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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

_____ /

TELEPHONIC DEPOSITION OF: RENE SILVA

TAKEN AT THE INSTANCE OF: Florida Public Service Commission

DATE: Tuesday, August 7, 2012

TIME: Commencing at 10:15 a.m.
Concluding at 1:54 p.m.

PLACE: Room 382D, Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida

REPORTED BY: LAURA MOUNTAIN, RPR
Court Reporter
Notary Public in and for
the State of Florida at
Large

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ORIGINAL

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12 REPRESENTING FLORIDA POWER AND LIGHT COMPANY:

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23 Betty Gardner
24 Robert Graves
25

1 APPEARANCES (CONTINUED):

2 ALSO PRESENT TELEPHONICALLY FOR THE
3 OFFICE OF PUBLIC COUNSEL:

4 Trisha Merchant

5 Donna Ramos

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9
10 I N D E X

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12 WITNESS

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1 The telephonic deposition of RENE SILVA was taken on
2 oral examination, pursuant to notice, for purposes of
3 discovery, for use in evidence, and for such other uses and
4 purposes as may be permitted by the Florida Rules of Civil
5 Procedure and other applicable law. The reading and signing
6 of the deposition by the witness is not waived.

7 * * *

8 MR. HARRIS: This is Larry Harris. I'm the staff
9 attorney here at the PSC and in the room with me I have
10 Robert Graves and Betty Gardner, staff. If I could ask
11 the people on the phone to state who you're with, I
12 think that would help the court reporter.

13 MR. REHWINKEL: This is Charles Rehwinkel with the
14 Office of Public Counsel.

15 MR. GUYTON: This is Charlie Guyton appearing on
16 behalf of Florida Power and Light Company, and with me
17 is Rene Silva.

18 MS. KAUFMAN: This is Vickie Gordon Kaufman, with
19 the Moyle Law Firm, appearing on behalf of the Florida
20 Industrial Power Users Group.

21 MS. MERCHANT: This is Trisha Merchant with the
22 Office of Public Counsel.

23 MS. RAMOS: This is Donna Ramos, just listening on
24 behalf of Public Counsel.

25 MR. HARRIS: All right, and Charlie, I think you

1 said that you did have a notary who could swear the
2 witness, and if you want to go ahead and do that now, I
3 think that would be helpful.

4 Thereupon,

5 RENE SILVA

6 was called as a witness, having been first duly sworn by
7 Notary Public Lily Rodriguez, was examined and testified as
8 follows:

9 (Off the record)

10 MR. HARRIS: I understand that what we've been
11 doing for the deposition is preserving all the
12 objections except for form of the question and that the
13 witnesses have not been waiving reading and signing of
14 the depositions. Charlie, is that the convention you'd
15 like to use today?

16 MR. GUYTON: That's my understanding.

17 MR. HARRIS: Is that all right with everyone else
18 on the phone?

19 MR. REHWINKEL: Yes.

20 MS. KAUFMAN: Fine.

21 MR. HARRIS: Anything else before we go ahead and
22 get started?

23 DIRECT EXAMINATION

24 BY MR. HARRIS:

25 Q Okay, Mr. Silva, thank you so much for being

1 available this morning. I do very much appreciate it. As I
2 said, my name is Larry Harris, and I'm here at the Public
3 Service Commission. And am I correct in assuming you've had
4 your deposition taken before?

5 A Yes.

6 Q So you know, if you're ever unclear about a
7 question that I ask or you'd like me to rephrase it or
8 restate it or just need more clarification, feel free to
9 interrupt me and ask. Do you have any questions for me
10 before we start?

11 A No, thank you.

12 Q Okay, wonderful. And could you state your name
13 and your occupation for the record.

14 A My first name is Rene, last name is Silva,
15 S-i-l-v-a. I work for Florida Power and Light as Senior
16 Director, Resource Assessment and Planning.

17 Q And have you prefiled rebuttal testimony and
18 exhibits in this case?

19 A Yes, I have. I have filed rebuttal testimony and
20 one exhibit.

21 Q And are you at this time aware of any additions,
22 deletions, changes or corrections to that prefiled testimony?

23 A We have provided one correction in errata. Let me
24 find it. Page 25, line 23.

25 Q Okay.

1 A The number that is in the last line there that
2 says 135 acre feet should be 135,000.

3 Q Okay, 135,000 acre feet?

4 A Yes.

5 MR. REHWINKEL: This is Charles Rehwinkel. Did you
6 say page 25?

7 THE WITNESS: Just a minute, let me get it.

8 MR. HARRIS: Charles, I have it on page 25, line
9 23, the last line at the bottom of the page.

10 MR. REHWINKEL: Oh, I'm sorry, I thought he said
11 line 13. I'm sorry.

12 MS. KAUFMAN: So did I. Can you repeat the number?
13 I'm sorry.

14 THE WITNESS: Yes. Where it says 135, it should be
15 135,000 acre feet.

16 MR. REHWINKEL: Thank you.

17 THE WITNESS: That's the only change.

18 BY MR. HARRIS:

19 Q Okay, wonderful. Thank you so much. And the
20 first set of questions I have would be on page three of your
21 rebuttal testimony, and you referred to it as your position.
22 Could you explain some of your duties or in more detail your
23 duties as the manager of Resource Assessment and Planning?

24 A Yes. Managing this group is essentially managing
25 the activities of the group. We developed, as the testimony

1 says, an integrated resource plan, meaning looking at the
2 future requirements for resources, i.e. production of
3 electricity, and identifying where we -- at what time in the
4 future we may fall short in terms of being able to serve the
5 projected customer need, and then evaluating alternatives to
6 fill that gap or to add the resources necessary to meet that
7 need. That is the central focus of the job of the
8 department.

9 We conduct related analysis of many options of how
10 the system can operate better, the value of improvements and
11 efficiency of units, et cetera. But the central focus is
12 what will be needed in the future and what is the best
13 alternative to meet that need.

14 Q Okay. And you've been the manager since
15 approximately 2002, correct? Is that correct?

16 A Yes, that's correct, although the position is
17 Director.

18 Q Okay, I'm sorry. Could you -- and you may have
19 already done this, but could you explain to me exactly what
20 you mean by an Integrated Resource Plan, or an IRP?

21 A Well, by integrated it means that we look at all
22 the alternatives that could be brought to bear in terms of
23 adding resources to our system. So we -- once we look at
24 what the projected load, the peak demand is, and we identify
25 projected shortfalls in the future, we evaluate both

1 demand-side and supply-side alternatives for the system as
2 a whole, looking at all the existing generation, all the
3 projected changes in the existing generation out for, say, 30
4 years into the future, as well as all the alternatives that
5 could be -- that have been identified within the company for
6 meeting those needs, be they the demand side management
7 alternatives or supply-side generation alternatives, be they
8 at existing sites or at new sites.

9 And we also do the evaluation of comparing those
10 alternatives that we may deem to be the best FPL self-build
11 alternatives and compare those to those alternatives that may
12 be provided by the market; i.e., through an RFP or other
13 means where we obtain information as to how others can help
14 us meet the need in the future. And again, we do that at a
15 system-wide level and over a long period of time.

16 Q I believe that you've anticipated what was going
17 to be my next question, which was to describe the process.
18 And I believe you have, and I thank you for that.

19 Are you also responsible for the preparation of
20 FPL's Ten Year Site Plan?

21 A Yes, that in a way is a byproduct of our main
22 focus of doing the Integrated Resource Plan. So we
23 coordinate the preparation of the Ten Year Site Plan with,
24 of course, significant inputs from many organizations in the
25 company.

1 Q Okay. And would those organizations within the
2 company be known as, or could I refer to them as business
3 units?

4 A They may be business units or just departments.

5 Q Okay. And do you prepare this IRP for the use of
6 those organizations or business units or do they provide
7 information that you use to prepare an IRP?

8 A They provide information -- well, it's kind of an
9 iterative process. In other words, we receive initial
10 information regarding load forecasts, for example. And
11 that's one of the inputs. We also receive projections for
12 how the existing fleet of generators, as well as our
13 purchases, will be in the future, whether the production will
14 be enhanced or decrease or units shut down or power purchases
15 expired, et cetera. And from that information we determine
16 at what point we need more resources to be a reliable
17 supplier of electricity for our customers.

18 When that is done we identify that to all the
19 departments that could contribute alternatives to meet that
20 need. Typically that would be the engineering and
21 construction group that would look at alternatives to build
22 generation, other organizations that look at the market, at
23 existing generation that could be purchased. We also
24 consider those that develop DSM programs and evaluate that.

25 And so they then provide inputs to us for what

1 would be the magnitude and the timing and the cost of those
2 alternatives and we evaluate those alternatives individually
3 or in combination to come up with the best approach to meet
4 those needs, the most cost-effective combination. And that's
5 what we typically, you know -- I would consider to be the
6 Integrated Resource Plan.

7 Now, that is, of course, vetted within the company
8 before it becomes the proposed position of the company. But
9 that's what constitutes the Integrated Resource Plan. So we
10 get inputs, we respond to those inputs with analysis, we get
11 additional inputs, and we respond again, and that's what
12 constitutes the end Integrated Resource Plan.

13 Q Wonderful. Thank you. If I could ask you to turn
14 to page six of your prefiled testimony.

15 A Okay.

16 Q At lines 4 through 8, which I think is bullet
17 five.

18 A Yes.

19 Q Okay. I'm wondering if you could expand a little
20 bit upon what you mean by it is essential that FPL hold and
21 maintain both a primary and an alternate site for future firm
22 generating capacity additions.

23 A Yes. The way the process works beyond the point
24 that I described to you is we have selected, let's say, a
25 plan that we consider to be the best to meet the customer's

1 needs in the future, and of necessity we have to have
2 information regarding the site on which the resource will be
3 placed. In fact, we typically evaluate alternatives, as we
4 have done recently, what it would take and what it would cost
5 to build at different locations. So for that purpose we need
6 information regarding the location and the cost of different
7 sites.

8 Now, when we select the best one, that's when the
9 process of approval outside the company begins. First,
10 assuming that there are no proposal bids from other suppliers
11 that are better than our selection, we file the determination
12 of need to obtain approval from the Commission to build at
13 that site.

14 But after that, assuming that we get the
15 determination of need, we have to apply for a site
16 certification, which is specific to the site and to
17 construction of the facility at the site, fueling that
18 facility, and operating that facility. And any, of course,
19 associated facilities such as transmission lines, pipe lines,
20 et cetera.

21 Now, here we are, you know, well into the process
22 of seeking approvals, and until that process runs its entire
23 way, which could take likely a couple of years, and it goes
24 ultimately to the Governor and Cabinet of Florida as the
25 deciding board, we don't know whether that site is approved

1 to operate as we intended with the facility that we intend to
2 build, et cetera.

3 Now, if we don't have another site, a backup site,
4 on which we could transfer to if at that stage we are not
5 granted the operating permit and the site certification, and
6 we have to begin all the way back to square one, we're
7 talking about as much as a five-year period, which would
8 narrow significantly what choices we might have in between.

9 So from a planning perspective the appropriate
10 thing to do is to have a site that is the primary site that
11 we have selected, but also have an alternative site to which
12 we could turn if the primary site is ultimately, for one
13 reason or another, not approved, and we have to change out,
14 especially with a very short lead time, to another location,
15 to another alternative, as opposed to starting the whole
16 process anew.

17 And that's what I explained briefly here in point
18 number five and discuss in greater detail later on in my
19 testimony.

20 Q Right. And so I might jump to that, and then I'll
21 circle back. But for the period of 2011 to 2016 am I correct
22 that the McDaniel and Fort Drum sites are essentially FPL's
23 focus for this research planning cycle or time?

24 A For the resource plan, yes, the McDaniel and the
25 Fort Drum sites are the two that we are planning to add the

1 next capacity additions at.

2 Q And is FPL considering any other sites in addition
3 to those two for this time period?

4 A We have other -- other sites for solar generation
5 alternatives, but as far as in the other generation type, and
6 specifically for base load combined cycle units to serve our
7 firm peak load, these are the two sites that we are
8 considering at this point.

9 Q Okay. And you've touched on this slightly, but
10 with regard to the primary versus the alternate sites, would
11 FPL be seeking sort of these approvals for both sites at the
12 same time or do you really focus on one and then just shift
13 to the other if the first is denied?

14 A In each instance we would seek approval, say, for
15 example, the determination of need and site certification for
16 the addition of one or more units at a particular site,
17 unless for some reason we had such a significant increase in
18 need that we had to proceed in a parallel path at different
19 sites.

20 But at least in the past we have selected the
21 addition of one or two units at a given site and proceeded to
22 get approval for that, while maintaining the option of
23 changing to the other site. And then, of course, for the
24 next need, which may be in one or two years, then we would go
25 to the next site and do the process at that site for the

1 second need.

2 Q Okay. So you wouldn't be seeking -- absent
3 extraordinary circumstances, or outside of this current
4 period, which is McDaniel and Fort Drum, you would not be
5 seeking the site certification for both sites simultaneously,
6 is that correct?

7 A Under current assumptions, yes, we would not be
8 seeking site certification concurrently at both sites.

9 Q But then just to make sure I understand, if you
10 were seeking for your primary site and ran into some type
11 of obstacle or whatever, you would then switch to the
12 alternative site and seek the certification for that, is that
13 correct?

14 A That is correct.

15 Q Thank you. I'd like to ask you to turn to page
16 17, please.

17 A Okay, I'm there.

18 Q And if I could ask you to look briefly at lines 8
19 through 15.

20 A Yes.

21 Q And I'd like you to expound a little bit on your
22 understanding -- what you mean by the term long-term, which
23 you use on line 11, I believe, long-term, in this planning
24 process.

25 A Well, my view of long-term planning process is

1 we are -- let's say a year ago, let's say, we were looking
2 for -- in 2011 we were looking at what alternatives should be
3 considered to meet our projected need in 2016. So that was
4 approximately five years into the future. And at that time
5 we had a number of alternatives that were being considered to
6 meet that need.

7 And today I'm looking beyond 2016, of course,
8 approval has already been granted so I'm looking at the next
9 need, which in my view would be somewhere between 2019 and
10 2021, based on the information that is available to me right
11 now.

12 So that time period between now and 2019 and 2021
13 is part of the long-term planning process. But we look
14 beyond that even to -- you know, when we do the analysis, we
15 look for a 30-year horizon. So the critical aspect of the
16 long-term planning process is the next one or two additions,
17 but we look beyond that time as a result to see what effect
18 those later years could have on the early decision.

19 So long-term planning to us could mean beginning
20 five years from now to, say, 20 years from now.

21 Q Okay. And when you use the term planning process,
22 I assume you're referring to the Integrated Resource Planning
23 process, the IRP process, correct?

24 A Yes, it's what I described before as the
25 interactive process that begins with a load forecast and then

1 a consideration of are we well positioned to meet that demand
2 projected in the forecast out in the future, all the way
3 until we make a decision as to what resource is best to add
4 at which point in time in the future.

5 Q Okay. And I believe you earlier said that the ten
6 year site planning process is sort of a subset of this
7 Integrated Resource Planning process, is that correct?

8 A Yes. It is a byproduct, I think I said, in the
9 sense that we file a Ten Year Site Plan every year as a
10 snapshot at that moment in time, which is typically the end
11 of the year prior to when the site plan is filed to the early
12 month or two of the year in which the site plan is filed.

