BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 080677-EI
FLORIDA POWER & LIGHT COMPANY

IN RE: PETITION FOR RATE INCREASE BY FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY & EXHIBITS OF:

RENAE B. DEATON

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF RENAE B. DEATON

DOCKET NO. 080677-EI

AUGUST 6, 2009

Q. Please state your name and business address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 9250 West Flagler St., Miami, Florida 33174.

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

A. Yes.

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

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

- RBD-9, Impacts of Imposing Rate Increase Limitations
- RBD-10, FPL's Bill Lowest in Florida

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to rebut the testimony of the Florida Industrial Power Users Group's (FIPUG's) witness Pollock, the South Florida Hospital and Healthcare Association's (SFHHA's) witnesses Baron and Kollen, and the Association For Fairness in Rate Making's (AFFIRM's) witness Klepper. Specifically, I will address FPL's proposed rate design as it relates to parity and proposed rate increases by rate class, the design of general service demand rates, issues related to the GBRA, and issues related to conjunctive billing.

SUMMARY

Q. Please summarize your rebuttal testimony.

A. A primary purpose of my rebuttal testimony is to refute the claim that rate increases should be limited to 1.5 times the system average increase, rather than taking the opportunity to achieve parity and eliminate years of subsidizations between the rate classes.

In developing its revenue increase allocation guideline, the Florida Public Service Commission (FPSC or Commission) recognized that limits may be needed in instances where a customer would see a significant impact on a total bill basis. In this case, however, this guideline is not necessary or appropriate. Exhibit RBD-9 clearly demonstrates that on average, customers are projected to see an overall decrease in their total bill in January 2010. Imposing an artificial limit of "1.5 times the system average" on individual rate classes would perpetuate the continued subsidization of certain classes by an excess of $40 million. Under proposals offered by intervenors, these subsidies would grow even larger ($65 million to over $190 million as noted in SJB-10 and SJB-9 from SFHHA witness Baron).

I also address several misconceptions that intervenors have as it relates to previously-approved rate design methodology. Specifically I will address the development of CILC rates and related target revenue, the development of the general service demand rates, and the appropriate venue for the CDR rider development.

Finally, I will demonstrate that the implementation of the GBRA is not a radical or complicated matter, as asserted by SFHHA witness Kollen, given the full implementation of the GBRA for Turkey Point Unit 5, the subsequent $5.5 million rate reduction true-up to reflect the actual capital cost of the plant, and approval for implementation of base rate increases for West County Units 1 and 2. Furthermore, I will discuss the overall benefits of the continuation of the GBRA mechanism as it relates to sending appropriate price signals to customers as well as the contribution of the power plants eligible for GBRA treatment, in conjunction with past efficiency improvements of the fossil fleet discussed by FPL witness Hardy, to fuel savings that are estimated to reach $1 billion per year by 2014.

REBUTTAL OF FIPUG WITNESS POLLOCK

Q. **Do you agree with FIPUG witness Pollock's assertion at pages 56-57 of his testimony that the concept of gradualism should be applied to class revenue allocation in this case?**

A. No. FPL's proposal appropriately reflects the allocated costs by rate class and provides an opportunity to address inequities between the rate classes at a time when overall bills are projected to decrease for most customers in 2010 with moderate increases in 2011. Taking a more gradual approach and not moving to parity to the fullest extent practicable now would result in the continued subsidization of certain rate classes by others. Furthermore, FPL cannot predict with any certainty the next opportunity to address parity, and it might not occur for a number of years. Given this uncertainty, a gradual approach would allow these subsidies to continue longer than necessary.

For a number of years, medium and large commercial and industrial (C/I) customers have benefited from a subsidy by residential and small commercial customers. It would be unfair to residential and small commercial customers to allow this subsidy to continue unnecessarily.

