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November 27, 2019

-VIA ELECTRONIC FILING-

Adam Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20190061-EI: In re: Petition for Approval of FPL SolarTogether Program and Tariff, by Florida Power & Light Company

Dear Mr. Teitzman:

Pursuant to Order No. 2019-0399-PCO-EI, Florida Power & Light Company submits the attached supplemental rebuttal testimony of Matthew Valle and Juan E. Enjamio in support of its Petition for approval of FPL SolarTogether Program and Tariff in the above referenced docket.

Please contact me if you or your Staff have any questions regarding this filing.

Sincerely,

s/ William P. Cox
William P. Cox
Fla. Bar No. 0093531

Attachments

CERTIFICATE OF SERVICE
Docket No. 20190061-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service on this 27th day of November 2019 to the following:

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By: s/ William P. Cox
Fla. Bar No. 0093531

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **SUPPLEMENTAL REBUTTAL TESTIMONY OF MATTHEW VALLE**

4 **DOCKET NO. 20190061-EI**

5 **NOVEMBER 27, 2019**

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1 **I. INTRODUCTION**

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Q. Please state your name and business address.

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

Q. Did you previously submit direct and rebuttal testimony in this proceeding?

A. Yes.

Q. Are you sponsoring any supplemental rebuttal exhibits in this case?

A. Yes. I am sponsoring the following supplemental rebuttal exhibit:

- Exhibit MV-3 – Net Metering Subsidy

Q. What is the purpose of your supplemental rebuttal testimony?

A. The purpose of my supplemental rebuttal testimony is to refute the supplemental testimony of Office of Public Counsel (“OPC”) witness Dauphinais related to the demonstration of need, Program risk allocation, and the Settlement Agreement. Additionally, I will add clarification to address statements presented by Florida Public Service Commission (“Commission” or “FPSC”) Staff witness Hinton in his supplemental testimony.

1 In that Order, the FPSC concluded that while the projects were “not needed for DEF’s
2 system reserve margin, there is an economic need...for ratepayers and a greater fuel
3 diversity gained with the projects.” This recognizes that there can also be an economic
4 need and a need to enhance fuel diversity. The FPSC also recognized that this solar
5 generation would “help DEF meet its needs for future capacity...and defer the need for
6 future gas-fired generation.” FPL’s SolarTogether Program is consistent with this
7 FPSC view. In addition, FPL’s SolarTogether Program also directly addresses an
8 expressed customer need for more retail options when it comes to solar energy and
9 direct involvement with implementing solar energy in Florida.

10 **Q. Does FPL’s integrated resource planning process take into account factors other**
11 **than immediate resource needs and cost-effectiveness when evaluating resource**
12 **options and resource plans?**

13 A. Yes. On page 60 of FPL’s 2019 TYSP, FPL explains that it takes into account a number
14 of factors in its resource planning work. FPL typically discusses these in terms of
15 “system concerns” or “system factors.” FPL’s 2019 TYSP provides a few examples of
16 the system factors such as maintaining/enhancing system fuel diversity which was
17 specifically mentioned in the FPSC’s orders in the DEF SoBRA Docket Nos.
18 20190072-EI and 20180149-EI. Through its development work on the FPL
19 SolarTogether Program, FPL also views customers’ desire to help implement the use
20 of solar energy as another factor to be considered.

1 **Q. So in conclusion, how does FPL SolarTogether fit within the framework of what**
2 **the FPSC considers when evaluating solar and what FPL takes into account in its**
3 **resource planning?**

4 A. FPL SolarTogether meets three broad needs while providing additional benefits to
5 customers. First, the Program was designed to meet a *customer need* that has been
6 growing over the past several years for direct participation in additional renewables as
7 I have described in previous testimony. Second, the Program meets an *economic need*
8 in that it is a cost-effective program that brings benefits to both participants and the
9 general body of customers. Third, the Program also meets a *resource need* in that it
10 adds capacity that will defer future resource additions, including fossil-fueled
11 generation, and also aligns closely with the resource plan presented in FPL's 2019
12 TYSP. FPL recognizes that this Program is new and innovative, but believes it is firmly
13 grounded in the view expressed by the FPSC in the DEF SoBRA decision and in FPL's
14 long-standing integrated resource planning process.

