

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase DOCKET NO. 120015-EI
in rates by Florida Power &
Light Company.

TELEPHONIC DEPOSITION OF: KATHLEEN SLATTERY

IN THE INSTANCE OF: FLORIDA PUBLIC SERVICE
COMMISSION

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D E P O S I T I O N

MS. BROWN: I am Martha Brown for the Public Service Commission staff.

Susan, you want to go ahead?

MS. CLARK: Yeah. Are folks going to say who they have in the room with them?

MS. BROWN: Sure. We have Frank Trueblood, Rick Wright and Clarence Prestwood.

We are going to have Bill McNulty in a little while, but he is in a briefing.

MS. CLARK: Okay. Martha, Susan Clark here and with me is, of course, Kathleen Slattery. Also we have Gary McBean, Stina Daly, Shavaugn Hegley and Rich Ross. We have them here so that hopefully we can help facilitate the deposition because they are here to help get the information that you might need.

MS. BROWN: Sure. That's great. And good morning to all. Good morning, Ms. Slattery.

THE WITNESS: Good morning.

MR. REHWINKEL: Martha, this is Charles Rehwinkel with the Public Counsel's Office making an appearance as well.

MS. BROWN: All right, Charles.

MS. PURDY: And this is Lisa Purdy for SFHHA.

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1 MS. BROWN: Okay. Good morning.

2 MS. PURDY: Good morning. Thank you.

3 MS. KAUFMAN: And this Vicki Kaufman for the
4 Florida Industrial Power Users Group.

5 MS. BROWN: All right. Well, I guess we can
6 get started.

7 Susan --

8 MS. CLARK: Martha, just so I am clear, do I
9 understand that Charles is the only one to have
10 someone with him, and that would be Trish Merchant?

11 MS. BROWN: Tricia?

12 MS. MERCHANT: Actually, I am in another room.

13 MS. CLARK: Okay, Tricia, but you are on the
14 line?

15 MS. MERCHANT: Yes.

16 MS. CLARK: Okay. Yes, Martha, we are ready.

17 MS. BROWN: All right. We are going to do our
18 usual stipulations. No objections are waived
19 except as to form; is that all right with
20 everybody?

21 MS. CLARK: Yep. Yes, Martha if that's what
22 you mean by the usual objection, yes.

23 MS. BROWN: Yes, that's what I mean.

24 MS. CLARK: Okay.

25 MS. BROWN: All right. I guess you have the

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1 notary there to swear in the witness?

2 MS. CLARK: We do.

3 MS. BROWN: Why don't you go ahead and do
4 that?

5 NOTARY: My name is Audrey Knott, and I am the
6 notary. But before we begin, I have been asked to
7 obtain a FAX number to send the Certificate of Oath
8 to.

9 MS. CLARK: Yes, it's 850-717-0118.

10 NOTARY: Thank you.

11 MS. CLARK: Sure.

12 NOTARY: My name is Audrey Knott. I am a
13 notary dual appointed and commissioned here in the
14 state of Florida. Kathleen, raise your right hand.
15 Whereupon,

16 KATHLEEN SLATTERY
17 was called as a witness, having been first duly sworn to
18 speak the truth, the whole truth, and nothing but the
19 truth, was examined and testified as follows:

20 MS. BROWN: All right. Thank you.

21 EXAMINATION

22 BY MS. BROWN:

23 Q Ms. Slattery, would you state your name and
24 business address for the record?

25 A My name is Kathleen Slattery. My business

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1 address is 700 Universe Boulevard, Juno Beach, Florida.

2 Q And by whom are you employed and in what
3 capacity?

4 A I am employed by Florida Power & Light Company
5 as Senior Director, Executive Services and Compensation.

6 Q And you filed direct and rebuttal testimony
7 and exhibits in this docket, correct?

8 A Yes.

9 Q We are going to go through both your direct
10 and rebuttal testimony and a few exhibits.

11 Did you --

12 MS. BROWN: Susan, did you get the list of
13 documents that we are going to refer to from Jon
14 yesterday?

15 MS. CLARK: We did. Thank you, Martha.

16 MS. BROWN: Okay.

17 BY MS. BROWN:

18 Q All right. Well, let's get started.

19 In your direct testimony on page four, you
20 state that the purpose is to present an overview of the
21 gross payroll and benefit expenses, as shown in MFR
22 C-35. Are you responsible for the forecast of the
23 number of employees shown on MFR C-35?

24 A No.

25 Q Could you explain how that forecast is done?

1 A Yes. The forecast for the head count on C-35
2 comes from FPL's budget system. Each business unit
3 Florida Power & Light Company creates and bills its own
4 head count budget based on the leadership's best
5 estimate of the number of staff required to perform the
6 work that we need to do.

7 Q Okay. Then, on page 56 of your direct
8 testimony, you state that FP&L has successfully provided
9 value to its employees and its customers through
10 efficient use of compensation and benefits to drive a
11 culture that improves -- that provides improved
12 efficiency, reliability and service. In the
13 measurements that FPL uses to measure improved
14 efficiency, do any of the calculations involve the
15 number of FPL employees?

16 MS. CLARK: Martha, it's Susan. Could you be
17 a little bit -- well, would you repeat the
18 question?

19 BY MS. BROWN:

20 Q Sure. In the measurements used by FPL of
21 improved efficiency, do any of the calculations involve
22 numbers of employees?

23 A I do not have personal knowledge of those
24 calculations other than by reading the testimony of
25 other FPL witnesses who have detailed the productivity

1 improvements of the company over the past 15 years. I
2 believe I recall, for example, in Mr. Silagy's
3 testimony, statements regarding the reduction in the
4 number of employees during a period of continuous growth
5 and increase in megawatts.

6 Q Can you direct us to any other testimony filed
7 in this docket that deals with the number of employees
8 and -- related to improved efficiency?

9 MS. CLARK: Can you give her a second just to
10 look something up?

11 MS. BROWN: Absolutely.

12 THE WITNESS: In Exhibit KS-3 attached to my
13 direct testimony, there are tables which
14 demonstrate the efficiency of FPL's total salaries
15 and wages on a per employee per operating revenue
16 per customer and for operating expense basis.

17 BY MS. BROWN:

18 Q Okay. That's helpful. Thank you.

19 Now, on page six of your direct testimony, you
20 state that the company designs its compensation and
21 benefits program to attract, retain and engage and
22 competitively reward its employees based on national and
23 local comparative markets.

24 Can you tell us whether FP&L has targets for
25 the number of employees it plans to attract for 2013?

1 A FPL's hiring and staffing goals for 2013 are
2 based on the business units' budgets for the required
3 staffing to most efficiently perform the work required.

4 Q Are there targets for the number of employees
5 FP&L plans to retain for 2013?

6 A For 2013, FPL hopes to retain all of its
7 high-performing employees.

8 Q Okay. So I think you probably answered this
9 question, but let -- let me ask it anyway. In your
10 mind, is head count a key component of FP&L's budgeting
11 process?

12 A Head count is an underlying budget assumption
13 in FPL's budgeting process. The most important part our
14 budgeting of total compensation and benefits expense is
15 to focus on the dollars needed to competitively reward
16 employees at optimal staffing levels as forecasted by
17 the business unit leadership.

18 Q On the bottom of page 20 of your direct
19 testimony and the top of page 21 -- I am sorry. It's
20 your rebuttal testimony -- you state that FPL's Benefits
21 Department calculates the benefit costs included in MFR
22 C-35 based on enrolled head count. Is that correct?

23 A Yes.

24 Q Enrolled head count, therefore, needs to be
25 forecasted in order to forecast benefit costs, correct?

1 A Yes.

2 Q Do you know what the enrolled head count
3 forecasts were for 2012 and 2013 in determining benefit
4 costs?

5 A I do not have those figures here, but I do
6 know that each benefit that is a voluntary employee
7 benefit has a unique assumption for enrolled head count
8 because the percentage of employees that opt out of each
9 voluntary benefit is different.

10 For example, there will be a different opt out
11 number for medical than there will be for dental, and it
12 is a particularly complex calculation for the 401(k)
13 where there are varying levels of percent of
14 participation. So employees may opt to not participate
15 at all or to participate at some reduced level or to
16 participate up to the maximum company match, so it is
17 unique to each benefit.

18 MS. BROWN: All right. Excuse me just for a
19 minute. I need to ask my staffer a question.

20 (Discussion off the record.)

21 BY MS. BROWN:

22 Q Ms. Slattery, we want to ask for a late-filed
23 exhibit that demonstrates that information, the enrolled
24 head count forecasts for 2012 and 2013 and actual for
25 2011.

1 A Okay.

2 MS. BROWN: Okay. We will call that
3 Late-Filed Exhibit 1, Enrolled Head Count
4 Forecasts.

5 (Whereupon, Late-Filed Exhibit No. 1 was
6 marked for identification.)

7 BY MS. BROWN:

8 Q Okay. How were the average employee amounts
9 shown on Schedule C-35 determined for 2012 and 2013?

10 A They came from our budget system.

11 Q Okay. Do you know what the forecast for the
12 average number of employees is for 2014?

13 A No, I do not.

14 Q Okay. Is it available?

15 A I do not know. I don't believe it exists. I
16 am not aware of any 2014 budgets.

17 Q Okay. What is premium pay that is identified
18 in Footnote A on Schedule C-35? Do you see that?

19 A Premium pay would be related to required
20 components of bargaining unit pay under the collected
21 bargaining agreement.