Had FPL been implementing general rate increases over the past 24 years on a regular basis, and thus been able to maintain appropriate parity levels, the subsidies that exist today, to a large extent, could have been prevented. However, FPL has been able to avoid a general base rate increase, except for limited increases associated with GBRA, for 24 years, and has even lowered rates three times in this period. Thus there is a need to address subsidies between rate classes that have arisen during this time and ensure equitable rates on a going forward basis.

Q. FIPUG witness Pollock states in his testimony at pages 56 - 57 that the Commission recently addressed class revenue allocation in the TECO rate case by limiting the lighting class increase to 150% of the system average, and that therefore all rate class increases in this case should be limited to 150% of the retail average base rate increase. Do you agree?

A. No. Parity discrepancies in the TECO case were not as large as in this case which is why the 150% cap only needed to be applied to the lighting rate class. In prior cases the Commission has used a guideline or what could be called a "rule-of-thumb" to limit rate increases to an individual rate class to mitigate bill impact. At the same time, however, the Commission has made clear its goal that rates should be based on the fully allocated cost-of-service methodology with the goal of achieving full parity among rate classes. In the FPSC Order that first instituted the rule-of-thumb, the Commission clearly indicated that this guideline was designed to mitigate the impact of the total customer bill, not out of some general principle of slowly moving toward parity and allowing cross-subsidization to continue. The Commission states on pages 106-107 in Order No. 10306 approving FPL's request for a rate increase in Docket No 810002 as follows: "All parties in this proceeding agree that the revenue increase should be allocated between classes so as to move toward an equalized rate of return for all classes. While we embrace this concept, we feel the impact on *customers' bills* must be considered in allocating revenues" (emphasis added).

Q. Are there other cases in which the Commission has deviated from the rule-of-thumb?

A. Yes. The Commission also recently addressed revenue allocation in the People's Gas System (PGS) case (Docket No. 080318). In the PGS case, the Commission approved Staff's recommendation on rate design which, as discussed by Staff on page 2 of its recommendation, veered from the Commission guidelines. The result was that the Commission allowed increases to rate classes greater than 150% of the 11.17% system average, from 180% to over 400% (See PSC Order No. 09-0411-FOF-GU, schedule 7). On page 42 of the Commission's Final Order it stated, "The distribution charges are set at a level which, in combination with the customer charge, will result in the recovery of the total base revenues allocated to each rate class."

In a Gulf Power rate case, the Commission also recognized the need to deviate from its general guidelines (Docket 810136-EU). On pages 29-30 of Order No. 10557 the Commission said: "we are departing from our policy in previous cases of limiting the increase to any one class to no more than 1.5 times the system average increase. Were we to apply that policy in this case, some classes whose present rates of return are above parity would receive an increase. Thus, the greater equity lies in allocating the increase to those rate classes with substantially lower rates of return."

Q. What meaning do you ascribe to the Commission's reference to "the greater equity"?

A. That it is inherently fair and equitable to align each rate class's revenues with its cost of service. FPL's proposal does just that. Limiting the revenue increase to any individual rate class to a certain threshold may appear to be equitable, but the benefits of doing so should be balanced against the added revenue burden other customers would be required to bear and the disparities in parity by rate class which would continue as a result. As the Commission found in the Gulf case, the revenue burden on other customers and the disparities in parity by rate class can be such that the use of the rule-of-thumb is inequitable.

Q. What would be the consequences of applying the rule-of-thumb in this case?

A. As shown in column (e) of Exhibit RBD-9, $43 million would be shifted from some rate classes to other rate classes. The residential (RS-1) class would end up shouldering the bulk of the subsidization, as target revenues would need to be increased an additional $28 million. The GSD-1 rate class would be allocated most of the remaining subsidization as it would receive an additional increase of $11 million. The GSLD-1 and HLFT-2 rate classes would receive most of the benefit in a $33 million reduction in target revenues.