15 **Q. How does OPC witness Dauphinais's misidentification of the primary driver for**
16 **FPL SolarTogether impact his position that the addition of solar facilities under**
17 **the Program must be the lowest cost option necessary to meet a reliability need?**

18 A. Witness Dauphinais's failure to recognize that the proposed solar generation facilities
19 would be installed principally to meet customer interest in the advancement of solar
20 energy led him to incorrectly rely solely on economic analyses applicable in more
21 traditional utility resource planning contexts. FPL's cost-effectiveness analysis instead
22 follows the same methodology FPL has employed to analyze the cost-effectiveness of
23 all solar sites previously presented to and approved by the Commission (2016 solar

1 included in FPL’s 2016 Rate Case (Order No. PSC-16-0560-AS-EI) and the 2017,
2 2018, 2019 and 2020 FPL SoBRA Projects (Order Nos. PSC-2018-0610-FOF-EI and
3 PSC-2019-0484-FOF-EI), consisting of four sites each). What is different in the FPL
4 SolarTogether analysis is how those benefits are shared among participants and the
5 general body of customers.

6 **Q. Witness Dauphinais claims on page 4 of his rebuttal testimony that “non-**
7 **participants” will pay a subsidy to participants of an estimated \$133 million. Is**
8 **there any validity to that claim?**

9 A. None whatsoever. And this misstatement originates from his misunderstanding of the
10 need as discussed above. Similar to FPL’s SoBRA projects, the benefits derived from
11 the solar facilities flow to those who are paying for the costs of those facilities. In fact,
12 the participants are paying more than 100% of the cost of the facilities and receiving
13 only 55% of the benefits. Witness Dauphinais’s assertion that the benefits belong to
14 the general body even if the general body does not pay for the facilities does not make
15 sense on its face and would be self-defeating for any program that does not count the
16 entire general body as participants. And although the general body is supporting the
17 levelization of costs in the early years, they are more than paid back in both costs and
18 benefits over the life of the projects.

19 **Q. Witness Hinton stated that future additions of large-scale solar will still be**
20 **determined based upon interest in a voluntary program rather than an analysis**
21 **of need for additional capacity. Do you agree?**

22 A. No. FPL believes strongly that having a variety of methods by which to add renewables
23 specifically benefits all Floridians. FPL is not proposing that approval of this tariff

1 would or should prohibit or prevent the addition of new solar via the traditional
2 recovery methods or through specially approved recovery methods such as SoBRA.
3 Rather, FPL SolarTogether would reflect a new, additional option and approach to
4 recovery of future large-scale solar projects.

5

6 **III. PARTICIPANT AND GENERAL BODY RISK ALLOCATION**

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8 **Q. Witness Dauphinais noted in footnote 1 of his testimony that he found FPL’s use**
9 **of general body of customers confusing and preferred non-participating**
10 **customers as those who either have chosen not to subscribe in FPL SolarTogether**
11 **or were not able to. Do you agree with his clarification?**

12 A. No. All customers, including FPL SolarTogether participants, are part of the general
13 body of customers and remain under their previous rates. Participating customers pay
14 FPL SolarTogether costs and receive benefits, however, their underlying bill remains
15 subject to the same potential movement as customers who do not subscribe to the
16 Program. Therefore, FPL has chosen general body of customers to identify the impacts
17 of FPL SolarTogether that are not allocated to the participants of the Program.

18 **Q. On page 9 of his testimony, witness Dauphinais concluded that FPL SolarTogether**
19 **is not FPL’s most cost-effective solution for FPL’s customers *as a whole*. Do you**
20 **agree?**

21 A. No, I do not. Simply put, the general body of customers are projected to save money,
22 and witness Dauphinais’s statements that customers are worse off economically are
23 simply not true. Here, the general body of customers are projected to share in 45% of

1 the total present value of benefits while not carrying any allocation of the present value
2 of revenue requirements of the projects. As evidenced by the economic analysis
3 included in FPL witness Enjamio's rebuttal, the FPL SolarTogether Program is
4 projected to create total CPVRR system savings of \$249 million. FPL proposes to
5 allocate \$137 million of those savings, or 55%, to participants, leaving an estimated
6 \$112 million, or 45%, to benefit the general body of customers even though the cost of
7 the generation that creates those savings will be covered entirely by the Program
8 participants.