13 So we kind of take a snapshot of what it is that
14 we are seeing, say, November, December of a year and January
15 and February, and then develop that information into a
16 snapshot to the Commission of this is the way we, at this
17 moment in time, see the future.

18 So it captures what we think in terms of the
19 Integrated Resource Plan at that moment. But as we know,
20 conditions are in a constant state of flux, et cetera, so our
21 Integrated Resource Plan process is a live process, if you
22 will. It's never something that starts and ends and then we
23 don't do anything for some months. It just continues on
24 updating the information and generating new alternatives, new
25 decisions, et cetera.

1 Q Okay. And would it be fair to say, then, that the
2 company's forecast of its need for additional generation
3 would be similar for both of those processes or both of those
4 plans?

5 A Yes. We use the approved forecast at the time
6 that we develop the Integrated Resource Plan, and we use the
7 approved forecast at the time that we develop the Ten Year
8 Site Plan.

9 What I was trying to explain before, though, is
10 that if the load forecast or for that matter fuel price
11 forecast, or any other condition, changes two weeks after we
12 file the Ten Year Site Plan, then we reflect those changes
13 into our going forward Integrated Resource Plan, but we don't
14 necessarily amend the Ten Year Site Plan until, say, the next
15 time of filing.

16 Q Okay, thank you. Could I ask you to turn to page
17 18, lines 4 through 6, please.

18 A Yes.

19 Q And I want to ask you, assuming that both your
20 primary and your alternate sites encounter some type of
21 obstacles and neither then could be viable and FPL would then
22 be forced to turn to a third site, if that site is not
23 included in the other property held for future use account,
24 what would occur in that contingency, or what would FPL do?

25 A Well, in that case we just, you know, somewhat --

1 I won't say extreme, but it's less foreseeable, if you will.
2 Our resources, if we need resources at that time and for some
3 reason the existing sites that we have are not deemed viable,
4 then the alternative would be to buy time by seeking some
5 temporary resources in the market.

6 So we would look to purchases from existing
7 generating assets in the state or outside the state to tide
8 us over. In the event that neither of the existing sites are
9 viable in their current state, they could either be remedied
10 or another site could be identified and then the process
11 would begin for that site.

12 Q Okay, thank you. If I could ask you to go
13 backwards a bit to page 9 of your testimony.

14 A I might say, in response to the other question,
15 also, that one thing that is important is that by the time
16 that we proceed with the seeking approval for the primary or
17 revert to the secondary site, those have already been
18 identified as the most cost-effective alternatives on behalf
19 of our customers.

20 To the extent that we have to go to a third choice
21 like a short-term purchase, that's going to increase cost, by
22 definition, because otherwise we would have identified that
23 alternative as being the most cost effective, and we would
24 have pursued that. So there would be a penalty, if you will,
25 a cost increase to customers as a result of us having to go

1 to that third alternative.

2 Q Thank you for that clarification or addition.

3 A Okay, I'm on page 9 now.

4 Q And if I could ask you to look at lines 10 through
5 13.

6 A Yes.

7 Q Okay. And am I correct that after the completion
8 of the Port Everglades unit in 2016 FPL could require
9 additional generation, is that correct?

10 A Yes. We fully anticipate that we will need
11 additional generation after 2016. What remains uncertain is
12 exactly when.

13 Q And this expectation would have been arrived at
14 through the process you previously described, the IRP
15 process, correct?

16 A You mean as to when in the future we might need
17 additional generation?

18 Q Correct.

19 A Yes, we would do analysis that indicate at what
20 point in time our reserve margins would fall below the
21 minimum requirement that is deemed acceptable for reliability
22 purposes and begin the process of identifying alternatives
23 for what we would add at that time.

24 Q Okay. And is that expectation that FPL may
25 require additional resources in 2019 identified in your

1 current site plan?

2 A No, it's not. As I indicate, also, in my
3 testimony, and mention to some extent a little bit earlier,
4 the Ten Year Site Plan that we filed captured the information
5 as we saw it at the point forecast at the end of 2011. And
6 in the Ten Year Site Plan we project that we would have a
7 need in 2021, and that is based on things occurring in the
8 future from now until 2021 exactly as anticipated regarding
9 peak load increases from now until then, demand-side
10 management increases, the availability of units, including
11 relatively old units in our system, and other factors that
12 affect what the peak demand will actually be and what our
13 resources will actually be to meet that peak demand.

14 So based on that we said we project a need in 2021
15 and we also said, because our projection is that we are going
16 to add a nuclear unit in 2022, the most practical approach to
17 meeting that need in 2021 would be a one-year purchase.

18 That was not the result of an economic analysis,
19 and we haven't committed to that purchase, it was simply from
20 a practical perspective at this stage it seems that that
21 would be the most expeditious way of meeting a one-year need.

22 Again, to the extent that -- what I also say in my
23 testimony is that if any of those factors that I mentioned
24 before, like the peak load forecast, is outstripped by actual
25 growth in peak load, or if demand-side management megawatts

1 do not materialize to the extent that we project, or other
2 factors that we may not be able to count on some of the
3 existing older units to meet peak load capacity because of,
4 say, environmental constraints that are developed and
5 implemented, those factors could accelerate the need for
6 capacity and they could accelerate them, as I indicate here,
7 to be as early as 2019.

8 And it doesn't take very much of a change in these
9 factors to get us there. And from my perspective that is the
10 concern about making sure that we are ready to meet a need,
11 even if it moves a little earlier.

12 The other item that could occur is that, as has
13 been discussed a number of times, the timing of the nuclear
14 units at Turkey Point could be delayed because of permitting,
15 regulatory reasons, et cetera; and, if so, that would also
16 increase the need for other resources before 2022. And
17 that's why I say in my testimony that we would have a need as
18 early as 2019 and other need shortly after that, just because
19 of some of the things that could reasonably deviate from the
20 point assumptions that we make in the Ten Year Site Plan.

21 Q And I believe it's your testimony that this
22 process of siting new generation takes a minimum of five
23 years, is that correct?

24 A Yes, from an historical perspective we have seen
25 that it takes five years from the point in time where we make

1 a decision to proceed with a particular resource until we
2 actually bring it in service. And here we're talking about
3 the type of generation that we have been using recently or
4 adding recently, which is gas fuel generation.

5 If we're talking about the nuclear generation, of
6 course, that's a different issue. And even coal generation
7 would take a longer period of time.

8 But going with, say, combined cycle units, which
9 is what we have been adding recently, as an example, the
10 recent Port Everglades decision, that was a decision that
11 was made here in the company in 2011, and that's for an
12 in-service date of 2016. So that's a five-year period.

13 And the next most recent set of decisions, which
14 were the modernizations of our Cape Canaveral and Riviera
15 units, those decisions were made in 2008 by the company. The
16 Commission granted the need determination shortly after, and
17 the in-service dates of those units will be 2013 and 2014.
18 So that's five and six years, respectively, from the time we
19 have made the decision.

20 And then from there you have to back up to the
21 point where we identify the need internally and do the
22 evaluation of our alternatives, including alternative sites.
23 So it's far longer than five years from the time that we have
24 to know what sites we are considering.

25 Q To your knowledge, or do you -- to your knowledge

1 can you recount to me any problems that FPL has experienced
2 that has jeopardized a site being used for -- once you've
3 identified a site as a primary, can be recall any problems
4 that FPL has run into that have prevented that site from
5 being used for the generating unit you had planned for it?

6 A Not -- well, there was one instance, and that is
7 we proposed two coal units at the Glades site some years
8 back, and we went through this process and that was the --
9 are you still there?

10 Q Yes, sir.

11 A Okay. That was the selected site for those units
12 and we went through the entire process at least insofar as
13 the need determination, and the Commission rejected the
14 Glades units. And we had to go back to the starting point,
15 if you will, at that time, because we did not have an
16 alternate site. And so we couldn't just shift and say, you
17 know, from here we go to another site. We had to essentially
18 begin afresh. That's with respect to a new site and actions
19 that the Commission, the Public Service Commission, took to
20 reject our petition.

21 There was another instance where we wanted to
22 convert the fuel in one of our plants, at Manatee,
23 specifically, to a new fuel called emulsion, which was
24 more economic. But there was opposition, not from the
25 Commission -- the Commission granted approvals for us to

1 proceed. But at the Governor and Cabinet level they were
2 persuaded that this was not a good idea for the state to use
3 this fuel.

4 So at the end stage of this day they voted against
5 granting site certification for that change. Again, that was
6 at the tail end of the process, and we did not have, at that
7 time, an alternative, which cost, in our view, additional
8 cost to our customers.

9 Q Thank you. Do you know how the McDaniel and Fort
10 Drum sites are currently being used, the land use of the
11 sites today?

12 A I don't know for a fact. I anticipate that it's
13 agricultural uses, but frankly I don't know for a fact.

14 Q Okay. Do you know if either of the sites have had
15 any zoning changes from whatever their current use is to
16 whatever the zoning would be for you to build a generating
17 unit?

18 A I don't know whether they have had zoning changes,
19 but my information is that part of the criteria that are used
20 in narrowing down the sites that are viable is the
21 expectation regarding the company's ability to obtain the
22 zoning changes and permits at a local level, and, in fact,
23 having more than that local support for the plant in their
24 area.

25 And I understand that both of the sites, the Fort

1 Drum and McDaniel site, do in fact enjoy the benefit of being
2 looked upon favorably by the local communities, the local
3 governments that are there. So although I don't know whether
4 zoning changes have been made, I think there's a clear
5 expectation that whatever zoning changes may be needed would
6 be obtainable.

7 Q Can I ask you what you base that understanding on?

8 A Conversations with the groups that are involved in
9 direct communications with the local governments, which are
10 also the ones that look and evaluate sites.

11 Q And which units -- can you identify that unit for
12 me, what business unit that is, or organization?

13 A There's an organization called project development
14 and they are, to my knowledge, the coordinators of the effort
15 to seek out and evaluate and select sites.

16 Q Okay. Do you know of your own knowledge whether
17 any applications for a change in zoning of either of the
18 sties have been made?

19 A No, I don't.

20 Q Okay, thank you. I'd like to move on, if I could,
21 and ask you to turn to page 12 of your testimony.

22 A I'm there.

23 Q Lines 10 through 12.

24 A Okay.

25 Q And you specifically refer to FPL's judgment

1 regarding the prices for the plant sites. And I would like
2 to ask you if you are able to to explain or expound upon what
3 went into this judgment by FPL or what factors or criteria
4 FPL used in that judgment.

5 A I can share with you the information that I have
6 regarding this. And that is that there was -- I'm sorry,
7 excuse me a moment. I'm looking at my source information
8 here. I understand that the Fort Drum property was purchased
9 below market value and that that was based on having done an
10 appraisal that was performed on an adjacent property by our
11 real estate department. I don't have details beyond that but
12 just that an appraisal was performed on an adjacent property
13 and that the price we paid for Fort Drum was below what that
14 suggested as the market price.

15 And the information that I have is that the Hendry
16 facility was purchased at the market value based on a similar
17 appraisal that was performed. So the properties were
18 purchased at or below the market at this time.

19 Now, these same real estate experts have confirmed
20 to me, because it's not -- it's not unknown that real estate
21 prices in general in Florida are depressed, but that they're
22 depressed for these types of properties, as well. So not
23 only have we purchased at or below the appraised value based
24 on their appraisal, but also there's a view held by us that
25 there will be an economic recovery, that that will contribute

1 to real estate prices rising in the future, and therefore, if
2 we were to return to these properties or to other similar
3 properties in the future, that we would be paying a higher
4 price. And that is the basis for our judgment that prices
5 for any viable plant sites will be higher in the future.

6 Q You just referred that it was not unknown to you
7 that prices are depressed. You're basing that on these
8 conversations you've had with real estate professionals?

9 A Yes.

10 Q And those would be the FPL's real estate
11 professionals?

12 A Yes.

13 Q Do you have any written reports or analysis that
14 support that conclusion that these real estate prices are
15 depressed at this time?

16 A I personally do not.

17 Q And you had referred to the source information you
18 were looking at. Could you identify what that is for me?

19 A It is an e-mail transmittal from a gentleman in
20 our real estate department summarizing some facts regarding
21 the acquisition of these facilities, of the -- I'm sorry, of
22 the Fort Drum and McDaniel sites.

23 Q Would you -- and this might be a question for your
24 attorney -- would you be willing to attach that as a late
25 filed deposition exhibit?

1 MR. GUYTON: I'm going to have to reserve whether
2 or not I'll object to that. I need to check to make
3 sure --

4 MR. HARRIS: I understand you want to make sure
5 there's no privilege.

6 MR. GUYTON: -- that we maintain privilege.

7 MR. HARRIS: Right. I understand.

8 MR. GUYTON: Because we'll have to talk to you
9 about what we would do to redact the privileged
10 information.

11 MR. HARRIS: That's fine, I just wanted to get that
12 out there. And if we could potentially identify it as a
13 possible hearing exhibit and title it Information
14 Regarding McDaniel and Hendry Purchase, if that's a good
15 title. If not, if you have a better one --

16 MR. GUYTON: That's fine for purposes of a late
17 filed deposition exhibit.

18 MR. HARRIS: And I understand you need time to look
19 at this and figure out what we're going to do about it,
20 so that's not a problem.

21 (Whereupon, Late Filed Deposition Exhibit No. 1 was
22 identified.)

23 BY MR. HARRIS:

24 Q Then moving on, I think, to lines 22 to 23 on page
25 12.

1 A Okay.

2 Q And you mentioned --

3 MR. GUYTON: Larry, I apologize, just so there's no
4 question about it, I'm going to object so that there's
5 an objection on the record. That doesn't mean that I
6 won't proceed to try to identify the privilege and
7 eliminate it, I just want to make sure that I haven't
8 waived an objection.

9 MR. HARRIS: That's wonderful. Thank you, Charlie,
10 I appreciate that clarity for the record.

11 BY MR. HARRIS:

12 Q Mr. Silva, regarding lines 22 to 23 on page 12, am
13 I correct that FPL began searching for sites to meet an
14 anticipated need in 2016 that began in 2010; is that correct?

15 A Yes, that's correct.

16 Q And then moving on to page 13, which is, I think,
17 the end of page 12, and line one of page 13, am I correct
18 that your evaluation resulted in the determination that the
19 OPFU sites met all of your required criteria; is that
20 correct?

21 A Yes.

22 Q And for the record could you tell me what OPFU is?

23 A Yes, it's an abbreviation for Other Production
24 Future Use.

25 Q Okay. And I want to seek a little bit of clarity,

1 what you mean by required criteria. What exactly are you
2 referring to when you use the term required criteria in line
3 two?

4 A I am referring to the list that I include in my
5 testimony beginning at the top of page 21.

6 Q Okay.

7 A And as you see, the question reads what criteria
8 must a potential plant site meet to be deemed viable. And
9 it's a long and challenging list of the attributes that any
10 potential site must meet in order to be deemed viable, even
11 at the outset. In other words, here we're not talking about
12 the point where the state grants a site certification, but
13 rather, in our estimation, do we think that this plant is
14 going to be a viable location on which to build and operate
15 electric generation.

16 And it includes, of course, the size, the very,
17 very important and concerning area of water resources, the
18 ability to deliver fuel, both primary and back-up fuel. And
19 in these cases that we have recently filed that would mean
20 natural gas and light oil, of course access to FPL's grid via
21 interconnection and preferably within very close proximity of
22 large transmission lines, because otherwise we would have to,
23 in addition to acquiring the plant site, we would have to
24 acquire new line corridors and build transmission lines,
25 which would add to the cost.

