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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCUMENT NO. 06967-16
FPSC - COMMISSION CLERK

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In the Matter of:

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DOCKET NO. 160021-EI

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PETITION FOR RATE INCREASE BY
FLORIDA POWER & LIGHT COMPANY.

6

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7

DOCKET NO. 160061-EI

8

PETITION FOR APPROVAL OF
2016-2018 STORM HARDENING PLAN
BY FLORIDA POWER & LIGHT COMPANY

9

_____ /

10

DOCKET NO. 160062-EI

11

2016 DEPRECIATION AND
DISMANTLEMENT STUDY BY, FLORIDA
POWER & LIGHT COMPANY.

12

_____ /

13

DOCKET NO. 160088-EI

14

PETITION FOR LIMITED PROCEEDING
TO MODIFY AND CONTINUE INCENTIVE
MECHANISM, BY FLORIDA POWER &
LIGHT COMPANY.

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VOLUME 2
PAGES 172 - 328

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PROCEEDINGS: HEARING

19

COMMISSIONERS
PARTICIPATING:

20

CHAIRMAN JULIE I. BROWN
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS

21

22

DATE: Monday, August 22, 2016

23

TIME: Commenced at 12:20 p.m.
Concluded at 4:30 p.m.

24

25

PLACE: Betty Easley Conference Center
Room 148

1 4075 Esplanade Way
2 Tallahassee, Florida

3 REPORTED BY: DEBRA KRICK
4 Court Reporter
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5 APPEARANCES: (As heretofore noted.)

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1 P R O C E E D I N G S

2 CHAIRMAN BROWN: I think it sounds more of a
3 general question. If you could keep it very
4 general, and within the scope of his direct, that
5 would help out and allow --

6 MR. MOYLE: Okay.

7 CHAIRMAN BROWN: -- if you could rephrase it
8 in a general, or you can move on.

9 MR. MOYLE: No, I --

10 CROSS EXAMINATION (continued)

11 BY MR. MOYLE:

12 Q A monopoly provides an advantage in that you
13 don't have to go and sell your services to a customer
14 because government has already said, this is your
15 customer, is that fair?

16 A Yes, I think that is one element of a
17 monopoly, and then there are other elements that have
18 downsides to them, or higher risk components.

19 Q Okay. So with respect to my overall question
20 about whether being a monopoly gives you a lower
21 business risk compared to being in a competitive
22 environment, all other things being equal, would you
23 agree with that, or you would say, no, you wouldn't
24 agree with it?

25 A No, I would say I won't agree with it because

1 I think it is a hypothetical that just doesn't fit in
2 the reality of how we practice our business.

3 Q Are you testifying as an expert or a fact
4 witness in this case?

5 A A fact witness.

6 Q And you and I are about the same age, so I was
7 going to ask you if -- if you --

8 MR. LITCHFIELD: Object to that on behalf
9 of --

10 MR. MOYLE: That's okay.

11 THE COURT: Sustained.

12 BY MR. MOYLE:

13 Q All right. Did you ever fly on Eastern
14 Airlines --

15 A Yes.

16 Q -- or drive a Datsun, or use a BlackBerry?

17 A I am sorry, what was the second part? I
18 didn't hear the second part. Yes, I have flown Eastern
19 Airlines. I didn't hear the other question.

20 Q Drive a Datsun.

21 A I don't recall driving a Datsun, but I
22 possibly rode in one.

23 Q Or used a BlackBerry?

24 A Yes, I have used a BlackBerry in the past.

25 Q Okay. And you would agree that Eastern

1 **Airlines is no longer around, they were in a competitive**
2 **market?**

3 A That's correct. Although, I have seen an
4 Eastern Airline 737 in Miami here, I don't know exactly
5 what's going on. There are several of them there.

6 Q Okay. And Datsun went out of business,
7 correct?

8 A I honestly don't know what happened with
9 Datsun.

10 THE COURT: Mr. Moyle.

11 BY MR. MOYLE:

12 Q Let me ask you this; the rates that you are
13 asking, they are set by the PSC, right?

14 A Yes.

15 Q And then they fund your operation?

16 MR. LITCHFIELD: Object to the form of the
17 question.

18 BY MR. MOYLE:

19 Q All right. What are the rates used for?

20 THE COURT: Okay.

21 THE WITNESS: The revenue requirements that
22 are established by the Public Service Commission
23 allow us to function as a business.

24 BY MR. MOYLE:

25 Q Okay. And ratepayers don't have much choice

1 **about paying the rates, do they?**

2 A That's correct. Customers have to pay their
3 electric bills.

4 Q **Would you agree that industrial customers of**
5 **FPL are an important class of customers?**

6 A Yes. All of our customers are important.

7 Q Okay. And without naming names, but just
8 generally give me and the Commission your understanding
9 of the industrial customer class, what they look like,
10 how many people they employ, just give a sense as to
11 what FPL's industrial customers look like, if you would.

12 A Well, Mr. Moyle, I can -- if you want to give
13 me the name of those members at FIPUG, I can go down and
14 tell you am of those are industrial customers.

15 Q **No, if you don't have the ability to say that**
16 **companies that engage in manufacturing, that have more**
17 **than 25,000 square feet and employ 100 people, you know,**
18 **to make phosphate, you know, if you don't understand**
19 **who's an industrial customer, then that's okay. So I am**
20 **just asking you generally if you can tell me, you know,**
21 **representatively what kind of businesses, industries,**
22 **are in your industrial customer class.**

23 A Sure. Generally speaking, these are customers
24 who engage in manufacturing, such as Titan Cement, as an
25 example.

1 **Q** And you don't have to name names, but can you
2 say a cement company, that probably gets you there, or a
3 phosphate company, or a company in the pulp and paper
4 business. So I would ask you, you know, not to name
5 names, but just give a general description, if you
6 would.

7 THE COURT: I think that was asked and
8 answered, Mr. Moyle. He already did answer.

9 MR. MOYLE: Okay. Well, I think he was in the
10 process of answering it.

11 BY MR. MOYLE:

12 **Q** So could you describe for the Commission the
13 industrial class of customers, if you would?

14 A Industrial customers are typically ones
15 engaged in the manufacturing process. They may be
16 engaged in other types of large operations that take
17 load on a 24-hour basis, as an example. There are
18 different classes of customers.

19 **Q** Okay. And they would include people that may
20 be in the cement business, or the phosphate business, or
21 the chemical business, or the grocery store business; is
22 that fair?