Q. Is FPL's approach of moving to parity to the greatest extent practicable preferable?

A. Yes. FPL's approach is preferable as it strives to eliminate subsidization among the rate classes, thus sending appropriate price signals. This is not only consistent with prudent utility rate-making concepts but also with the Commission's goals regarding parity. FPL's approach considers the overall impact on the customer's bill, which for most customers will be lower in 2010. Thus we find ourselves in a somewhat unique scenario under which we are able to implement the necessary base rate increase and ensure full parity between rate classes to the greatest extent practical with minimal impact to customers.

Q. FIPUG witness Pollock states on page 58 of his testimony that, "FPL has under-priced the demand charge and over-priced the energy charge (based on FPL's proposed revenue levels)." Do you agree with this statement?

A. No. The cost-of-service, as proposed, was closely followed in the rate design process. Following a strict unit rate for demand charges would distort the relationships between the general service demand classes and make it difficult to achieve target revenue while maintaining time-of-use (TOU) design goals and principals. As outlined in my direct testimony, limited adjustments were made to the general service demand rates to maintain the appropriate relationships between rate schedules within the general service demand classes. Additionally, adjustments were made to energy charges for the purposes of meeting target revenue levels by rate class.

Q. Do you agree with FIPUG witness Pollock's statement on page 61 of his testimony that "HLFT rates are a derivative of the GSLDT rates"?

A. No. This is incorrect as the GSDT, the GSLDT and HLFT rates are options to, or derivatives of, the corresponding GSD and GSLD rates. FIPUG witness Pollock goes on to recommend using a target load factor of 70% in designing the HLFT rates. MFR E-14, Attachment 2, pages 14 – 16 shows that 70% was indeed the target load factor used in the HLFT rate design.

Q. Beginning on page 61, FIPUG witness Pollock discusses what he perceives are issues with the CILC rate design. Do you agree with his assessment?

A. No. FIPUG witness Pollock asserts that rates should be set to unit costs without adjustment. Mr. Pollock fails to point out that the unit cost in the cost of service does not reflect non-firm CILC load, and therefore energy adjustments are required to achieve the target revenue increase shown in the cost of service MFR E-1.

The CILC base target revenue increases, as outlined in MFR E-14 Attachment 2, pages 26-28, reflect the revenue deficiency shown in the cost of service MFR E-1. In determining the revenue deficiency, CILC revenues are adjusted to reflect the CILC Incentive Offset as detailed in MFR E-5, row 6. Without this adjustment, the revenue deficiency would be $30.6 million higher. Additionally, both the demand and energy charges are developed as approved by the Commission in Docket No. 891045-EI.

Q. Starting on page 63 of FIPUG witness Pollock's testimony, he discusses changes to the Commercial/Industrial Demand Reduction (CDR) Rider credit. Do you agree with his recommendations in this proceeding?

A. No. FPL has not proposed to revise the $4.68 credit under the CDR Rider in this filing because consideration and evaluation of changes to the credit, if needed, are made in the Demand Side Management (DSM) Goals docket.

REBUTTAL OF FIPUG WITNESS BARON

Q. SFHHA's witness Baron states on page 44 that the Commission should "continue its past practice of limiting the increase to any rate schedule to 1.5 times the average percentage increase." Do you agree?

A. No. For the same reasons I have previously discussed regarding FIPUG witness Pollock's testimony, I also disagree with SFHHA witness Baron on this issue. Also, note that SFHHA's witness Baron misstates the Commission's revenue allocation guideline. As discussed previously, the Commission's guideline applies to allocation of revenues among the rate *classes*, not rate schedules.

Q. In Exhibit SJB-9 to SFHHA witness Baron's testimony, an alternative revenue allocation for purposes of rate design is proposed for this proceeding. Do you agree with the methodology?

A. No. SFHHA witness Baron's proposed allocation is based on a flawed cost-of-service methodology as it applies to the FPL system, as addressed by FPL witness Ender. Additionally his approach would serve to benefit the customers that he represents by shifting revenues out of these rate classes and into others, specifically residential and small general service customers.