9

10 Today, there is no rate base resource option that would allow the general body of
11 customers to realize any percentage of projected savings without bearing a
12 commensurate share of the projected revenue requirements. In fact, the Program
13 participants will pay an estimated 104.5% of the base revenue requirements, further
14 reducing risk for the non-participating portion of the general body of customers. In
15 essence, the non-participating portion of the general body of customers pays none of
16 the CPVRR of the costs while projected to receive approximately \$112 million in
17 CPVRR savings.

18 **Q. Are there other benefits that the general body of customers gains from FPL**
19 **SolarTogether?**

20 A. Yes. For one, the addition of 1,490 MW of new solar generation further diversifies
21 FPL's fuel mix, which reduces risk to the general body of customers of fuel cost
22 fluctuations and reduces dependence on fossil fuels. Secondly, the additional solar
23 generation will further reduce CO₂ and other emissions which packages obvious

1 environmental benefits together with risk mitigation for FPL customers in the event of
2 future carbon emission regulation pricing or taxing mechanisms. Third, new solar
3 projects create jobs and positive economic impact in the 20 different communities
4 across Florida that will host these projects. Fourth, it is likely that FPL SolarTogether,
5 as an alternative to rooftop solar, may reduce the amount of rooftop solar that otherwise
6 would have occurred and thus reduce the inherent subsidy in current net metering rates.
7 And fifth, FPL continues to hear from customers who support FPL offering this
8 Program even if that particular customer does not plan to participate at this time.
9 Providing customers with a variety of options is important as is positioning Florida to
10 be a leader with community solar nationally.

11 **Q. On page 17 of his testimony, witness Dauphinais is concerned about the risk to the**
12 **general body of customers under the nine scenarios FPL presented. Do you believe**
13 **a proper understanding of the nine scenarios should give the Commission any**
14 **concern?**

15 A. No, I do not. First, the purpose of these “9-box” scenarios is to stress test key
16 assumptions in the analysis. In regard to fuel costs, FPL used the same approach it has
17 used in numerous prior FPSC dockets to develop low and high forecasted fuel costs.
18 This methodology is described on page 109 of FPL’s 2019 TYSP.

19

20 It is not surprising or atypical that FPL sees at least one but sometimes several negative
21 scenarios given the significant changes to underlying assumptions. Passing seven of
22 nine scenarios is generally a very strong indication of the robustness of the cost-
23 effectiveness analysis. Second, FPL’s base scenario already includes historically low

1 natural gas and emissions forecasted costs. Third, even if the low fuel cost case does
2 occur, FPL's electric rates and customer bills would significantly drop from where they
3 are expected to be in the Medium Fuel/Medium CO₂ cost scenario.

4 **Q. On page 29 of his testimony, witness Dauphinais stated that greater emphasis**
5 **should be placed on the low price assumption cases. Do you agree?**

6 A. No. Witness Dauphinais brings no credentials to the subjects of long-term forecasting
7 of global commodity pricing, tariffs and election outcomes. His prognostication is
8 surprising – not because of his apparent confidence but because he fails to offer any
9 evidence, exhibit or argument as to why emphasis should be placed in the low fuel cost
10 and low emission cost cases. FPL is left to speculate as to why he thinks “the forecasted
11 net CPVRR savings from those alternatives will not actually materialize.” Witness
12 Dauphinais wants it both ways. On the one hand, he wants us to believe that these solar
13 investments are risky and that they likely will cost, not save, customers money over the
14 long run. But only a few pages before, he wants us to be concerned that the FPL
15 SolarTogether participants are taking too large a share of the benefits and the “non-
16 participants” are worse off than they otherwise would have been. Both futures cannot
17 be true. And clearly witness Dauphinais fumbles here with his “Hail Mary Play”
18 analogy. Of course there are risks to any generation addition. There is no such thing
19 as a perfectly hedged generation addition. For example, a fossil generation unit also
20 would be exposed to fuel and emission assumption forecasts as well as load and
21 resource plan risks. Were FPL to adopt witness Dauphinais's view, the Company could
22 not move forward with any new generation addition over concern of the potential risks.
23 The fact of the matter is that FPL, with FPSC approval, has been making smart

1 generation additions for many years that have driven toward a cleaner, more efficient
2 system that also has resulted in low electric rates and customer bills. FPL's customers
3 have benefitted from these decisions and the FPL SolarTogether Program represents
4 the next evolution of bringing cost-effective clean energy to FPL customers and the
5 State of Florida as a whole.