23 A Yes, depending on what their load profile is,
24 that would be fair.

25 **Q** Do you know if hospitals are customers that

1 **take service under a CILC class?**

2 A Yes. I do know that hospitals take CILC.

3 **Q Okay. How about with respect to military**
4 **operations?**

5 A I don't know off the top of my head. I
6 believe so, but I am not sure.

7 **Q And you would agree that companies, or**
8 **industries we have named, that they typically compete in**
9 **the marketplace, correct?**

10 A I don't know. Which companies are you talking
11 about and we can go through them?

12 **Q Well, do you know -- do you know any**
13 **monopolies that are in the phosphate business?**

14 A I am not aware of the details of the phosphate
15 business, whether Mosaic is an example here in Florida
16 as a monopoly.

17 **Q Any monopolies in the cement business that you**
18 **are aware of?**

19 A Not that I am aware of.

20 **Q Any monopolies in the grocery store business?**

21 A Again, not that I am aware of.

22 **Q But you can agree that industrial customers**
23 **don't typically compete in the marketplace for their end**
24 **product or process?**

25 MR. LITCHFIELD: Object to the form. Did you,

1 Mr. Moyle, say that they do not compete?

2 MR. MOYLE: That they typically do compete --

3 MR. LITCHFIELD: They typically do compete --

4 MR. MOYLE: -- in the marketplace, as far as
5 you know?

6 THE COURT: I will allow it.

7 THE WITNESS: Yeah, as far as I know, they
8 compete in the marketplace. I have no idea which
9 marketplace they are in, whether there is
10 competition or not, depending on the marketplace
11 that they are serving.

12 BY MR. MOYLE:

13 Q Do you know if any of them are regulated
14 monopolies?

15 A I don't know, Mr. Moyle.

16 Q Okay. You do know that electricity represents
17 a significant variable cost for industrial customers,
18 correct?

19 A I don't know what percentage it would equal
20 for each customer, it would be different.

21 Q But your industrial customers are typically
22 the ones that have the largest loads and energy usage on
23 your system, is that fair?

24 A No, I don't think that's fair, actually.

25 Q Why not?

1 A Because I believe there are other customers
2 that actually are not industrial customers that have
3 larger loads.

4 **Q Like who would that be?**

5 A Like school districts.

6 **Q Okay. With respect to non-government**
7 **entities, you would agree that industrial customers are**
8 **typically in a rate class that uses the largest energy**
9 **load, correct?**

10 A Mr. Moyle, I am happy to look at some
11 documents to that effect. I don't know. Generally,
12 they are large electric users, if that's what you are
13 asking.

14 **Q Okay. So let's look at the next Exhibit that**
15 **was --**

16 THE COURT: You know, I think now is a good
17 time, it's about roughly 12:30. We will reconvene
18 at 1:15, all right?

19 Enjoy lunch, everybody. Thank you.

20 (Lunch recess.)

21 CHAIRMAN BROWN: I want to first thank the
22 parties for trying to assemble the exhibits at the
23 break. Next time we know to put that maybe in a
24 prehearing order so you have a little bit more time
25 to assemble them, but I think it's going to make

1 for a much more efficient process throughout this
2 hearing, so thank you all of the parties. I know
3 hospital folks were doing it earlier, and I want to
4 really extend my gratitude to helping it be more
5 efficient.

6 And we -- this hearing is reconvened, and we
7 are on witness Mr. Eric Silagy, and FIPUG had --
8 Mr. Moyle, you had the floor when we took a break.

9 MR. MOYLE: Thank you, Madam Chairman.

10 CHAIRMAN BROWN: You're welcome.

11 BY MR. MOYLE:

12 Q Mr. Silagy, do you have Exhibit 561 before
13 you?

14 A Yes, I do.

15 Q And do you recognize this exhibit?

16 A I hadn't seen it before you passed it out, but
17 I recognize it as one that Witness Cohen has produced.

18 MR. LITCHFIELD: And, in fact, Madam Chair,
19 again, similar to the point that I made earlier
20 with respect to sponsored answers to
21 interrogatories, the MFR schedules themselves
22 similarly are required to be sponsored by
23 particular FPL personnel, and this one in
24 particular is sponsored by Witness Cohen who will
25 appear twice in this matter.

1 So again, for purposes of streamlining the
2 hearing, and making sure that the right question is
3 asked of the right witness, I would respectfully
4 request Mr. Moyle state the relevance of this, how
5 it relates to Mr. Silagy's testimony, and why it
6 isn't better put in front of Ms. Cohen?

7 CHAIRMAN BROWN: Thank you. And I am sure,
8 Mr. Moyle, you are going to get to the point
9 immediately.

10 MR. MOYLE: Well, I can tell you the relevance
11 if you want to deal with it that way rather than --

12 CHAIRMAN BROWN: You haven't even asked the
13 question yet, though, of the witness. So if you
14 are trying to ask him a general question, is that
15 what you are doing?

16 MR. MOYLE: Well, and maybe just, if I could
17 explain, and then it would help.

18 So he is the president of the company. They
19 are in asking for a rate increase. I represent
20 industrial customers, and we are getting hit, as I
21 said in my opening, with a huge rate increase, so
22 this document shows what that rates increase is.
23 If he doesn't know anything about it, he can say,
24 no, Mr. Moyle, I didn't know we were giving you an
25 83 percent rate increase. If he does know, then he

1 can say, yeah, you are getting an 83 percent rate
2 increase.

3 That's what I want to use the document for, so
4 it's relevant if he doesn't know. And if does
5 know, then I'm --

6 CHAIRMAN BROWN: But you understand another
7 witness is sponsoring this?

8 MR. MOYLE: Right.

9 CHAIRMAN BROWN: Okay.

10 MR. MOYLE: Right, but just because a witness
11 sponsors it and something goes into evidence, I can
12 still pick it up and use it, you know, with another
13 witness, I think.

14 CHAIRMAN BROWN: If he is able to answer the
15 question that you just proffered, then you can
16 address it. But getting into the details of this,
17 it seems that there is another witness that can --
18 that is sponsoring it.

19 MR. MOYLE: I will be shocked if he tells me
20 he put together the schedule.

21 CHAIRMAN BROWN: We all will.

22 MR. LITCHFIELD: We asked him if he would be
23 willing to be the sole witness for this case, and
24 he declined.

25

1 BY MR. MOYLE:

2 Q So, Mr. Silagy, this document is highlighted.

3 You see the CILC-1T class?

4 A Yes, I do.

5 Q What's the percent rate increase that they are
6 projected to get for the year ending 12/31/18?

7 A 83.4 percent.

8 Q Okay. Is this news to you or did you know
9 this before you have walked in and I gave you this
10 document?

11 A I hadn't seen the document before, that there
12 is 83.4 on this particular rate increase, but I know
13 there is an increase --

14 Q Did you know it was 83.4 for CILC-1T?

15 A No.

16 Q So you didn't have order of magnitude
17 information?

18 CHAIRMAN BROWN: It's asked and answered.

19 Please move along with your questions, Mr. Moyle.

20 MR. MOYLE: Okay.

21 BY MR. MOYLE:

22 Q And does that represent the highest increase
23 amongst any class?

24 A I don't know. I'll have to look at the
25 schedule, but again, Tiffany Cohen can answer that

1 question.