22 Q Okay.

23 MS. CLARK: Martha, can you just hold on a
24 second?

25 MS. BROWN: Absolutely.

1 (Discussion off the record.)

2 MS. CLARK: Thank you, Martha.

3 BY MS. BROWN:

4 Q All right. Ms. Slattery, maybe -- are you
5 sure there is no 2014 forecast yet?

6 A I cannot attest to that. I have no knowledge
7 of one.

8 Q Okay. All right.

9 On page 11 of your direct testimony you state
10 that, as a result of the total compensation and benefit
11 design changes, FPL and its customers are in a better
12 position than many other utilities because FPL is not
13 nearly as burdened with the considerable cost of
14 retention retirement medical obligations and is,
15 therefore, better able address the change in workforce
16 dynamics. And you go on to say, the changes have
17 allowed the company to better focus on the elements of
18 the total rewards package that have more value for
19 attraction, retention and engagement of workforce.

20 How does the total rewards package discussed
21 in your testimony have more value for employees for
22 attraction and retention?

23 A Employees tend to focus more on the
24 compensation part of the total rewards equation than
25 they do the benefits part of the total rewards equation

1 in making decisions about whether or not to come to work
2 for us. So they focus on that in the offer letter.

3 And then once we have them on board, because
4 all of our salaried employees are eligible to
5 participate in our performance-based variable pay
6 program, we are able to motivate them towards common
7 business unit and corporate goals, which are
8 customer-focused operational goals, which benefits our
9 customers and highly motivates employees to work hard to
10 achieve those goals.

11 Q Is it possible that employees might actually
12 prefer defined benefit pension packages?

13 A It is possible that some employees may prefer
14 that. We do routinely conduct engagement surveys of our
15 employee population, which include questions about the
16 value they place on compensation and on benefits, so we
17 are assured that we have an ideally designed total
18 rewards package to ensure the highest engagement level
19 of our employee population as a whole.

20 Q And with respect to post-retirement medical
21 coverage, is it possible that employees might prefer
22 that?

23 A My answer is the same as the prior question.

24 Q Okay. All right.

25 MS. BROWN: Hold on just a minute.

1 (Discussion off the record.)

2 BY MS. BROWN:

3 Q Ms. Slattery, the total rewards package that
4 you discuss in your testimony, is it your opinion that
5 it benefits FP&L more than it does its employees?

6 A No, it is my opinion that our total rewards
7 package benefits the company, its employees and its
8 customers.

9 Q Can you explain why actual overtime for 2011
10 was greater than budgeted overtime as shown on KS-9?

11 A KS-9 demonstrates that not only in 2011 but in
12 most years, FPL's overtime actual tends to exceed FPL's
13 overtime budget. The reason for this is that our
14 business unit leaders budget for optimal staffing
15 levels. And when we are unable to achieve optimal
16 staffing levels because of hiring lags, we sometimes
17 have to use less efficient staffing methods, which
18 includes working our employee population in overtime
19 hours. And in 2011, there were a number of construction
20 projects and outages which contributed to that overtime.

21 Q And I assume you would agree that as a general
22 rule, overtime is more expensive than having additional
23 employees to avoid the overtime?

24 A Not necessarily. It depends on a number of
25 factors. Since each employee has not only a

1 compensation expense but also a benefits expense tied to
2 that employee, fixed benefits costs cannot be ignored in
3 this equation.

4 Again, our business unit leaders are very
5 experienced to produce accurate and reliable forecasts
6 based on optimal staffing levels. Sometimes those
7 optimal staffing levels cannot be maintained. We are
8 looking for talent for the right position and whatnot,
9 and we do use overtime and temporary labor.

10 Q Would you agree, subject to check, that the
11 average variance percent based on the years 2007 to
12 2011, which is shown on your Exhibit KS-9, is a negative
13 1.906 percent?

14 A May I have a moment to check that now?

15 Q Sure.

16 (Discussion off the record.)

17 THE WITNESS: Okay. I checked the number.

18 Will you please repeat your number?

19 BY MS. BROWN:

20 Q Yes. It is a negative 1.906 percent?

21 A Yes, that is the number I calculated for that
22 period as well.

23 Q Okay. We are glad we did our math right.

24 On page 18 of your rebuttal testimony, you're
25 talking about your Exhibit KS-9 and the variance of

1 FPL's budgeted to actual gross payroll expense, and you
2 say that it was an omission-- it's omission is a flaw in
3 OPC's witness Schultz's analysis; is that correct?

4 A Yes, I stated that ignoring the overtime
5 component is an omission.

6 Q And I think you -- in a response to an earlier
7 question of mine, you explained why budgeted overtime
8 increased in 2010 from 65,682,000 to 111 million and
9 thousands and hundreds of thousands of change in 2011,
10 and I think that was -- there were outages and
11 construction costs; is that correct? Is that how you
12 would explain that difference?

13 MS. CLARK: Martha, I am sorry. This is
14 Susan. I got a little lost in your question.

15 MS. BROWN: Yes, I know.

16 MS. CLARK: I'm sorry. Could you just repeat
17 it, please?

18 MS. BROWN: Yes. Yes, I think.

19 BY MS. BROWN:

20 Q On Exhibit KS-9, you explain that budgeted
21 overtime increased from 65,682,000 in 2010 to
22 111,305,000 in 2011 -- or you stated that happened. Can
23 you explain that increase?

24 Let me try again.

25 A You're talking about budgeted rather than

1 actual?

2 Q Yes.

3 A Okay.

4 MS. CLARK: Martha, can you give us -- you
5 know, are you talking about 2010?

6 MS. BROWN: In 2010, the budgeted overtime was
7 \$65,682,000. In 2011, it went up to 111,000 --
8 111,305,000, and we are asking Ms. Slattery to
9 explain what was behind that increase.

10 THE WITNESS: As I stated before, each
11 business unit creates its budget based on its best
12 estimate of the work that needs to be performed,
13 and I do know that in 2011, there were some drivers
14 to our budget, which included the nuclear uprate
15 project, other construction projects and nuclear
16 outage. I do not have any more details than that
17 with me.

18 BY MS. BROWN:

19 Q All right. Do you know what the budgeted base
20 pay and overtime are for 2012 and 2013?

21 A Yes, I do. One moment while I get that.

22 Q All right.

23 A Yes, the budgeted amount of base salary for
24 2012 is 828,726,000. Budgeted overtime for 2012 is
25 113,236,000. Budgeted base salary for 2013 is

1 829,715,000, and the budgeted overtime for 2013 is
2 82,377,000.

3 Q All right. Thank you.

4 In your direct testimony on page seven and
5 through page 11, you are discussing some of the
6 challenges that affect FP&L's efforts to attract and
7 retain the workforce that it needs. And on page five of
8 your rebuttal testimony, you state that total
9 compensation is lower than most comparable utilities on
10 a per employee per revenue -- operating revenue and per
11 customer basis.

12 If FP&L's payroll and benefit costs are lower
13 than most comparable utilities, how does that help
14 attract and retain the necessary workforce?

15 A As demonstrated in Exhibits KS-2 and KS-4
16 attached to my direct testimony, we are paying at or
17 just below market median for base salaries and
18 performance-based variable compensation. Also as
19 demonstrated in exhibit to my direct testimony, that is
20 exhibits KS-5, our total benefit program is just a
21 little bit below market, but in total, this package is
22 market competitive and attracts -- it allows to us
23 attract, retain and motivate our employee workforce.

24 KS-3, the exhibit that is referenced in this
25 part of testimony, is in regards to the efficiency of

1 our total compensation and benefits expense, not our
2 position to market.

3 Q On page 18 of your rebuttal testimony, you
4 state that, the inclusion of overtime expense is
5 essential to get a representative view of reasonable and
6 necessary payroll expense. Is it your testimony that if
7 all budgeted positions were hired when budgeted, that
8 there would be no overtime?

9 A No, it is not my testimony that we would
10 eliminate overtime if we filled all budgeted positions
11 as soon as they were authorized. Overtime is a
12 necessary and prudent expense that allows us to adapt
13 our workforce to changing workforce demands, such as
14 construction projects like the nuclear uprate project
15 and also, for example, restoration efforts following
16 weather events.

17 Q All right. Thank you.

18 MS. BROWN: Hold on just a minute, please.

19 (Discussion off the record.)

20 BY MS. BROWN:

21 Q Ms. Slattery, you mentioned the nuclear uprate
22 project in one of your previous answers. Has that
23 project been completed?

24 A It has not been completed, but as referenced
25 in my rebuttal testimony -- let me get you the page

1 reference -- on page 24 of my rebuttal testimony, it
2 briefly discusses the ramp down of the nuclear extended
3 power uprate project in 2013. I believe that ramp down
4 is going to be starting in 2012, but I do not have the
5 details about the schedule.