6 **Q. How does witness Dauphinais's alleged subsidy characterization compare to the**
7 **net metering subsidy you highlighted in your rebuttal?**

8 A. Witness Dauphinais's subsidy claims and calculations are really opportunity cost
9 comparisons between two alternatives and thus not comparable to the cross-
10 subsidization discussion presented in my rebuttal. The inherent design of net metering
11 creates a cross-subsidy, that is, those who do not participate are burdened with costs.
12 FPL provided an estimate of the value of that cross-subsidy by assuming 1,490 MW of
13 net metering solar were added to the system instead of FPL SolarTogether solar. This
14 was intended to demonstrate that FPL SolarTogether compares quite favorably to net
15 metering from the perspective of the general body of customers: the former offers net
16 savings while the latter imposes a net cost. That was as far as the comparison was
17 intended to go.

18 **Q. Witness Dauphinais states that FPL provided no evidence to support the net**
19 **metering cross-subsidization claims presented in your rebuttal testimony. Is that**
20 **true?**

21 A. FPL provided its calculations for the net metering cross-subsidization in its response
22 to OPC's Seventh Request for Production of Documents No. 19, the relevant
23 information from that response is attached as Exhibit MV-3. In the response, FPL

1 documents how the cross-subsidization values presented in rebuttal were calculated.
2 FPL continues to believe that FPL SolarTogether and net metering complement one
3 another providing customers with a variety of options. FPL SolarTogether has not been
4 designed to replace customer investment in private net metered solar generation. As
5 such, FPL has not analyzed potential load retention attributable to FPL SolarTogether.

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IV. SETTLEMENT AGREEMENT

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9 **Q. OPC witness Dauphinais contends that the Settlement Agreement should not be**
10 **approved because it is non-unanimous and it does nothing to resolve OPC's**
11 **concerns. How do you respond to this contention?**

12 A. Settlement agreements do not always resolve all issues raised by all parties. Rather,
13 settlement agreements are the outcome of negotiations reflecting the solutions the
14 settling parties are willing to accept. The Commission is the sole determiner of whether
15 that settlement agreement is in the public interest. My understanding is that settlement
16 agreements need not be joined by OPC as a precondition for approval. OPC's view of
17 the Settlement Agreement is not the issue; the issue is whether the Commission believes
18 the Settlement Agreement serves public interest.

19 **Q. On what basis should the Commission approve the Settlement?**

20 A. The Commission should approve the Settlement based on a finding that the agreement
21 is in the public interest. In addition to all of the benefits of the FPL SolarTogether
22 Program already demonstrated by FPL, the Commission's approval of the agreement
23 would recognize the significant improvements to the Program offered by the settling

1 parties through the addition of a new 37.5 MW low-income carve-out. This
2 improvement will allow those most financially disadvantaged the opportunity to lower
3 their energy bills while joining others to expand the use of solar in Florida.