1 Of course, appropriate zoning, and as I said
2 before, the fact that the site becomes viable and accepted,
3 it means that it has the zoning or a reasonable assurance
4 that the needed zoning can be obtained within an acceptable
5 time frame.

6 So the fact that Hendry and Fort Drum -- I'm
7 sorry, McDaniel and Fort Drum have been acquired means that
8 they passed these. Either they have the appropriate zoning
9 or there is reasonable assurance on the side of the company
10 that we would be able to obtain the zoning and land
11 use designation, essentially access to the site from roads --

12 Q Mr. Silva, I can read the criteria, and unless you
13 feel the need to go through them, you've identified them and
14 I can move on, unless you would like to continue and --

15 A No, that's fine.

16 Q Okay. I think you mentioned this, and I just
17 wanted to clarify. These are FPL's criteria, correct? I
18 think you said these were not the site certifying agency's
19 criteria?

20 A They are listed as FPL criteria, but clearly some
21 of them have to do with outside entities; for example, the
22 issue of the zoning and our perception of the zoning. But,
23 yes, as you point out, and as I mentioned, these are the
24 initial criteria that FPL has. But then on page 22 it
25 continues to essentially reflect those criteria that we know

1 we're going to be held to by the government.

2 For example, on the top of page 22, site
3 characteristics that would enable those facilities to comply
4 with all Federal, state and local requirements such as
5 wetlands, you know, endangered species, air quality, water
6 quality, et cetera.

7 So, you know, at this stage we are putting
8 ourselves in the place of the government entities, because it
9 doesn't do us any good to select a site without knowing
10 whether we have assurance that it's going to meet these
11 requirements. So there are criteria, but among other things
12 we are incorporating into our criteria what we know the
13 government requires.

14 Q And you may have answered this earlier, but at
15 this time do you know how much, if any, of these state or
16 Federal -- Federal, state or local agencies' approval
17 processes -- do you know what stage any of those processes
18 are in?

19 MR. GUYTON: I'm sorry, is that as regards the two
20 sites?

21 MR. HARRIS: Yes, McDaniel and Fort Drum.

22 MR. GUYTON: Thank you.

23 THE WITNESS: I think from FPL's perspective we
24 have done the due diligence to determine that we think
25 that both of these sites meet the criteria. From the

1 perspective of submitting that to the government
2 entities that ultimately regulate, my sense is that that
3 would be part of the process of approval for site
4 certification, which is, you know, a very comprehensive
5 review that identifies specifically the time when a
6 particular facility would be built on each of these
7 sites.

8 BY MR. HARRIS:

9 Q Okay, thank you. Just to sort of finish up here,
10 back on page 13, again, lines, I guess, 7 through 16, I
11 believe I'm correct that you mentioned that McDaniel and Fort
12 Drum were considered as alternatives to the modernization of
13 the Port Everglades site, is that correct?

14 A You're correct. When we started looking for
15 alternatives for the 2016 need, we looked at many locations,
16 including, of course, the Port Everglades modernization, and
17 the Hendry site and the Okeechobee or Fort Drum sites were
18 two alternatives that were considered at that time.

19 Q Thank you very much. And now I'd like to go on to
20 a different area. And really what I'm looking for here is
21 trying to get a better understanding of the water access and
22 water rights issue that you refer to in your testimony. So
23 that's sort of the framework that I'm seeking. And I had
24 asked your counsel to see if you could have MFR Schedule B-15
25 available. Do you have a copy of that?

1 A Yes, I do.

2 Q If I can ask you to refer to MFR, Minimum Filing
3 Requirements, Schedule B-15, page one of two, and ask you to
4 look at the lines identified as line numbers 10, 11, 12 and
5 13, and then I'd like you to look at the column three, which
6 is, I believe, titled Test Year 2013 13-month Average. Do
7 you have that?

8 A Yes, I do.

9 Q Okay. And as I read this schedule, on lines 11,
10 12 and 13 you list three dollar amounts and then a summation
11 of those amounts, is that correct?

12 A Yes.

13 Q Okay. And just for the record could you read what
14 those individual lines, 11, 12 and 13, and then the total
15 amount under 15 is?

16 A On column three?

17 Q Yes.

18 A Okay, the first number, which corresponds to Fort
19 Drum, is \$17,755,000. The next component, which is entitled
20 Hendry city land -- Hendry County land is \$51,215,000. And
21 the third is the McDaniel site, \$39,982,000. And the total
22 of those is \$108,951,000.

23 Q Okay. And could you read what the total of those
24 three is, please, on line 15?

25 A The total of those is \$108,951,000.

1 Q Thank you, sir. And now I'd like to refer you to
2 FPL's response to the Office of Public Counsel's Sixth Set of
3 Interrogatories, interrogatory number 124. Do you have a
4 copy of that available?

5 A Yes, I do.

6 Q And do you have attachment number one to
7 that interrogatory?

8 A I believe I do. I say I believe I do because I
9 don't see the title attachment on it, but I believe -- I
10 mean, I have an attachment, I just don't have attachment
11 number one listed on it.

12 Q Let me describe what I'm looking at. It appears
13 to be sort of a spreadsheet or table that's titled FPL
14 Property Held for Future Use, and it's page one of five. And
15 it's got on the left a column of property names and then it's
16 got other titles -- other columns for costs, prior year 2012,
17 test year 2013, purchase date, expected in-service date,
18 capacity planning, and description. Do you have that?

19 A Yes, I do.

20 Q Okay. And specifically I'd like to direct your
21 attention to, in the left-hand column under property name,
22 under other production for future use I see what looks to be
23 Fort Drum, McDaniel site, and Hendry County land. Do you see
24 that?

25 A Yes, I do.

1 Q And then coming across to the description, I
2 believe what this means is that for Fort Drum that that site
3 is approximately 2,832 acres. Would that be correct?

4 A Yes.

5 Q And then for McDaniel it would be approximately
6 3,126 acres?

7 A Yes.

8 Q And for Hendry County land it would be
9 approximately 9,426 acres, is that correct?

10 A Yes. By the way, my understanding is that that
11 particular number is not exactly correct. I believe the
12 correct number should be 9,409.

13 Q Okay, 9,409. Okay.

14 A I believe so, and that would make it consistent
15 with responses to other interrogatories that break down the
16 components for two parcels that correspond to that line.

17 Q Okay, thank you for that.

18 A And, you know, just so you know, I'm talking
19 about, for example, the response to Interrogatory 57, Staff's
20 Third Set, where it lists Parcel A and Parcel B and it
21 provides acreage for each one of those, and if you add those
22 together you get 9,409, and I verified that is the correct
23 number.

24 Q Thank you very much for that clarification.

25 MS. KAUFMAN: Excuse me, I hate to interrupt,

1 Larry, but could Mr. Silva describe again where that
2 change in the number is on the schedule we're talking
3 about?

4 THE WITNESS: It's under the area of description,
5 and the line that is Hendry County line, where it says
6 approximately 9,426 acres.

7 MS. KAUFMAN: Uh-huh.

8 THE WITNESS: That should be 9,409 acres.

9 MS. KAUFMAN: Thank you. I'm sorry to interrupt.

10 MR. HARRIS: No problem.

11 BY MR. HARRIS:

12 Q And then, Mr. Silva, under the capacity column for
13 Fort Drum and McDaniel, I believe it says that there's a
14 potential for up to three combined cycle natural gas plants.
15 Would that be correct?

16 A Yes, that's what it says.

17 Q Okay. And if you can answer this question -- this
18 may not be something you have knowledge of -- but given that
19 there's a difference of approximately roughly 300 acres, 294
20 acres, or approximately a 10 percent difference, would you
21 agree that that appears to have no difference on the number
22 of combined cycle units that can be placed on those
23 properties?

24 A Yes. I agree the difference in acreage does not
25 affect -- I guess the best way to answer that question is our

1 plan is to add up to -- up to three, or that could be added,
2 up to three at each location, combined cycle units. That is
3 not just related to the acreage but also to the availability
4 of water that would be needed for the combined cycle units.

5 And so the combination of the size, and when we
6 were talking of the criteria, the size of the site is one
7 criterion, but there's others, such as water. And the fact
8 that we have potential for up to three sites is tied to the
9 issue of the water that would be available to support
10 combined cycle units.

11 Now, you may also have noted in my testimony that
12 I mentioned that these sites, both the McDaniel and the Fort
13 Drum sites, in addition to the up to three combined cycle
14 units that are intended for those sites, these sites also
15 offer alternatives to site solar generation.

16 Q Yes, sir. Back to the interrogatory, I see under
17 the column planning, for those three sites, Fort Drum,
18 McDaniel site and Hendry County land, it refers to a note
19 two. Do you see that?

20 A Right. Yes.

21 Q And I believe that that note two is on the same
22 attachment on page four.

23 A Yes, I see that.

24 Q Okay. And I believe that if you look at note two
25 at the bottom of that page, I'm wondering if you could look

1 at the second line of that note, the third sentence, which
2 reads: FPL is acquiring these properties in order to have
3 definite secure access to desirable locations with necessary
4 water rights for future generation expansion. Is that
5 correct?

6 A Yes.

7 Q And that's what you were just referring to with
8 your clarification about the number of generating units,
9 correct?

10 A Yes.

11 Q Okay. And now I'd like to refer you to the South
12 Florida Hospital and Healthcare Association's First Set of
13 Interrogatories, number 129. Do you have a copy of that?

14 A Yes, I do.

15 Q But before we get there, I should ask, do you need
16 a break, court reporter? You're good to go? Mr. Silva, do
17 you need a break or are you comfortable with going on?

18 A I'm okay. Thank you.

19 Q Okay, great. I know we've been going for a little
20 bit longer than I anticipated so I wanted to make sure
21 everyone was okay.

22 If you have Hospital Association's First
23 interrogatories, number 129, and specifically, I'd ask you to
24 look at Attachment Number 2, page one.

25 A Okay, I have that.

1 Q Okay. And it appears to be -- it's titled
2 Schedule B-15 Test Year 2013. And I see roughly the same
3 designation on the left, description of item, Other
4 Production Future Use, and then it has the three sites?

5 A Yes.

6 Q And then in the middle it appears to be a column
7 Test Year 2013 13-Month Average, with some numbers, is that
8 correct?

9 A Yes.

10 Q And then there's a detailed explanation in the
11 right-hand column. Do you have that?

12 A Yes.

13 Q And for Hendry County land, I see that it says
14 planned purchase of additional lands associated with the
15 future power plant on the McDaniel site to provide necessary
16 water rights. Is that correct?

17 A That's correct.

18 Q I guess Staff's real question is can you explain
19 to me how the 9,000 acres of Hendry County land are necessary
20 to provide water for the McDaniel site?

21 A The purpose of obtaining the Hendry County
22 parcels, of which two are reflected in the rate base, in
23 the proposed rate base, are aimed at providing as high a
24 probability as possible that FPL will be able to obtain water
25 for each of the three combined cycle units to be sited at the

1 McDaniel site.

2 There are presumably several alternatives to
3 obtaining water and our project development department
4 determined that of those alternatives the most cost effective
5 approach for the water that would be used at these sites with
6 combined cycle units was by obtaining parcels that had water
7 use approvals currently.

8 They are -- at least to me they were clear to
9 indicate that in Florida you cannot lock in water rights, but
10 that by having control of these parcels that already had
11 water use, that would highly increase the probability, the
12 likelihood, that FPL would be able to obtain the water
13 necessary in the most cost effective manner.

14 This information is discussed to some extent in
15 Staff's -- in response to Staff's Seventh Interrogatory,
16 interrogatory number 242, but it's labeled as -- that
17 response is labeled as confidential.

18 Q Okay. And I certainly don't want to discuss any
19 confidential information right now, clearly. And I believe
20 I had asked you if you could have some of Staff's Seventh
21 Interrogatories. And excluding the confidential one, I'd
22 asked for 241, 243 and 248. Do you have those with you?

23 A Just a moment. Yes, I have 241, 242 and 248.

24 Q Okay. Do you have 243 with you?

25 A Yes, I do.

1 Q Okay. If I could ask you to look at 243, please.

2 A Okay, I have it.

3 Q And subject to check, unless you have a calculator
4 handy, for Parcel A I believe this interrogatory indicates
5 that the purchase price was \$7,381 per acre, which I believe
6 would come out to -- since it's 4,742 acres, approximately,
7 that comes out to a purchase price of around \$35,000,702.
8 Subject to check, would you agree with that?

9 A We agree.

10 Q And then for Parcel B, the same thing, 4,667 acres
11 at \$7,499 an acre, subject to check, comes out to
12 \$34,997,833. Would you agree with that?

13 A We agree.

14 Q And then, summing those two, assuming my math is
15 correct, I come up with \$69,998,535. Would you agree with
16 that, subject to check?

17 A Yes, it looks right.

18 Q Okay. And now, if I could -- keeping that number
19 in mind, \$69,998,535, if I could refer you back to FPL's
20 minimum filing requirements, Schedule B-15, line 12, column
21 three, it indicates a price of \$51,215,000, roughly. Do you
22 see that?

23 A 51,215,000?

24 Q Yes.

25 A Yes.

1 Q Do you have any understanding of why the test year
2 2013 13-month average is 51 million when the two parcels add
3 up to 69 million?

4 A Yes. Quantitatively I can say that the reason for
5 that is that the calculation is based on the parcel, Parcel
6 B, being purchased during 2013 rather than prior to the
7 beginning of 2013. So in doing a 13-month average, that
8 purchase is not reflected in every month of those 13 months.

9 Q Okay.

10 A So the first component, 35-or-so-million for
11 Parcel A is there the whole 13 months of 2013 for the
12 13-month average. But the 34,997,883 for Parcel B, which
13 would not be purchased until sometime in 2013, it's not there
14 in every month. So when the 13-month average is taken, it's
15 zero in some months and then this amount in others.

16 Q Okay. That's --

17 A I don't have here when the projected purchase date
18 precisely is for that Parcel B, but that's the reason why
19 there's a difference from the 69,998 and the 51,215.

20 Q That's wonderful. Thank you so much. Would it be
21 your testimony that the addition to rate base of \$51,214,000
22 for -- well, let me back up a little bit. Am I correct that
23 that addition of land is essentially necessary to support the
24 water rights necessary to site combined cycle generation at
25 the McDaniel site?

1 A Yes, it's necessary, and also deemed to be the
2 most cost effective way of obtaining the water necessary for
3 the first two units, the first two combined cycle units at
4 the McDaniel site.

5 Q So the addition of that amount to the rate base is
6 the most cost effective way of providing future generation to
7 FPL's customers?

8 A Yes.

9 Q And therefore would I be correct that that
10 addition to rate base would be a savings to customers in the
11 future, over any other options?

12 A Yes, that's our projection, yes.

13 Q And to the extent that you know, could you sort of
14 walk me through -- and I suspect this is part of your
15 planning process -- but could you walk me through how you
16 made that determination?

17 A I did not make that determination. It was done by
18 the project development group and the information conveyed to
19 me essentially verbally -- just a second, please.

20 Q Take your time.

21 MR. GUYTON: I'm interrupting the witness, and you
22 wouldn't be aware of that. I just want to make sure
23 that we're not heading into the confidential material.

24 MR. HARRIS: Absolutely. Thank you, Mr. Guyton,
25 I certainly have no intention of going there, and if I

1 accidentally am, I'm glad you were able to catch me.