2 Q Okay. And do you have any of understanding
3 where it says total, and it's highlighted at the bottom,
4 and it says 20.4 percent, whether that represents the
5 average percent increase in rates that y'all are
6 seeking?

7 A I don't, but I see it represents 20.4 percent
8 under total, and I can assume that that's the average,
9 but I would have to do the math.

10 Q Okay. Well, I just -- I didn't know if you
11 knew how much on an average basis y'all were asking to
12 have the rates increase or. It sounds like you don't,
13 is that fair?

14 A I don't think that's fair. I think, again,
15 specifically on a particular class, no, I did not know
16 that it was 83.4 exactly. I can read that it's 20.4
17 percent, but I didn't generate the schedule.

18 Q Do you think 83.4 is high, a very large rate
19 increase?

20 A I would have to say both yes and no. I mean,
21 it is, you know, depending on -- for some --

22 Q You can stick to the yes part for me, if you
23 would, but --

24 CHAIRMAN BROWN: Mr. Moyle, he is allowed an
25 opportunity to explain.

1 THE WITNESS: I think for some customers who
2 are affected by this, the answer will be yes. For
3 other customers, you know, this is -- the cost of
4 services model, which Witness Cohen is an expert on
5 and will go through, is designed to properly
6 allocate the cost to serve to the customers, and
7 that's what this model predicts. That's my
8 understanding.

9 BY MR. MOYLE:

10 **Q Okay. So I should ask her whether any**
11 **analysis was done about how an 83 percent rate increase**
12 **might effect large industrial customers, do you know the**
13 **answer to that?**

14 A If your question is you should ask her, she
15 sponsored this, yes, I would ask her about this.

16 **Q Okay. And do you know whether any analysis or**
17 **study or anything was done to determine how an**
18 **83 percent rate increase might effect large industrial**
19 **customers?**

20 A Yes, my understanding is Ms. Cohen went
21 through a very detailed analysis, and the model of cost
22 of service actually produced these numbers.

23 **Q Okay. And you have heard, you were here for**
24 **the opening statements. You heard a lot of the**
25 **intervenors say, use this an opportunity for a rate**

1 decrease. If this commission didn't award to ask -- the
2 amount asked, you would agree that that would provide
3 more money in people's pockets, all other things being
4 equal, correct?

5 A No, I wouldn't, again, because I don't know
6 what period of time you are you talking about.

7 Q Well, how about for the period of time for
8 which you are seeking rates. You are seeking rates from
9 2014 to -- to what, 2020?

10 A We are seeking rates for the next four years.

11 Q A rate increase, right?

12 A Yes.

13 Q So that's starting in '17?

14 A Yes, not 2014.

15 Q I am sorry, '17, '18, '19 and '20, is that
16 right?

17 A Yes.

18 Q Okay. If this commission said, we are going
19 to actually give a rate reduction, or they said, we
20 think we are going to give you 20 percent, you would
21 agree that would result, all other things being equal,
22 in consumers having more money in their pockets,
23 correct?

24 A Again, yes and no. Yes, from a standpoint of
25 that there would be less initially on the revenue

1 requirements and, therefore, customer bills. But again,
2 I think we have demonstrated over the past four years,
3 and even beyond that, that it's the investments that we
4 have been making, and the ability to invest in
5 technology which has reduced customer bills over time.
6 That's why our bills are actually down. That's why
7 industrial customers' bills are down 16 percent as an
8 example in the last 10 years.

9 We have been investing, and the only way we
10 can invest in these type of technologies is with the
11 support of the Commission and the revenue requirements
12 that required to do so.

13 **Q Okay. Does -- in your opinion, or factually,**
14 **I guess, does the fact that natural gas prices, that**
15 **they have trended lower in the past few years, does that**
16 **have anything at all to do with customer rates being**
17 **lower on your system than other systems?**

18 **A** Yes, I can say that it is -- it is absolutely
19 impacted on our system. I can't speak for other systems
20 because I find it actually interesting, as Mr.
21 Litchfield pointed out in his opening that other
22 utilities' costs have gone up significantly, while ours
23 have gone down. They all have access to the same
24 natural gas that we do if they have chosen to take
25 advantage of it or not.

1 Customers have absolutely benefited from it,
2 but they have benefited because we chose to switch off
3 of oil to natural gas. We chose to modernize our fleet;
4 and actually, we did so over the objections particularly
5 of you, Mr. Moyle, when you actually sued us repeatedly
6 to try to get us to not modernize our fleet.

7 **Q All right. And you understand that my action**
8 **on behalf of ratepayers was to try to save them money,**
9 **right?**

10 A I understand that that was your intent. And I
11 understand that you actually, had we submitted to what
12 you wanted, your customers would be paying materially
13 more than they are today.

14 **Q All right. And a large part of that is**
15 **because it was a bet on natural gas, correct --**

16 A No.

17 **Q -- which way natural gas was going to go?**

18 A No, I disagree --

19 **Q That's fine. You can just tell me no --**

20 A No, I disagree.

21 **Q -- your lawyer can actually, on cross --**

22 CHAIRMAN BROWN: Mr. Moyle, he is allowed to
23 explain his answer, and you know that.

24 THE WITNESS: No, I disagree completely, and
25 the reason for that is that the investment in the

1 technologies that we have adopted over the course
2 of a number of years has reduced our amount of fuel
3 that we actually burn. So we have actually -- we
4 now have a -- and with us, Roxane Kennedy will go
5 into great detail in this. We have the most fuel
6 efficient fleet in all of the United States. So
7 it's not just that gas prices have gone down. It
8 is that actually that we burn less gas than we
9 otherwise would, and that has saved customers \$8
10 billion; not fuel prices being down, but actually
11 fuel efficiency has saved \$8 billion to customers
12 because of those investments.

13 BY MR. MOYLE:

14 **Q Are you asking the Commission to award new**
15 **rates in this case because customers will save money in**
16 **part because fuel costs are low?**

17 A No. We are asking that the Commission allow
18 us to continue on the path that we are on. We have
19 demonstrated, in my opinion, the ability to be able to
20 provide customers with a great value proposition, of
21 which low bills is part of it, but it's not just all of
22 it. It's high reliability, clean emissions, all of that
23 comes from the investments, and this rate case is about
24 being able to continue to do that.