4 **Q. Does this conclude your supplemental rebuttal testimony?**

5 A. Yes.

FLORIDA POWER & LIGHT COMPANY
Estimate of Current Net Metering Subsidy

Month	Total NEM Generation ⁽¹⁾	Residential (111 MW DC)			Commercial (34 MW DC)			Total NEM Subsidy ⁽⁴⁾
		NEM kWh ⁽²⁾	Rate \$/kWh ⁽³⁾	NEM Subsidy (\$) ⁽⁴⁾	NEM kWh ⁽²⁾	Rate \$/kWh ⁽³⁾	NEM Lost Revenue (\$) ⁽⁴⁾	
January	16,510,000	12,639,000	\$0.06831	\$863,391	3,871,000	\$0.02721	\$105,333	\$968,724
February	16,501,000	12,632,000	\$0.06831	\$862,913	3,869,000	\$0.02721	\$105,279	\$968,192
March	21,870,000	16,742,000	\$0.06831	\$1,143,674	5,128,000	\$0.02721	\$139,537	\$1,283,211
April	21,736,000	16,639,000	\$0.06831	\$1,136,638	5,097,000	\$0.02721	\$138,693	\$1,275,331
May	22,135,000	16,945,000	\$0.06831	\$1,157,541	5,190,000	\$0.02721	\$141,224	\$1,298,765
June	19,258,000	14,742,000	\$0.06831	\$1,007,051	4,516,000	\$0.02721	\$122,884	\$1,129,935
July	20,680,000	15,831,000	\$0.06831	\$1,081,442	4,849,000	\$0.02721	\$131,945	\$1,213,387
August	19,333,000	14,800,000	\$0.06831	\$1,011,013	4,533,000	\$0.02721	\$123,347	\$1,134,359
September	18,510,000	14,170,000	\$0.06831	\$967,976	4,340,000	\$0.02721	\$118,095	\$1,086,071
October	18,998,000	14,543,000	\$0.06831	\$993,457	4,455,000	\$0.02721	\$121,224	\$1,114,681
November	17,064,000	13,063,000	\$0.06831	\$892,355	4,001,000	\$0.02721	\$108,870	\$1,001,226
December	15,980,000	12,233,000	\$0.06831	\$835,657	3,747,000	\$0.02721	\$101,959	\$937,616
Annual	228,575,000	174,979,000	\$0.06831	\$11,953,107	53,596,000	\$0.02721	\$1,458,390	\$13,411,497

(1) Per NREL - Assumes 145 MW DC of Residential and Commercial Solar sited in Florida.

(2) Assumes 111 MW DC of Residential and 34 MW DC of Commercial NEM generation.

(3) As of August 2019 - Includes Non-Fuel Base Energy and Non-Fuel Clauses.

(4) Subsidy = NEM kWh x Revenue Class Average rates.

FLORIDA POWER & LIGHT COMPANY
Estimate of 1,490MW AC of Net Metering Subsidy

Month	Total NEM Generation ⁽¹⁾	Residential (@25%)			Commercial (@75%)			Total NEM Subsidy ⁽⁴⁾
		NEM kWh ⁽²⁾	Rate \$/kWh ⁽³⁾	NEM Subsidy (\$) ⁽⁴⁾	NEM kWh ⁽²⁾	Rate \$/kWh ⁽³⁾	NEM Subsidy (\$) ⁽⁴⁾	
January	232,391,000	58,097,750	\$0.06831	\$3,968,754	174,293,250	\$0.02721	\$4,742,659	\$8,711,413
February	232,266,000	58,066,500	\$0.06831	\$3,966,619	174,199,500	\$0.02721	\$4,740,108	\$8,706,727
March	307,834,000	76,958,500	\$0.06831	\$5,257,163	230,875,500	\$0.02721	\$6,282,307	\$11,539,471
April	305,953,000	76,488,250	\$0.06831	\$5,225,040	229,464,750	\$0.02721	\$6,243,920	\$11,468,960
May	311,576,000	77,894,000	\$0.06831	\$5,321,069	233,682,000	\$0.02721	\$6,358,675	\$11,679,744
June	271,065,000	67,766,250	\$0.06831	\$4,629,226	203,298,750	\$0.02721	\$5,531,922	\$10,161,147
July	291,098,000	72,774,500	\$0.06831	\$4,971,347	218,323,500	\$0.02721	\$5,940,757	\$10,912,105
August	272,126,000	68,031,500	\$0.06831	\$4,647,345	204,094,500	\$0.02721	\$5,553,575	\$10,200,920
September	260,553,000	65,138,250	\$0.06831	\$4,449,702	195,414,750	\$0.02721	\$5,317,392	\$9,767,094
October	267,414,000	66,853,500	\$0.06831	\$4,566,874	200,560,500	\$0.02721	\$5,457,412	\$10,024,286
November	240,193,000	60,048,250	\$0.06831	\$4,101,996	180,144,750	\$0.02721	\$4,901,883	\$9,003,879
December	224,931,000	56,232,750	\$0.06831	\$3,841,353	168,698,250	\$0.02721	\$4,590,415	\$8,431,768
Annual	3,217,400,000	804,350,000	\$0.06831	\$54,946,490	2,413,050,000	\$0.02721	\$65,661,025	\$120,607,514

(1) Per NREL - Assumes 1,490 MW AC of Solar sited in Florida.
(2) Assumes 25% Residential and 75% Commercial NEM generation.
(3) As of August 2019 - Includes Non-Fuel Base Energy and Non-Fuel Clauses.
(4) Subsidy = NEM kWh x Revenue Class Average rates.