2 MR. GUYTON: I don't know if you are or not, Larry,
3 I just don't want to let the horse out of the barn.

4 THE WITNESS: I am relying on a document that
5 summarizes the results of a comparison between several
6 sources of water entitled Reservoir Aquifer in Florida
7 and assigning costs associated to each of the three
8 projected combined cycle units at the Hendry site and
9 indicating that the alternative related to acquiring
10 these sites is less costly than the other two
11 alternatives.

12 BY MR. HARRIS:

13 Q And that's the confidential response to Staff's
14 Interrogatory?

15 A I understand that this may have been provided to
16 staff in response to Staff POD Number 50.

17 Q Okay, that's great. Thank you so much. And just
18 to be clear, this is -- are we talking about -- was Staff POD
19 50 confidential or not confidential, that piece of the POD?

20 MR. GUYTON: We're checking. Larry, if you want to
21 proceed and come back to that, it's going to take us a
22 few minutes to find out.

23 MR. HARRIS: Okay, that will be perfect.

24 BY MR. HARRIS:

25 Q Again, going on with this discussion of water, I

1 think you talk about this on page -- beginning on page 25 of
2 your rebuttal testimony.

3 To your knowledge, Mr. Silva, does FPL have any
4 established guidelines or criteria for the amount of water
5 that must be accessible to a site in order to site combined
6 cycle generation?

7 A Yes. If you look at the top of that page -- and,
8 of course, it depends on the size of the unit, but the
9 sentence in lines four through six says each generating unit
10 currently planned for the McDaniel site will require
11 approximately seven million gallons of water per day.

12 Q Okay. And does this need for water and quantity
13 of water, is that a formal part of your integrated resource
14 planning process? That is, is that an input into the
15 process?

16 A The cost of the water after the best or most
17 likely alternative is determined by those that do that
18 evaluation, is provided to us as an input, along with all the
19 other costs of the alternative. In the integrated planning
20 process that we perform within resource planning, we do not
21 delve into the details of evaluating different water sources.

22 So it's already given to us as being the cost of
23 water for this particular site is -- has been determined to
24 be this, and that's the input that we get.

25 Q Okay, that's wonderful.

1 MR. GUYTON: I apologize for interrupting. The
2 response to this particular document in the response to
3 POD 50 is confidential.

4 MR. HARRIS: Thank you, Mr. Guyton, I very much
5 appreciate that clarification.

6 BY MR. HARRIS:

7 Q Mr. Silva, if you know of personal knowledge, do
8 you know whether the McDaniel sites and the Hendry County
9 land is one contiguous parcel or piece of property or are
10 there in-holdings or pieces not contiguous?

11 A I have never asked that question. I have taken it
12 for granted that each, the McDaniel and the Fort Drum, are
13 each a contiguous property, but I really cannot -- oh, I'm
14 sorry, I should have thought of looking at the Ten Year Site
15 Plan. In the Ten Year Site Plan, on page 2003 -- I'm sorry,
16 203, we show the property, and it is a contiguous property.

17 Q Okay. And to be clear, that's page 203 of FPL's
18 2012 site plan, correct?

19 A Yes, that is correct.

20 Q Thank you. Back to your testimony on page 25,
21 beginning at line 12.

22 A Yes.

23 Q In that passage you reference large water permits
24 from the South Florida Water Management District. I believe
25 that's on page 14 to 15. Do you see that?

1 A Yes, I do.

2 Q To your knowledge does FPL or has FPL ever
3 encountered problems obtaining water permits from the South
4 Florida Water Management District?

5 A My understanding is that it has always been a
6 challenge, and that in some cases it has limited the number
7 of units that we can build in a particular site. And in
8 other cases it has required us to obtain water from -- water
9 from, say, reclaimed water sources in order to have adequate
10 water supplies.

11 So it has been a challenge, and my understanding
12 is that at least in one instance that I know of, a site that
13 was initially considered to be capable of four units was
14 limited to three.

15 Q So other than being forced to limit the amount of
16 generation that could be constructed do you know if FPL has
17 ever had to abandon or not build on a proposed site due to
18 the inability to obtain a permit for water consumption?

19 A No, I don't. And, of course, we've had limited
20 experience, if you will, concerning new sites in the last few
21 years. While I've been in this position, there have been two
22 new sites that FPL has pursued, one of them unsuccessfully,
23 as I said, the Glades facility, for the coal unit.

24 And I am not saying that it was the water issue
25 that caused that to be unsuccessful. As I said, the Public

1 Service Commission rejected that plant before it got into the
2 environmental portion of the review. And the other site was
3 the West County site, in which there are three units in which
4 some of the water is reclaimed and in which we at one time
5 thought we would place four units but have been restricted to
6 three.

7 So the population that I draw upon is fairly
8 limited. So I don't know, you know, of other sites and what
9 difficulties might arise, because we've only had experience
10 with these two. But it is always spoken of as a grave issue
11 concerning potential sites where we might locate plants.

12 Q Okay, thank you, Mr. Silva. Moving on, if you
13 could refer to your Exhibit RS-1.

14 A Just a moment, please. Okay, I have it.

15 Q And I see on Exhibit RS-1 you've identified the
16 approximate location of the Fort Drum and McDaniel Hendry
17 sites, is that correct?

18 A Yes.

19 Q I'm wondering if it would be possible for you to
20 file an additional exhibit -- I guess it would be a
21 deposition exhibit -- which would be to supplement this
22 exhibit with the approximate location of the 500 kilovolt
23 transmission lines that you refer to in your testimony and
24 the general location of the water resources which you're
25 referring to in your testimony.

1 A Okay, the 500 KV lines, at least in this scale,
2 are portrayed by the red lines.

3 Q Okay.

4 A So as you can see, each of those stars is very
5 near one or another of the 500 KV lines.

6 Q Okay.

7 A In terms of the water properties, again, in the
8 response to Staff's Seventh, number 142, the second paragraph
9 indicates that we -- that the lands that have been acquired
10 or are being acquired because of the water rights are
11 adjacent to the McDaniel site. I don't --

12 Q Did you mean 142 or 242, for the Staff
13 Interrogatory?

14 A 242. And that's the one that is --

15 Q That's the confidential document, yeah.

16 A -- labeled as confidential, right.

17 Q I think that will be fine. I don't think that we
18 need an additional exhibit. I just have a few more questions
19 for you on a different subject now. And if I could ask you
20 to refer to page 15 of your prefiled testimony.

21 A Would you repeat the page number?

22 Q Page 15.

23 A Fifteen.

24 Q And beginning at line 13.

25 A I'm there.

1 Q You begin by discussing possible combinations of
2 changes that could accelerate the timing of a resource need,
3 is that correct?

4 A Yes.

5 Q And then on that same page, moving down to line
6 17, I believe you state a decision that FPL maintain a
7 minimum generation only reserve of, for example, nine
8 percent, to ensure system reliability in the future, would
9 result in a need for resources in 2019. Is that accurate?

10 A Yes. Yes, in other words, if that were the only
11 change, if the peak load forecast were to remain the same and
12 the growth and demand-side management megawatt reductions
13 were to remain the same, and every other factor is unchanged
14 from what is reflected in the Ten Year Site Plan, but if it
15 were recognized that we have a significant concern with more
16 and more reserves being provided by demand-side management,
17 so that it would be appropriate to plan based on at least a
18 minimum reserve coming from generation, and as opposed to the
19 overall 20 percent reserve margin, nine percent were required
20 to come from supply-side resources, generation resources,
21 then we would have to add generating capacity in 2019.

22 Q If I could ask you, you use this nine percent as
23 an example. Where does the nine percent come from?

24 A We have done a number of analyses to learn about
25 the impact of having no criterion regarding minimum

1 supply-side reserves versus having eight, nine, ten. And
2 like the criterion of 20 percent reserve margin, it's not
3 clear that one can draw a line and say if you don't have this
4 as a minimum, you're facing a catastrophic situation.

5 We believe that given a 20 percent reserve margin
6 that has been used by FPL and other investor-owned utilities
7 and concurred to by the Florida Public Service Commission,
8 that that's one key criterion.

9 But we believe that we should have minimum
10 reserves from generation to ensure that we can serve the
11 needs of our customers. And our analysis indicates that nine
12 percent would be a reasonable level at which we should have
13 as a minimum.

14 However, that has not -- that one has not been
15 approved by the Public Service Commission so we're using the
16 nine percent as an indication of where we think we should be
17 in terms of reliable planning.

18 Q Can you elaborate a bit for me sort of the factors
19 that go into the analysis that you mentioned that result in
20 FPL's belief that nine percent might be the appropriate
21 amount of generation only reserves?

22 A Well, part of the analysis that we have done has
23 to do with how often do we project that load control would
24 have to be invoked or implemented in any given high peak,
25 high use, high load month. And assuming no minimum

1 generation reserves, generation only reserves -- in other
2 words, a significant amount of the reserves provided by
3 demand-side management, how many times do we use that
4 demand-side management.

5 And when we get below -- below 10 percent, we find
6 that the frequency with which demand-side management is
7 exercised and implemented and applied to our customers, the
8 frequency goes up.

9 And there was some history some years back in
10 another utility that relied heavily on demand-side management
11 for its reserves when they were exercised excessively during
12 at least one summer, and as a result a significant number of
13 subscribers left the program and creating reliability
14 problems.

15 We're trying to avoid that so we're doing the
16 analysis looking at what may be a reasonable frequency for
17 the implementation of demand-side management that will not
18 cost subscribers, in particular residential subscribers who
19 could leave the program without advance notice and create a
20 reliability problem for us.

21 And as I said, the analysis does not come and draw
22 a line where it says below this you would face a catastrophic
23 situation because these are realistic analyses that we are
24 doing. But the results indicate that going below 10 percent
25 provided by generation only creates a situation that we would

1 like to avoid regarding the likelihood that DSM subscribers
2 would leave the system.

3 Q So do I understand you correctly or am I
4 characterizing this correctly that FPL believes that the lack
5 of some level of minimum generation only reserves could
6 impact reliability?

7 A Yes, we believe so, under certain conditions, in
8 the sense that if you think of we have 20 percent reserve
9 margins as a requirement. Now, for example, in some of the
10 cases that we have reviewed, say that 12 or 13 or 14 percent
11 of that is provided by demand-side management, but that calls
12 on us to exercise demand-side management frequently during
13 certain periods, and if that is not acceptable to residential
14 customers and they decided they do not want to participate in
15 the program, they can leave the program from one day to the
16 next.

17 So what we have as 12, 13, 14 percent reserve
18 margins could be, in very short order, be reduced
19 significantly, and now we are at far less than overall 20
20 percent reserve margin, and that could cause reliability
21 problems in our system.

22 Q Okay. Mr. Silva, do you have -- I believe you've
23 already referenced this, but you do have a copy of FPL's 2012
24 Ten Year Site Plan with you, is that correct?

25 A Yes, I do.

1 Q Can you refer to Schedule 7.3, which is, I
2 believe, on page 95 of that Ten Year Site Plan?

3 A Yes, I have it.

4 Q Does this schedule support what you just said and
5 testified to about a minimum generation only reserve?

6 A Yes. In other words, if you look at the Column 14
7 on this page, which says reserve margin after maintenance --
8 and of course the title above is Generation Only Reserves.
9 So we're not reflecting here in this column the benefit of
10 demand-side management. So reserve margin after maintenance,
11 percent of peak, and the reserves provided by generation only
12 starts at 16.2 but then fall so that in 2019 it is only at
13 8.4, and they continue to drop beyond that point.

14 And that is the column, the 8.4, which falls below
15 nine percent, is what I'm pointing at and suggests that if we
16 want to maintain this number at or about nine percent, which
17 we think is reasonable, then we would need to add generating
18 capacity in 2019.

19 Q I believe you testified a moment ago that that --
20 that the minimum generation only reserve is not a PSC
21 requirement, it's an FPL internal planning number, is that
22 correct?

23 A That's correct.

24 Q So this reserve margin after maintenance column
25 you've just referred to falling below nine percent in 2019 is

1 something FPL has identified, but it's not something that the
2 Public Service Commission has yet identified as a criteria
3 for additional generation resources in 2019. Would that be a
4 fair characterization?

5 A Yes, in part. I think it leaves out -- which I
6 haven't mentioned -- this issue has been raised at the
7 Commission in recent ten year site plan workshops. It is
8 being raised again in another week not only by -- not only
9 has it been raised in ten year site plans filed by individual
10 investor-owned utilities, but also by the FRCC, expressing a
11 significant concern. And the Commission has asked and the
12 Staff has asked questions related to this, and when FPL is
13 planning to come in and propose a way of addressing this
14 concern.

15 And it hasn't been addressed in part. You know,
16 your characterization is correct; the Commission has not yet
17 approved an additional criteria, but I believe that the
18 Commission has expressed concern, as has the FRCC and FPL.
19 And between now and another year or two my sense is that
20 we're going to at least have this vetted before the Public
21 Service Commission.

22 But from my perspective, if in one year or two
23 years the Commission decides to adopt this criterion and we
24 need generation added in 2019, we have to start planning for
25 it now, not two years from now. And that's the reason why we

1 use this, if you will, what if, in order to say, well, we
2 could very well need generating capacity in 2019 even if this
3 is the only change from what we currently have in the
4 assumptions. And, of course, a lot of other things could
5 also change aside from this one.

6 MR. HARRIS: Thank you, Mr. Silva. Mr. Guyton, do
7 you have any objection to attaching this Schedule 7.3 as
8 Deposition Exhibit 2?

9 MR. GUYTON: No.

10 MR. HARRIS: Okay, and I have a copy that I'm
11 providing to the court reporter which I represent will
12 be attached to the deposition as a photocopy of page 95,
13 and you'll be able to check that when you get the
14 deposition for reading.

15 (Whereupon, Deposition Exhibit No. 2 was marked for
16 identification.)

17 MR. GUYTON: All right, thank you.

18 MR. HARRIS: Thank you. That was all the questions
19 we have. Thank you, Mr. Silva, for the detail and the
20 clarity you've provided in some of these questions, and
21 sorry that it has taken so long, but those were all
22 Staff's questions.

23 THE WITNESS: Thank you.

24 MR. REHWINKEL: Hey, Charlie? This is Charles. We
25 did cross notice. It is quarter to 12:00. I probably

1 can do what I need to do in under 30 minutes. If the
2 witness needs a break, I can wait, or I can proceed.

3 (Off the record/brief recess)

4 CROSS EXAMINATION

5 BY MR. REHWINKEL:

6 Q Mr. Silva, my name is Charles Rehwinkel. I'm with
7 the Office of Public Counsel.

8 A Hello, nice to meet you.

9 Q Same here. And I'm just going to jump right in.
10 Kind of the same rules apply to my questions, and any
11 concerns or misunderstandings you might have, please stop me.

12 And I believe Mr. Harris touched on some of these
13 issues. I'll endeavor not to repeat myself. But just to
14 start with, just to confirm, between now and 2016 all new
15 generation capacity additions for FPL are projected to occur
16 at existing generation sites, such as the four up-rate
17 projects and the plant modernization projects, is that
18 correct?

19 A Yes, and there's a couple of smaller additions, as
20 well, that I'm sure you're aware of, that nuclear operates
21 again at existing sites and there's some upgrades of existing
22 combustion turbines at a number of our other sites. But the
23 major ones are the modernizations of Cape Canaveral and
24 Riviera and then the modernization at Port Everglades.