25 MR. MOYLE: So, Madam Chairman, just, I -- I

1 think this is maybe the first proceeding I have
2 been in where you have chaired, and I want to
3 defer --

4 CHAIRMAN BROWN: No, it isn't.

5 MR. MOYLE: Well, okay, I am sorry. The other
6 one may not have been that memorable, but I'm
7 sorry.

8 CHAIRMAN BROWN: I remember the other one.

9 MR. MOYLE: But in terms of how -- I
10 understand the witness', you know, need to explain,
11 but obviously, on cross-examination, to try to make
12 points, you know, yes -- yes, no, and if Mr.
13 Litchfield says, well, I need to redirect him on
14 that, you know, some of my questions are designed
15 to get the yes, no, not with the explanation --

16 CHAIRMAN BROWN: Mr. Moyle --

17 MR. MOYLE: I can object, but if you want me
18 to give the explanation, I will just -- I won't
19 limit it to that.

20 CHAIRMAN BROWN: Mr. Moyle, I think I stated
21 it earlier when Mr. Silagy took the stand that he
22 may give a yes or no, or an I don't know, followed
23 by a narrative.

24 MR. MOYLE: Okay.

25 CHAIRMAN BROWN: If it is going into an area,

1 your more than welcome to object, that is outside
2 of his testimony, but I think that's clear here.

3 MR. MOYLE: Okay. I just want to make sure I
4 understand the ground rules. Thank you.

5 BY MR. MOYLE:

6 Q Do you understand -- do you serve to
7 **Enterprise Florida? Are you involved with the**
8 **Enterprise Florida?**

9 A Yes.

10 Q In what capacity?

11 A I serve on the board of Enterprise Florida.

12 Q And what -- Enterprise Florida, they are set
13 up to try to get more business to Florida, is that
14 right?

15 A That's correct.

16 Q And you are also aware that this
17 administration has a focus on jobs, in getting more jobs
18 to Florida, is that right?

19 A Yes.

20 Q Does Enterprise Florida's mission dovetail to
21 with that of the administration with respect to trying
22 to create more jobs?

23 A Yes, generally, I think Enterprise Florida is
24 about trying to promote economic development for
25 Florida, that generates jobs as part of it.

1 **Q And you would agree that industrial customers**
2 **generally provide good jobs, correct?**

3 A Yes, generally speaking, I would say they
4 provide good jobs. It's hard for me to answer that
5 question without specifics, but, yes, generally.

6 **Q Okay. So can I reference you to -- I have it**
7 **marked as 262.**

8 A 262?

9 CHAIRMAN BROWN: 562.

10 MR. MOYLE: I am sorry, 562.

11 MR. LITCHFIELD: And, Madam Chair, would note
12 again that this response is sponsored by Witness
13 Morely on behalf of FPL.

14 CHAIRMAN BROWN: Duly noted.

15 BY MR. MOYLE:

16 **Q So, Mr. Silagy, this is an interrogatory that**
17 **your company answered, and it represents, I think, a**
18 **seven-month time from August 2015 to February 2016, do**
19 **you see that?**

20 A Yes, I do.

21 **Q Okay. And in my reading of the chart, it**
22 **looks like every customer class, residential customers,**
23 **commercial customers, small industrial customers, medium**
24 **industrial customers, all have had customer growth**
25 **during that period of time, but large industrial**

1 **customers have actually gone down, is that correct?**

2 A Yes, I see that. Again, I am not familiar
3 with this, but I see it has gone from four industrial
4 customers less over that period of time.

5 **Q Right. So that's four industrial customers in**
6 **the span of four -- I mean, in seven months, is that**
7 **right?**

8 A Well, that's four industrial accounts, to be
9 specific, if I am not mistaken. Again, I didn't produce
10 this, but that would be four accounts, that could be
11 four meters. They could have consolidated meters. I
12 don't know what the impact was to a customer.

13 **Q Okay. You would agree that, at least with**
14 **respect to large industrial customers, that that number**
15 **is heading in the wrong direction with respect to the**
16 **objectives of Enterprise Florida and the administration?**

17 A Again, I don't know what this represents way
18 in the way of customers, Mr. Moyle. I can tell you that
19 Enterprise Florida, which we are very actively engaged,
20 and I am personally, we have generated over a million
21 jobs in the last seven years, and I am sure some of
22 those are industrial and commercial, I don't know. So I
23 can't tell you because I don't know what this
24 represents.

25 **Q Okay. And with respect to the impact that an**

1 **83 percent rate increase might have on large industrial**
2 **customers, you would agree that wouldn't be a positive**
3 **thing, all other things being equal, correct?**

4 A Yes. I would agree that generally higher
5 bills wouldn't be viewed positively. However, I would
6 say that, again, we have actually been able to lower
7 their bills over the past four years, and that's been a
8 positive for them.

9 Q **So you do provide some overview about return**
10 **on equity, correct?**

11 A I don't know what you mean by provide some
12 review on return on equity.

13 Q **Return on equity, I am going to ask you**
14 **questions about ROE, return on equity.**

15 A Sure, we can touch on it.

16 Q **Okay. And so return on equity is, in effect,**
17 **the profit that this commission authorizes you the**
18 **opportunity to earn based on your business operations,**
19 **is that right?**

20 A The midpoint that the -- yes, the midpoint
21 that the Commission sets is what is authorized to
22 provide us the opportunity to earn.

23 Q **Okay. And given that you are a monopoly,**
24 **there is a construct that uses current market conditions**
25 **and expectations of investors to set that return on**

1 **equity, or that profit; is that right?**

2 A Yes, I will agree that we have investors who
3 view us in the context of our rate regulated structure.
4 And, again, I -- you know, I think it's important to
5 understand we have -- we are -- the Commission has set
6 our service territory, and we have that service
7 territory where we serve our customers. We have to
8 compete for customers within that service territory
9 every day. And.

10 So I feel as if, you know, that's -- the
11 investors take that into account, just like they take
12 into account what customers are moving in, or moving
13 out, and what the economy is doing, and a lot of other
14 factors.

15 Is that what you are asking? Because I am a
16 little confused.

17 **Q No, no, it's not. Did I hear you say you have**
18 **to compete for your customers every day?**

19 A Sure. Yes, you did.

20 **Q Okay. But that was different when asked you,**
21 **I think before, as a regulated monopoly, whether you**
22 **have to compete for customers. Can customers go to Duke**
23 **if they don't like FPL service?**

24 A Yes and no. What I will tell you is that
25 customers have options, and so what customers can do

1 is -- there is the option to self-generate, as an
2 example, and some industrial customers actually do
3 generate power for themselves. There is the option for,
4 nowadays, with technology, such as rooftop and battery
5 technology, to self-generate.

6 And then also franchise agreements, as an
7 example within our service territory. We effectively
8 have to compete for those. If we don't do a good job,
9 then those franchises do have the opportunity to go
10 elsewhere, such as Duke, I suppose, and wheel their
11 power from there.