Q. How would SFHHA witness Baron's proposal affect parity among FPL's rate classes?

A. Under SFHHA's witness Baron's approach, fewer rate classes would reach parity levels and cross-subsidization would continue for the foreseeable future. Specifically, Mr. Baron's approach would result in the residential and general service rate classes overpaying by approximately $190 million (See SFHHA witness Baron's Exhibit SJB-9, column 9 minus Exhibit SJB-10, column 4).

REBUTTAL OF SFHHA WITNESS KOLLEN

Q. SFHHA Witness Kollen suggests on page 9 that the Commission's approval of the GBRA mechanism would represent a "radical departure from traditional ratemaking." Do you agree?

A. No. The GBRA mechanism was used effectively to incorporate Turkey Point Unit 5 into rate base, thereby aligning these changes with fuel savings realized by customers while keeping regulatory costs low. This is similar to the mechanism established by the Alabama Public Service Commission (APSC) in 1982 for the purpose of recognizing the financial impact of placing new generating plants into service. Alabama Power Company has used that mechanism to effect an Adjustment for Commercial Operation of Certified New Plant (CNP) rate to incorporate into rates costs for new power plants that were certified by the Alabama Public Service Commission as they are placed into service (See APSC Dockets 18117 and 18416). While this process may not yet be considered traditional, it is far from "radical."

Q. What do you mean by "aligning these changes with fuel savings"?

A. I mean that base rate adjustments are made to reflect the costs of new plant investments through the GBRA mechanism at the same time that fuel clause factors are adjusted to reflect savings that will result from the new, more efficient generating units. This alignment is consistent with ensuring that the appropriate price signal is sent to customers; without the alignment the price signal received would be too low as it would only reflect the fuel savings.

Q. Have you quantified the benefits of these new, more efficient generating units included in GBRA?

A. Yes. In addition to the first year fuel savings discussed in my direct testimony and Exhibit RBD-8, FPL has quantified the benefits of the efficiency improvements that have accrued and will continue to accrue over time, as discussed in FPL witness Hardy's direct and rebuttal testimony. FPL has projected that the investments included in base rates through GBRA, along with efficiency improvements of the existing fossil fleet, will help FPL achieve over $3 billion in fuel savings from 2003 - 2009. These fuel savings have been passed on to the customer through the fuel clause. Going forward, FPL's rate request and continuation of the GBRA will allow continued investments in efficiency improvements, which are expected to yield savings of $1 billion per year by 2014, thus allowing future bills to remain low.

Q. What is the basis for the fuel savings claim?

A. The $3 billion in fuel savings was determined by an analysis that compared the continuation of FPL's generation fleet in 2003-2009 with and without the efficiency improvements at existing oil- and gas-fired facilities as well as the addition of new, more efficient generation facilities. As discussed by FPL witness Hardy, FPL's fossil fleet is expected to be almost 20% more efficient in 2014 than it was in 2002 and, as a result, FPL estimates that the efficiency savings will grow to over $1 billion per year in 2014.

Q. What does that mean for customers?

A. It means that customers pay less. FPL's current low bills reflect the savings in fuel costs realized due to investment in improving the efficiency of the FPL fossil fleet, as discussed by FPL witness Hardy. FPL's rates are the lowest in Florida and 21% below the Florida average according to June survey data on the typical 1,000 kWh residential bill from the Florida Municipal Electric Association. As shown on RBD-10, the typical FPL customer currently pays $28.50 less monthly, or about $340 less per year than the Florida average.

Q. SFHHA witness Kollen further suggests on pages 11-12 that there is no GBRA tariff to review and that paragraph 17 of the settlement lacks sufficient detail for approval of continuation of the GBRA mechanism. Do you agree?