6 Q Okay. Thank you.

7 Do you have South Florida Hospital
8 Association's Interrogatory No. 262, Attachment 1?

9 A Yes, I do.

10 Q Can you please explain the difference between
11 RSA nonexecutive stock-based compensation and PSA
12 nonexecutive stock-based compensation and what RSA and
13 PSA stand for on that Interrogatory No. 262, Attachment
14 1?

15 A Yes. RSA stands for restricted stock award.
16 PSA stands for performance share award. They are two
17 different forms of stock-based incentive compensation.

18 Q Can you explain why they are adjusted in
19 different manners as shown on that interrogatory
20 response?

21 A Yes.

22 Q Would you?

23 A Yes, I will. And this relates back to the
24 Commission order from 2010, wherein the adjustment was
25 to reduce the allowed expense for performance shares

1 first by the portion of the award that was being
2 expensed above target and then to adjust the target
3 amount by 50 percent. The restricted stock award was to
4 be adjusted by 50 percent because there was no expensing
5 above target of that form of award, so there is two
6 different adjustments being performed here.

7 Q All right. Can you elaborate on what is meant
8 by Footnote 5 shown on that response in Attachment 1?

9 A Yes. Footnote 5 is 2013 NOI adjustment
10 Commission adjustment to remove 100 percent of executive
11 incentive cost, 50 percent of nonexecutive stock-based
12 comp RSA and 100 percent and 50 percent of nonexecutive
13 stock-based comp PSA multiple and target shares
14 respectively.

15 This footnote is basically what I just
16 explained --

17 Q Right.

18 A -- that the performance share award first has
19 an adjustment to reduce 100 percent of the multiple or a
20 portion of award above target and 50 percent of the
21 amount at target. Whereas the restricted stock award is
22 just a 50 percent adjustment of expense because there is
23 no multiple, no expense above target.

24 Q Okay. Can you explain how the 14,298,476
25 capital amount shown on this Interrogatory No. 262

1 attachment relates to MFR Schedule B-2, capitalized
2 Executive Compensation Adjustment No. 41 in the amount
3 of 1,535,000, which would be 1,511,000 jurisdictional?
4 That's on page four of nine.

5 A Yes, of the \$14,298,476 you are referring to,
6 10,884 -- or I am sorry, 10,884,586 is related to the
7 nonexecutive annual cash incentive, none of which is in
8 our adjustment because we are recovering 100 percent of
9 that. So that does not relate to B-2.

10 The two numbers at the top of that column
11 related to executive stock-based compensation and
12 executive annual cash incentive, which is the \$2,294,062
13 and the 1,119,828, those go into a calculation performed
14 by FPL Witness, Kim Ousdahl. It is described in her
15 testimony, and then it is -- you know, she is sponsoring
16 B-2, but the adjustment appears there.

17 Q Okay. Do the latest affiliate allocation
18 factors affect the capitalized adjustments shown on MFR
19 Schedule B-2, No. 41?

20 A One moment while I look through and see if I
21 have any information about that.

22 Could you please ask the question again? I
23 want to make sure I understand it.

24 Q Sure. Do the latest affiliate allocation
25 factors affect the capitalized adjustment shown on MFR

1 Schedule B-2, No. 41?

2 A I don't know. I am not an accounting witness,
3 that would be something that Witness Ousdahl may be able
4 to answer.

5 Q All right. Thank you.

6 On page eight of your rebuttal testimony, you
7 state that you disagree with Witness Schultz's
8 recommendation to disallow 50 percent of
9 performance-based variable compensation for
10 nonexecutives. Is performance-based variable
11 compensation for nonexecutives the same as cash-based
12 variable compensation for nonexecutives?

13 A Yes, it is.

14 Q Okay. Are any of the performance measures for
15 the nonexecutive performance-based variable compensation
16 tied to earnings per share of Next Era or the financial
17 performance of Next Era?

18 A No.

19 Q Okay. If you refer to MFR Schedule C-35 and
20 tell me why post-employment disability benefit was a
21 negative 6,333,000 in 2011?

22 A Yes, I can explain that. In 2011, the company
23 which had previously been self-insured for income
24 replacement benefits for our LTD participants, we
25 conducted what we call a reverse buyout and essentially

1 sold the liability to a third-party insurance carrier.

2 Because this type of employee benefit expense
3 is calculated by actuaries in a rather complicated
4 calculation, I can't explain how the calculations were
5 performed, but do I know it resulted in a one-time
6 credit that was recognized in the year in which we
7 performed the reverse buyout. And that is why there is
8 that negative 6,333,000 for 2011. So an expense that
9 had been close to 5 million in 2010 became a credit of
10 over 6 million in 2011 before going back to normal
11 expense pattern of 5.6 million in 2012.

12 Q Okay. On page 24 of your rebuttal testimony,
13 you state that the amount of overtime being capitalized
14 is being reduced by 20.3 million from 2012 to 2013 due
15 to the ramp down of the nuclear extended power update
16 project, we talked about this a little bit before.
17 That -- is that correct?

18 A That is correct.

19 Q Okay. Ms. Slattery, would it be all right if
20 we took a five-minute break? We have very few questions
21 left, and we want to just sort of clarify them a little
22 bit.

23 A Yes, certainly.

24 Q Okay. Thank you. We will be back in five
25 minutes.

1 (Brief recess.)

2 BY MS. BROWN:

3 Q Ms. Slattery, we are back. Are you ready?

4 A Yes. I am ready.

5 Q Okay. Why do your schedules KS-5, KS-6 and
6 KS-7 refer to Next Era Energy as opposed to just FPL?

7 A KS-5 are the benefits benchmarking schedule.
8 And when we participate in the Hewitt's Benefit Index
9 survey, we submit data for the total company at the Next
10 Era Energy level because the benefit plan designs are
11 identical. So it's simply more efficient to produce one
12 submission to this very extensive survey data submission
13 than it is to split it in half when the benefit package
14 design is comparable.

15 This data is applicable to Florida Power &
16 Light Company individually, because, again, it's simply
17 a data submission that describes how each benefit works
18 and what the company is providing to the employees.
19 Hewitt then takes it and indexes it is for value against
20 others in the industry.

21 Q Okay. Are any compensation or benefit costs
22 charged or allocated from Next Era to FP&L?

23 A Next Era Energy, Inc. is what you are
24 referring to?

25 Q Yes.

1 A There is -- there are some Next Era Energy,
2 Inc. employees who are at the senior leadership level
3 who have a portion of base salary that is paid for by
4 the utility, and that was provided in discovery
5 documents. But it's just a portion of base salary for
6 those officers that's in the test year.

7 And in addition, I believe it's possible that
8 there could be other direct charges in there I am not
9 aware of, but I am not the affiliate management CR
10 accounting witness. So I only have knowledge of the
11 gross payroll and benefits expense.

12 Q But you did say that you have identified what
13 those charges are in discovery?

14 A Yes. I can -- I can refer you to the specific
15 interrogatories.

16 Q That would be great.

17 MS. CLARK: Martha, just give us a second, and
18 we will shuffle through and see what we can find.

19 MS. BROWN: Thank you.

20 (Discussion off the record.)

21 MS. CLARK: Martha, this is Susan. Just so
22 you know, we are looking for that response. It's
23 taking a little while longer because that is a
24 response we believe that accounting gave to you,
25 which is -- requires us to look in a different

1 notebook.

2 MS. BROWN: Okay. Do you want to proceed, and
3 then when you find it, you can give us that
4 information?

5 MS. CLARK: Give us another minute. If it
6 looks like it's still going to take a while, I
7 think that would be a good way to proceed. Hang
8 on.

9 MS. BROWN: Okay.

10 (Discussion off the record.)

11 MS. CLARK: Martha, we think we found it.

12 BY MS. BROWN:

13 Q Okay.

14 A There is pertinent interrogatories. One was
15 OPC's eighth set of interrogatories, Interrogatory No.
16 155, with a question asked, whether or not any Next Era
17 Energy capital holdings, Next Era Energy resources or
18 other subsidiary employees received their pay and
19 benefits from FPL as the NEE executive employees do.
20 And the answer was, no.

21 And then regarding any executives, they are
22 included in the response to OPC's second set,
23 Interrogatory No. 49 --

24 Q Okay.

25 A -- which details the amount of base salary for

1 all officers that are in the 2013 test year.

2 Q Okay. Thanks. That's very helpful.

3 On pages 14 and 15 of your direct testimony,
4 you discuss FP&L's gross payroll and CPI from 2009 to
5 2013. I would like to ask you some questions about
6 average salaries and CPI for that period.

7 We will need to look at MFR Schedule C-35, and
8 if you look there, is it correct that Line 4, Column 9,
9 indicates that FPL's gross average salary increased 7.72
10 percent in 2011?

11 A I would like to clarify that, that line is
12 actually the gross payroll divided by the average
13 employees, so it's actually gross average payroll per
14 employee. But, yes, that is the correct figure on the
15 schedule, 7.72.

16 Q Okay. The increase in the CPI in 2011 was 3.1
17 percent, according to Column 10, correct?

18 A Correct.

19 Q What are the factors that drove the 7.72
20 percent increase in gross average salary in 2011 for FPL
21 in a year when the CPI increased 3.1 percent?

