in proposing rates.

8 And, third, our proposal moves all rate
9 classes towards greater parity. The goal of parity is
10 to ensure that customers pay their fair share of costs
11 and that subsidies between rate classes are minimized.

12 First, my direct testimony shows that FPL's
13 low customer bills are part of the overall value that
14 FPL provides. FPL's current typical bills are lower
15 than ten years ago in 2006, 20 percent below the Florida
16 average, and 30 percent below the national average.
17 Even with the proposed increases, typical bills are
18 estimated to remain lower in 2020 than 2006.

19 Additionally they are estimated to remain well below the
20 state and national averages and among the lowest in
21 Florida.

22 Second, FPL's rate proposal in this case is
23 designed in accordance with prior Commission orders and
24 guidance. Consistent with the Commission's gradualism
25 guidelines, no rate class would receive an increase of

1 more than one and a half times the total system
2 increase.

3 Third, currently there is a significant lack
4 of parity as only five of 17 rate classes are within ten
5 percent of parity. The proposed allocation of the
6 increase, consistent with the Commission's guidelines,
7 results in an additional eight rate classes moving to
8 within ten percent of parity.

9 The commercial and industrial rate classes
10 will see varying increases depending on the current
11 parity index. There are a small number of large
12 customers who will see larger increases that are needed
13 to address parity. However, for the rates that apply to
14 95 percent of commercial and industrial customers,
15 typical bill increases are between two and four percent
16 annually through 2020.

17 In conclusion, Commissioners, typical bills
18 for most customers are estimated to be lower in 2020
19 than 2006. Our typical bills will continue to be among
20 the lowest in the State of Florida. We continue to
21 provide excellent value for our customers. We have
22 allocated the rate increase equitably and in accordance
23 with Commission guidelines, and we ask that you approve
24 the rates as proposed.

25 This concludes my summary. Thank you.

1 MS. CLARK: Madam Chairman, we tender
2 Ms. Cohen for cross-examination.

3 CHAIRMAN BROWN: Thank you.
4 Public Counsel, Ms. Christensen.

5 EXAMINATION

6 BY MS. CHRISTENSEN:

7 Q Good afternoon, Ms. Cohen. I just briefly
8 have an area I'd like to cover.

9 Could I turn your attention to Page 16 of your
10 direct testimony?

11 A I'm there.

12 Q And I believe on Page 16, starting at Line 4
13 through about Line 7, you talk about a -- I'm sorry.

14 Let me direct you to Page 18. I want to talk
15 about the other charge, \$2 charge. And that would be
16 Line 6 through 8.

17 A Yes, ma'am.

18 Q You're there?

19 A I'm there.

20 Q Okay. Great.

21 And that's where FPL proposes a \$2 increase to
22 the RS-1 customer charge to recover a portion of fixed
23 distribution costs currently being recovered through the
24 variable energy charge; is that correct?

25 A Yes.

1 Q Okay. And you're also proposing the same \$2
2 switch from the variable energy charge to a fixed charge
3 for the general services rate class?

4 A General services nondemand. Correct.

5 Q Okay. And I think your testimony already
6 stated, but you currently collect that revenue from
7 these customers through the energy charge; is that
8 correct?

9 A That is correct.

10 Q Okay. And if the Commission were to not
11 approve this change or shifting of revenue from the
12 energy charge to -- what is it? -- customer charge?

13 A Correct.

14 Q FPL would still collect the revenue that was
15 necessary to cover the \$2 charge from -- through the
16 energy charge; correct?

17 A That is correct. We would still collect the
18 same amount of revenue. What we're proposing is to
19 move -- to align fixed costs with fixed cost recovery.
20 Currently about 80 percent of the charges that go
21 through the energy charge are considered fixed costs,
22 and we believe it's appropriate to move some of those
23 into a fixed -- fixed recovery mechanism.

24 Q But I think the question that I was asking is
25 that you're -- from FPL's perspective, you're still

1 going to collect the same amount of revenue?

2 A Yes.

3 Q Okay. And if you know, since you talk about
4 FPL's rates decreasing since 2006, to your knowledge has
5 FPL's base rate component of its bill been decreasing
6 since 2006 or increasing since 2006?

7 A FPL's base rate component has increased since
8 2006, but our total bill has increased due to the
9 investments that we've made that other witnesses have
10 discussed.

11 Q Okay. Thank you.

12 MS. CHRISTENSEN: No further questions.

13 COMMISSIONER GRAHAM: Okay. Mr. Moyle?

14 MS. BROWNLESS: Thank you, Mr. Chairman.

15 EXAMINATION

16 BY MR. MOYLE:

17 Q Good afternoon.

18 A Good afternoon.

19 Q Let me refer you to Page 7 of your testimony.

20 And I think you even touched on this in your opening
21 where you said you have developed your allocation based
22 on Commission guidelines; correct?

23 A Yes.

24 Q Okay. And maybe it helps -- it always helps
25 to kind of back up. But what you're testifying about is

1 not how much the rate should be increased or decreased
2 by; correct?

3 A Yes.

4 Q You're just saying if there's, you know, a
5 million-dollar increase, here's how it should be
6 allocated amongst the rate classes. Is that fair?