Discount Rate
Annual Amount
Term

7.73%
\$ 121 MM
30 years

FPL WACC
Annual NEM Subsidy assuming 2022 rates
Program Term

Present Value

\$1,397 MM

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
SUPPLEMENTAL REBUTTAL TESTIMONY OF JUAN E. ENJAMIO
DOCKET NO. 20190061-EI
NOVEMBER 27, 2019

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

2 A. My name is Juan E. Enjamio. My business address is Florida Power & Light
3 Company (“FPL”), 700 Universe Boulevard, Juno Beach, Florida 33408.

4 **Q. Did you previously submit direct and rebuttal testimony in this**
5 **proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your supplemental rebuttal testimony?**

8 A. My supplemental rebuttal testimony addresses a number of statements made by
9 the Office of Public Counsel (“OPC”) witness Dauphinais.

10 **Q. On page 6, lines 10-19, OPC witness Dauphinais states that FPL’s**
11 **testimony and discovery responses undermine “any claim that that need is**
12 **the motivating factor for the projects.” Did FPL make such a claim?**

13 A. No. FPL has not made any claims that meeting a reliability need is the primary
14 motivation for proposing the FPL SolarTogether Program. As stated in the
15 direct testimony of FPL witness Valle, FPL is proposing this program with the
16 primary objective of meeting a substantial demand from customers who are
17 seeking expanded access to solar energy, and to do so in a manner that is also
18 cost-effective for FPL’s general body of customers.

19 **Q. But does FPL in fact need the FPL SolarTogether projects to meet its**
20 **reliability criteria?**

21 A. Yes. Although the primary purpose of this program is to address an unmet need
22 for participation in solar energy by FPL customers in a cost-effective way, the
23 firm summer capacity added by the proposed solar facilities does help meet

1 FPL’s summer reliability requirements. As shown in Exhibit JE-5 from my
2 rebuttal testimony, there is a need, starting in 2020, for additional resources to
3 meet the 20% minimum generation requirement. From 2020 to 2022 the firm
4 capacity contribution of the FPL SolarTogether Projects is higher than the
5 reliability need and therefore the projects fully meet the minimum reliability
6 requirements, plus provide additional reliability for those years. Starting in
7 2023, the FPL reliability requirement is higher than the summer firm capacity
8 value of the FPL SolarTogether Projects, so incremental generation resources
9 will be needed for reliability purposes, in addition to the reliability contribution
10 of the FPL SolarTogether Projects.

11 **Q. On page 7, footnote 3, Mr. Dauphinais implies that FPL is using the 20%**
12 **reserve margin criterion in a manner that deviates from the Commission’s**
13 **Order No. PSC-99-2507-S-EU (“Order 2507”) which approved that**
14 **criterion. Is this true?**

15 A. No. FPL’s application of the 20% minimum generation reserve margin here is
16 consistent with Order 2507. It is also consistent with the way FPL and the other
17 investor-owned utilities (“IOUs”) in the state have applied the 20% minimum
18 generation reserve margin criterion since Order 2507 took effect.

19

20 Order 2507 states:

21 1. The IOUs will each voluntarily adopt a minimum reserve
22 margin planning criterion of twenty percent (20%)

1 2. The twenty percent (20%) reserve margin planning
2 criterion will be a minimum; no maximum or cap will be
3 represented or implied by this criterion
4

5 It is clear from this language that the 20% criterion is intended as a minimum
6 reserve margin. It is equally clear that there is no strict upper bound limitation
7 on the resulting reserve margin. Instead, prudent utility resource planning will
8 often result in resource plans that, in some years, have reserve margins in excess
9 of the 20% minimum.

10 **Q. Why would prudent resource planning sometimes result in reserve**
11 **margins above the 20% minimum?**

12 A. The reason why prudent resource planning sometimes will result in reserve
13 margins larger than the minimum requirement is that the most economic
14 generation resources may have generation capabilities that are much larger than
15 the projected increase in peak load in a given year. An effort to strictly limit
16 reserve margins to be very close to the 20% minimum would preclude the use
17 of large efficient base-load generation such as natural gas-burning combined-
18 cycle units which have been shown to be the most cost-effective options in
19 many dockets brought in front of the Florida Public Service Commission
20 (“Commission”) since Order 2507 took effect. A misguided effort to
21 unnecessarily and arbitrarily cap reserve margins, as suggested by Mr.
22 Dauphinais, would necessarily have resulted in higher costs and electric rates
23 to FPL’s customers in the past and would do so in the future.