22 A First of all, CPI is not an indication of the
23 market competitiveness and appropriateness of our total
24 compensation and benefits expense, which is appropriate
25 based on the robust benchmarking that we perform every

1 year as detailed in my testimony.

2 Q Okay.

3 A So I, first of all, do not accept CPI as
4 necessarily the appropriate benchmark for compensation.

5 MS. BROWN: Excuse me for just one minute.

6 (Discussion off the record.)

7 BY MS. BROWN:

8 Q Would you agree that the data on MFR Schedule
9 C-35 indicate that the percentage increase in FPL
10 average salaries don't track the percentage increase in
11 CPI on a year to year basis?

12 A Yes, I agree with that.

13 Q Okay.

14 A And as I have explained --

15 Q Right.

16 A -- CPI is not the appropriate benchmark for
17 compensation and benefits expense, nor the year over
18 year increase in compensation and benefits expense.
19 Instead, more appropriate indicators come from our
20 benchmark survey data, for example, from World at Work,
21 The Conference Board, Hewitt and Mercer, which provide
22 us with the market competitive salary increase budgets
23 for our industry and general industry.

24 Q Ms. Slattery, you have provided that
25 information to us; haven't you?

1 A Yes, I have provided that survey information.

2 Q Right. Right. All right. Give me two
3 minutes and we may be done.

4 (Discussion off the record.)

5 BY MS. BROWN:

6 Q Ms. Slattery, just one final question. You
7 explained that you thought some of these surveys were a
8 better indicator than the Consumer Price Index. Can you
9 explain why you believe that?

10 A CPIU is -- has never been designed to be a
11 compensation benchmark. Instead, it is -- it's
12 information provided by the U.S. Department of Labor,
13 Bureau of Labor Statistics in regards to the price of
14 consumer goods and services, which is a very different
15 thing than wages and salaries, and for that reason, well
16 respected companies like World at Work have been
17 providing survey data on compensation growth in the
18 United States for over 35 years.

19 MS. BROWN: Okay. I think that concludes our
20 questions.

21 MS. KAUFMAN: This is Vicki. Do you all want
22 to go off the record for a second and take stock?

23 MS. CLARK: I am sorry, Vicki. Sure. We can
24 go off the record.

25 MS. KAUFMAN: I just hate to spend transcript

1 pages discussing, you know, who's going to go next.

2 (Discussion off the record.)

3 EXAMINATION

4 BY MS. KAUFMAN:

5 Q Okay. So we are back on the record, and I am
6 Vicki Kaufman. I am here on behalf of the Florida
7 Industrial Power Users Group, and Ms. Slattery, I think
8 we met in the last rate case.

9 A Yes, we did.

10 Q Are you -- obviously, you provided testimony
11 in FPL's last rate case, correct?

12 A Yes, I did.

13 Q And it was in the same area that you're
14 testifying in this rate case; is that right?

15 A Yes.

16 Q Did you hold the same position in the prior
17 rate case that you hold now?

18 A Primarily, it's the same. I have a few
19 different functions reporting to me than previously. At
20 the time, I was on a temporary basis I had benefits
21 reporting to me. I no longer do. Now, I strictly have
22 compensation.

23 Q Okay. But can we agree that your role here is
24 pretty much the same as it was in FPL's last rate case?

25 A Yes.

1 Q And if I understand your role, it's to -- for
2 the compensation and benefit expense that FPL is seeking
3 in this case; is that right?

4 A Yes.

5 Q What is the -- do you know the total number,
6 dollar number of the compensation and benefit expense
7 FPL is seeking?

8 A Yes. As shown on -- well, as shown on MFR
9 C-35 the gross figure is 100 -- let's see. The gross
10 figure for total payroll and fringe benefits expense is
11 1,260,847,000.

12 Q Okay. A little bit slower. I am sorry.

13 A I am sorry. The gross figure, as shown in MFR
14 C-35, for test year 2013 for total payroll and fringes
15 is 1,260,847,000, but that is prior to allocations to
16 affiliates, capitalization, clauses, et cetera.

17 Q All right. Do you know what the comparable
18 number is that you sought in the prior rate case?

19 A Well, we did not have 2013 forecasted in the
20 prior rate case.

21 Q Right. I understand that. I am just trying
22 to find out if you know what the total compensation and
23 benefit expense was that you requested in the prior rate
24 case.

25 A Not off the top of my head.

1 Q Do you know what was awarded in the prior rate
2 case for total benefit and compensation?

3 A Not off the top of my head, no.

4 Q If you look at page five of your direct
5 testimony, the sentence that begins about midway on line
6 10, Ms. Brown asked you about this, where it starts,
7 FPL, has successfully provided --

8 A Uh-huh.

9 Q Do you see that?

10 A Okay.

11 Q Is that sentence intended to refer to -- or
12 does that sentence refer to the period from the prior
13 rate case through the filing of your testimony?

14 MS. CLARK: Vicki, this is Susan. I am sorry.
15 Would you -- Kathleen is there; I am not -- what --
16 give me that page number again.

17 MS. KAUFMAN: Page five, middle of line 10 of
18 the direct, Susan.

19 MS. CLARK: Okay. Thanks.

20 THE WITNESS: That sentence was intended to
21 refer to all periods since 1997 when we redesigned
22 our total rewards program.

23 BY MS. KAUFMAN:

24 Q And so it would include the period from the
25 last rate case through whenever your testimony was

1 filed, correct?

2 A Yes.

3 Q From the period of the last rate case through
4 the filing of your testimony, have you seen any
5 employees deliver less than superior performance?

6 A Any employees deliver less than superior
7 performance? Well, yes, of course we always have some
8 employees whose performance is not up to par, but we
9 take care of that through correcting their performance
10 or we come to an agreement that this isn't the right
11 organization for them. My testimony is that it's more
12 about the aggregate employee population and the
13 aggregate total compensation and benefits expense. In
14 the aggregate we are a superior performing utility with
15 a high-performing workforce.

16 Q My question was probably unartfully worded and
17 I think that your answer answered my question, but let's
18 just try to make the record clear. In the aggregate,
19 since the last rate case, through the filling of your
20 testimony, it would be your view that the majority,
21 let's say, of the FPL employees have delivered superior,
22 performance; would that be right?

23 A Yes.

24 Q On page six of your testimony, at line 19, and
25 y'all let me know when you're there.

1 A Is this direct?

2 Q Yes, still on direct. Thank you.

3 A I am there.

4 Q Actually, starting at line 18 in the -- toward
5 the end of the sentence, you say -- you are talking
6 about the objectives of your compensation and benefit
7 program and you say, that FPL continuously monitors and
8 benchmarks compensation and benefit components. How do
9 you continuously monitor?

10 A Through robust annual benchmarking processes,
11 as well as participating in poll surveys that occur
12 throughout the year.

13 Q So your reference to continuously refers to
14 your annual benchmarking?

15 A Yes. And as I mentioned, I also continuously
16 monitor throughout the year all information available to
17 us and participate in all pulse surveys that third-party
18 is your companies offer during the year. A pulse survey
19 is one where a smaller number of participants are
20 invited to participate in a survey to periodically
21 monitor market conditions outside of annual benchmark
22 survey submissions.

23 Q So when you use the word, continuously, there
24 in addition to the annual benchmarking, you're referring
25 to materials that you might review or surveys that you

1 or your group might participate in?

2 A Yes.

3 Q If you would turn to page seven of your
4 direct, Ms. Slattery, beginning at line 11.

5 A I am there.

6 Q And you're talking there about the change that
7 was made in 1997 regarding the pay-for-performance
8 compensation program, correct?

9 A Correct.

10 Q And you say that you -- that the company has
11 been able to achieve efficiency, reliability and
12 customer service improvements over the last 15 years
13 which contribute to superior value. Does that statement
14 hold true from the time of the last rate case through
15 today?

16 A Yes.

17 Q And the sentence that begins at the end of
18 lines 15 through 18, you are talking about the success
19 the company has had in dealing with workforce challenges
20 that confront the utility industry, correct?

21 A Yes.

22 Q Has FPL been able to successfully deal with
23 such challenges since its last rate case?

24 A Yes, for the most part. Although, we have to
25 continuously monitor market conditions to ensure that we

1 have a market competitive compensation and benefits
2 package that will give us the advantage we need in a
3 tight talent market.

4 Q But it's your testimony that you have been
5 able to do that since the last rate case, correct?

6 A Yes, as evidenced by our superior performance
7 and results.

8 Q If you would turn to page 12 of your direct
9 and take a look at the sentence that begins at the end
10 of line 13, each exempt employee's compensation.

11 A Yes.

12 Q Who is categorized as an exempt employee?

13 A Salaried employee.

14 Q So non-exempt would be hourly?

15 A That's correct, and this is all determined
16 under the Fair Labor Standards Act.

17 Q So any employee that is a salary is considered
18 an exempt employee for the purposes of your testimony?

19 A Yes.

20 Q Turn, if you would, to page 146 of your direct
21 at line 17.

22 A Yes.

23 Q And it goes from line 17 to line 19, I just
24 want to try to get a handle on these numbers, you say
25 from 2009 to 2013, as shown on MFR C-35, the total

1 compensation is forecasted to increase from 972 million
2 to about one billion, or about a \$76 million increase;
3 is that correct?