25 Q Okay. And on page six of your rebuttal, if I

1 could get you to turn there.

2 A Yes.

3 Q On lines 9 through 12, within that section you
4 indicate that in the future all new generation except for
5 Turkey Point 6 and 7 will likely be built at new plant sites.
6 Is that right?

7 A Yes, that's our current expectation.

8 Q Okay. And I know that you and Mr. Harris had a
9 conversation about Turkey Point's expected commercial
10 operation date, but can you tell me for the record what the
11 most current projection of Turkey Point 6 and 7 coming on
12 line would be?

13 A To my knowledge the most current projection
14 remains the first unit, unit six, in 2022, and the second,
15 Unit 7, is 2023.

16 Q Okay. Have there been any scenarios run that
17 would have those units coming on later or in a different -- a
18 different spacing?

19 A When you say scenarios run, in terms of impact,
20 for example, on reserves?

21 Q Yes, sir.

22 A Yes, as a matter of course we do, you know, a
23 number of what-ifs on a regular basis just to tell us what
24 would be the effect of this or that, and sometimes we do that
25 with Turkey Point 6 and 7 not being added until after 2026,

1 for example.

2 Q Okay. Continuing that statement where you said
3 that all new future generation except Turkey Point 6 and 7
4 will be built on new sites, are you talking about new
5 generation added by FPL after the time the Port Everglades
6 modernization project is completed?

7 A Yes. I'm trying to differentiate because we are
8 all familiar with the period between 2002 and 2016, either
9 historically or projected, where except for the additions at
10 West County, every other addition that FPL has made has been
11 at an existing site, through modernizations, refilings, et
12 cetera.

13 But the current anticipation is that beginning in
14 2016 and for a similar period into the future, we don't
15 foresee utilizing existing sites any longer because they've
16 all been modernized or upgraded or up-rated, again, with the
17 exception of Turkey Point 6 and 7. So it will be a different
18 experience for us in terms of the need for new sites.

19 Q Can I get you -- do you have the full copy of the
20 Ten Year Site Plan, the 2012?

21 A Yes.

22 Q Okay, can I get you to turn to page 121?

23 A I'm there.

24 Q And on the first full paragraph, the last two
25 sentences, I believe, start with FPL will continue. Do you

1 see that?

2 A Yes, I see that.

3 Q Could you read that, those last two sentences, for
4 the record, please?

5 A Where it reads FPL will continue to analyze?

6 Q Yes, sir, and slow for the court reporter.

7 A Certainly. FPL will continue to analyze the
8 potential for modernizing existing power plant sites such as
9 is now being done at the Cape Canaveral and Riviera sites and
10 which will occur by 2016 at the existing Port Everglades
11 site. Analysis of any modernization candidates would include
12 evaluation of numerous factors including field delivery,
13 transmission, permitting, et cetera.

14 Q Okay. Given that statement, why do you say in
15 your testimony that it's likely that all future new
16 generation outside of the Turkey Point nuclear units will be
17 built on new plant sites?

18 A Well, as I say in my testimony, I did kind of a
19 review of the existing sites. And not to conflict with this
20 statement here -- and we will continue to evaluate this --
21 but I'm also injecting the information that I currently have.

22 And I went essentially site by site, beginning
23 with Turkey Point, and each site. And then I looked at,
24 well, is it likely that doing a modernization or a conversion
25 or upgrading at any of these sites would be likely to be more

1 cost effective than adding capacity at a new site. And my
2 conclusion was, for a number of reasons that I -- that I list
3 in my testimony, that that would not be the case.

4 For example, I talk about Turkey Point, and
5 theoretically on Turkey Point one could take the existing
6 steam units and repower them. But the location of Turkey
7 Point requires a complete expansion of the gas pipeline
8 through the more populous part of the state to Turkey Point
9 to supply enough gas to run combined cycle units.

10 The last time we looked at that, when we were
11 evaluating the Port Everglades modernization, the indication
12 was that it would cost a billion dollars or more just to
13 extend the pipeline to Turkey Point. So even though we will
14 continue to evaluate that alternative in the future, my sense
15 is that that's not a viable candidate.

16 So I went essentially site by site on each of
17 those and came to the conclusion that it wasn't likely that
18 any of the sites, for one reason or the other, would be a
19 good candidate for new generation.

20 Q So you said you went site by site. Was this an
21 analysis that you performed to prepare the rebuttal testimony
22 that you filed?

23 A I didn't do an analysis in the sense that I
24 calculated numbers. I guess a more appropriate term would be
25 a review in my mind. And no, I didn't do it when I was

1 called upon to write rebuttal testimony. This is part of
2 what I just generally do on an ongoing basis, in trying to
3 anticipate what challenges we are going to have in coming up
4 with resources to meet future demand. So it's a kind of a
5 daily exercise on my part as to what our alternatives might
6 be in the future.

7 Q Okay. So the site by site review that you
8 discussed in a previous answer was not something that you did
9 to provide responsive testimony in this case?

10 A No. I utilized my own knowledge and of course
11 when I sat down to write the testimony to convey my view that
12 this was the logical conclusion or approach, you know, I
13 reflected thoughts that I have been having over time but I
14 had to sit down at one point and kind of mentally go through
15 the list. But it's something that I do as a matter of
16 routine.

17 Q Okay. And referring again to page 121 and those
18 two sentences that you read, the last sentence -- well,
19 actually, the first sentence: FPL will continue to analyze
20 the potential for modernizing existing power plant sites.
21 And then the second sentence uses the term analysis. That
22 tells how you're going to perform those continuing analyses,
23 is that correct?

24 A Yes.

25 Q Okay. Can you tell me what current properties and

1 plants are being analyzed pursuant to this sentence, these
2 two sentences?

3 A Well, at the present time there is no analysis
4 comparing sites; in other words, that are ongoing. When we
5 get to the point probably early in 2013 where we will
6 determine for what year we are planning an addition, like
7 either confirm that it's going to be 2019 or 2020, or we'll
8 identify the alternatives, including any existing site
9 alternatives that, in my view today, given what we know, will
10 probably be limited to perhaps Martin, maybe Manatee.

11 In terms of what I anticipate will be included in
12 those -- because those are two locations where we have
13 existing steam units -- mind you, as I said, based on what I
14 know today, I'm convinced that they would not come to the top
15 of the list, either one of those sties, Martin or Manatee.
16 But those are two that have relatively dated steam units of
17 the type that we have modernized and replaced in the past,
18 albeit significantly bigger than what we have replaced in the
19 past.

20 Q Are there any range of dates that those units
21 would be candidates for modernization?

22 A That they would become candidates or candidates
23 for a particular need year? I'll tell you what, part of the
24 concern which I believe I share in my testimony -- but if
25 not, I should have -- Manatee and Martin are both undergoing

1 modifications right now that do not add to capacity but
2 simply that enable them to run on residual fuel oil
3 consistent or complying with the new environmental
4 requirements.

5 They're having electrostatic precipitators
6 attached, and that is a significant investment in maintaining
7 fuel diversity in the system because of the capability that
8 those units have of utilizing residual fuel oil, where many
9 of the units that we have modernized now have primary natural
10 gas as the fuel and backup is light oil, but which is much
11 more costly.

12 I don't envision right now a time when we would be
13 successful in demonstrating that changing Martin 1 and 2 and
14 Manatee 1 and 2 to combined cycle units, for example, would
15 be good for the system, from the perspective of, A, the
16 investment that we're making now, and the negative impact on
17 system fuel diversity. Because they would now become the
18 only units that would burn residual fuel oil.

19 So that's part of the rationale that in my mind
20 says these units will not win in the foreseeable future.
21 These obviously could change, but in the foreseeable future,
22 based on my understanding, they are not candidates, or they
23 would be candidates evaluated but quickly dismissed, at least
24 under current circumstances.

25 So that's what I tried to convey in my testimony

1 on why I think that having new units is of paramount
2 importance for us.

3 Q Are you evaluating any existing sites for new
4 units? And I mean new units in contrast to modernizing an
5 existing unit.

6 A Well, we've completed that evaluation in support
7 of the Port Everglades, and that analysis was completed about
8 a year ago, and we haven't started -- in fact, we're still
9 doing analysis to optimize the Port Everglades site.

10 We haven't begun to look at the next alternatives
11 yet, because even if it's 2019, as I said before, the minimum
12 that we would want to make a decision is five years earlier,
13 which would make it 2014. And we would begin to do analysis
14 for that next year in 2014, so there isn't anything active
15 right now.

16 But we do have information on what the sites
17 alternatives are. So at least we have that information as to
18 what the sites cost and what the transmission issues are
19 going to be, and the gas pipeline issues, et cetera. So that
20 has begun, in terms of inputs to the analysis that we'll be
21 doing next year.

22 Q Will that process again look at building
23 existing -- building new units at those sites?

24 A Yes.

25 Q Based on your experience and the day-to-day

1 work that you do, you have not identified any kind of
2 back-of-the-envelope sites for adding new units at existing
3 generation sites?

4 A No. As I said, you know, we do have, of course,
5 the Turkey Point site for the nuclear. But aside from that,
6 when I went through the list, there just wasn't one that
7 was -- that was a candidate. We have those two sites that
8 are each capable of up to three combined cycle units, and in
9 my view, actually, Hendry is more capable of three and the
10 other unit is capable of two. I mean, it's capable of three,
11 but from the perspective that I have as far as transmission,
12 et cetera, we identified the economics as being more
13 supportive of two units at Fort Drum than three.

14 But that could change from year to year, from
15 analysis to analysis. But those are clean three -- up to
16 three units sites. There just isn't anything that I can see
17 in our existing plant sites that would accommodate anything
18 like that under current conditions or projected conditions.

19 Q Okay, earlier Mr. Harris asked you about the
20 primary and alternate site approach that you take. Do you
21 recall that?

22 A Yes.

23 Q With respect to Fort Drum and the McDaniel sites,
24 is the McDaniel Hendry County site the one you consider to be
25 primary?

1 A Yes. Now, of course, that could change as you
2 were asking about, you know, the analysis that we may do in
3 the next round. The last round that we did we identified the
4 cost effectiveness of the McDaniel site to be superior to
5 that of Fort Drum.

6 And so for the moment I would say the McDaniel
7 Hendry site is the primary and I would consider personally
8 Fort Drum at this stage to be the alternate.

9 Q Okay. On page 153 of your -- of the Ten Year Site
10 Plan, you identified -- do you have that?

11 A Yes, I do.

12 Q You identified the Hendry County site of
13 approximately 3,127 acres as being a possible photovoltaic
14 facility, and/or natural gas powered generation, is that
15 right?

16 A That's correct.

17 Q And has it been decided that FPL will in fact seek
18 to build three combined cycle units at the McDaniel site?

19 A In the sense that a final decision is only done
20 after significant analysis and vetting, no, it hasn't been
21 ultimately decided. What I was conveying in my testimony,
22 that our plan is that at least the next five units are
23 currently planned to be sited at Hendry and Fort Drum with
24 three units at Hendry at the McDaniel site and at least two
25 at Fort Drum.

1 But if each case -- in other words, before we make
2 a decision to add the next unit, there will be rigorous
3 analysis on which a final decision will be based, and that
4 has not occurred yet.

5 Q Okay. For purposes of you putting in your
6 testimony on page seven, line 17 through 19 --

7 A Okay.

8 Q -- the phrase FPL plans to build, when was the
9 determination with respect to the determination -- when was
10 the determination made with respect to that statement there?

11 A After the determination of need was granted for
12 the Port Everglades modernization, it devolved to these sites
13 what the next additions would be. And the basis for that is
14 that in the analysis that we performed that resulted in the
15 selection of the Port Everglades modernization as the best
16 alternative for 2016, we also looked at the economics of
17 building at Hendry County at the McDaniel site and at the
18 Okeechobee site. And although by definition the Port
19 Everglades modernization was the most cost effective, the
20 others were deemed reasonable.

21 And they compare favorably. Not quite as good as
22 the modernization, but for new sites they compare favorably
23 to other Greenfield alternatives that we have considered in
24 the past.

25 So, you know, we have kind of like a step-wise

1 list in our analysis, and the first that came up was Port
2 Everglades, and the next one in the economic ladder was the
3 choices that included the Hendry -- or McDaniel -- County
4 site, and then the next ones after that were the Fort Drum or
5 Okeechobee sites. We also had considered other sites that
6 just didn't make the cut.

7 So they were not -- the sites were not acquired
8 and we're not considering them as part of the plan. But
9 these two were at the top after Port Everglades, so that's
10 when they became -- when Port Everglades became the unit for
11 2016, the others, by definition, became the next units on the
12 list.

13 Q Okay. So would it be fair to say that they are
14 the next -- they meaning these five combined cycle units --
15 are the next five units, by default, until the company makes
16 a formal analysis?

17 A They are what's in the base plan, subject to
18 confirmation, verification, when we actually have to seek
19 approval. Again, aside from the Turkey Point 6 and 7 units.

20 Q Yes. And I apologize if you've already answered
21 this, but when would that verification that you just
22 mentioned, when would that be targeted to occur within the
23 company?

24 A We will, I expect, revisit the analysis, including
25 the need, the timing of the need, the magnitude of the need,

1 by next spring. By that time, you know, we will have updated
2 information regarding fuel prices and other factors that
3 affect the analysis, and we hopefully will know a little bit
4 more clearly how -- how this question about reserves from
5 generation only -- how that criterion will be agreed to by
6 the Commission and other utilities or not as being a viable
7 measure of reliability or criterion for reliability. When we
8 know that information, we will undertake the analysis, and
9 it's likely to be by next spring.

10 Q A similar line of questions for the northeast
11 Okeechobee land on page 155 of the Ten Year Site Plan.

12 A I understand. I'm there.

13 Q Okay. It says that FPL has purchased a 2,832 acre
14 site in northeast Okeechobee County for a new future PV
15 facility or natural gas generation.

16 A Right. And that's, again, the same. As I
17 indicated in my testimony -- and I've been responding to your
18 questions related to analysis as they would support future
19 combined cycle natural gas generation.

20 Q Yes, sir.

21 A But from the perspective of solar photovoltaic
22 generation, we are really, I guess, on an ongoing basis,
23 updating analysis to determine what the cost of solar PV
24 generation would have to be, what the characteristics of that
25 generation would have to be, to be cost effective against

1 FPL's costs.

2 In other words, when would it be standing on its
3 own as an economic choice versus not doing it, and separate
4 from the question of firm capacity that is what's provided by
5 the gas fuel generation, we're constantly doing that and
6 trying to determine, well, how close are we to that point.

7 The reason why we earmarked these sites for solar
8 PV generation is that when either that becomes cost effective
9 on its own or the state or the Federal government imposes or
10 approves our ability to add those types of capacity, again,
11 that will be an issue with updating sites. And these are
12 located close to our service territory and close to 500 KV
13 transmission lines, so they're prime property for that type
14 of generation, as well.

15 And that analysis is going on on an ongoing basis.
16 But until we get to the point where something facilitates
17 those additions we just continue to analyze and wait until
18 those conditions change.

19 Q Okay, thank you. And with respect to the natural
20 gas or combined cycle units that could go on the northeast
21 Okeechobee County site, or Fort Drum, I guess, is the term
22 we're using, right?

23 A Yes.

24 Q The decision making with respect to the use of the
25 word FPL plans, on page seven, line 17, is the same for that

1 as for the McDaniel site; it's on the list. After Port
2 Everglades came off, McDaniel and Fort Drum went to the top
3 of the list, in that order, is that right?