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Q. Mr. Dauphinais thinks that FPL has not made an effort to reasonably quantify the current risk exposure of the FPL SolarTogether Program. How do you respond?

A. I disagree. For both its original case and the updated case presented in FPL’s rebuttal testimony, FPL has applied a robust risk/benefit analysis, based on a well-established methodology presented by FPL and relied upon by the Commission in many dockets addressing the addition of large generation including solar facilities. This methodology consists of presenting a base case cost-effectiveness analysis as the basis of its petition and supplementing the base case with a sensitivity analysis consisting of an additional eight analyses based on combinations of low, medium and high natural gas fuel prices as well as low, medium and high cost of CO₂ compliance. The results of all these nine cases are set forth in the two tables that follow.

The first table shows the cost-effectiveness results of all nine scenarios prior to allocating to participants. As shown in Table 1 below, in eight out of the nine scenarios, FPL’s customers are better off with FPL’s SolarTogether Program.

1

Table 1 – CPVRR Savings to General Body of Customers Prior to

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Allocating to Participants

Fuel Cost Forecast	Environmental Forecast	Net System Savings (Millions)
High Fuel Cost	Low CO2	(\$323)
High Fuel Cost	Mid CO2	(\$414)
High Fuel Cost	High CO2	(\$563)
Mid Fuel Cost	Low CO2	(\$159)
Mid Fuel Cost	Mid CO2	(\$249)
Mid Fuel Cost	High CO2	(\$401)
Low Fuel Cost	Low CO2	\$8
Low Fuel Cost	Mid CO2	(\$82)
Low Fuel Cost	High CO2	(\$232)

3

- Negative () Indicates Savings to FPL Customers

4

Table 2 shows the cost-effectiveness results for FPL’s general body of

5

customers after the allocation of \$137 million of benefits to the Program

6

participants.

7

8

Table 2 – CPVRR Savings to General Body of Customers After

9

Allocating to Participants

Fuel Cost Forecast	Environmental Forecast	Net System Savings (Millions)
High Fuel Cost	Low CO2	(\$186)
High Fuel Cost	Mid CO2	(\$277)
High Fuel Cost	High CO2	(\$427)
Mid Fuel Cost	Low CO2	(\$22)
Mid Fuel Cost	Mid CO2	(\$112)
Mid Fuel Cost	High CO2	(\$265)
Low Fuel Cost	Low CO2	\$145
Low Fuel Cost	Mid CO2	\$54
Low Fuel Cost	High CO2	(\$96)

10

- Negative () Indicates Savings to FPL Customers.

1 As shown in Table 2, the general body of customers, including non-participants,
2 is better off in seven out of the nine scenarios. Considered as a whole, this
3 sensitivity analysis shows that there is more potential “upside” benefit than
4 “downside” risk to FPL customers if natural gas prices and carbon emission
5 allowance prices differ from the base case assumptions (mid-fuel and mid-
6 CO₂).

7
8 In his supplemental testimony, Mr. Dauphinais attempts to discredit the sound
9 risk/benefit results shown in both these tables by proposing that the results for
10 certain scenarios should be weighted differently, and proposing that those
11 scenarios resulting in lower system benefits (low gas and low CO₂) should be
12 given greater weight. This ignores the fact that the carbon price scenarios are
13 already based on probability-weighted scenarios, with the probabilities
14 developed by ICF, one of the leading experts in the area of emission price
15 forecasting. It also ignores the fact that FPL’s high and low fuel price forecasts
16 are chosen based on statistical analysis of natural gas prices, and not on FPL’s
17 whim as he seems to suggest. The probabilities assigned by ICF to the different
18 scenarios and the methodology used to determine the high and low gas price
19 forecasts were previously provided by FPL in the discovery process in response
20 to Staff’s First Set of Interrogatories No. 96.

21 **Q. Does this conclude your supplemental rebuttal testimony?**

22 A. Yes.