12 **Q How about some of the people in the red shirts**
13 **that I think are with AARP, what -- if they are**
14 **dissatisfied with your service, what's their option to**
15 **find a competitive market?**

16 CHAIRMAN BROWN: Excuse me, please, please .
17 Mr. Silagy, you may answer.

18 THE WITNESS: Sure. So I think any customers,
19 and all customers, including those who are members
20 of AARP, have the option potentially, and I don't
21 know their individual circumstances, but as an
22 example to have rooftop solar and battery storage
23 if it made sense for them to do that.

24 I am very proud of the fact that we have got
25 the lowest bills in the state, and therefore, that

1 option is not something that they find particularly
2 attractive because our bills are so low.

3 BY MR. MOYLE:

4 Q Didn't your company oppose rooftop solar in
5 the last goals docket?

6 A No, I am notify aware -- we do not oppose
7 rooftop solar.

8 Q Okay. So the question I was trying -- I may
9 not have done a good job of asking the question about
10 return on equity, but I am trying to get you to explain
11 your understanding of what this commission's job is as
12 it relates to return on equity. So that's a very
13 open-ended question. Please explain.

14 A So, Commissioners, my understanding is your
15 job is to determine, based on the evidence that's
16 presented into the record, of what you find is a
17 reasonable return on equity midpoint that will allow us
18 to be able to continue to provide the level of service
19 that we do to our customers.

20 CHAIRMAN BROWN: Mr. Moyle, we love it when
21 people tell us what our job is, so please --

22 MR. MOYLE: Well, he told you. I just asked
23 the question.

24 CHAIRMAN BROWN: Thank you.

25 BY MR. MOYLE:

1 **Q** **Isn't it also -- isn't that judgment based on**
2 **current market conditions, or do you not know what one**
3 **of the factors of setting the ROE is?**

4 MR. LITCHFIELD: Madam Chair, Mr. Silagy could
5 sit here this afternoon and have a discussion with
6 Mr. Moyle about ROE, but he is not the ROE witness
7 in this case, and I would respectfully request that
8 Mr. Moyle actually point us to the point, the
9 provisions in Mr. Silagy's testimony that are a
10 point of demarcation for this line of cross.

11 CHAIRMAN BROWN: I would agree with FPL.

12 Mr. Moyle, looking at Mr. Silagy's direct
13 testimony, please point me to the line and page
14 number where this goes into the detail that you are
15 going into.

16 MR. MOYLE: Will you give me a minute, please?
17 So on page 23, he starts at line 16. It says,
18 fundamentally, we believe that sound regulatory
19 policy suggests that companies with a proven track
20 record of delivering better value for their
21 customers should be encouraged to continue their
22 best-in-class performance. Taken in combination,
23 FPL witnesses Dewhurst and Hevert recommend an
24 appropriate allowed retail regulatory ROE midpoint
25 of FPL -- I am sorry -- for FPL, of 11.5 percent,

1 which includes a 50 basis point ROE rider that
2 would recognize FPL's strong track record of
3 superior performance and provide an incentive for
4 continued strong performance.

5 MR. LITCHFIELD: That is very clearly a
6 summary and a reference to testimony filed by
7 Mr. Dewhurst and Mr. Hevert.

8 CHAIRMAN BROWN: I would agree, Mr. Moyle.

9 MR. MOYLE: Okay. Well, can I --

10 CHAIRMAN BROWN: Yes.

11 MR. MOYLE: -- just make -- I will make a
12 proffer if I need to, but if a witness puts
13 testimony in their thing that says, you guys should
14 give us 11.5 percent ROE because we have done a
15 good job, I should be able to ask them if they
16 have -- first of all, if they even have an
17 understanding of ROE; and if they do, what's it
18 based on; and then why do they think 11.5, you
19 know, should be the right number.

20 CHAIRMAN BROWN: Mr. Moyle, if you stick to
21 very general questions, I think that would fit
22 within the scope of his direct testimony. Mr. --
23 FPL Witnesses Dewhurst and Hevert look to be like
24 the witnesses that you want to get into the detail
25 that you are getting into, so I will allow you to

1 ask some general -- a few more general questions.
2 And if the witness knows it, then he knows it; if
3 he doesn't, he doesn't, and I would like you to
4 move along.

5 MR. MOYLE: Okay.

6 BY MR. MOYLE:

7 Q Sir, given the judge's ruling, do you have an
8 understanding, yes or no, whether current market
9 conditions play a role in determining return on equity?
10 You can say yes or you can say no.

11 A Yes.

12 Q Thank you.

13 And you are also asking this commission to
14 give you a 50 basis point adder based on past
15 performance, correct?

16 A No.

17 Q You are not asking for a 50 basis point rider?

18 A Yes.

19 Q Is it based on a strong track record of
20 superior performance?

21 A Yes and no. That is partly what it is about,
22 but it is not exclusively what it is about, as I said in
23 my oral summary --

24 Q Is --

25 CHAIRMAN BROWN: Please don't interrupt.

1 MR. MOYLE: Okay. My a apologies.

2 THE WITNESS: It is -- it is yes, looking at
3 our past performance, but also what our customers
4 are actually enjoying today from a value
5 proposition.

6 And importantly, it is to serve as an
7 incentive for that continued performance going
8 forward; and on a policy basis, to send the message
9 that performance matters to all other ROEs in the
10 state.

11 BY MR. MOYLE:

12 Q Would you object if I called it a bonus?

13 A Yes, I think Mr. Dewhurst goes into great
14 detail as to why we characterize it the way we do. I'm
15 sure he can provide you with a lot of details and
16 information about it. I think it's, again, a return on
17 equity adder. That's how we have characterized it.

18 Q Okay. When you say -- used the words on line
19 22 at page 23, provide an incentive for continued future
20 strong performance, you don't think that -- that the
21 word bonus fits with that, is that your testimony?

22 A Yes. I believe incentive is an appropriate
23 adjective for it.

24 Q Do you all provide bonuses to your employees?

25 A Yes and no.

1 **Q And when you do provide bonuses to your**
2 **employees, is it for very good performance?**

3 A Again, Witness Slattery can go into detail
4 about our compensation program was put forward. We have
5 a holistic approach on our compensation program to
6 employees to try to incentivize the best performance,
7 and I think it's delivered.

8 **Q So that -- that would be a yes, I mean, right?**

9 A I believe I answered the question. I am not
10 sure. If not, I am happy to try again.

11 **Q You are the president of the company. If you**
12 **have an understanding of your incentive program to the**
13 **extent that you provide bonuses for superior**
14 **performance, you can say, yes, I understand that. If**
15 **you don't have any understanding of it, you can say, Mr.**
16 **Moyle, I don't have any understanding of how we give**
17 **incentive compensation.**

18 A Again, our incentive program has a variety of
19 different elements to it. We obviously incent
20 performance for employees on an individual basis as well
21 as how the company is performing.