7 A That's fair. Our goal is fair rate design for
8 all customers.

9 Q Okay. Thank you.

10 And then the gradualism policy, you say on
11 Line 4, "while following the PSC Commission practice of
12 limiting base rate increases to 1.5 times the system
13 average increase and total rate class operating revenues
14 as well as providing no rate decreases." Is that right?

15 A Correct.

16 Q Okay. By your testimony here, you're not
17 suggesting that this Commission is not able to order a
18 rate decrease in this case as requested by the
19 intervening parties; correct?

20 A That's not what I'm suggesting. What I'm
21 mentioning here is that it's been prior Commission
22 policy to not allow rate decreases.

23 Q And tell me your understanding of that policy.
24 How does that work?

25 A The gradualism policy?

1 Q No. With respect to the -- what you said here
2 about no rate decreases. What does that mean? Explain
3 it to me, if you would, please, or your understanding of
4 it.

5 A Well, my understanding is that we would come
6 in for -- if we're coming in for a rate increase, we
7 need to show that we have allocated the rate increase
8 equitably among all rate classes. The Commission has
9 stated in a number of orders how the policy should be
10 applied to customers. The one-and-a-half-times system
11 average is on total operating revenues, and it also --
12 you don't allow for rate decreases.

13 An example is residential customers. They're
14 currently slightly over parity. In this case, we've
15 proposed less of an increase to them to reduce their
16 parity closer to a hundred percent.

17 Q So to take up -- follow up on your example
18 with the residential customers there, you're going to
19 reduce their allocation, but could you reduce it in such
20 a way that resulted in a rate decrease for them while
21 giving my clients and others a rate increase based on
22 your understanding of the Commission's application of
23 gradualism?

24 A It would not -- no. It would not be in
25 accordance with the Commission's application the way

1 that I understand it.

2 Q All right. And so the issue that's in front
3 of this Commission is base rates; correct?

4 A Correct.

5 Q Okay. So just to be clear, if this Commission
6 said, well, we're going to give you an award of whatever
7 it is, the residential people couldn't get, in the base
8 rate case, a decrease and others get an increase;
9 correct?

10 A The Commission certainly has latitude to do
11 what it sees as appropriate.

12 Q Well, consistent with its -- your
13 understanding of its gradualism policy.

14 A Can you repeat your question?

15 Q Sure.

16 This proceeding is about setting and
17 allocating base rates; correct?

18 A Correct.

19 Q Okay. And the gradualism policy that I'm
20 talking to you about references that no one gets a rate
21 decrease. So I just want to make sure I understand your
22 understanding of it with respect to that's in this -- in
23 this case that you couldn't -- you couldn't say if
24 they -- if they decided to say, we'll give them
25 25 percent of their ask, you couldn't say, well, the

1 residential, Mr. Coffman's clients, are going to get a
2 rate increase in terms of allocation, but we're going to
3 charge Mr. Wiseman's clients and Mr. Moyle's clients,
4 we're going to give them, you know, a big increase to
5 cover the 25 percent of the ask. That would not be
6 consistent with the Commission's gradualism policy;
7 correct?

8 A I think that's fair.

9 Q And that wouldn't change, would it, with
10 respect to that policy, if, for example, all of a sudden
11 something happened and the gas prices went through the
12 roof? I mean, that's -- that shouldn't have any bearing
13 on the application of what we just talked about with
14 respect to not putting all of the cost on Mr. Wiseman's
15 clients and my clients; correct?

16 MS. CLARK: Madam Chairman, I think that's a
17 very confusing question.

18 CHAIRMAN BROWN: Can you restate it?

19 MR. MOYLE: Sure.

20 BY MR. MOYLE:

21 Q Do gas prices have anything to do with what
22 you're talking about here today with respect to
23 gradualism?

24 A Well, gradualism is measured on total --
25 (simultaneous speaking)

1 Q If you can --

2 A -- operating revenue --

3 Q Yes, no, and then explain if you need to.

4 A Yes. They're part of total operating
5 revenues, and that's what the Commission's gradualism
6 guidelines are based on. The customer pays the total
7 bill. That's why the gradualism guidelines are
8 important.

9 Q So notwithstanding the fact that in this case
10 we're talking about base rate increases, you would say,
11 well, even though it's not part of what evidence is on
12 all those clauses, that you would say, if there happens
13 to be a run-up in gas and everyone is suffering and
14 having to pay a lot more in gas, that you would take
15 that information and then kind of use it to offset a
16 decrease in rates that you could give to the residential
17 customers; is that correct? Is that your understanding?

18 A I'm sorry. I'm not following your question.

19 Q I'll try to rephrase.

20 You're aware that the Commission has a number
21 of proceedings, clause proceedings that take place every
22 year; correct?

23 A Yes.

24 Q All right. And the clause proceedings are at
25 a different time. They're not part and parcel of what

1 we're talking about here; correct?

2 A Correct.

3 Q Okay. Is your -- is your testimony that the
4 Commission should go and retrieve information in another
5 docket and another set of facts and then apply those
6 facts with respect to, for example, gas prices; and if
7 gas prices happen to spike and it results in such a
8 spike that you could use the increase in the spike of
9 the gas prices to lower residential rates and say, well,
10 we're still complying with the gradualism policy because
11 we can use these gas spike prices and still give these
12 guys a big decrease?