4 A That is correct.

5 Q Now, when you're referring to the period from
6 2009 to 2013, what are you -- what are you basing those
7 numbers on? Are those from your MFRs from the last rate
8 case, or are they from what the Commission awarded you
9 or some other source?

10 A Some other source. So the 2009, 2010 and 2011
11 years on C-35 --

12 Q Uh-huh.

13 A -- are historical actual gross payroll and
14 benefits which mean --

15 Q Can I just interrupt you so that I can
16 understand?

17 A Yes.

18 Q So for '09, '10 and '11 is historical FPL
19 information?

20 A Yes.

21 Q So that is what you actually paid in those
22 years?

23 A Yes.

24 Q Okay. Go ahead. I'm sorry.

25 A And 2012 and 2013 are from FPL's budget

1 system.

2 Q Now, on line 21, you say that these costs --
3 these numbers include costs that are ultimately
4 allocated to other subsidiaries. Do you know what
5 percentage of the dollars ultimately allocated to other
6 subsidiaries?

7 A No, I do not. I believe Witness Ousdahl would
8 be able to answer those questions.

9 Q So the benefits and payroll expense that
10 you're requesting results in a -- is this the 7.8
11 percent increase shown on page 15, line one?

12 MS. CLARK: Vicki, it's Susan. I was writing
13 something. Would you repeat the question?

14 BY MS. KAUFMAN:

15 Q At the bottom of page 14, going over to the
16 top of 15, Ms. Slattery, you say that the increase in
17 payroll is 7.8 percent?

18 A Yes. Yes. The increase in gross payroll.

19 Q Gross payroll.

20 And that's FPL's increase; it's not referring
21 to anybody else, right?

22 A That's correct, that's FPL's increase, but,
23 again, that's gross payroll figures.

24 Q Right. And then I think you told Ms. Brown
25 that the increase that you're requesting is 7.2 percent;

1 is that correct?

2 A No, I don't recall that.

3 Q Okay. Let me look back. I thought I wrote it
4 down.

5 When you were discussing with Ms. Brown the
6 CPI index --

7 A Yes.

8 Q -- I think you said it increased 3.1 percent.
9 I had written down that the FPL increase on C-35 was 7.8
10 percent.

11 A No, that's not correct. As stated here in my
12 testimony, the 2009 to 2013 gross payroll is
13 approximately 7.8 percent.

14 Q Do you know when the last time was that
15 employees of the State of Florida had an increase in
16 their payroll and benefits?

17 A No, I am not aware of the last year in which
18 they had an increase.

19 Q Do you know when the last time was that the
20 employees of Leon County had an increase in their
21 payroll and benefits?

22 A No, I am not aware of the last year, and the
23 reason is that I do not receive benchmark data regarding
24 public sector jobs because they are not pertinent to the
25 benchmarking of the jobs of FPL employees and the

1 utility industry.

2 Q Take a look with me, if you would, at your
3 Exhibit KS-3, and if I understand that exhibit, it looks
4 at different ways of comparing FPL with other entities
5 to, perhaps, judge whether their salary and wage request
6 is reasonable. Is that a fair characterization?

7 A No, the purpose of this exhibit is to
8 demonstrate the efficiency of FPL's total salaries and
9 wages on a per operating per customer and per operating
10 expense basis. It is not to demonstrate the
11 appropriateness of any individual utility on this
12 exhibit's compensation and benefits expense.

13 I can attest to the reasonableness of FPL's
14 compensation and benefits expense based on the robust
15 benchmarking that we perform. This exhibit just
16 demonstrates how efficient we are compared to others.

17 Q Okay. So KS-3 is to show how efficient FPL is
18 compared to other utilities; is that your testimony?

19 A Yes.

20 Q And is each one of these different comparison
21 equally valid to make that demonstration?

22 A Is your question, is each page of the four
23 page exhibit equally valid?

24 Q Yes, I assumed that since you included them.

25 A Yes. All four pages are valid.

1 Q Now, for example, if you look at page two of
2 four, you would agree with me, wouldn't you, that FPL is
3 higher on this measurement than any of its three
4 brethren utilities in Florida IOUs?

5 A I agree that on this chart, FPL is closer to
6 median than PECO, Progress or Gulf.

7 Q Okay. That wasn't the question, but thank
8 you.

9 Would you agree that they are higher than
10 PECO, Progress and Gulf?

11 A Yes, they are.

12 Q And the same would be the case for the
13 measurements shown on KS-3, page four of four, correct?

14 A Yes.

15 Q Okay. Now, if you would look at KS-4 -- well,
16 let's do it this way. First, look at your testimony,
17 direct, page 16, beginning at line seven.

18 A Could you please repeat the page and line
19 number?

20 Q Page 16 of your direct, beginning at line
21 seven.

22 A Yes.

23 Q And that passage there refers to KS-4, and
24 you're answering the question of FPL's -- how does FPL's
25 annual pay increase program compare to market, correct?

1 A Correct.

2 Q And then when you look at KS-4, you see a
3 comparison there. Can you tell me what you mean by the
4 market as it's used in that testimony and on that
5 exhibit?

6 A Yes. It would be the median of market. This
7 data came from World at Work, which --

8 Q Who was included in the market? Are there --
9 were there companies selected?

10 A World at Work surveys generally cover over
11 4,000 employers, and this is general industry, variable
12 and base pay programs. And there is an interrogatory we
13 responded to that lists the companies that are included
14 in the data referred to, and that was a FIPUG
15 interrogatory -- first set of interrogatories,
16 Interrogatory No. 5.

17 Q Thank you.

18 Take a look at your next exhibit, which is
19 KS-5, which is benefit programs comparison, correct?

20 A Yes.

21 Q And again, I just want to be sure, this is --
22 each one of these numbered companies -- am I correct
23 that each one of these numbered companies is one of the
24 utilities that appears in that dot comparator group
25 average?

1 A One moment while I verify that.

2 Q Okay.

3 A The answer is yes.

4 Q Now, can we tell, for example, which of those
5 utilities is number one and which is number 14?

6 A No, the survey company protects the identity
7 of the individual companies as required by antitrust
8 law.

9 Q So we don't have anywhere to know -- any way
10 to know where the other Florida IOUs fall on this chart,
11 correct?

12 A No, we cannot get individual company
13 information from a third-party is your company because
14 of antitrust laws. They have to protect the identity of
15 the companies in individual data points or provide
16 aggregate percentiles or averages.

17 Q I have a similar question about KS-7, which is
18 talking about average medical costs per employee. Are
19 you there?

20 A Yes, I am here.

21 Q And we see one of the blocks shown on the
22 chart refers to utilities. Do you know which utilities
23 those are?

24 A I do not have a list of the utilities that are
25 part of that index.

1 Q Is that because it's one of -- it's protected,
2 as you said in your previous answer, or you just don't
3 have it?

4 A I just don't have it.

5 Q Do you know where Florida -- other Florida
6 utilities fall on this chart?

7 A No, it would not be possible to determine
8 where any individual utility that participates in this
9 survey falls on this chart because their individual
10 information would be protected by the third-party survey
11 company.

12 Q Do you know how many utilities are included in
13 that utility box, if you will?

14 A I don't have that with me. Hang on a minute.
15 This data came from Hewitt, and I believe we
16 can ask Hewitt for a list of the utilities that
17 participated.

18 Q Does FPL have a -- is presenting a witness
19 from Hewitt in this case?

20 A No. FPL is not presenting any witnesses from
21 any of the third-party survey companies that we receive
22 data from. All of them are providing very reliable
23 business records, and these are generally accepted
24 benchmarking practices.

25 Q You would agree that we don't have any way to

1 cross-examine the Hewitt people to see if that has
2 changed, correct?

3 A That is correct. We have provided all of our
4 surveys through the discovery process.

5 MS. CLARK: Now, Vicki, just to be clear, we
6 have provided all that information in discovery.

7 MS. KAUFMAN: Well, you provided the surveys,
8 Susan; that's what you mean?

9 MS. CLARK: We have provided the surveys, yes.

10 MS. KAUFMAN: Okay.

11 BY MS. KAUFMAN:

12 Q All right. I just have a couple of questions
13 on your rebuttal, Ms. Slattery.

14 A Okay.

15 Q And this has to do with the discussion that
16 begins on rebuttal page eight, and you have some
17 criticisms of Witness Schultz. And as I understand it,
18 and Mr. Rehwinkel may discuss this with you more, I
19 don't know, but you take exception to his view that
20 shareholders received some value from your
21 performance-based compensation; is that right?

22 MS. CLARK: Would you state that question
23 again, Vicki?

24 BY MS. KAUFMAN:

25 Q Yes, I understand your testimony,

1 Ms. Slattery, beginning on page eight and going through
2 the next few pages there, you take some exceptions to
3 Mr. Schultz's view that the shareholders received some
4 value from FPL's performance-based compensation plan; is
5 that right?

6 MS. CLARK: Let us get there. I am not -- I
7 am concerned that's a mischaracterization of her
8 testimony, but let us get there.