4 A Yes, and of course, you, know, I'm also looking at
5 alternatives. Since my review indicated that the existing
6 sites don't offer competitive alternatives based on
7 foreseeable conditions of the future, and I guess I
8 inherently believe that there will be load growth and there
9 will be need for additional resources, then the plan is that
10 we will add capacity, and these are the ones that are at the
11 top. So it's my view of a pretty realistic plan, if you
12 will.

13 Q Okay. Do you have a timetable for constructing
14 and placing into service -- at least for planning purposes --
15 the three combined cycle units on the McDaniel site?

16 A Not one. We have, you know, depending on the
17 sensitivity that we are looking at, you know, a number of
18 possibilities. One would, of course, make a decision in
19 2013, and proceed to build the first unit by 2019.

20 And then, assuming that Turkey Point 6 and 7 do go
21 in service on schedule in '22 and '23, then the next one
22 would be after that in 2025.

23 The alternative to that scenario is that Turkey
24 Point 6 and 7 are delayed and then, in addition to the 2019
25 unit, we would have another one in 2022 and another one in

1 2024. Again, those are -- those would be predicated only on
2 a change in the reliability criterion to incorporate a
3 generation only criterion of a minimum of nine percent.

4 There could be other factors, as I indicate, in
5 terms of load growing faster than anticipated, DSM growing
6 more slowly than anticipated, that could put us in a similar
7 situation. So those are kind of the timetables that we are
8 looking at.

9 Q And the timetables you gave me there, those were
10 in-service dates?

11 A Yes.

12 Q Construction lead time is about what for those
13 type of units?

14 A The construction, itself, would be a minimum -- at
15 least historically -- at least a minimum of two years. So
16 construction would have to begin not later than the beginning
17 of 2017 for the 2019 unit. And typically, you know, when you
18 back up to go to the site certification process, which is the
19 last step, the need determination process before that, the
20 RFP, which typically takes at least six months to send out,
21 receive, evaluate, and make decisions of, and then the steps
22 leading to the preparation of an RFP after we have decided
23 what our choice is from among our choices, we're talking
24 about a minimum of five years from 2019 where we have to make
25 a decision.

1 This is FPL's choice, and now let's go forward
2 with the next step, which is RFP, need determination, if we
3 select the FPL self-build option, site certification, and
4 then construction for 2019. So we would have to make a
5 decision not later, for that unit, than 2014.

6 Q Okay, thank you. I think we have confirmed that
7 the McDaniel site is 3,126 acres. Does that sound right?

8 A Yes.

9 Q And the cost was about \$42 million, or \$41.975
10 million? And the cost, I think, is shown in OPC-124, on that
11 attachment.

12 A Yes, the reported cost is almost 42 million and
13 the amount reflected in the test year 13-month average is
14 39.98.

15 Q Okay. Thank you. And acreage is actually on that
16 same attachment, 3,126. Okay.

17 A That's correct.

18 Q Will all 3,126 acres be needed to construct and
19 operate the three combined cycle units that are planned for
20 that site?

21 A No. I would say that a large portion of that is
22 what is being reserved for solar photovoltaic generation.

23 Q Do you have a ballpark of what percentage would be
24 needed or would be reserved for the photovoltaic?

25 A I don't know off the top of my head, but -- yeah,

1 I don't know, because I haven't seen the amount the solar
2 photovoltaic will take.

3 Q Let's ask it another way. Do you know what's the
4 minimum amount of acreage that's needed for the combined
5 cycle units?

6 A Based on other units that we have built, it would
7 be a minimum, I would say, of about 300 acres.

8 Q That's 300 total for the three units?

9 A Yes.

10 Q Okay.

11 A Now, you know, part of the reason why I hesitated
12 in that number is that it's specific to the site. So that if
13 you have to -- you know, depending on how much you have to
14 mitigate, if part of the site has wetlands or other things,
15 then you have to set aside, you know, some, or a lot of the
16 site for those types of mitigations, it could increase
17 significantly the amount that you actually have to devote to
18 the combined cycle units.

19 So what I'm going by here is more or less what I'm
20 familiar with was used at West County. But, you know, each
21 site is different, and I'm not -- just not familiar with the
22 McDaniel site to tell you specifically for that site what
23 would be required for the three combined cycle units.

24 Q Okay, thank you. And continuing on to, I think,
25 Staff Interrogatory 243, you state -- if you could turn to

1 that. You state in that item -- well, in the first paragraph
2 of the answer, FPL identified a strategy to purchase adjacent
3 lands for water access as the most optimal cost solution for
4 customers. Do you see that?

5 A Yes.

6 Q And then, as you discussed with Mr. Harris, you
7 went on to identify three separate parcels for purchase in
8 2012, 2013 and 2016?

9 A Yes.

10 Q And we've also discussed the \$70 million added to
11 the land or the -- what is it called -- OPHU account for
12 9,409 acres in new Hendry County land to be purchased in 2012
13 and 2013?

14 A Right, yes, Parcel A and B, right. And again, the
15 13-month average numbers for that are 51 million -- for those
16 parcels --

17 Q Right.

18 A -- are 51.21 million.

19 Q Okay, thank you. And these are the two parcels
20 that FPL has contracted to purchase to provide water supply
21 for the combined cycle units on the McDaniel site, is that
22 right?

23 A Right. Each of those parcels is aimed at one
24 combined cycle unit, in terms of water. So exercising that
25 purchase for Parcel A and Parcel B would provide the water

1 for the first two units.

2 Q At the time the company acquired the McDaniel site
3 in June of 2011 -- is that the correct date?

4 A I know it was 2011. Yes.

5 Q Okay, for \$42 million. Did you know -- you, the
6 company -- know that the purchase would not result in the
7 water needed to service the combined cycle units that you
8 planned to place on the site?

9 A I'm not sure that I would characterize that the
10 site would not provide the water. I think we -- as I said
11 before, there were other alternatives for acquiring the
12 water, and those alternatives did not require us to buy
13 Parcel A and Parcel B. And that's what is captured in the
14 report that we alluded to earlier that summarized the
15 alternatives and were considered for water.

16 So my interpretation is that we could have just
17 bought the McDaniel site and then done something else to
18 obtain the water, but that would have been more costly than
19 what we are planning to do, which is obtain these parcels.

20 Q Okay. And this analysis is what was referenced in
21 POD 50, confidential POD 50?

22 A That's correct.

23 Q And I think you had earlier stated in response to
24 a question by Mr. Harris that the company had done an
25 analysis about the most cost-effective way to get land with

1 the existing water use rights, or something to that effect,
2 is that right?

3 A I think what I -- well, I can't remember verbatim
4 what I said, but if I understand your question correctly,
5 what I'm saying is that the company evaluated different ways
6 of obtaining water to support the three combined cycle units
7 at the McDaniel site and one of those alternatives involved
8 the purchase of these parcels, and that was deemed to be the
9 most cost-effective alternative to obtain water.

10 Q Okay. Now, was the analysis or the information
11 that is contained in Staff Interrogatory 242, which is
12 confidential, and the document that is responsive to POD 50,
13 are the two of those -- do those encompass the analysis about
14 the most effective way to get water for the units for the
15 McDaniel site?

16 A I would say yes, those are the only two documents
17 that I'm aware of that relate to that.

18 I don't know whether somebody else might have a
19 different document, but certainly it's the only ones that I
20 have seen.

21 Q Okay, that's fair. Can any combined cycle units
22 be placed on the 3,126 acre McDaniel site without the need to
23 acquire additional land?

24 A My sense is that we could add combined cycle units
25 at the McDaniel site without purchasing the parcels but that

1 would involve paying a higher cost for the water because we
2 would not be able to obtain them by virtue of ownership of
3 these parcels, which would tend to give us access to the
4 aquifer, which is the lowest cost alternative. But we would
5 have to pay more for the water than we are projecting to pay
6 by acquiring these sites, these parcels.

7 Q Have any of the Hendry County land that make up
8 the \$70 million parcel, have they been actually purchased by
9 FPL as of today?

10 A No.

11 Q Are any of those purchases contingent upon getting
12 approval from the Commission in this case to include those
13 costs in rates?

14 A Not to my knowledge in the sense of the -- for
15 example, the option being conditioned on that, my sense is
16 that we have an option to purchase each of those and that
17 there's an expiration date for each of those, and I'm not
18 sure when that is, but I believe that the planned purchase of
19 the first parcel remains in 2012 and the second one remains
20 in 2013.

21 Q Given the lower costs associated with the Fort
22 Drum land -- and I mean the lower per acre cost, and the fact
23 that additional land does not need to be acquired to provide
24 water to that site, why did FPL also decide to acquire the
25 McDaniel site and the Hendry County land site at a cost of

1 about \$122 million?

2 A Well, the decision was based beyond the costs
3 associated with the site, itself, or the site plus the water,
4 itself. In other words, when we were doing the analysis in
5 2011 as to what should be the best capacity addition in 2016
6 to meet the need then, we compared the modernization at Port
7 Everglades, additions at the McDaniel site and additions at
8 Fort Drum, as well as the very initial stage additions at
9 Turkey Point and at other locations.

10 The order -- the economic order of the results was
11 Port Everglades modernization was the most cost effective.
12 When you took into consideration losses, transmission losses,
13 and other factors, the economics of building at Hendry were
14 better than at Fort Drum. Perhaps because of the distance
15 away, the fact that the 500 KV line near Hendry is relatively
16 unloaded, so it doesn't require as much upgrades within the
17 facilities, themselves, to accept new input into the 500 KV
18 line.

19 But it turned out to be a better choice,
20 economically, overall, when one considered things beyond just
21 the cost of the site.

22 Q I asked you earlier if you had, for planning
23 purposes, potential in-service dates for the McDaniel site
24 and you gave me two scenarios, 2019 and 2025, or 2019, 2022
25 and 2024, based on some assumptions about Turkey Point and

1 the nine percent and the DSM. Do you recall that?

2 A Yes.

3 Q If I asked you the same questions with respect to
4 the Fort Drum site, what would the two unit in-service dates
5 be there?

6 A My sense is that if we decided, for example, to
7 add the first two units at Hendry -- at McDaniel, and then
8 move the next unit to Fort Drum, that it would be perhaps
9 2024, 2025, again, depending on Turkey Point 6 and 7. You
10 know, it would be the third in line, if you will.

11 In other words, we might add two at McDaniel and
12 then the next one at Fort Drum, and then it would be around
13 2025. Unless, of course, I also say, we run into unforeseen
14 difficulties at Hendry that either render that site unviable
15 or requires remediation that would take some time to do, and
16 then we would switch over to Fort Drum and then Fort Drum
17 would come first. Or if the economics change between now and
18 the time we make the final decision. But, again, you know,
19 if you started with one, then the other one would probably be
20 in 2024, 2025, thereabouts.

21 Q Why would you not put three units at the Hendry
22 site first and then put the next unit at Fort Drum? Is it
23 because that third unit at Hendry needs water?

24 A I think the analysis that we did last year, my
25 recollection serves, indicated that the first two units at

1 Hendry were the best. Then before the third unit could be
2 added there might be a step upgrade in the transmission
3 interconnection, which would likely put the first unit at
4 Fort Drum ahead of it.

5 Again, that was a snapshot in time of that
6 analysis, which was suggesting to me that that would be the
7 order. When we do the analysis with current information at
8 the time we update the analysis, the outcome could be
9 different. And if the Fort Drum unit were the fourth, then
10 it would be after -- my sense would be after 2026.

11 Q At the time the Fort Drum land and the McDaniel
12 site land was required in 2011, had FPL already decided to go
13 forward with the modernizations of the Port Everglades plant?

14 A I'm sorry, could you repeat the question?

15 Q Yes, sir. At the time that you acquired the Fort
16 Drum and McDaniel site land, in June of 2011 -- is that
17 correct?

18 A Yes.

19 Q Had the company already decided to proceed with
20 the modernization of the Port Everglades plant, made a final
21 decision to proceed?

22 A I believe that they were almost concurrent. The
23 decision on the Port Everglades modernization, I believe, was
24 presented to the Board in July of 2011. So it would have
25 been almost concurrent.

1 Q But slightly after?

2 A Yeah, that's my sense. But again, you know, when
3 you say -- when you say approval, the fact that we executed
4 in June, the fact that we took a decision to the Board meant
5 that some level of decision had been made prior to that time.
6 So that's why I say roughly concurrent.

7 You know, the decision to purchase the sites that
8 we're talking about came as an output, as a result of the
9 same analysis that resulted in us selecting Port Everglades
10 as the best alternative. The fact that it was Port
11 Everglades, there was McDaniel, there was Fort Drum, and
12 there were others that were not acted on, that were not
13 pursued because they were not as cost effective as these two.

14 So out of those -- out of that same analysis, out
15 of that same discussion, came the decision to, A, proceed
16 with Port Everglades, and, B, acquire the McDaniel and Fort
17 Drum sites.

18 Q Okay. Can I get you to look at your Ten Year Site
19 Plan again on page 12.

20 A Yes, sir.

21 Q Would it be fair to say that after Port Everglades
22 is added in 2016 the next generation resources needed to
23 obtain your 20 percent reserve margin would be in 2021 with
24 250 megawatts?

25 A Consistent with the Ten Year Site Plan and the

1 underlying assumptions that are embedded there, yes, that's
2 what we show, that after 2016 we would -- well, sorry, let me
3 take a look at that. Yeah, you're right. Again, consistent
4 with the assumptions embedded in the Ten Year Site Plan.

5 Q Okay. And you also indicate that, I think, on
6 page eight, in kind of the discussion on page eight of the
7 Ten Year Site Plan, that that need would be met with a
8 purchase power agreement?

9 A That's correct. And as I said before, a
10 significant basis for that is the anticipation that Turkey
11 Point 6 would be added in 2022. So even though we have a
12 need in 2021, if we're going to add 1100 megawatts the next
13 year, it's likely reasonable that we would not be adding back
14 to back units in '21 and '22.

15 But no analysis has been done to verify that that
16 would be the most economical alternative. So what we show
17 here, even if nothing else changes, what we show here as
18 being met by a purchase in 2021, it could turn out that
19 adding a new unit in 2021 would be more cost effective.

20 Q But as of today, this is still the plan?

21 A As of April 1st or 2nd, 2012, this was the plan.

22 Q Okay. Has it changed since then?

23 A We haven't produced a new one, but as I said
24 before, you know, this Ten Year Site Plan is a snapshot in
25 time. It doesn't imply that a month later or two months

1 later it's still accurate or the best choice, it just hasn't
2 been superseded yet.

3 Q Okay. I'm going to try to finish up here soon.
4 My estimate of 30 minutes -- I apologize -- was based on not
5 having talked to you before. So I'm going to try to speed it
6 up. Page 11 of your testimony.

7 A Yes, I'm there.

8 Q You indicate that when FPL purchased the McDaniel
9 and Fort Drum sites in 2011 it projected that it would have
10 to add new generating capacity to its system in the near
11 future, and knew these resources would have to be built at
12 the new site.

13 A Yes.

14 Q Okay. Can you tell me what you mean by near
15 future? And I'm reading from lines 19 through 21. What does
16 near future mean?

17 A I was looking at the Ten Year Site Plan. Let me
18 go to it. My sense is that we're talking about how the -- to
19 me the short-term planning horizon would be the next ten
20 years or so, you know, based on the fact that we have to make
21 a decision at least five years ahead of time. In the case of
22 the Riviera modernization, six years ahead of time, before a
23 unit comes in service.