13 MS. CLARK: Madam Chairman, I still think
14 that's a very confusing question.

15 CHAIRMAN BROWN: I'm a little confused myself.

16 MR. MOYLE: Okay.

17 BY MR. MOYLE:

18 Q You all take -- you take the position that you
19 shouldn't just apply the gradualism policy just as it
20 relates to the base case, the base rates; correct?

21 A Correct. The customer pays the total bill.

22 Q So then you should look at -- when you say
23 "the total bill" in applying the policy, you take the
24 position that, well, you should look at what's happening
25 in the gas clause and the environmental clause and the

1 nuclear clause, and all of those things should be
2 considered when making your calculation with respect to
3 gradualism; is that right?

4 A Yes. And they have been considered in
5 accordance with this Commission's policies.

6 Q And so does that help you answer the question
7 that I'm asking with respect to the spike in
8 gradualism -- I'm sorry -- the spike in gas prices?
9 That if you happen to have any spike in any of the
10 clauses, basically you could use that increase in the
11 clauses to, in the base rate case, give someone a
12 decrease, and if you net an amount, so long as it wasn't
13 a decrease, the gradualism policy would be consistently
14 applied?

15 MS. CLARK: Madam Chairman, I object to this
16 question. He has mischaracterized what gradualism
17 is.

18 CHAIRMAN BROWN: Mr. Moyle?

19 MR. MOYLE: Well, that's -- that's one of the
20 issues in the case. So I may not have -- I'm
21 trying to get her understanding of it; so --

22 CHAIRMAN BROWN: Can you rephrase it and clean
23 it up?

24 MR. MOYLE: Can I have a minute?

25 CHAIRMAN BROWN: Absolutely.

1 Why don't we take a five-minute break. About
2 2:30. We'll reconvene at about 2:35.

3 (Whereupon there was a short break.)

4 CHAIRMAN BROWN: All righty. We are going to
5 reconvene. If everyone could take their seats.

6 I want to thank the parties for that moment
7 of -- that break.

8 MR. MOYLE: Sure.

9 CHAIRMAN BROWN: Hope you got -- have you got
10 it all under control now?

11 MR. MOYLE: Well, we do. But we had also a
12 little break, and Mr. Coffman approached me and
13 indicated that he has to get on a plane, and I told
14 him I would gladly get out of the way for a few
15 minutes, if FPL's okay. I think FPL is okay.

16 MR. COFFMAN: I don't mean to interrupt the
17 flow of your cross. I just need -- I was hoping to
18 get out of here --

19 CHAIRMAN BROWN: That's assuming there's a
20 flow. You know I'm messing.

21 MR. COFFMAN: And I -- but I don't have very
22 many.

23 MS. CLARK: Madam Chairman, we have no
24 objection to that.

25 CHAIRMAN BROWN: Anybody have an objection to

1 taking? All right.

2 So Mr. -- just to be clear, Mr. Moyle, you'd
3 like to go after Mr. Coffman?

4 MR. MOYLE: Right. I'll just suspend my
5 cross, let him ask his questions, and then I assume
6 he'll be excused and I'll pick back up.

7 CHAIRMAN BROWN: Okay. All right.

8 MR. COFFMAN: I didn't need to go right now,
9 but that's fine. I will.

10 CHAIRMAN BROWN: Mr. Coffman?

11 MR. COFFMAN: Yes.

12 CHAIRMAN BROWN: Thank you.

13 MR. COFFMAN: Thank you very much.

14 EXAMINATION

15 BY MR. COFFMAN:

16 Q Good afternoon. Hi. I'm John Coffman with
17 AARP, and I wanted to ask you a couple of questions
18 about the customer charge issue and FPL's proposal to
19 raise it \$2. And your justification is that you believe
20 that that would more align fixed costs with fixed
21 charges. Is that fair?

22 A Yes.

23 Q And would you agree with me that there is
24 often a difference of perspective or a difference of
25 opinion as to what a fixed cost is when you're doing a

1 **cost study?**

2 A I'm not the person that would do cost studies
3 on fixed costs so --

4 Q Well, do you -- have you seen competing cost
5 of service studies before?

6 A I'm not the cost of service witness.

7 Q Okay. Do you know how much of the -- do you
8 know how much the cost of, say, metering and billing
9 would account for if the customer charge were to cover
10 those costs? Or do you -- or do you know what costs are
11 included in these --

12 A I'm sorry. Can you repeat your question?

13 Q Do you know what costs are currently included
14 in the customer charge that you're supporting?

15 A It is things such as metering and billing,
16 but, again, that would be a cost of service question for
17 the specific line items.

18 Q But you -- it would include more than just
19 metering and billing, though; wouldn't it, in your
20 proposal?

21 A Yes. It would also include some fixed
22 distribution costs.

23 Q If the customer charge was only covering
24 metering and billing, you would expect it to be lower
25 even than what the current charge is; wouldn't you?