A. No. Paragraph 17 of the settlement and the clarifying language regarding the GBRA true-up contained on page 5 in Order No. PSC-05-0902-S-E1 approving the 2005 settlement provided sufficient detail for the Commission to approve, without issue, implementation of base rate increases for West County Units 1 and 2, and Turkey Point Unit 5, including a base rate reduction to reflect a $5.5 million savings in annual revenue requirements as a result of the Turkey Point Unit 5 project costing $21 million less than originally projected. Additionally, I previously described the mechanics of the GBRA adjustment on pages 20-21 of my direct testimony. The mechanics of the GBRA adjustment and true-up can be set forth in a tariff just as easily as it was set forth in my direct testimony.

REBUTTAL OF AFFIRM WITNESS KLEPPER

Q. Should the Commission require FPL to develop multiple location rates as suggested by AFFIRM witness Klepper on page 12 of his testimony?

A. No. The Commission should reject the request for two reasons. First, AFFIRM witness Klepper requests a form of conjunctive or aggregated billing that would violate Commission Rule 25-6.102, F.A.C., which prohibits conjunctive billing. This is a long-standing Commission rule and the Florida Legislature has seen fit to provide only a limited exception to this rule for customers who also generate electricity from agricultural waste (See §366.91(7), F.S.).

Second, Mr. Klepper's request would also discriminate against similarly-situated customers that are not part of a chain. Florida law prohibits unjustly discriminatory or preferential pricing (See §366.07 F.S.). Mr. Klepper proposes that AFFIRM members be allowed to aggregate demands at individual locations based on ownership in order to qualify for the GSLDT3 rate, a rate designed for customers taking service at the transmission voltage level, and avoid all distribution charges. However, he has not shown that an AFFIRM customer that is part of a chain costs any less to serve or uses the distribution system differently than the exact same type of customer that is not part of a chain.

Finally, as discussed in my direct testimony, FPL offers many rate alternatives that provide customers opportunities to lower their costs through efficient energy usage. The high load factor time-of-use (HLFT) and seasonal demand time-of-use (SDTR) rates were designed specifically for this purpose. For the foregoing reasons the Commission should not require multi-location rates as requested by AFFIRM witness Klepper.

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

A. Yes.

Impacts of Imposing Rule-of Thumb Limits
To 2010 Revenue Increases

	Revenue From Sales of Electricity Current Rates	Revenue From Sales of Electricity Proposed Rates	Difference (b) - (a)	% Difference (c)/(a)	Adjustments Required If Increases Are Capped at 1.5x System Average[1]	Combined Impacts (d) + (c)	% Difference (f)/(a)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
C/I Classes That Benefit from 1.5x Limit	$1,556,661,140	$1,505,423,048	($51,238,092)	-3.3%	($42,520,489)	($93,758,581)	-6.0%
C/I Classes That **Do Not** Benefit from 1.5x Limit	$3,224,084,409	$3,028,054,793	($196,029,615)	-6.1%	$13,890,518	($182,139,097)	-5.6%
Residential Customers	$5,944,921,910	$5,686,219,816	($258,702,094)	-4.4%	$28,071,140	($230,630,955)	-3.9%
Total	$10,725,667,459	$10,219,697,657	($505,969,802)	-4.7%	($558,831)	($506,528,633)	-4.7%

(1) $558,831 balance captured by MET, OL-1, OS-2, SL-1, SL-2, and SST rate classes. The majority of this balance is allocated to SL-1

CLAUSE FACTORS ESTIMATED BASED ON ESTIMATES AND FUEL PRICES AS OF FEBRUARY 9, 2009.
CURRENT RATES AS APPROVED FOR WCEC#2 (PSC-08-0825-PCO-EI).
EXCLUDES TR, CDR, AND OTHER CURTAILABLE CREDITS.
TOTAL SYSTEM BILLING UNITS BY CLASS AS UTILIZED IN MFR E-14 ATTACHMENT#2, FOR THE 12 MONTHS ENDING 12/31/2010.