9 THE WITNESS: I do believe you have
10 mischaracterized my statement. What I take
11 exception to is that OPC Witness Schultz is
12 recommending a disallowance on the flawed premise
13 that the cost of properly designed incentive
14 compensation plans should be shared equally by
15 shareholders and customers.

16 BY MS. KAUFMAN:

17 Q Do you think any of those compensation plans
18 should be allocated for, lack of a better word, to
19 shareholders?

20 A Absolutely not. Our compensation business
21 expense is reasonable, necessary and prudent, and it
22 should be recoverable in rates as part, you know, of the
23 costs we incur in providing high quality service to our
24 customers.

25 Q Do shareholders -- I am sorry. Were you done?

1 A No, go ahead.

2 Q Do shareholders receive any benefit from that
3 or not?

4 A I don't think that's the point. I mean, I
5 also don't understand how one could parse out what
6 portion of the work performed by FPL employees benefit
7 which constituents. All of our work is performed to
8 benefit our customers.

9 Q I appreciate your response, but I am not
10 asking you to apportion it. I am just asking you, is it
11 your position that the FPL shareholders, or the Next Era
12 shareholders, I suppose, do not receive any benefits
13 from your performance-based variable compensation plan?

14 A If you are asking me if shareholders benefit
15 when costs incurred by the company are properly
16 recovered, then the answer is yes.

17 Q That's not what I am asking you. Listen to
18 the question. Is it your position that the shareholders
19 of Next Era receive no benefit from your -- I have to
20 always look back at the name -- performance-based
21 variable compensation plan?

22 A I feel I have answered this question. It's my
23 position that our compensation and benefits program
24 should be recoverable because they are reasonable,
25 prudent and necessary and incurred --

1 Q I am going to interrupt, and I am going to
2 object. And I'm going ask you one more time. I think
3 we understand the company's position. If you can't
4 answer my question, then you can say so, but it's a
5 pretty straightforward question.

6 MS. CLARK: Yes, Vicki -- and this is Susan --
7 I would respond I think it's been asked.

8 MS. KAUFMAN: Well, I am going to ask one more
9 time. Let me ask it the other way.

10 BY MS. KAUFMAN:

11 Q Do shareholders receive any benefit from your
12 performance-based variable compensation plan? That's
13 really a yes or no.

14 A I would say that, yes, shareholders benefit
15 from the fact that our programs allow us to attract and
16 retain good employees and that there is benefit to all
17 constituents from the work that our employees perform.

18 Q Okay.

19 A There is no way to -- and would never agree
20 that the interests of shareholders and customers are
21 mutually exclusive.

22 Q Do you think that the interest of shareholders
23 and ratepayers are 100 percent aligned?

24 MS. CLARK: Vicki, in what way? I'm sorry.

25 Can you be more specific?

1 BY MS. KAUFMAN:

2 Q In regard to who is responsible for the
3 payment of performance-based variable compensation?

4 A I believe that all constituents benefit from a
5 properly designed and administered variable pay
6 performance-based compensation program.

7 Q Again, you're not answering the question. The
8 question is, do you believe that the interest of the
9 shareholders and the ratepayers are totally aligned in
10 regard to the allocation of the costs for this?

11 A No, I do not believe that the interest of
12 shareholders and customers are 100 percent aligned in
13 any matter.

14 Q Now, in the last case --

15 A Vicki, if I could just clarify, I just -- my
16 last statement, I just meant that the interest of
17 shareholders and customers are not 100 percent aligned
18 in this matter, no. Again, no, I believe that the
19 interest of shareholders and customers are not mutually
20 exclusive and that all parties benefit from a properly
21 designed and administered variable pay program that is
22 performance-based.

23 Q In the last rate case, Ms. Slattery, there was
24 a disallowance for some executive compensation; was
25 there not?

1 A Yes, that's correct.

2 Q And what -- can you just briefly describe what
3 that disallowance was?

4 A The disallowance was for 100 percent of
5 executive incentive compensation.

6 Q Has FPL continued to -- or Next Era or,
7 wherever the money comes from -- have they continued to
8 provide that compensation?

9 A Yes, as a matter of necessity because it's
10 impossible to have a market competitive compensation and
11 benefits package for leadership that does not include
12 incentive compensation since virtually 100 percent of
13 our competitors offer it.

14 Q So they continue -- FPL continues to provide
15 it despite the disallowance, correct?

16 A Yes.

17 MS. KAUFMAN: Just give me a second, if you
18 wouldn't mind.

19 MS. CLARK: That's fine, Vicki.

20 (Discussion off the record.)

21 MS. KAUFMAN: That's it. Thank you,

22 Ms. Slattery.

23 MS. CLARK: Thank you, Vicki.

24 MR. REHWINKEL: Okay. Susan, I will go next.

25 MS. CLARK: I hope -- I think you're last,

1 Charles.

2 MR. REHWINKEL: Okay, good. I didn't know who
3 else was around. I am used to being last.

4 Do we need a break? I don't think my
5 questions are that extensive.

6 MS. CLARK: Yeah, how much time do you have?
7 I think we are inclined to go through.

8 MR. REHWINKEL: Okay. I think this pace is
9 pretty well, less than 20 minutes, hopefully.

10 So proceed?

11 MS. CLARK: I will instruct my witness to be
12 short with her answers. How about that?

13 MR. REHWINKEL: Okay. She gives concise
14 answers. I don't think I have to worry about that.

15 MS. CLARK: Okay.

16 EXAMINATION

17 BY MR. REHWINKEL:

18 Q Good afternoon, Ms. Slattery. I am Charles
19 Rehwinkel with the Public Counsel's Office.

20 A Good afternoon.

21 Q On your rebuttal testimony, if you could turn
22 to that, and let me direct you to page four, lines two
23 and three. At that part of your testimony, are you
24 stating that the reason Mr. Schultz's recommendation
25 regarding performance-based pay is not appropriate is

1 because he failed to evaluate total compensation and by
2 total compensation, I mean all pay and benefits?

3 A Yes, he failed to evaluate the total
4 compensation and benefits cost.

5 Q Okay. Does that total compensation include
6 the performance-based pay that you discuss in your
7 testimony?

8 A Yes, it does.

9 Q In evaluating the total compensation, are you
10 saying -- are you comparing your compensation to other
11 utilities and other large corporations?

12 A Yes, that is what we do in our benchmarking.

13 Q Okay. On page 56 your testimony, lines eight
14 through 19, if you could just generally review that.

15 A Yes, I have reviewed that.

16 Q In that part of your rebuttal testimony you
17 discuss comparison to FPL wages to comparable utilities?

18 A Yes, I do.

19 Q Okay. And on -- in that same section, do you
20 refer to Exhibit KS-3, which is attached to your direct
21 testimony?

22 A Yes, I do.

23 Q Okay. Can I get you to turn to KS-3, please?

24 A Uh-huh. I am there.

25 Q Okay. Is it correct there that the average

1 wages and salaries of FPL employees is \$98,700?

2 A It's correct that for our Work Form 1, year
3 2010, the total salaries and wages for employees is
4 98,700.

5 Q Okay. Does that figure include incentive
6 compensation?

7 A Yes, it does.

8 Q What are the average wages and salaries of PEF
9 employees?

10 A As shown on this chart in that same period, it
11 is 105,500.

12 Q Is it 300 or 500 -- 500? Okay.

13 A 500.

14 Q Does that figure also include -- that \$105,500
15 figure include incentive compensation?

16 A I can't attest to that since this comes from
17 Progress' Work Form 1 total payroll figure that they
18 provided, and I don't have any information on how that
19 was compiled or what their definition of total payroll
20 is.

21 Q Okay. Do you have any reason to believe that
22 it's not included?

23 A I have no reason to believe it's not included,
24 but I can't confirm that it is.

25 Q Okay. If I can get you to turn to page 11 of

1 your rebuttal, please.

2 MS. CLARK: Charles, would you repeat that,
3 please?

4 BY MR. REHWINKEL:

5 Q Yes, page 11 of the rebuttal, I am back to the
6 rebuttal?

7 A Yes, I am there.

8 Q And let me directs to you lines 10 through 12.
9 At that part of your rebuttal testimony, you make a
10 comparison to market and reference Exhibit KS-2; is that
11 right?

12 A Yes, that's correct.

13 Q Okay. If I could get you to turn to Exhibit
14 KS-2.

15 A Okay.

16 Q What is the market that you refer to with
17 respect to the information presented on KS-2?

18 A On KS-2, this is the aggregate results of our
19 robust annual benchmarking process, where we benchmark
20 every job in the company, and the market is the median
21 of market.

22 It is -- every job is unique as to what the
23 market is, but on a general basis, we look at national
24 data for salaried positions and regional data for hourly
25 positions. And this is for our non-bargaining

1 population and we look at the utility industry, and
2 general industry for companies of approximately our
3 revenue size, which is over 10 billion.

4 Q Okay. If you don't mind, can you go -- let's
5 go to the markets that you mentioned. Which one is
6 national?

7 A We use national data to benchmark salaried
8 positions as well as hourly positions in our nuclear
9 power generation and transmission and substation
10 business units because that is the market that we
11 recruit from. We use local and regional data to
12 benchmark hourly positions in our customer service and
13 staff group because that is the market that we recruit
14 from for those jobs.