1 A Our current charge today is based on unit
2 cost.

3 **Q But those -- you believe that there should be**
4 **more costs in the customer charge than just metering and**
5 **billing? Or do you know?**

6 A Well, we believe that it's appropriate -- as I
7 mentioned earlier, there's -- 80 percent of the cost
8 that go through the variable energy charge are fixed.
9 And so \$2 is a modest number we believe to move into the
10 customer charge to better align fixed costs with fixed
11 cost recovery.

12 **Q And do those costs that you're describing as**
13 **fixed include such things as power plant costs and**
14 **transmission and distribution costs?**

15 A Those would be cost of service questions.

16 **Q Okay. So you don't know. You don't know what**
17 **makes up that 80 percent?**

18 A They're fixed distribution costs. So I don't
19 think they would include power plant --

20 **Q Okay. But --**

21 A -- but, again, that would be a cost of service
22 question.

23 **Q And you're not aware of whether that is --**
24 **that could be disputed as to what -- which of those**
25 **costs are customer based and which are energy based?**

1 A I believe that is a cost of service question.

2 Q Okay. And you do agree with the policy
3 rationales that AARP has suggested should be taken into
4 consideration? At least you agree that those are valid
5 policy considerations that should be taken in account
6 when you set the customer charge; correct?

7 A Yes, we do. And that's actually why we chose
8 the \$2. We believe it's a modest number. It is
9 intended to mitigate the overall bill impact but still
10 align costs, fixed costs with fixed cost recovery.

11 Q And when you chose \$2, you believe you did
12 take those -- those issues that my client has raised
13 into consideration; is that --

14 A Yes, we did.

15 Q Would you agree with me that as far as
16 encouraging conservation, you encourage conservation
17 more strongly by having more of the costs in a variable
18 energy charge than in a fixed customer charge? Do you
19 agree with that?

20 A Yes and no. We still maintain the thousand
21 kilowatt differential in the energy charge and in the
22 fuel charge. So there still is a price signal there.

23 Q I understand that. But you would agree with
24 me; wouldn't you, that the greater the fixed charge is
25 and the less that you're allocating through a variable

1 charge, the less the incentive would be there for
2 conservation?

3 A It -- yes, it does get smaller. But, again,
4 we still have the differential for energy and fuel.

5 Q All right. And would you agree that to the
6 extent that you reduce the amount that you're recovering
7 from a variable charge, the less reward a customer would
8 get if they engaged in energy efficiency or
9 conservation?

10 A Yes. It could slow down their payback period.
11 But we do believe that all customers should cover their
12 costs.

13 Q Okay. All right. That's all I have. Thank
14 you.

15 CHAIRMAN BROWN: Thank you, Mr. Coffman.
16 Mr. Moyle.

17 MR. MOYLE: Thank you.

18 FURTHER EXAMINATION

19 BY MR. MOYLE:

20 Q So just to go back, I want to pick up a couple
21 of loose ends.

22 You were asked by Staff to authenticate
23 certain exhibits, and you authenticated, and you said,
24 yes, I'm familiar with those; I sponsored those. Right?

25 A Yes.

1 Q Could you tell me whether the documents that
2 you looked at were between one and ten pages, ten and
3 100, or over 100?

4 A Probably over a hundred.

5 Q Okay. Thank you.

6 And you would agree that high load factor
7 customers are more efficient users of electric power
8 than low load factor customers; is that right?

9 A Yes.

10 Q Now, to try to go back to the question that
11 was pending when we took a break, I'm going to try to
12 illustrate this point with a hypothetical.

13 Assume -- assume all things being equal and
14 there's a rate case that's taking place and then also
15 there's a gas clause hearing that's taking place at the
16 same time. Okay?

17 A Okay.

18 Q And assume that natural gas prices and uranium
19 for nuclear plants, all those things have gone up a lot,
20 and the end result of the gas clause proceeding was --
21 is that a residential customer had a \$15 increase in the
22 gas clause. Okay?

23 MS. CLARK: I just want to clarify. Are you
24 talking about the fuel clause?

25 MR. MOYLE: Fuel clause, yes.

1 CHAIRMAN BROWN: Continue with your
2 hypothetical.

3 MR. MOYLE: Thank you.

4 BY MR. MOYLE:

5 Q Are you with me so far?

6 A Yes.

7 Q Okay. And assume in the base rate case that
8 the result of the base rate case was that residential
9 customers get a \$14 decrease. According to my math,
10 that would mean that the residential customers are
11 paying one dollar more, all other things being equal;
12 correct?

13 A I'm not following your math.

14 Q The clause, the fuel clause results in this
15 Commission entering an order that says, residential
16 people, you have to pay \$15, but then in the other
17 proceeding, this Commission decides to allocate costs in
18 a way where they say, residential people, we're going to
19 give you a \$14 decrease. You with me?

20 A Mm-hmm.

21 Q So I took \$15 which you have to pay more, a
22 \$14 decrease. When you apply gradualism, there's a net
23 dollar increase in my hypothetical; is that right?

24 MS. CLARK: I just -- you're saying there's a
25 decrease in the base rate of \$14?

1 CHAIRMAN BROWN: Mr. Moyle?

2 MR. MOYLE: That's right.

3 CHAIRMAN BROWN: Continue. Are you asking her
4 a question?

5 BY MR. MOYLE:

6 Q Would that -- yes.

7 So what would be the net impact of those two
8 applying the gradualism policy?

9 A I think we're mixing apples and oranges
10 though. If base rates are set on \$15 -- let me be
11 clear. It's the same fuel curve that's being used in
12 our gradualism calculation, and any changes to that
13 would be properly recovered through the fuel clause.