22 **Q What's your current return on equity?**

23 A Our current midpoint is 10.5 percent.

24 **Q And how much are you seeking in this case?**

25 A 11 percent.

1 **Q And is that with the adder/bonus?**

2 A No.

3 **Q When you add the adder/bonus, what is your**
4 **rate?**

5 MR. LITCHFIELD: Object to counsel's
6 characterization of bonus. He has already asked
7 the witness if he agrees with it. The witness has
8 said no.

9 MR. MOYLE: I will revise.

10 CHAIRMAN BROWN: Thank you.

11 BY MR. MOYLE:

12 **Q What's the ROE you are asking with the**
13 **incentive enhancement?**

14 A 11.5 percent.

15 **Q And is that the midpoint?**

16 A I am sorry?

17 **Q Is that the midpoint?**

18 A Yes.

19 **Q So what's the top of the range?**

20 A Under current Commission practice, it would be
21 12-and-a-half.

22 **Q Okay. And do you have an understanding of how**
23 **much 100 basis points or one percentage point represents**
24 **in return on equity?**

25 A Yes.

1 Q What's your understanding?

2 A About \$240 million.

3 Q So based on your filed testimony of 11.5, if
4 this commission were to say, we think that's -- that's
5 too high; we think, given what's happened around the
6 country, and market conditions, we will give you 10,
7 would that then represent a savings to ratepayers of
8 360 million?

9 A Roughly, that's about correct.

10 Q Okay. Since 2012, are you aware directionally
11 in which way the cost of equity has moved?

12 A Where?

13 Q Up or down. Has the cost of equity gotten
14 more expensive or less expensive since the 2012 rate
15 case? If you know.

16 MR. LITCHFIELD: Madam Chair, I think we have
17 now crossed that line that we referred to earlier.
18 We are into the details of cost of equity
19 development. We have got witnesses in this case
20 that are well equipped to spend as much time as Mr.
21 Moyle wants to spend with them on that subject.

22 CHAIRMAN BROWN: I will agree that there are,
23 but I will allow the question.

24 THE WITNESS: So I will say I don't know. I
25 think generally, it's going to depend, and Mr.

1 Dewhurst can go into the details and provide you
2 that information.

3 BY MR. MOYLE:

4 Q And so if I asked you the same question about
5 if the stock market is higher today than it was in 2012,
6 would you know the answer to that?

7 A No, actually, I don't know what the exact
8 stock market was in 2012.

9 Q Would you agree that what other commissions in
10 other states have done recently is an important
11 consideration when determining return on equity?

12 A I would agree that the Commission will take
13 into account a large number of different factors of
14 which other commission versus determined may be one or
15 may not. That's up to the Commission to decide if it's
16 relevant.

17 Q Do you have an you understanding as to other
18 commissions are effectively being asked to make the same
19 judgment that this commission is when setting ROEs in
20 other jurisdictions?

21 A I am not sure I understand your question. I
22 am familiar with the fact that as an example 10.65 is
23 the average for the southeast. If that's what you are
24 asking what other commissions have done, 10.65 right now
25 is the average for the southeast U.S. I am familiar

1 with that with what commissions have done.

2 Q Yeah, I am just trying to understand whether
3 you believe or have any knowledge about other
4 commissions when they are trying to figure out ROE,
5 whether they go through the same or similar process that
6 this commission goes through.

7 A I don't know what the other commissions do in
8 determining the ROE.

9 Q And you would agree that the adder is not cost
10 based, correct?

11 A That the adder is not cost based?

12 Q It's not based on any costs -- I think you
13 used the word it sends a signal or a message, you know,
14 the 50 basis point adder, that's not based on cost,
15 correct -- or do you not know?

16 A No, correct. The 50 basis point is an
17 incentive mechanism.

18 Q And when this commission is considering the
19 incentive mechanism, you would ask them to consider
20 FPL's past performance, correct?

21 A Yes, as part of the overall view of past,
22 current and future performance.

23 Q Okay. And you would also agree that, when
24 considering past performance, that the Commission should
25 consider things you have done well, and then maybe some

1 **things that you haven't done so well, correct?**

2 A I think the -- yes, the Commission should look
3 at, holistically, what our performance has been for
4 customers.

5 Q So prefacing this next line of questions,
6 your -- your testimony and your counsel have put a lot
7 of, you know, slides together and things where they
8 suggest it is good. I have a couple of things that are
9 maybe not so good, so I want to ask you about them. No
10 disrespect, just want to build a record on this.

11 So the first one is the Turkey Point cooling
12 canals.

13 CHAIRMAN BROWN: Mr. Moyle, can you direct me
14 to that line of questioning in his prefiled direct
15 testimony, please?

16 MR. MOYLE: I think it's the same thing I
17 directed you to, the 50 basis point adder. He is
18 saying it should be provided for good performance
19 and to incent future actions based on --

20 CHAIRMAN BROWN: Please direct me to the exact
21 language that would allow this type of questioning.
22 I don't believe you have talked about canals or
23 Turkey Point in this.

24 MR. MOYLE: No, I will stipulate he didn't
25 talk about it. But I think, in light of his last

1 answer, where he said, good and bad should be
2 considered, that it's relevant to his testimony.

3 Again, page 23, he talks about, taken in
4 combination, FPL Witness Dewhurst and Hevert
5 recommended appropriate allowed retail regulatory
6 ROE midpoint for FPL of 11.5 percent, which
7 includes a 50 basis point ROE adder that would
8 recognize FPL's strong track record of superior
9 performance in providing incentive for future
10 strong performance.

11 So he is talking about FPL's strong track
12 record of superior performance, some of the things
13 I want to bring out related to Turkey Point.

14 CHAIRMAN BROWN: Fair enough. Fair enough.
15 In a general way, I will give you some latitude
16 here.

17 MR. MOYLE: Thank you.

18 BY MR. MOYLE:

19 Q Maybe I could move it along by just referring
20 you, Mr. Silagy, to the exhibit that's been marked 563,
21 entitled Consent Order on Cooling Canals.

22 A I am there.

23 Q Do you have information about FPL's situation
24 involving the Turkey Point cooling canals?

25 A Yes, generally.

1 Q Okay. So would you agree that last fall,
2 Miami-Dade County issued FPL a notice of violation
3 regarding the cooling canals?

4 A Yes.

5 Q And that related to hypersaline water, is that
6 right?

7 A Yes.

8 Q And what's your understanding of hypersaline?

9 A Hypersaline water is water that has a salt
10 content that's higher than the surrounding bay water.

11 Q And that's not a good thing, correct?

12 A Generally, that's correct.

13 Q And part of the reason it's not a good thing
14 is if you have salt getting into an aquifer that's used
15 for drinking water sources, it can impact the quality of
16 the water; is that fair?

17 MR. LITCHFIELD: Objection to the extent that
18 the question implies that, in fact, that is what
19 has happened. Objection to the form of the
20 question.