Benefiting C/I Classes Include:CILC-1D, CILC-1T, CS-1, CS-2, GSLD-1, GSLD-2, HLFT-2, HLFT-3, SDTR-2, and SDTR-3

Non-Benefiting C/I Classes Include: CILC-1G, GSLD-3, SDTR-1, HLFT-1, GS-1, and GSD-1

Impacts of Imposing Rule-of Thumb Limits To 2010 Revenue Increases

	Revenue From Sales of Electricity Current Rates (a)	Revenue From Sales of Electricity Proposed Rates (b)	Difference (b) - (a) (c)	% Difference (c)/(a) (d)	Adjustments Required If Increases Are Capped at 1.5x System Average[1] (e)	Combined Impacts (d) + (c) (f)	% Difference (f)/(a) (g)
HLFT-2	$467,905,129	$453,413,623	($14,491,506)	-3.1%	($18,358,317)	($32,849,822)	-7.0%
GSLD-1	$487,008,584	$485,108,519	($1,900,065)	-0.4%	($15,335,605)	($17,235,671)	-3.5%
HLFT-3	$97,444,062	$92,701,443	($4,742,619)	-4.9%	($2,542,303)	($7,284,921)	-7.5%
CILC-1D	$236,397,719	$222,001,323	($14,396,396)	-6.1%	($2,272,147)	($16,668,543)	-7.1%
SDTR-2	$55,414,542	$54,659,249	($755,293)	-1.4%	($1,875,263)	($2,630,556)	-4.7%
GSLD-2	$75,387,374	$72,904,714	($2,482,660)	-3.3%	($1,088,132)	($3,570,792)	-4.7%
CS-1	$18,140,348	$18,039,329	($101,020)	-0.6%	($665,317)	($766,337)	-4.2%
CS-2	$7,539,429	$7,265,840	($273,589)	-3.6%	($183,460)	($457,049)	-6.1%
SDTR-3	$6,367,236	$6,102,117	($265,119)	-4.2%	($118,338)	($383,456)	-6.0%
CILC-1T	$105,056,719	$93,226,892	($11,829,827)	-11.3%	($81,607)	($11,911,434)	-11.3%