14 Q Just forget how it got set. Just assume base
15 rates; that the net result was a \$14 decrease in base
16 rates. At the same time industrials and hospitals are
17 getting a big rate increase, all other things being
18 equal, that would not comport with the gradualism
19 provision because hospitals and industrials would be
20 getting an increase and residential would be getting a
21 decrease; correct?

22 A Well, I disagree with this -- the premise. It
23 could also go in the opposite direction.

24 Q Right. And --

25 A Just as any other -- when we set base rates,

1 they're based on a certain set of assumptions. Those
2 assumptions could change.

3 **Q I'm asking you to make some very simple**
4 **assumptions for the purposes of the hypothetical.**

5 So just assume -- assume it's very limited
6 facts, and the facts essentially are base rate decrease
7 of \$14 for residential. At the same time hospitals, the
8 military, and large commercials get an increase. All
9 other things being equal, would that violate the
10 gradualism policy?

11 A No, I don't believe it does.

12 **Q Well, then how do you reconcile that answer**
13 **with your testimony on Line 7 and 6 of Page 7 that says**
14 **"as well as providing no rate decreases"?**

15 A Because we've applied the gradualism policy in
16 order to determine the \$15 rate in your example. That
17 is in line with this Commission's policy.

18 **Q At what point in time do you apply the**
19 **gradualism policy?**

20 A When we get revenues from the cost of services
21 group, we would then apply the gradualism policy in
22 allocating revenue requirements to each customer class,
23 and it depends on where they are in the parity
24 calculation. So some customers are below parity; some
25 are higher. And that determines how much of a revenue

1 increase is allocated to each customer class.

2 **Q So when you say nobody gets a rate decrease,**
3 **when do you make that determination?**

4 A In the gradualism calculation.

5 **Q And how do you do that?**

6 A As an example, if a -- if a group is currently
7 over parity, they would get -- they would not get a
8 decrease. They would get less of an increase compared
9 to other customers. In general, their parity would
10 decrease.

11 It can actually be shown on one of my
12 Exhibits, TCC-5. You can see that the parity goes down
13 for several classes that are currently above parity.
14 Residential, general service are two examples of that.
15 So they would have gotten less of an overall increase
16 because they're currently paying the cost to serve their
17 classes.

18 **Q Does the Commission have a rule on gradualism?**

19 A My understanding is that it's enumerated in
20 several orders that I listed in my rebuttal testimony.

21 **Q That wasn't my question.**

22 A No, I'm not aware of a rule.

23 **Q And in your summary, you had mentioned the**
24 **CILC class and the credits; correct? Actually the**
25 **credits.**

1 A No. I don't think I mentioned that in my
2 summary.

3 **Q Didn't you say something about DSM and credits**
4 **being set?**

5 A No, not in my summary.

6 **Q Okay. Do you have testimony to that effect?**

7 A I have testimony that we've reset the credits
8 to presettlement levels.

9 **Q Okay. The credits that you reset, they were**
10 **reviewed in the last DSM goal's docket; were they not?**

11 A No.

12 **Q They were not?**

13 A No. They were approved as part of the
14 overall base rate agreement that has -- of the overall
15 settlement agreement that was entered into.

16 **Q And do they -- were they considered as part of**
17 **the DSM proceeding or in any proceeding before this**
18 **Commission other than the rate case settlement?**

19 A Yes and no. They were part of the DSM docket,
20 but they were not reviewed and evaluated. They were
21 accepted and approved because they were overall -- they
22 were part of an overall multifaceted settlement
23 agreement.

24 **Q And what docket are you referencing in**
25 **response to that answer?**

1 A I don't know the docket number. It's the DSM
2 plans docket from 2015. And Witness Koch is actually a
3 rebuttal witness that can speak much more appropriately
4 to the DSM docket than I.

5 Q Okay. I -- you're aware that your company has
6 taken a position in this case that said the credits are
7 properly set in the DSM goal's docket; is that right?

8 A Yes.

9 Q Okay. And DSM -- the last DSM goals docket
10 that took place, the credits were before the Commission;
11 correct?

12 A The credit --

13 Q The CILC credits.

14 A Again, yes and no. They were part of the
15 multifaceted settlement agreement. They were not
16 evaluated in that document.

17 Q Did -- did what the Commission -- well, the
18 Commission surely approved them in the rate case
19 settlement; correct?

20 A Yes. They were part of one of many items in a
21 multifaceted settlement agreement.

22 Q And in this case, you're suggesting that the
23 credits not continue; is that right?

24 A We're proposing to put them back at
25 presettlement levels. They were approximately

1 \$35 million when we entered into the settlement
2 agreement. We're putting them now at approximately
3 39 million. We're giving load control customers the
4 benefits of having GBRA's or generation-based rate
5 adjustments go into place. So they're actually slightly
6 higher than they were prior to the settlement agreement,
7 but we are proposing that they be put back at
8 presettlement levels with increases for GBRA's.