24 So those are six years that are essentially lost
25 to me from a planning perspective. So near term begins with

1 a minimum of six years, and it adds up, so, you know, say in
2 the next ten years or so.

3 Q Okay. Since you decided to proceed with the Port
4 Everglades modernization project in mid-2011, has any
5 internal analysis been conducted to determine if it would be
6 more cost effective to sell either the McDaniel site or the
7 Fort Drum site?

8 A I'm not sure that I understand your question. You
9 say that it would be more cost effective to sell these sites
10 than what?

11 Q Than to hold them both.

12 A Are you saying compared to -- I mean, if we sell
13 them -- I'm not sure that I understand the comparison, but
14 the answer to the question is no. I am not aware of any
15 analysis that has considered selling the sites as opposed to
16 keeping them.

17 Q Okay. Likewise, has there been any analysis or
18 evaluation about whether to proceed with the \$70 million
19 acquisition of the additional Hendry County land parcels?

20 A No. You know, we made the decisions and our
21 perception continues to be that in the future it will be more
22 difficult, more costly, to obtain similar properties. And
23 although from a management perspective this is something that
24 is reviewed on an ongoing basis, no new information has
25 arisen to prompt an analysis.

1 Q So it's your testimony that that is still the
2 company's plan is to proceed with the \$70 million acquisition
3 of the Hendry County parcel?

4 A Yes.

5 Q Okay. Can you tell me who you bought the Fort
6 Drum site from?

7 A No, I don't know who the owner was.

8 Q Was it a single owner?

9 A I don't know.

10 Q Is that information available?

11 A I would expect that it is. I don't know any
12 reasons why that information is not available.

13 Q Would the answer be the same for the McDaniel
14 site?

15 A Well, I believe that the -- yeah, just a second.
16 I'm not sure whether any information that I've got here
17 indicates who the seller was. I understand that the
18 information, at least for the Hendry County, is included in
19 the document that is in response to POD 50.

20 Q And when you say the Hendry County, you're talking
21 about the adjacent parcel, the \$70 million site?

22 A Yes.

23 Q Okay. Would that include information about the
24 McDaniel -- McDaniel site?

25 A Yes.

1 Q Okay. Along that line you were asked a question,
2 I guess it was about Late Filed Deposition Exhibit Number 1,
3 the e-mail. Do you recall? This is the e-mail you
4 referenced and Mr. Harris asked for it and Mr. Guyton
5 reserved an objection to it to evaluate privilege, et cetera.

6 A Yes.

7 Q Can you tell me who the e-mail was to and who it
8 was from?

9 A It was addressed to a number of people. I was
10 one. The other names on the addressee list were Matt Belger,
11 Laura Fowler, Peter Cocotos, Terry Hicks, Severino Lopez,
12 Buck Martinez, and Kathy Salvador. And the author was Dean
13 Girard.

14 Q Okay. Now, were any of those attorneys?

15 A Not -- oh, yes, I understand one of them is, Peter
16 Cocotos.

17 Q He was a recipient?

18 A Yes.

19 Q Okay, and what was the date of that e-mail?

20 A The date was July 9th, 2012.

21 Q Okay. And was the e-mail something that you
22 requested, information that you requested or requested on
23 your behalf for preparation of testimony?

24 A It was something in response to inquiries that
25 I made about the purchases. And although you didn't ask, but

1 another attorney that at least is on a carbon copy is John
2 Butler.

3 MR. REHWINKEL: Charlie, would it be possible to
4 get a Late-Filed Deposition Exhibit Number 3, which
5 would be Land Purchase Details, just for a short title?
6 And to the extent not included in POD 50, who the three
7 sites were bought from or who would be the potential
8 sellers of the \$70 million site. Does that make sense?

9 MR. GUYTON: Hang on a minute, I'm taking notes.

10 MR. REHWINKEL: Okay. I just want to know who sold
11 the Fort Drum site, who sold the McDaniel site, and who
12 are the owners of the three additional parcels next to
13 the McDaniel site.

14 MR. GUYTON: I'm going to have to consult with my
15 client about where we are in discovery, Charles, and
16 deadlines and what have you. But I can get back to you
17 about it.

18 MR. REHWINKEL: Okay. Let's identify that as
19 Number 3, and I'll just call it Land Seller Details.
20 How is that?

21 MR. GUYTON: Land Seller Details. And just so we
22 preserve the record, I'm going to raise an objection
23 pending talking to my client.

24 MR. REHWINKEL: Okay. And certainly, to the extent
25 there are ongoing negotiations and confidentiality is an

1 issue, I would understand that you'd need to take the
2 appropriate protections there.

3 MR. GUYTON: Okay.

4 (Whereupon, Late-Filed Deposition Exhibit No. 3 was
5 identified.)

6 BY MR. REHWINKEL:

7 Q Mr. Silva, has the company ever done an evaluation
8 about the expected appreciation of the land that comprises
9 the three parcels that we're talking about, Fort Drum,
10 McDaniel, and the adjacent water access properties?

11 A I believe that the document we were just alluding
12 to has a statement or two related to that.

13 Q Would the statement or two relate to the
14 professionals within the real estate group of FPL assessing
15 the increase in value of the property over time?

16 A It refers to studies and it doesn't attribute, you
17 know, who -- it doesn't say who made the studies, so I don't
18 know who made them. But it does talk about anticipated
19 increase in property values.

20 Q Do you know whether FPL has conducted any studies
21 about the appreciation in value of these particular
22 properties?

23 A Personally I don't know other than what I'm
24 reading in this e-mail that indicates that some study was
25 done.

1 MR. REHWINKEL: Charlie, subject to the objections
2 that you've raised previously, I would just like to
3 identify Late-Filed Number 4. And I'll just call it,
4 for a short title, Land Appreciation Studies. And all
5 I want is to identify for viewing under appropriate
6 protections any studies that FPL has conducted or
7 commissioned related to any appreciation in value of the
8 three sites that we have discussed on this deposition.

9 MR. GUYTON: All right, I'll take that back to my
10 client. For purposes of the record, I'll raise the same
11 objection.

12 (Whereupon, Late-Filed Deposition Exhibit No. 4 was
13 identified.)

14 BY MR. REHWINKEL:

15 Q Okay. The Hendry County land that is adjacent to
16 the McDaniel land, Mr. Silva, can any combined cycle units be
17 placed on that land instead of the McDaniel land?

18 A I don't know.

19 Q So when the company made agreements to purchase
20 these parcels, did they evaluate that land for
21 appropriateness for placing generation on?

22 A I am not aware of there being an evaluation for
23 siting combined cycle units at the additional parcels. I
24 believe that some of that discussion may be included in the
25 response to POD 50.

1 Q Okay.

2 A But I really don't recall.

3 Q Do you know the nature of the water access that
4 you're seeking on those additional properties? Is it surface
5 water or groundwater?

6 MR. GUYTON: Just be sure before you answer the
7 question.

8 BY MR. REHWINKEL:

9 Q Yeah, and I'm not asking you to reveal any
10 confidential information.

11 A Yeah, I think this information is under
12 confidential protection, from what I understand, because the
13 only report that I have that relates to that is deemed
14 confidential.

15 Q Okay. I had asked you earlier about any
16 additional sites, any sites within the company that --
17 whether they were being evaluated for placing new generation,
18 even if there was an existing site that may or may not be a
19 candidate for modernization. Do you recall that?

20 A Yes.

21 Q Can you tell me -- and I think you went through an
22 analysis in your answer with regard to Manatee and Martin
23 sites. Do you recall that?

24 A Yes.

25 Q Can you tell me whether, apart from modernization,

1 whether there is room on those sites for new generation?

2 A Martin and Manatee?

3 Q Yes, sir.

4 A Are you saying Martin and Manatee?

5 Q Yes, sir, either one.

6 A I don't know. I don't know the sizes that remain
7 for those sites. However, another concern that I state in my
8 testimony as being the rationale for my conclusion that
9 those, the existing sites, are not candidates is the
10 concentration of generation that already exists at a number
11 of those sites, and the adverse impact on reliability of
12 adding yet more capacity to those sites.

13 So, for example -- just a second -- the Martin
14 site already has winter net capability of almost 3900
15 megawatts. And there has been expressed significant concern
16 about adding further to the concentration of generation to
17 that site which could be susceptible to a one event problem.

18 Manatee is not quite as large, but it's still 2800
19 megawatts. So in both of those cases we're getting to the
20 point where it would be contrary to perhaps the best
21 interests in terms of reliability to continue to add capacity
22 that could be susceptible to a one event outage that could
23 bring out a whole large component of our assets.

24 MR. REHWINKEL: Okay. And that's all I have.

25 Thank you very much, Mr. Silva.

1 THE WITNESS: Thank you.

2 MR. GUYTON: Vickie, you still with you?

3 MS. KAUFMAN: Yes, I am. I know that Charles went
4 a little bit longer than he expected, so are you ready
5 to forge ahead, Mr. Silva and others? I don't think
6 that I'm going to have nearly as much as Charles did.

7 MR. GUYTON: Would it terribly inconvenience
8 anybody to take a short comfort break?

9 (Brief recess)

10 CROSS EXAMINATION

11 BY MS. KAUFMAN:

12 Q Mr. Silva, good afternoon.

13 A Good afternoon.

14 Q Vickie Kaufman for the Florida Industrial Power
15 Users Group. And one of the advantages of going last is that
16 you can eliminate a lot of the questions. But I do have a
17 few for you. The first one has to do with some questions
18 that Mr. Harris asked you in the very beginning of your
19 deposition this morning about your duties in your position at
20 FPL. Do you recall those questions?

21 A Yes.

22 Q Okay. I wanted to ask you, Mr. Silva, if you've
23 ever been qualified in any proceeding, whether at the PSC or
24 a court, or elsewhere, as an expert.

25 A Yes. Yes, before the Public Service Commission.

1 Q Okay. And can you tell me in what areas you were
2 qualified as an expert?

3 A My recollection is that I was recognized as an
4 expert in fuel procurement.

5 Q Fuel? Uh-huh.

6 A Fuel procurement. And I don't remember what it
7 was called but I believe that I was qualified as an expert in
8 terms of presenting testimony on need determination. In
9 other words, resource planning.

10 Q Resource planning. Okay. Are you finished? It's
11 hard when you're not in the same room.

12 A I'm sorry. Yes.

13 Q Okay. Was that in one particular docket or
14 several dockets?

15 A Well, in terms of the qualification or
16 prequalification, I think it was addressed once in each case,
17 but I testified regarding fuel resources, fuel procurement
18 for a number of years in the fuel filings and in need
19 determinations I would say about a half a dozen times.

20 Q And it is your recollection that the Commission
21 recognized you as an expert in those proceedings?

22 A Since the first time there's been no challenge so
23 my interpretation is yes.

24 Q Okay. Fair enough. Have you ever been recognized
25 as an expert in a court proceeding?

1 A Court? You mean judicial?

2 Q Yes. State court, Federal court?

3 A No.

4 Q Have you ever been recognized as an expert in an
5 administrative law proceeding before the Division of
6 Administrative Hearings?

7 A No.

8 Q Let me ask you this. Do you consider yourself to
9 be an expert in regard to real estate pricing?

10 A No.

11 Q How about in regard to zoning?

12 A No.

13 Q How about in regard to land use issues?

14 A No.

15 Q Are there any other areas other than the fuel
16 procurement resource planning area that you consider yourself
17 to be an expert in?

18 A Not in terms of the utility business.

19 Q Okay. We've spent a lot of time this morning and
20 this afternoon talking about the parcels that are in issue,
21 some of which or I guess one of which I understand there's an
22 actual contract, and two of which there are options to
23 purchase, correct?

24 A That's my understanding, yes.

25 Q Were you directly involved in any way in the

1 negotiation of either the contract to purchase or the
2 options?

3 A No.

4 Q Who in FPL had the primary responsibility for
5 those negotiations?

6 A I'm personally not familiar with the name of the
7 specific person.

8 Q All right. There were some questions -- and
9 forgive me, I can't recall who asked these -- but in regard
10 to this e-mail from your real estate department summarizing
11 the facts as to the acquisition of these sites. Do you
12 recall that?

13 A Yes, I recall reference to a document that
14 discussed the acquisition.

15 Q Is this the only document that you're relying upon
16 for the statements in your testimony -- and I think it
17 appears several places -- that if you waited to purchase
18 these sites later they would be more expensive?

19 A It is the -- to my recollection, I have seen a
20 number of documents, of statements, that have conveyed that
21 sense and there's been numerous conversations with employees
22 in real estate and project development who were involved in
23 the process of selection and procurements of the sites that
24 conveyed the same information.

25 Q Let's take that. First of all, let me ask you,

1 has FPL presented a witness in this case that's familiar with
2 the negotiations or acquisitions of these sites?

3 A I don't know.

4 Q Now, in regard to -- we've talked about that
5 e-mail that I understand Mr. Guyton will be reviewing to see
6 if there's anything confidential, and Mr. Rehwinkel asked
7 some questions about.

8 Other than that e-mail, what other documents have
9 you reviewed to support your conclusion that if you waited to
10 purchase these sites they'd be more expensive? I think you
11 mentioned some in your prior response generally.

12 A My recollection is that there's been a number of
13 e-mails that have been responsive to questions that I have
14 posed that have indicated the same information, you know,
15 where I was inquiring as to the basis for the decision to
16 acquire.

17 And among the statements that were made to me
18 through e-mails as well as verbal communications was the
19 expectation that given -- that we bought these properties at
20 a time when market prices in general were depressed, that
21 going back to the market subsequently would likely result in
22 us paying higher prices for property if these properties were
23 to remain available, or for other property.

24 Q Who -- it sounds like there was more than one
25 e-mail on this topic. Can you tell me who the authors of

1 these e-mails were?

2 A I don't remember. There were a group of people
3 that we were discussing these things with and I don't know
4 who exactly wrote which particular e-mail.

5 Q Someone might have asked you this question before,
6 so I'll apologize in advance. Have you reviewed any reports
7 or analysis, analysis from anyone, either inside or outside
8 FPL, discussing the trends in the real estate market?

9 A No.

10 Q There's also been some discussion today about
11 zoning requirements for the property. And do you know how
12 the property we're discussing is zoned now?

13 A No, I do not. The information that has been
14 conveyed to me is that the properties either have the
15 necessary zoning for the intended purpose or there's a
16 reasonable expectation in the company that the appropriate
17 zoning can be obtained, but I don't know what the zoning
18 characterization is at present.

19 Q Okay. Were these comments that you mentioned,
20 were they provided orally to you or in writing regarding the
21 zoning?

22 A They've been mostly communicated orally to me.

23 Q By a particular person? Did a particular person
24 make these comments to you?

25 A I can't remember whether it was one person or two

1 or exactly who was it that voiced that particular opinion.

2 Q Do you know if there's another witness that FPL
3 has put on in this case that can address zoning questions?

4 A I don't know.

5 Q Am I correct -- I know you said that you didn't
6 know the zoning of the property. Is it your understanding
7 that at least some of the parcels would have to be rezoned,
8 or you don't know?

9 A No, I don't know.

10 Q Have you personally had any discussions with any
11 of the local zoning authorities?

12 A No.

13 Q If you would turn to your testimony that begins on
14 page 21, which is the criteria that you've discussed before.
15 And actually, if you could turn to 22, that's what I want to
16 talk to you about.