Subtotal	$1,556,661,140	$1,505,423,048	($51,238,092)	-3.3%	($42,520,489)	($93,758,581)	-6.0%
CILC-1G	$16,403,885	$14,550,821	($1,853,064)	-11.3%	$55,842	($1,797,222)	-11.0%
GSLD-3	$19,607,442	$17,684,490	($1,922,951)	-9.8%	$75,032	($1,847,919)	-9.4%
SDTR-1	$48,472,762	$46,826,549	($1,646,213)	-3.4%	$288,139	($1,358,074)	-2.8%
HLFT-1	$124,369,193	$112,477,964	($11,891,229)	-9.6%	$447,492	($11,443,737)	-9.2%
GS-1	$705,345,429	$636,850,816	($68,494,613)	-9.7%	$1,294,133	($67,200,480)	-9.5%
GSD-1	$2,309,885,697	$2,199,664,153	($110,221,544)	-4.8%	$11,729,879	($98,491,665)	-4.3%
Subtotal	$3,224,084,409	$3,028,054,793	($196,029,615)	-6.1%	$13,890,518	($182,139,097)	-5.6%
RS-1	$5,944,921,910	$5,686,219,816	($258,702,094)	-4.4%	$28,071,140	($230,630,955)	-3.9%
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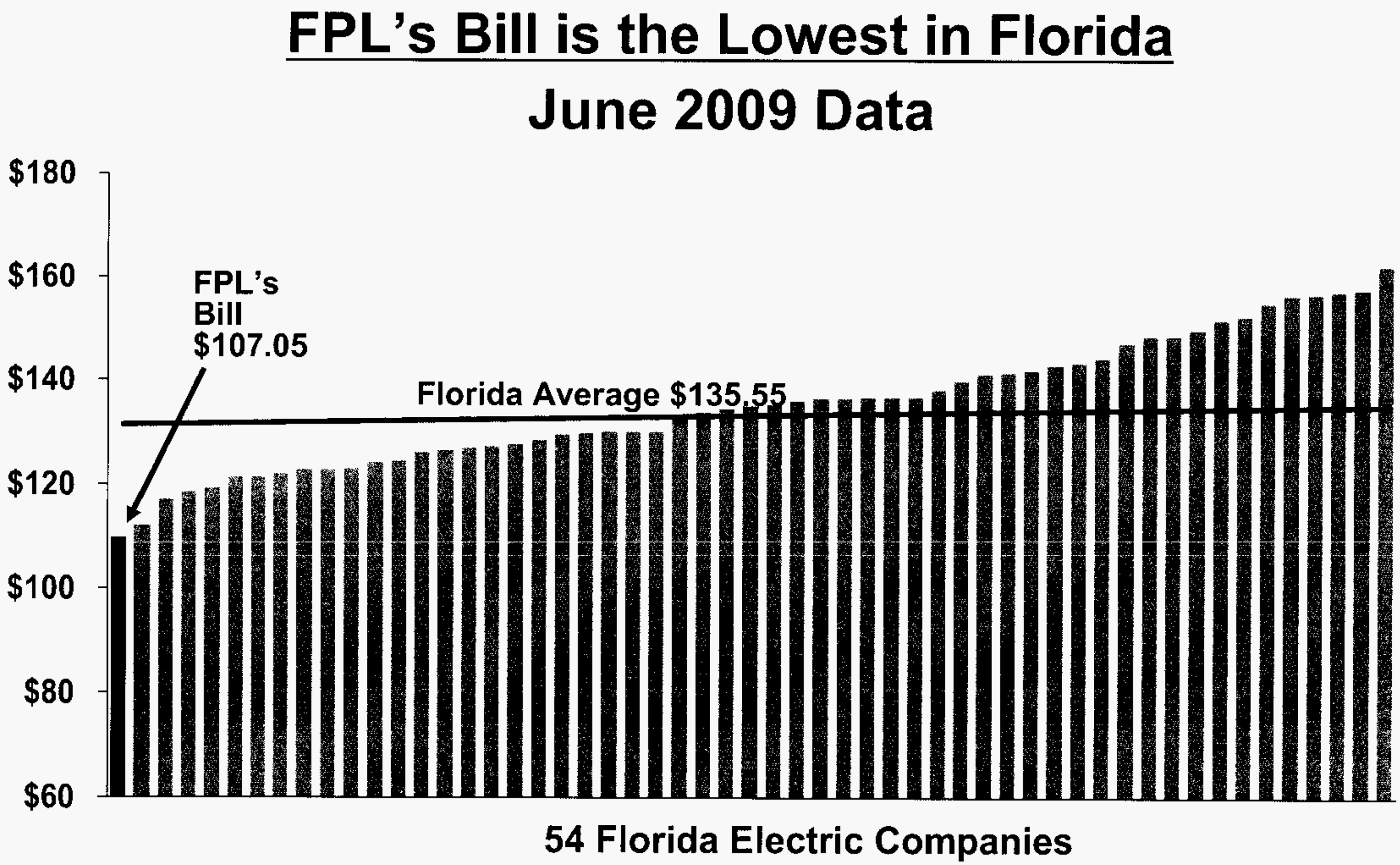
TOTAL SYSTEM BILLING UNITS BY CLASS AS UTILIZED IN MFR E-14 ATTACHMENT#2, FOR THE 12 MONTHS ENDING 12/31/2010.

FPL's typical residential customer bill is the lowest in Florida, and is projected to decrease further in January 2010



1,000 kilowatt-hour residential customer bill. Data reported from Fla. Public Service Commission and Florida Municipal Electric Association. Municipal and co-op bills adjusted to include Florida gross receipts tax.

Docket No. 080677-EI
FPL's Bill Lowest in Florida
Exhibit RBD-10, Page 1 of 1