9 We're here to reset all new rates effective
10 1/1/17, and we believe the appropriate place for them to
11 be considered and evaluated to determine their --
12 their -- they need to be appropriately evaluated along
13 with all of FPL's DSM programs in a load -- in a DSM
14 docket. They're paid for by all customers, and they
15 should be evaluated in conjunction with all of DSM
16 programs.

17 **Q Did -- I assume you did a study or analysis or**
18 **something to support this decision; is that correct?**

19 A No. I don't believe an analysis or study --

20 **Q Yes or no --**

21 A -- needs to be done.

22 I said no --

23 **Q No.**

24 And you made this decision?

25 A I don't -- no. I don't even believe it was a

1 decision. It never was an option from an FPL
2 perspective.

3 **Q Well, you told me -- you told me that this**
4 **issue went to the operations committee; did it not, for**
5 **them to consider it and make a decision? Yes, no --**

6 MS. CLARK: I'm sorry. Can you -- Mr. Moyle,
7 when did she tell you that?

8 MR. MOYLE: Well --

9 CHAIRMAN BROWN: Mr. Moyle?

10 MR. MOYLE: In her deposition. But let me
11 just ask the question.

12 MS. CLARK: I don't believe that's a correct
13 characterization of what you asked and what was
14 answered in the deposition.

15 CHAIRMAN BROWN: Mr. Moyle, will you please
16 rephrase your question?

17 MR. MOYLE: Yes, ma'am.

18 BY MR. MOYLE:

19 **Q Did this credit -- this credit issue with**
20 **respect to resetting them or not, did that -- was that**
21 **something that was taken before the operations committee**
22 **before you made your filing?**

23 A No. It was not the operations committee, but
24 it was a team of senior management personnel. But again
25 I will say it wasn't an option: do we do this or do we

1 not? All of our rate proposals, which it was -- we're
2 resetting the credits because FPL's perspective is that
3 they were for a four-year term. It's in our settlement
4 testimony that those credits were for a four-year term.

5 **Q And do -- are -- that's -- well, why**
6 **did -- well, strike that.**

7 But you're saying that it went to this
8 committee of senior management for review even though it
9 was a foregone conclusion that it had to be reset?

10 A Yes, because everything we were doing for the
11 rate case would be known by senior management and
12 ultimately approved.

13 **Q Wasn't there a presentation with respect to**
14 **what to do with the credits to this committee?**

15 A Yes, there was a presentation. I don't agree
16 with the characterization of "what to do with the
17 credits." Again, it was a conclusion that this is what
18 we were doing.

19 **Q And with respect to the legal effect of the**
20 **credits and how they were treated in the settlement,**
21 **you're not offering a legal opinion with respect to**
22 **whether there was a need to reset or not; correct?**

23 A No, I'm not.

24 **Q Okay. And I don't need to go back through it,**
25 **but you're aware that there's an exhibit in the record**

1 **already that shows that for 2017 and 2018 that**
2 **industrial customers and a large class CILCT are**
3 **confronting an 83 percent rate increase; is that right?**

4 A There's an MFR that shows that particular
5 group of customers is getting an 83 percent increase to
6 their base rate for 2017 and 2018. That's about
7 25 percent of their total bill for a customer of that
8 size, and their total increase over those four years or
9 five years is approximately 6, 7 percent on an annual
10 basis. Those customers pay a total bill --

11 (simultaneous speaking)

12 **Q That was a yes-no question --**

13 CHAIRMAN BROWN: Mr. Moyle, please let the
14 witness answer her question and -- thank you.

15 THE WITNESS: Those customers pay a total
16 bill --

17 MR. MOYLE: I'll withdraw. I'll withdraw it.
18 I'll withdraw all the question.

19 CHAIRMAN BROWN: It's been answered.

20 MR. MOYLE: Yeah, but it did go on for.

21 BY MR. MOYLE:

22 **Q If this Commission thought that industrial**
23 **customers provided jobs that were important and wanted**
24 **to mitigate and not have industrial customers suffer**
25 **large, significant increase, would keeping the credits**

1 as they currently are achieve that objective? Yes, no,
2 please?

3 MS. CLARK: I object to the form of the
4 question.

5 CHAIRMAN BROWN: Mr. Moyle?

6 MR. MOYLE: What about the form?

7 MS. CLARK: He's characterizing -- he's
8 characterizing the increase.

9 CHAIRMAN BROWN: Mr. Moyle, restate the
10 question for me.

11 MR. MOYLE: Okay.

12 CHAIRMAN BROWN: And for the witness.

13 BY MR. MOYLE:

14 Q I think we've established that there's a
15 potential for large industrial customers to get an
16 83 percent increase, and I'm asking her if this
17 Commission was interested in not having large industrial
18 customers have an 83 percent increase, one way to
19 mitigate that would be to say, we're not going to take
20 the credits back down to the pre-2012 rate case level as
21 FPL proposes; isn't that right?

22 CHAIRMAN BROWN: I will allow the question.

23 MR. MOYLE: Thank you.

24 THE WITNESS: Yes and no. Yes, this

25 Commission has latitude to choose rate for many --

1 many different outcomes. But, again, 83 percent is
2 a base number. They pay a total bill. Even with
3 the proposed increases, these customers will be
4 significantly below the national average. Our
5 rates are still highly competitive. So I disagree
6 with the characterization that they're getting
7 these enormous increases and they will not be --
8 and they'll be significantly harmed.