15 Q Okay. Let me ask you what you mean by, local,
16 first of all. Is that South Florida, or is it the state
17 of Florida?

18 A We use 44 different surveys to try to get the
19 closest match for our individual jobs. Some of them
20 allow us to cut it by region, so it would be southeast,
21 and others allow us to be a little closer to home, South
22 Florida or Florida.

23 Q Okay. And when you say southeast, are you
24 generally referring to from Mississippi up to Tennessee
25 over to North Carolina and back down, or?

1 A I don't have them with me to check that for
2 you.

3 Q Okay. Has any of that -- those survey details
4 been shared in discovery responses?

5 A We -- yes, we provided copies of our market
6 surveys in production of documents.

7 Q That would show the details on these 44 that
8 you mentioned?

9 A Yes, I believe that of the 44 surveys we used
10 in last year's benchmarking we received the required
11 corporate permission to release those surveys all to
12 you, and that went into production of documents.

13 Q Do you -- can you tell me what the PODs or POD
14 that was included in?

15 MS. CLARK: Charles, hang on a minute. It was
16 one of the early ones.

17 MR. REHWINKEL: Okay. Take your time.

18 MS. CLARK: Charles, this is Susan. There
19 were -- I think it got -- these things got produced
20 in response to a number of requests because even
21 though the request might have been worded
22 differently, they would have been included under
23 the umbrella of the request, so may we get that
24 information to you maybe at the conclusion right
25 before we sign off here?

1 MR. REHWINKEL: Yeah, that would be fine.

2 MS. CLARK: All right.

3 MR. REHWINKEL: Okay.

4 MS. CLARK: All right.

5 BY MR. REHWINKEL:

6 Q So the markets -- the breakdown you gave me of
7 salaried positions, hourly and nuclear transmission and
8 substation distribution, those are national; hourly
9 employees and the customer service and staff groups are
10 local and regional, and that's -- that's the break down?

11 A That's correct.

12 Q Okay. On page 18 of your rebuttal, lines 12
13 through 14, is it your -- is it a fair characterization
14 of your testimony there that Mr. Schultz never
15 considered overtime in analyzing total payroll?

16 A Yes.

17 Q Would it be your testimony, then, that the
18 adjustment made by Mr. Schultz does not factor in any
19 overtime?

20 A Yes.

21 Q Let me get you to refer now to KS-9, if you
22 will.

23 A KS-9?

24 Q In your rebuttal.

25 A Okay. Where are you, please?

1 Q Your Exhibit KS-9.

2 A Okay. I am sorry. I didn't hear you.

3 Q That's okay. I am sorry.

4 A KS-9, I am there.

5 Q Okay. Does the analysis contained in KS-9
6 factor in performance-based pay?

7 A No. This is an analysis of base and overtime.

8 Q Okay. What other pay is excluded in this
9 analysis beyond performance-based pay?

10 A Any other earnings type that is not base
11 salary or overtime, so, for example, it could be shift
12 or geographic differential; there is small expenditures
13 in numerous earnings types that comprise other earnings.
14 I do not have a list of all of those wage times with me
15 here.

16 Q Are there -- you said shift or differential.
17 Is this pay that may be based on the cost of living in a
18 certain area?

19 A There are certain jobs that have a small
20 geographic differential for Turkey Point Nuclear only,
21 and that's, you know, one way to -- like I said, there
22 is hundreds of wage types that are used in our payroll
23 system that capture overtime meals, you know, relocation
24 costs for employees that flow through payroll and the
25 like.

1 Q Okay. What is the basis for excluding such
2 pay from this analysis?

3 A We wanted to get a representative view of the
4 base salary and overtime expense for our employee
5 populations. Some of those other wage types are not of
6 material to the year over year analysis.

7 Q Okay. Would you be able to provide me the
8 overtime equivalent employees for each of the years
9 listed on KS-9?

10 MS. CLARK: Would you repeat that, Charles? I
11 am trying to write it down.

12 BY MR. REHWINKEL:

13 Q Okay. My question was, would you be able to
14 provide me the overtime equivalent employees for each of
15 the years listed on KS-9?

16 A Yes, that's an exercise I believe that could
17 be performed if you are asking to take over time and
18 turn it into an equivalent head count above actual
19 staffing.

20 Q Okay. That's something that you did for the
21 test year; is it not?

22 A I did not perform that exercise for the test
23 year. Maybe I don't understand the question. I thought
24 you were asking for me to perform an overtime equivalent
25 analysis for the years shown on KS-9 that would turn the

1 overtime pay into an equivalent number of head counts.

2 Q Yes, if you can do -- can you provide that as
3 a late-filed?

4 A Yes, I can do that.

5 MS. CLARK: Okay. Charles, here is your
6 challenge, give us the title.

7 MR. REHWINKEL: I would just call it Overtime
8 Equivalent Employees, would be the short title.

9 MS. CLARK: Okay.

10 MR. REHWINKEL: And the request is that
11 overtime equivalent employee -- employee's number
12 be presented for each of the years 2002 through
13 2011.

14 MS. BROWN: And, Charles, I think that's
15 Late-Filed Exhibit 2.

16 MR. REHWINKEL: Okay.

17 (Whereupon, Late-Filed Exhibit No. 2 was
18 marked for identification.)

19 THE WITNESS: The -- my only concern is I am
20 not sure how far back we can perform that analysis.
21 I don't know if the budget system has all of that
22 detail. I know, for example, that I saw that they
23 could not provide monthly payroll budgets prior to,
24 it looked like -- let me look at the -- I can tell
25 you the date from which we would have that

1 information available.

2 MR. REHWINKEL: Okay.

3 MS. CLARK: Charles, could you give us just
4 two minutes, and I want Kathleen to just take a
5 second and look at what she can do.

6 MR. REHWINKEL: Okay.

7 (Discussion off the record.)

8 MS. CLARK: Charles, I think Kathleen has some
9 information.

10 BY MR. REHWINKEL:

11 Q Okay.

12 A It appears from responses I have gotten from
13 corporate budget that detailed information that would
14 allow us to perform this exercise is not available prior
15 to 2010, so I have concerns about being able to do this
16 analysis.

17 Q Okay.

18 A I will see what we have, but --

19 Q Okay. Well, I will take whatever years you
20 can give me.

21 A Okay.

22 Q All right. Let's go to page 20, line one of
23 your rebuttal. Are you there?

24 A Yes, I am.

25 Q Okay. Average number for 2011 there is 9,971;

1 is that right?

2 A Yes.

3 Q Do you have an amended response to OPC 2-33
4 interrogatory?

5 A Yes, I do.

6 Q You do, okay.

7 I could do one of two things, I could ask you
8 to look at the numbers in the total column on the first
9 attached page there and ask you to give me the average
10 for the year 2011 in that total column, or I could ask
11 you, subject to check, is it 9,961? Would you prefer to
12 add it up and average it?

13 A Yes, I would.

14 Q Okay. Would you do that please?

15 A I will.

16 MS. CLARK: Charles, it just may take us a few
17 seconds. We are looking for another interrogatory.
18 We want to provide you with some information from
19 it.

20 MR. REHWINKEL: Okay.

21 THE WITNESS: Yes, we have calculated the
22 number, and I also want to point out the answer we
23 provided staff's ninth set of interrogatories,
24 Interrogatory No. 322, wherein we state that small
25 variances between MFR C-35 staffing totals, which

1 is the source of the 9,971 in my testimony, and the
2 budget system are due in part to rounding and
3 calculation of average staff by functional group.
4 I believe there may have been a total of a 10
5 person difference between the response to
6 Interrogatory 33 as amended and C-35 because of
7 that.

8 BY MR. REHWINKEL:

9 Q Okay. So it's your -- you're saying that
10 Staff 9-322 would explain the difference between line
11 one, page 20, and the average number that I asked you
12 about on amended OPC 2-33?

13 A Yes.

14 Q Okay. On line -- let's see. On the same page
15 20 of your rebuttal testimony, what do you list as the
16 actual staffing for July of 2012?

17 A 10,207.

18 Q Okay. Is that number based on the same
19 employee information that is shown on the amended
20 response to OPC 2-33?

21 A This July 2012 actual staffing figure is
22 actual head count at a point in time. The answers in
23 our response to Interrogatory 33 are based on averages.

24 Q So are you saying that the -- any difference
25 between the source of information that is -- supports

1 the numbers in OPC 2-33 is different than the actual
2 staffing total that's shown in -- for July of 2012?

3 A First of all, in our response to Interrogatory
4 33, the actual head count figures we provide, which are
5 based on monthly averages, are provided only through
6 April of 2012. The attachment in our response to 33 is
7 limited to April of 2012. Line two on page 20 of my
8 testimony is an actual staffing head count as of the
9 date that I submitted that testimony, and that was in
10 July.

11 Q Okay. So your testimony was submitted on
12 July 31st, so it would have had have been some -- some
13 date earlier than July 31st?

14 A Yes.

15 Q Okay. Would you be able to provide me the
16 comparable information for June and July to that
17 presented in OPC 2-33?

