

STEEL
HECTOR
& DAVIS

REGISTERED LIMITED LIABILITY PARTNERSHIP

Steel Hector & Davis LLP
215 South Monroe, Suite 601
Tallahassee, Florida 32301-1804
850.222.2300
850.222.8410 Fax
www.steelhector.com

ORIGINAL

Matthew M. Childs, P.A.

March 1, 2000

RECEIVED-FPSC
00 MAR -1 PM 2:16
RECORDS AND
REPORTING

Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399

RE: DOCKET NO. 991779-EI

Dear Ms. Bayó:

Enclosed for filing please find the original and twenty (20) copies of the Direct Testimony of K. M. Dubin and J.P. Stepenovitch on behalf of Florida Power & Light Company in the above referenced docket.

Very truly yours,

Matthew M. Childs, P.A.

MMC:ml

Enclosure

cc: All Parties of Record

- AFA _____
 - APP _____
 - CAF _____
 - CMU _____
 - CTR _____
 - EAG _____
 - LEG _____
 - MAS _____
 - OPC _____
 - RRR _____
 - SOC _____
 - WAW _____
 - OTH _____
- 1/5 + org*

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

Stepenovitch
DOCUMENT NUMBER-DATE

02774 MAR-18

FPSC-RECORDS/REPORTING

Dubin
DOCUMENT NUMBER-DATE
02773 MAR-18
FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE
DOCKET NO. 991779-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Direct Testimony of K. M. Dubin and J.P. Stepenovitch have been furnished by Hand Delivery,** or U.S. Mail this 1st day of March, 2000 to the following:

Wm. Cochran Keating IV, Esq.**
Division of Legal Services
FPSC
2540 Shumard Oak Blvd. Rm.370
Tallahassee, FL 32399-0850

Jeffrey A. Stone, Esq.
Russell A. Badders, Esq.
Beggs and Lane
P. O. Box 12950
Pensacola, FL 32576

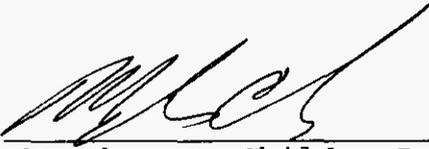
James A. McGee, Esq.
Florida Power Corporation
P. O. Box 14042
St. Petersburg, FL 33733

Ms. Angela Llewellyn
Regulatory Specialist
Regulatory & Business
Specialist
Tampa Electric Co.
Post Office Box 111
Tampa, FL 33601

Jack Shreve, Esq.
Stephen C. Burgess, Esq.
Office of Public Counsel
111 West Madison Street #812
Tallahassee, FL 32399

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
227 S. Calhoun Street
P. O. Box 391
Tallahassee, FL 32302

Ms. Susan D. Ritenour
Assistant Secretary and
Assistant Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520

By: 
Matthew M. Childs, P.A.

ORIGINAL

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

DOCKET NO. 991779-EI

**REVIEW OF THE APPROPRIATE
APPLICATION OF WHOLESALE POWER SALES BY
INVESTOR-OWNED UTILITIES**

MARCH 1, 2000

TESTIMONY OF K. M. DUBIN

DOCUMENT NUMBER-DATE

02773 MAR-18

FPSC-RECORDS/REPORTING

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
TESTIMONY OF KOREL M. DUBIN
DOCKET NO. 991779-EI
March 1, 2000

Q. Please state your name, business address, employer and position.

A. My name is Korel M. Dubin, and my business address is 9250 West Flagler Street, Miami, Florida, 33174. I am employed by Florida Power & Light Company (FPL) as Manager of Regulatory Issues in the Rates and Tariffs Department.

Q. Have you previously testified in this docket or a related docket?

A. Yes, I have testified in Docket No. 990001-EI, the Fuel and Purchase Power Cost Recovery Docket. Docket No. 991779-EI is a spin off from the Fuel Docket.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to request Commission approval to extend the shareholder incentive set forth in Order No. 12923, issued January 24, 1984 in Docket No. 830001-EU-B to other opportunity sales. Additionally, my testimony requests that consideration be given to increasing the percentage

1 for shareholder incentives to provide further encouragement to utilities.

2

3 **Q. Please describe the 20 percent shareholder incentive set forth in Order**
4 **No. 12923, issued January 24, 1984, in Docket No. 830001-EU-B?**

5 A. In Order 12923 the Commission established an incentive to share the gains
6 on broker sales between the retail customers and the utility shareholders.
7 The objective of establishing this incentive was to maximize economy sales
8 and provide a net benefit to customers.

9

10 **Q. Should the Commission eliminate the 20 percent shareholder incentive**
11 **set forth in Order No. 12923?**

12 A. No. The objective of this order to maximize economy sales and provide a net
13 benefit to customers continues to be and may even be more valid today. As
14 stated in the testimony of FPL witness J. Stepenovitch, the market has
15 changed significantly since 1984; there is more competition. And, since there
16 is more competition, on the surface it may appear that incentives are no
17 longer needed but just the opposite is true. Competition affects each end of
18 the transaction in different ways. It may be easier to buy if there is more
19 competition but it is also harder to sell. In this more competitive environment,
20 when it is harder to make sales, it does not make sense to eliminate
21 shareholder incentives. On the contrary, when it is harder to make sales,
22 utilities should be encouraged to make them. Although utilities are motivated

1 to make these sales to keep rates as low as possible, a shareholder incentive
2 compensates the utility for the disincentives (such as increased O & M and
3 wear and tear on the generating assets) associated with making these sales.
4

5 **Q. Should the Commission extend the 20 percent shareholder incentive set**
6 **forth in Order No. 12923, issued January 24, 1984, in Docket No. 830001-**
7 **EU-B to other types of sales?**

8
9 A. Yes. As described in the testimony of FPL witness J. Stepenovitch, the broker
10 system is being used much less than in the past and utilities are now making
11 the majority of sales outside of the broker network, particularly outside of the
12 state. Therefore, the shareholder incentive should be extended to these non-
13 broker opportunity sales to provide an incentive for utilities to maximize these
14 off system sales, which will benefit customers even more. Consideration
15 should also be given to increasing the percentage for shareholder incentives
16 to provide further encouragement to the utilities and to compensate for the
17 associated disincentives.

18
19 **Q. What types of economy energy sales should be eligible for a**
20 **shareholder incentive?**

21
22 A. In addition to the current treatment of Schedule C, Broker Sales, FPL

1 believes that sales transactions made pursuant to Tariff No. 1 and the Market
2 Based Rates Tariff should also be eligible for a shareholder incentive. Both
3 of these types of transactions are commonly referred to as opportunity sales.
4 Although FPL recommends that the shareholder incentive should be
5 extended to other opportunity sales, FPL believes that the shareholder
6 incentive should not be applied to Emergency Sales such as Schedules AF
7 and DF.

8

9 **Q. How should the incentive be structured?**

10 A. FPL believes that consideration should be given to increasing the percentage
11 for shareholder incentives. For example, a sliding scale could be used where
12 the shareholder incentive on the first \$20 million in gains on sales could be
13 shared 80% to retail customers and 20% to shareholders. The next \$20
14 million could be shared 60% to retail customers and 40% to shareholders,
15 and any gains over \$40 million could be shared 50%/50%. By using a sliding
16 scale, the utility is compensated and the customer benefits by a lower fuel
17 charge.

18

19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.