9 BY MR. MOYLE:

10 **Q Can you tell this Court what -- I mean this**
11 **Commission what you believe is a large increase?**

12 A I don't have a definition for it. It's
13 certainly subjective. But, again, I've mentioned it's
14 five to six percent over the -- over the period of our
15 proposal, and it's still highly competitive nationally
16 and in the State of Florida. We've provided that
17 information in discovery as well.

18 **Q Okay. My question just simply was whether you**
19 **had a sense of a large rate increase, and I take it from**
20 **your answer that the answer is no. Is that correct?**

21 A I don't think a -- no, I don't.

22 **Q Okay. Thank you.**

23 CHAIRMAN BROWN: Thank you.

24 Hospitals. Mr. Wiseman.

25 MR. WISEMAN: Thank you, Madam Chair.

1 CHAIRMAN BROWN: Good afternoon.

2 MR. WISEMAN: Good afternoon.

3 EXAMINATION

4 BY MR. WISEMAN:

5 Q Good afternoon, Ms. Cohen.

6 A Good afternoon.

7 Q Let me start with asking you a question about
8 something you said in your oral summary. I think what
9 you said was that the average increase would be about 2
10 to 4 percent. Did I hear that correctly?

11 A Yes.

12 Q Okay. And when you said the average increase
13 of 2 to 4 percent, first of all, I assume that what you
14 were talking about then is the total bill impact. Would
15 that be right?

16 A Yes.

17 Q Okay. Is the 2 to 4 percent the average
18 increase in total bill for residential customers?

19 A No. It's commercial and industrial. It's the
20 four rate classes or -- that make up 95 percent of our
21 commercial and industrial customers that are in my
22 Exhibits TCC-2 and TCC-4.

23 Q Are you aware whether, prior to the time that
24 the hospitals intervened in this case, FPL sent certain
25 representatives out to the hospitals to talk about the

1 impacts of the proposals that FPL was making in this
2 case?

3 A Yes. I'm aware that our customer service
4 personnel -- they have assigned account managers to
5 certain accounts. I think Ms. Santos testified to that.

6 Q And are you aware that if, during those
7 meetings with hospitals, the FPL representatives
8 presented to the hospitals FPL's calculation of what the
9 total bill impacts would be for each of the hospitals?

10 A Yes. I am aware that those were presented.

11 Q And are you aware of whether the total impacts
12 for the hospitals that FPL calculated were more in the
13 18-to-20-percent range?

14 A That sounds about right for 2017.

15 Q All right. Now, you said a moment ago a
16 couple of times that FPL's rates are highly competitive
17 on a national basis. Do you recall that?

18 A Yes.

19 Q Okay. Do you understand what cost-based rate
20 making is?

21 A Yes.

22 Q What's cost-based rate making?

23 A In -- generally that cost responsibility
24 should follow cost causation.

25 Q And cost-based rate making is based upon the

1 costs of the individual utility whose rates are being
2 evaluated; isn't that true?

3 A Can you repeat your question?

4 Q Isn't it true that under cost-based rate
5 making, the evaluation that a public utility commission
6 has to make is based upon the costs of the utility whose
7 rates are at issue?

8 A Yes. But I also believe that you have to
9 ensure you're covering the cost to serve each individual
10 group of customers.

11 Q And I was not suggesting anything to the
12 contrary.

13 But in the concept of cost-based rate making,
14 competition doesn't have any impact; does it?

15 A I don't have an opinion. I don't know.

16 Q Okay. Now, you're the senior management of
17 rate development in FPL's rates and tariffs department;
18 is that right?

19 A Yes.

20 Q Okay. And if I -- I think you're responsible
21 for rate development, rate and tariff administration,
22 and for FPL's base rate -- base revenue forecast; is
23 that right?

24 A Yes.

25 Q Now, you were involved in the planning stages

1 of this rate case; correct?

2 A Yes.

3 Q And would you agree that the rates and tariffs
4 department did not make a recommendation to FPL that it
5 needed new rates to go into effect January 1, 2017?

6 A Yes. That's not our responsibility.

7 Q Okay. So you did not -- the rates department
8 did not make that recommendation; correct?

9 A No. The rates department would never make
10 such a recommendation.

11 Q Okay.

12 A We don't evaluate the revenues of the company.

13 Q Would you agree that if FPL had not filed to
14 increase its rates, and assuming no party filed a
15 complaint asking that rates would be decreased, that the
16 rates that were in effect under the 2012 settlement
17 would -- and which are in effect in 2016 would remain in
18 effect in 2017?

19 A Yes, sir.

20 Q Okay. Now, you discussed billing determinants
21 in your testimony; is that right?

22 A Yes.

23 Q Okay. And that's something that you're also
24 responsible for; correct?

25 A Yes. The forecast.

1 Q Okay. And you also discuss a forecast of base
2 revenue; correct?

3 A Yes.

4 Q Now, in terms of developing the base revenue
5 forecast, would you agree that Dr. Morley provides
6 certain forecasts to your department and then your
7 department converts that into a revenue forecast?