21 CHAIRMAN BROWN: Mr. Moyle.

22 MR. MOYLE: I am just asking if he has an
23 understanding why it's bad. I am not suggesting
24 that it's why this happened at this question.

25 CHAIRMAN BROWN: Can you rephrase it?

1 MR. MOYLE: Okay.

2 BY MR. MOYLE:

3 Q Mr. Silagy, if salt gets in water that people
4 are using to drink, that is not a good thing, correct?

5 A Generally, I would say yes, that's correct, up
6 to certain levels. I am not an expert on this of
7 what -- at what level it becomes bad, but generally, you
8 would prefer not to have salt in the water.

9 Q Okay. Are you aware of an expert study
10 performed by a Dr. Chen related to the cooling canals?

11 A I have heard of Dr. Chen and the study, but I
12 am not familiar with the details of it.

13 Q So you haven't read his report?

14 A No, sir, I haven't.

15 Q Okay. And are you aware that the Senator who
16 I believe represents the area where the cooling canals
17 are located has called for a legislative special
18 committee to be convened to investigate the situation in
19 the cooling canals?

20 A I am not familiar with them doing that now. I
21 know that the legislative committee was held, and they
22 had a hearing, and that's over, if that's what you mean.

23 Q Senator Flores?

24 A Yes, Senator Flores, that committee did hold a
25 hearing on it.

1 **Q Do you also agree that in the end of 2014, DEP**
2 **issued an order that required FPL to reduce the salinity**
3 **in the cooling canal system?**

4 A Yes.

5 **Q And then also --**

6 A And -- I am sorry, I need to actually amend
7 that. It was not within the cooling canal system, so it
8 was -- the hypersaline water that is part of this has to
9 do with water that is extending beyond the cooling
10 system, so not within the cooling system.

11 **Q Okay. And DEP also issued a notice of**
12 **violation in April of 2006 in which they stated that FPL**
13 **was a major contributing cause to the westward movement**
14 **of saline water, is that right?**

15 A I don't recall if that's the date of it. If
16 you show it to me, I am happy to review it.

17 **Q How about paragraph 14 in the consent order?**

18 A Okay. Where is -- paragraph 14, what page?

19 **Q Do you have familiarity with the consent**
20 **order?**

21 CHAIRMAN BROWN: What page is that on, Exhibit
22 563, Mr. Moyle, what page?

23 MR. MOYLE: It's on page five.

24 THE WITNESS: Thank you.

25 CHAIRMAN BROWN: Thank you.

1 THE WITNESS: Yes, I see it on April 25th.

2 Thank you.

3 BY MR. MOYLE:

4 Q So you don't -- you don't dispute that fact,
5 on April 25th, 2016, DEP issued a notice of violation to
6 FPL stating that the cooling canal system is the major
7 contributing cause to the continuing westward movement
8 of the saline water interface and the discharge of
9 hypersaline water contributes to saltwater intrusion, is
10 that fair?

11 A Yes, I see that here in the consent order, and
12 I agree that that's what it says.

13 Q Okay. And you also agree factually? You
14 don't contest that, do you?

15 A No. We have agreed with the consent order.
16 That's why we entered into the consent order.

17 Q Okay. And just so the record is clear, CCS
18 does mean cooling canal system, is that right?

19 A Yes, it does.

20 Q Okay. The objective of this consent order is
21 for FPL to cease discharges that would impair the
22 reasonable and beneficial use of adjacent groundwaters,
23 is that right?

24 A Can you point me to that language?

25 Q Paragraph 19.

1 CHAIRMAN BROWN: Page seven?

2 THE WITNESS: Thank you.

3 MR. MOYLE: Yes, ma'am.

4 THE WITNESS: Yes, I see that.

5 BY MR. MOYLE:

6 Q And do you agree with that?

7 A Yes, I agree with this as read in its
8 entirety, so it's by halting the westward migration of
9 hypersaline water from the cooling canal system -- I am
10 happy to provide you some detail of this if you --

11 Q Well, I just want to understand -- I have one
12 last question on that, that the rule that governs this
13 suggests that discharges to groundwater should not
14 impair the reasonable and beneficial use of adjacent
15 waters, either ground or surface, is that right? If you
16 want to find it in the order, it's on page two, last
17 sentence. And I will read it into the record, Rule
18 62-520 --

19 CHAIRMAN BROWN: Mr. Moyle, was that a
20 question?

21 MR. MOYLE: I was asking if he agrees with
22 this.

23 CHAIRMAN BROWN: Okay.

24 THE WITNESS: I am trying to get there.

25 CHAIRMAN BROWN: Maybe let him have an

1 opportunity to read it first.

2 THE WITNESS: So are you -- where do you want
3 me to start? The permit authorizes discharges from
4 the cooling canal system --

5 BY MR. MOYLE:

6 Q No, sir. The last sentence on page two, it
7 just says, you would agree, Rule 62-520.400, Florida
8 Administrative Code, provides that discharges to
9 groundwater shall not impair the reasonable and
10 beneficial use of adjacent waters, either ground or
11 surface, correct?

12 A Yes.

13 Q And so DEP has issued a notice of violation
14 where they said you are violating this rule, is that
15 fair?

16 A No. This is -- that -- continuing, if -- if
17 gone unchecked, then there would be, potentially, the
18 reasonable -- impact on a reasonable and beneficial use
19 of adjacent waters.

20 So this goes back to, you know, the cooling
21 canal system has been operated as designed for the last
22 40 years. The design took into account at the time the
23 best information and science available, and it was
24 actually required by the federal government. The
25 cooling canal system was not our original idea. It was

1 something that the federal government required. And
2 everybody understood at the time that there would be
3 hypersaline water produced, and it would settle into the
4 ground, because we have limestone in Florida, and that
5 it would travel. The cooling canals were designed to
6 impair that. That's why a -- what we called interceptor
7 ditch was dug.

8 Unfortunately, over the course of 40 years,
9 what we have found was that the hypersaline water sunk
10 below the 18 feet that was originally projected, and did
11 migrate to the west. We self-reported that, and we
12 entered into a consent with the Department of
13 Environmental Protection and Miami-Dade, DERM, and other
14 agencies, in order to try to address this, because we
15 think it's the right thing to do, and we don't want it
16 to impact drinking water wells in the future, which it's
17 not today.

18 **Q Okay. But obviously, at the end of the day, I**
19 **mean, you are working to try to solve this, but this is**
20 **not a positive development; fair?**

21 A I am very proud of actually how -- no, I don't
22 think that's fair.

23 **Q Okay.**

24 A I am very proud of how we have operated the
25 cooling canal systems and, frankly, Turkey Point, for

1 the past 40 years. I wish we would have known that the
2 water would have migrated when we first designed it, but
3 we didn't; now we are addressing it.