17 A I'm there.

18 Q Okay. The bullet -- the first bullet on line one,
19 on page 22, talks about one of your criteria as being site
20 characteristics that would enable the proposed generating
21 facilities to comply with all Federal, state and local
22 requirements, including but not limited to, and then there's
23 a list of five issues, correct?

24 A Yes.

25 Q Has FPL done any sort of study or analysis, for

1 example, as to the issues arising -- that might arise
2 surrounding wetlands?

3 MR. GUYTON: Object to the form of the question.

4 In regards to what, Vickie?

5 MS. KAUFMAN: In regards to putting power plants on
6 the sites that we are discussing in this case and as to
7 whether they'd meet the criteria Mr. Silva has listed.

8 THE WITNESS: I don't have access to any specific
9 analysis that may have been done, but the information
10 that has been provided to me by those that are in the
11 environmental group indicate that at least insofar as
12 FPL is concerned, the sites in question do meet these
13 requirements.

14 BY MS. KAUFMAN:

15 Q Okay, we'll just take wetlands as an example since
16 that's the first one under this particular bullet. Correct
17 me if I'm wrong -- well, let me ask it this way. Do you know
18 whether or not any analysis has been done regarding any
19 wetlands issues that might arise on any of these parcels?

20 A I am not aware of any specific analysis. The
21 experts responsible for determining whether the site
22 characteristics would enable the sites to comply with
23 wetlands and these other characteristics have conveyed to me
24 their expert opinion, as far as I'm concerned, that these
25 sites would enable FPL to comply with these characteristics.

1 What analysis they may or may not have done in order to
2 arrive at those conclusions is not -- I'm not aware of one
3 way or the other.

4 Q So on the wetlands issue, who communicated that
5 information to you?

6 A In general, for all of the characteristics that
7 relate to environmental, the information that was conveyed to
8 me was conveyed by a group that included a number of people
9 in the Environmental Services Department.

10 Q Well, how was it conveyed to you? Did they write
11 you a memorandum or --

12 A By telephone conversation.

13 Q It was a telephone -- again, let's just stick to
14 the wetlands. It was a telephone call with a group of
15 people? A conference call?

16 A Yes, and the conversation was not specific to
17 wetlands. The conversation was related to these are the
18 criteria that these sites must pass, if you will, to be
19 deemed viable; have they met those criteria. And there were
20 a number of experts in various areas of the company and they
21 conveyed to me in conversations that, yes, indeed, these
22 sites do comply or have the characteristics necessary to
23 comply with these requirements.

24 Q Was this information conveyed to you in one phone
25 call, multiple phone calls, or what?

1 A In a series of phone calls.

2 Q When did those take place?

3 A I think sometime beginning in mid June, and ending
4 perhaps in mid July or thereabouts.

5 Q How many calls were there?

6 A Two or three. I don't remember exactly.

7 Q And can you identify for me the names of the
8 people with primary responsibility for these issues, the ones
9 we're talking about under site characteristics?

10 A I can identify the head of the Environmental
11 Services Department. His name is Randall LaBauve.

12 Q Is he the one that has primary responsibility for
13 conveying this determination to you that we're talking about,
14 about the environmental categories listed on page 22?

15 A He has primary responsibility for the
16 environmental group. I don't know that I would characterize
17 anybody as having responsibility for conveying the
18 information to me. People in his organization, including
19 himself, conveyed information to me, but I don't know that I
20 would characterize any of them as having primary
21 responsibility for it.

22 Q Okay, let me try it this way, and then we'll move
23 on. Let's say I wanted to take the deposition of somebody
24 who knows the most about the contention that the proposed
25 sites we're discussing here can comply with all the

1 environmental regulations you've listed. Who would that
2 person be, do you think?

3 A I believe that I would ask Mr. LaBauve who that
4 person would be.

5 Q So I'd have to ask him who it is; you don't know?

6 A I don't know who the key person is that would be
7 the best person to answer questions.

8 Q Okay. The next bullet on that page talks about
9 local community acceptance and support for the project, to
10 shorthand it. Have you had any conversations with any local
11 officials or community members in regard to the proposed
12 projects?

13 A No.

14 Q Has anybody at FPL?

15 A Yes, I expect, but I don't know who specifically
16 has had direct communication with the local community.

17 Q And this contention that the local community is
18 accepting of these projects, was that also conveyed to you
19 orally?

20 A Yes, orally, through a series of conversations and
21 discussions.

22 Q And who was it that communicated this to you?

23 A Well, one of the people that communicated this to
24 me, his name is Buck Martinez.

25 Q And what is his position?

1 A He's Director of Project Development.

2 Q Do you know who he met with or spoke to regarding
3 local community acceptance?

4 A No.

5 Q And there's been some discussion of the water
6 rights issue. I'm not going to go back over all of that, but
7 let me ask you if you have had any discussions with the --
8 what is it, SWFWMD? Southeast Water -- I don't even know
9 what that stands for, but the water management district you
10 would have to deal with?

11 A No, I have not.

12 Q Has anybody at FPL to your knowledge?

13 A Yes, I'm aware of conversations and reports on
14 conversations, but I don't know who specifically it was that
15 met with them. The information -- some of that information
16 has been conveyed to me through conversations, as well.

17 Q I just want to switch gears for a minute. Do you
18 know, Mr. Silva, how many sites, if any, Florida Power and
19 Light has in rate base for which they haven't designated an
20 in-service date for that site's use?

21 MR. GUYTON: Is this limited to power plant sites?

22 MS. KAUFMAN: Yes. Thank you, Charlie.

23 THE WITNESS: For which we have not committed a
24 time for in-service date?

25 BY MS. KAUFMAN:

1 Q Yes.

2 A Well, my recollection is, of course, the ones that
3 we're talking about here, which are the McDaniel, Hendry, and
4 Fort Drum sites.

5 Q Yes, I should have excluded those. Are there any
6 others?

7 A Let me see.

8 Q And if you wouldn't mind telling me what you're
9 referring to?

10 A Yes, if I find it.

11 Q Okay, fair enough.

12 A My information is -- I'm relying on the
13 attachments to the response to Interrogatory 124.

14 Q Who asked you that interrogatory? Staff?

15 A That's OPC's Sixth Set, number 124. And the
16 information there is that aside from the Fort Drum, McDaniel
17 and Hendry County land, that we've got the Desoto site which
18 is currently earmarked for solar PV generation. And it's
19 being developed but to my knowledge it does not have a -- it
20 does not have a specific in-service date, to my knowledge.

21 But there is some generation on the site already,
22 some solar PV generation on the site already. To my
23 knowledge, that's the only one. Again, you know, plant
24 generation as opposed to transmission or otherwise. And not
25 general, either.

1 Q Okay, thank you. I think this was Mr. Harris that
2 discussed the nine percent figure that appears in your
3 testimony -- and I'm sorry, I don't have the page. But as
4 I understand, it has to do with the view that at least nine
5 percent of generating assets to meet your reserve margins
6 should be -- I don't know -- in the ground, or however you
7 would characterize that. Do you know what I'm referring to?

8 A Yes.

9 Q And I think that you said FPL has been studying
10 this issue and it's been something on the Commission's radar,
11 if you will. Do you know -- or let me ask it this way. Is
12 FPL planning to come to the Commission and make a proposal in
13 regard to the nine percent?

14 A I believe FPL intends to come to the Commission
15 and propose a criterion with minimum reserves from generation
16 only. I can't say that it would be necessarily at nine
17 percent. In other words, it could be ten or it could be
18 eight. Those are the ranges that our analyses have been
19 looking at to give us a sense that the system would be
20 reliable as DSM grows more and more in the future.

21 Q Do you know when FPL plans to make that proposal?

22 A My sense is that it would be by the end of the
23 year or perhaps early the first quarter of next year.

24 Q Okay, give me a second, if you don't mind. I
25 guess I have one more question for you, and this is on page

1 17 of your testimony. It begins at line 8.

2 A I'm there.

3 Q Okay, it's a bit of a long answer. The question
4 starts on page 16, and it regards uncertainty as to why you
5 want to have these sites in rate base. Is that right?

6 A Yes.

7 Q And then on line 8, continuing your answer, you
8 say not having sites under its direct control and in its rate
9 base would unnecessarily add greater uncertainty, et cetera.
10 My question to you is this: It's true, isn't it,
11 that FPL could have these sites under their control without
12 them being in rate base, isn't it?

13 A My sense is that something would have to be in
14 rate base. What I'm talking about here is either we have to
15 own it or -- I'm not sure what other means there would be of
16 having direct control, i.e. that we can count on that site
17 unless it's, for example, an option. That, again, is within
18 our sole discretion. So my sense is that something would
19 have to be in rate base.

20 Q Well, maybe my question wasn't clear. FPL can
21 purchase a site and have control over it without having to
22 have that site included in its rate base on which it earns a
23 return, can't it?

24 A I don't know about can, but I certainly would not.

25 Q Okay.

1 A If it were determined by the Commission that we
2 should not hold the site for the benefit of our customers,
3 then in my view that means that the Commission is indicating
4 that it was not an appropriate purchase and not appropriately
5 held in rate base and should be disposed of.

6 Q What if the Commission determined that the plans
7 for the site were either too uncertain or too far out in the
8 future? FPL could still purchase and maintain control over
9 the site, is that correct, if they wanted to?

10 A I don't think that it follows that we would have
11 that choice. I think that -- of course we would have to see
12 what the Commission writes in an opinion or an order that
13 relates to why they would direct us to remove from the rate
14 base a site.

15 So depending on that, we would have to study it.
16 But at least the plain aspect of it is at least I would take
17 a rejection as giving me feedback that it's not appropriate
18 or prudent, for whatever reason, until I read the
19 Commission's order and better ascertain what they are -- what
20 they're looking at and why they are finding how they are
21 finding.

22 MS. KAUFMAN: Thank you, Mr. Silva. One second.

23 I'm done. Thank you for your patience with all of us.

24 THE WITNESS: Thank you.

25 MR. GUYTON: Anyone else?

1 MS. KAUFMAN: Speak now.

2 CROSS EXAMINATION

3 BY MR. GUYTON:

4 Q I have one question for Mr. Silva on redirect.
5 Mr. Silva, would you turn to page one of the Ten Year Site
6 Plan, please?

7 MS. KAUFMAN: In the what, Charlie? I'm sorry?

8 THE WITNESS: I'm there.

9 MS. KAUFMAN: I'm sorry, I didn't hear.

10 BY MR. GUYTON:

11 Q The overview of the document.

12 A Yes, I'm there.

13 Q Would you read the third paragraph of overview of
14 the document?

15 A The third paragraph reads: Site plans are
16 long-term planning documents and should be viewed in this
17 context. The site plan contains tentative information and
18 all of its information is subject to change at the discretion
19 of the utility.

20 Much of the data submitted is preliminary in
21 nature and is presented in a general manner. Specific and
22 detailed data will be submitted as part of the Florida site
23 certification process or through other proceedings and
24 filings at the appropriate time.

25 Q And is that still an accurate statement today?

1 A Yes.

2 MR. GUYTON: That's all we have. Thank you. We
3 will -- we're not going to waive reading and signing, so
4 we'll read and sign.

5 (Whereupon, the deposition was concluded at 1:54 p.m.)
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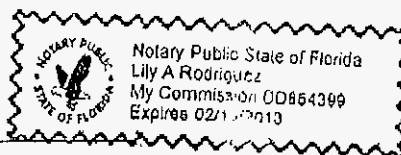
CERTIFICATE OF OATHSTATE OF FloridaCOUNTY OF Miami-Dade

I, the undersigned authority, certify that Rene Silva
 personally appeared before me at Miami, Florida and was duly sworn by
 me to tell the truth.

WITNESS my hand and official seal in the City of Miami, County of
Miami-Dade, State of Florida, this 7th day of August,
 20 12.

Lily A. Rodriguez
 Notary Public

State of Florida



Personally known ✓ OR produced identification

Type of identification produced _____

CERTIFICATE OF REPORTER

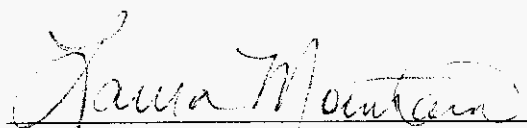
STATE OF FLORIDA)

COUNTY OF LEON)

I, LAURA MOUNTAIN, Court Reporter, do hereby certify that I was authorized to and did stenographically report the foregoing deposition; and that the transcript is a true record of the testimony given by the witness.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

Dated this 9th day of August, 2012.


LAURA MOUNTAIN, RPR
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Schedule 7.3
Projection of Generation - Only Reserves
At Time Of Summer Peak (Assuming PEEC in 2016 but no 2021 PPA)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Firm Installed Capacity	Firm Import Capacity	Firm Export Capacity	QF Firm Capacity	Total Firm Capacity	Total Peak Demand	DSM Peak Demand	Firm Summer Peak Demand	Reserve Margin Before Maintenance	Reserve Margin After Maintenance	Scheduled Maintenance	Reserve Margin After Maintenance	
August of Year	Capacity MW	Import MW	Export MW	QF MW	Available MW	Demand MW	DSM MW	Demand MW	MW % of Peak	MW % of Peak	MW	MW % of Peak	
2012	23,502	1,733	0	635	25,870	21,623	0	21,623	4,246	19.6	745	3,501	16.2
2013	24,208	1,303	0	635	26,146	21,931	0	21,931	4,214	19.2	826	3,388	15.5
2014	25,482	1,303	0	635	27,420	23,243	0	23,243	4,176	18.0	826	3,350	14.4
2015	25,553	1,303	0	635	27,491	23,786	0	23,786	3,704	15.6	0	3,704	15.6
2016	26,434	375	0	705	27,514	24,315	0	24,315	3,199	13.2	0	3,199	13.2
2017	26,434	0	0	705	27,139	24,529	0	24,529	2,609	10.6	0	2,609	10.6
2018	26,434	0	0	705	27,139	24,674	0	24,674	2,465	10.0	0	2,465	10.0
2019	26,434	0	0	705	27,139	25,041	0	25,041	2,097	8.4	0	2,097	8.4
2020	26,434	0	0	705	27,139	25,499	0	25,499	1,640	6.4	0	1,640	6.4
2021	26,434	0	0	705	27,139	25,960	0	25,960	1,178	4.5	0	1,178	4.5

Col. (2) represents capacity additions and changes, assuming no generation additions in 2021.

Col. (6) = Col.(2) + Col.(3) - Col.(4) + Col.(5).

Col. (7) reflects the load forecast without incremental DSM or cumulative load management.

Col. (8) shows zero contribution from DSM in order to calculate FPL's reserves that are supplied only by generation resources.

Col. (10) = Col. (6) - Col. (9)

Col. (11) = Col.(10) / Col.(9)

Col. (12) indicates the capacity of units projected to be out-of-service for planned maintenance during the Summer peak period. This value is comprised of: (i) 745 MW (at St. Lucie Unit 2) of nuclear capacity that will be out-of-service during part of Summer in 2012 due to an extended planned outage as part of the capacity uprates project, and (ii) an additional 826 MW of fossil-fueled capacity that will be out-of-service in the Summer of 2013 (at Martin Unit 1) and in the Summer of 2014 (at M. due to the installation of electrostatic precipitators.

Col. (13) = Col. (10) - Col. (12)

Col. (14) = Col.(13) / Col.(9)

EXHIBIT

#1 8-7-12
Depo. of R. Silva