18 MS. CLARK: Charles, could you just hang on a
19 second?

20 Now, Charles, would you ask your question
21 again, please?

22 BY MR. REHWINKEL:

23 Q My question was, can you provide me the
24 comparable employee information for June and July of
25 2012 to that presented in the amended response to OPC

1 23?

2 A Yes.

3 Q Okay. Do you have it with you?

4 A I do not.

5 Q Okay. So you can provide us a late-filed?

6 A Yes.

7 MR. REHWINKEL: Okay. Susan, let's give it a
8 short title of June and July 2012 OPC 2-33
9 Comparables.

10 MS. CLARK: June and July 2012 OPC 2-33
11 Comparables?

12 MR. REHWINKEL: Yes.

13 MS. CLARK: Was that an interrogatory?

14 THE WITNESS: Yes.

15 MS. BROWN: And that's Late-Filed 3?

16 MR. REHWINKEL: Yes.

17 (Whereupon, Late-Filed Exhibit No. 3 was
18 marked for identification.)

19 BY MR. REHWINKEL:

20 Q That should be fairly easily derived; would
21 that be a fair?

22 A Yes.

23 Q Can I get you to turn again on OPC 2-33, that
24 same page we were looking at? Would you accept, subject
25 to check, that the average number of temporary employees

1 in 2009 was 64? Or you would prefer to calculate the
2 average?

3 A I would prefer to calculate the average.

4 Q Okay. I am going to ask you the same question
5 for 10 and 11.

6 A Okay.

7 Q If you could calculate those or have those
8 done?

9 A Okay. Just give me a second.

10 MS. CLARK: Hang on a minute.

11 MR. REHWINKEL: Okay.

12 (Discussion off the record.)

13 MS. CLARK: Okay. We are ready, Charles.

14 Charles?

15 MR. REHWINKEL: I'm sorry. I had it on mute.

16 BY MR. REHWINKEL:

17 Q What is the number for 2009?

18 A 64.

19 Q For 2010?

20 A 71.

21 Q And for 2011?

22 A 137.

23 Q Okay. Can you explain to me the increase in
24 temporary employees in the 2011 period?

25 A I do not have the budget details behind this

1 to break it down into projects or business units, but I
2 am generally aware that there have been nuclear outages
3 in 2011 and nuclear power uprates.

4 Q Okay. So would it be fair to say you
5 attribute this increase from '10 to '11 to the same
6 factors that you discuss on page 24 of your rebuttal
7 related to overtime?

8 A I believe that they are contributing factors.
9 I cannot confirm what other factors may contribute, but
10 I do believe that the information presented in my direct
11 testimony regarding the shortage of skilled workforce in
12 the utility industry in certain key positions may also
13 contribute to our need to use some temporary labor.

14 MR. REHWINKEL: Okay. Susan, I am done with
15 my questions.

16 MS. CLARK: Okay.

17 MR. REHWINKEL: Is there a response about what
18 discovery or PODs the local and regional surveys
19 were included in yet?

20 THE WITNESS: Yes, it was South Florida
21 Hospital PODs from the first set, POD 4, 109 and
22 112.

23 MR. REHWINKEL: Okay. Thank you very much.

24 MS. BROWN: Susan, can we set a time for
25 late-fileds?

1 MS. CLARK: Yes, Martha, can you just give us
2 a second? As I understand it, Kathleen is looking
3 now at what's been asked. Maybe if I go through
4 what I understand those to be --

5 MS. BROWN: Okay.

6 THE WITNESS: I have -- well, maybe -- now
7 that I look at my notes, I am not that confident of
8 what I titled it, what is Late-Filed Exhibit 1 for
9 you? Is it enrolled head count 2011 actual --

10 MS. BROWN: Yes.

11 MS. CLARK: -- and forecast for 2012 and '13?

12 MS. BROWN: Yes, that's it.

13 MS. CLARK: Okay. And I believe the other two
14 are Charles?

15 MR. REHWINKEL: Yes, Late-Filed 2 is Overtime
16 Equivalent Employees, and Late-Filed 3 is June and
17 July of 2012 OPC 2-33 Comparables.

18 MS. CLARK: That's what I have. Give us a
19 second.

20 MR. REHWINKEL: Okay.

21 (Discussion off the record.)

22 MS. CLARK: Charles and Martha, would next
23 Thursday be all right? All of these are going to
24 take a little work to do, and today is Friday. We
25 want to work with you. Obviously, we want to get

1 you all what you have asked for.

2 MR. REHWINKEL: Wednesday would be better.

3 MS. CLARK: How about we do close of business
4 Wednesday? If we can't get it, we will be calling
5 you and telling you why --

6 MR. REHWINKEL: Okay.

7 MS. BROWN: That's fine.

8 MS. CLARK: -- and when we will have it.

9 MS. BROWN: Okay.

10 MS. CLARK: Martha, does that suit you?

11 MS. BROWN: Yes, that's fine.

12 MS. CLARK: Okay.

13 MR. REHWINKEL: Thank you.

14 MS. BROWN: Susan, I haven't checked in a
15 little while, but we hadn't received the FAX of the
16 notary's affidavit yet.

17 MS. CLARK: Okay.

18 MS. BROWN: Could you just check to see
19 whether she sent it?

20 MS. CLARK: Would you give me the number
21 again?

22 MS. BROWN: Yes, it's 850-717-0118.

23 MS. CLARK: If you hold on a second, someone
24 is going to ask.

25 MS. BROWN: Do you want to ask who wants a

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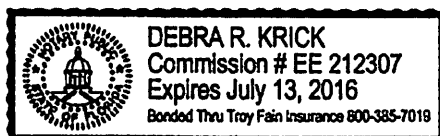
1 copy?

2 (Whereupon, the deposition was concluded at
3 1:10 p.m., and the witness did not waive reading and
4 signing.)
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1
2 CERTIFICATE OF REPORTER3 STATE OF FLORIDA)
4 COUNTY OF LEON)5 I, DEBRA R. KRICK, Professional Court
6 Reporter, certify that the foregoing proceedings were
7 taken before me at the time and place therein
8 designated; that my shorthand notes were thereafter
9 translated under my supervision; and the foregoing
10 pages, numbered 5 through 73, are a true and correct
11 record of the aforesaid proceedings.12 I further certify that I am not a relative,
13 employee, attorney or counsel of any of the parties, nor
14 am I a relative or employee of any of the parties'
15 attorney or counsel connected with the action, nor am I
16 financially interested in the action.

17 DATED this 14th day of August, 2012.

18
19 
20 DEBRA R. KRICK
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1 ERRATA SHEET

2 I have read the transcript of my deposition, pages 5
3 through 73 and hereby subscribe to same, including any
4 corrections and/or amendments listed below.

4 DATE: _____

KATHLEEN SLATTERY

5 (PETITION INCREASE IN RATES BY FLORIDA POWER & LIGHT
6 COMPANY)

6 PAGE/LINE CORRECTION/AMENDMENT REASON FOR CHANGE

7	_____	_____	_____
8	_____	_____	_____
9	_____	_____	_____
10	_____	_____	_____
11	_____	_____	_____
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21	_____	_____	_____

22 DATE OF DEPOSITION: AUGUST 10, 2012

23 REPORTER: DEBBIE KRICK

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1 PREMIER REPORTING
2 114 West 5th Avenue
3 Tallahassee, FL 32303
4 (850) 894-0828

5 August 14, 2012

6 TO: Susan Clark, Esq.

7 re: Petition for increase in rates by Florida Power &
8 Light Company

9 Dear Ms. Clark:

10 Enclosed please find your copy of the deposition of
11 Kathleen Slattery taken on August 10, 2012, in the
12 above-styled case.

13 As the witness did not waive reading and signing, I am
14 also attaching the errata sheet as the last page of the
15 transcript and request that your office make the
16 necessary arrangements with your witness to read your
17 copy of the depositions, noting any corrections on the
18 errata sheet, then dating and signing the errata sheet,
19 within 30 days or before commencement of trial,
20 whichever is first.

21 PLEASE FORWARD THE ORIGINAL, SIGNED AND DATED to Martha
22 Brown, Esq. If the errata sheet or a request for an
23 extension is not received within 30 days, Counsel may
24 assume that the signature has been waived.

25 It was a pleasure working with you on this matter.

Sincerely yours,



DEBBIE R. KRICK

Professional Reporter
Enclosures (Errata sheet and transcript.)

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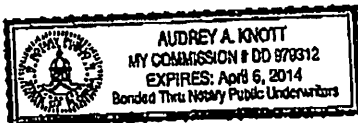
STATE OF FLORIDA

COUNTY OF PALM BEACH

CERTIFICATE OF OATH

I, the undersigned authority, certify that KATHLEEN SLATTERY personally appeared before me at 700 Universe Boulevard, Juno Beach, Florida, 33408 and was duly sworn by me to tell the truth.

WITNESS my hand and official seal in the City of Juno Beach, County of Palm Beach, State of Florida, this 10th day of August, 2012.



Audrey A. Knott
Notary Public
State of Florida

My Commission Expires:

Personally known ✓ or who has produced _____
Type of identification produced _____