8 A Yes. She provides the load forecast.

9 Q Okay. And the billing determinants are based
10 upon load forecasts; right?

11 A Yes.

12 Q Okay. Now, your forecast of revenues from
13 sales of electricity are set forth in MFR Schedules
14 E13A, E13B, E13C, and E13D; is that right?

15 A I believe so.

16 Q Okay. Could you turn to -- and first of all,
17 you are the sponsor of those MFRs; correct?

18 A Yes.

19 Q Okay. And you're the sole sponsor of those;
20 am I right?

21 A I don't believe I'm the sole sponsor of all of
22 them. E13B I'm not the sole sponsor of.

23 Q Well, I want to focus actually on E13A -- A,
24 if we could. You are the sole sponsor of that one;
25 right?

1 A Yes.

2 Q All right.

3 MS. CLARK: Mr. Wiseman, can you give a minute
4 to get that in front of us?

5 MR. WISEMAN: Sure.

6 MS. CLARK: What was that number again?

7 MR. WISEMAN: E13A.

8 MS. CLARK: Got it. Thank you.

9 MR. WISEMAN: Again, yeah. And let me make
10 that clear. I'm asking about E13A for the 2017
11 test year.

12 CHAIRMAN BROWN: Okay. Please proceed.

13 BY MR. WISEMAN:

14 Q Ms. Cohen, do you have that?

15 A Yes, I do.

16 Q Great.

17 Now, this schedule shows the -- I think the
18 increase in base revenues for each of the rate classes
19 that are listed in the rate schedule for the 2017 test
20 year; is that right?

21 A Yes.

22 Q Okay. Now, would you agree that a large
23 commercial customer is one with a demand of
24 2,000 kilowatts or greater?

25 A Yes.

1 Q All right. And so on this schedule, MFR E13A,
2 the rate schedules for large commercial class customers
3 with a demand of 2,000 kW or higher would be the GSLDT2
4 and the GSLDT3 rate schedule; is that right?

5 A There are a few other ones.

6 Q What are the other ones?

7 A GSLD2, GSLD -- there's a few of them.

8 Q Yeah. Go ahead, please.

9 I think I had mentioned GSLDT2, but --

10 A I thought you said T. I'm sorry.

11 Q Oh, I did. I apologize. You're right.

12 A I don't know them all off the top of my head
13 without looking at a --

14 Q All right. Well, we can go forward. I think
15 we can -- the tariff says whatever the tariff says.

16 Let's look at the CILC1V rate class first.
17 That's the Line No. 1. Do you have that? Row one?

18 A Yes.

19 Q Okay. And that actually -- that rate class,
20 if I'm correct, and if you know, what distinguishes it
21 is that's an interruptible schedule; correct?

22 A Yes, sir.

23 Q And I think if -- under that rate schedule,
24 FPL has the right to require a customer to interrupt at
25 least 200 kW of demand; is that correct?

1 A That's correct.

2 Q All right. Now, you'd agree that under base
3 revenues at present rates for the CILCD -- CILC1D rate
4 class, are \$60,642,000; correct?

5 A Yes.

6 Q Okay. Then if we go over to Column 3, we can
7 see under your proposal that the increase in base
8 revenues would go -- would be to \$95,214,000; correct?

9 A Yes.

10 Q Okay. And so if we go over to Column 5, we
11 see that that would represent that 57 percent increase;
12 correct?

13 A In their base revenue for the class.

14 Q Yes. Okay.

15 And then -- I think we can go through this
16 pretty quickly. Instead of going through all the -- all
17 the dollars, if we go to GSLDT1 -- well, let's start
18 with GSL -- GSLD1. Its increase under the proposal for
19 2017 would be a 27.6 percent increase in base revenues;
20 right?

21 A That's correct.

22 Q And for GSLD2, 33.5 percent; correct?

23 A That is correct.

24 Q And for GSLDT1, 32.5 percent; correct?

25 A 33.5?

1 Q 32.5 percent.

2 A I'm sorry. GSLDT1?

3 Q Yeah. I think I have -- well, maybe I have
4 the wrong -- trying to follow it across the row.

5 I'm sorry. It looks to me like it's a
6 31.3 percent increase. Would that be correct?

7 A Yes.

8 Q Okay. And then for GSLD -- GSLDT2, the base
9 revenue increase would be 32.5 percent; correct?

10 A Yes.

11 Q And then let's go down the page to Line 24.
12 The increase in base revenues for RS-1, the
13 residentials, would be 13 percent; is that correct?

14 A Yes. That's Line 25.

15 Q All right. Now, you're familiar with an
16 entity named Utilities International, Inc., or UI for
17 short; is that right?

18 A Yes.

19 (Transcript continues in sequence in Volume
20 23.)

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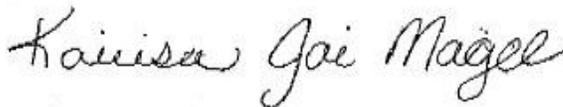
STATE OF FLORIDA)
COUNTY OF LEON)

I, KAIRISA MAGEE, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

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

DATED this 29th day of August, 2016.



KAIRISA MAGEE
NOTARY PUBLIC
COMMISSION #FF 971623
EXPIRES MARCH 15, 2020