4 Q So let's move on to Exhibit 565. Tell me when
5 you have it.

6 A I have it.

7 Q Okay. Are you familiar with this exhibit?

8 A I have not seen it before today.

9 Q So do you have any information with respect to
10 how FPL's efforts to get the siting board to approve
11 Turkey Point 6 and 7, and transmission lines associated
12 with that, how that faired?

13 A What I do recall about this -- no. What I do
14 recall about this is that this is pending before
15 appellate court, so I don't know how it will fair.

16 Q You don't know what?

17 A I don't know how it will fair because it's
18 still pending.

19 Q Okay. On the first page, it says that -- in
20 bold, it says, holding of the District Court of Appeal,
21 do you see that?

22 A I do.

23 Q And underneath the holding, it has some things
24 it says, the siting board was required to consider local
25 regulations when certifying utility's request to install

1 new transmission lines, right?

2 A I see that.

3 Q And it also says that the board was empowered
4 under three, pursuant to the Power Plant Siting Act, to
5 condition certification of utility's expansion project
6 on utility's installation of power lines underground at
7 utility's expense. Do you see that?

8 A Yes.

9 Q And then there is a finding under two, it says
10 reverse and remanded right under that, correct?

11 A Yes.

12 Q So if you had to received site certification
13 from the Governor and Cabinet, and the appellate court
14 is saying, reversed and remanded, that would not be a
15 positive thing, correct?

16 MR. LITCHFIELD: Madam Chair, before the
17 witness answers, I am just curious as to whether
18 Mr. Moyle is taking issue with the Court's
19 decision, or whether he is taking issue with FPL's
20 performance in seeking the board's siting
21 authority. The two are very different.

22 CHAIRMAN BROWN: Mr. Moyle.

23 MR. MOYLE: So I am just pointing out again
24 with this adder about performance that FPL's done
25 some good things, but there is also some things

1 that have not been that good from FPL's execution
2 standpoint, one of them being the failure to get
3 Turkey Point 6 and 7, and the transmission lines
4 associated with that, certified in a way that, you
5 know, that they can rely on.

6 MR. LITCHFIELD: It sounds like Mr. Moyle is
7 agreeing with the positions that we took before the
8 Court and we received an unfortunate outcome.

9 CHAIRMAN BROWN: Just a second. Ms. Helton,
10 or Ms. Brownless.

11 All right. Ms. Helton, we are talking about
12 Exhibit 565, Miami-Dade County, and Mr. Moyle is
13 getting into a little bit more specific detail in
14 questioning on the Court's pending -- or the
15 Court's decision. What are your thoughts on it?

16 MS. HELTON: Well, I have to confess, I am a
17 little bit confused about what Mr. Moyle's question
18 is, too. I do think it's fair, though, to ask the
19 utility president, are you familiar with this case?
20 And if he has broad general questions, do you
21 agree, or do you know about this case in
22 particular -- or what do you know about this case?

23 MR. MOYLE: How about if I restate?

24 CHAIRMAN BROWN: That sounds good.

25 BY MR. MOYLE:

1 Q Do you think it's a good thing or a bad thing
2 that the Third DCA -- the Third District Court of
3 Appeal, on April 20th, 2016, issued an order that said,
4 reversed and remanded?

5 A In the context of our performance?

6 Q In the context of you trying to move forward
7 with Turkey Point 6 and 7, and transmission lines
8 associated with Turkey Point 6 and 7.

9 A That's a bad thing insofar as it will result
10 in delays.

11 Q Okay. Do you know how the company's nuclear
12 fleet operations are doing compared to others in the
13 industry as it relates to capacity factor?

14 A No, not off the top of my head.

15 Q If Mr. Reed said that FPL operated below the
16 industry average with respect to the nuclear fleet
17 capacity factor, you wouldn't have a reason to disagree
18 with him, would you?

19 MR. LITCHFIELD: Object, assumes facts not in
20 evidence.

21 CHAIRMAN BROWN: Mr. Moyle.

22 MR. MOYLE: I think the facts will go into
23 evidence, if you assume I guess you assume that he
24 says that.

25 CHAIRMAN BROWN: Can you just rephrase the

1 question?

2 MR. MOYLE: Okay.

3 BY MR. MOYLE:

4 Q Have you read Mr. Reed's testimony?

5 A Yes, a while ago.

6 Q Okay. You don't have -- do you have any
7 recollection as to whether, as part of his benchmarking,
8 he found that FPL's nuclear fleet operations were below
9 industry average?

10 A You specifically asked about a capacity
11 factor, and I don't recall that.

12 Q Okay. And your company is not taking the
13 position that unless the adder, the basis point adder is
14 provided, it's not willing to continue to provide
15 superior customer value delivery, correct? You are not
16 taking that position, correct?

17 A That's correct, we will continue to work as
18 hard as we can to provide excellent value for our
19 customers.

20 Q And the same question, the adder, you are not
21 saying that you got to have the adder to provide
22 reliable and affordable electric service to the
23 customers, correct?

24 A Yes, I believe I answered that, we will
25 continue to try to add the -- have the best value

1 proposition, which, as I have said, is both low bills
2 and high reliability and clean emissions profile and
3 excellent customers service.

4 **Q Do you have an understanding of credits for**
5 **customers who agree to be interrupted?**

6 A Generally, if you are talking about CILC
7 credits?

8 **Q Yes, sir.**

9 A Yes, generally.

10 **Q And GSD credits?**

11 A Generally.

12 **Q Okay. And you would agree that those credits**
13 **are made available to people who say, hey, if you have a**
14 **high load day, I'll turn off my system and you don't**
15 **have to plan for me, or provide me energy, is that**
16 **generally the quid pro quo that customers who do that**
17 **then will receive a credit?**

18 A Generally, yes, that's correct.

19 **Q Okay.**

20 A That's why it's part of the DSM docket and
21 goals hearings.

22 **Q Okay. And as part of the last rate case, the**
23 **CILC and CDR credits were adjusted upwards, correct?**

24 A As part of the multiyear settlement, yes.

25 **Q And you would agree that these credits**

1 typically have a significant impact on large industrial
2 customers, correct?

3 A Yes, typically each one is a little bit
4 different.

5 Q And they also have an impact for hospitals and
6 military, and anyone who agrees to be interrupted,
7 whether it's a CDR or a CILC credit, that these credits
8 provide value to them, correct?

9 A Yes, for those who participate in the program,
10 they have an impact.

11 Q And you would agree that that's a valuable
12 part of DSM, correct, the credits and the program in
13 itself, the interruptible piece?

14 MR. LITCHFIELD: Object to the form of the
15 question. I am not sure we are in a DSM proceeding
16 here, what is -- define value of DSM.

17 CHAIRMAN BROWN: Thank you.

18 The objection, Mr. Moyle, can you point me to
19 his testimony where it talks about DSM?

20 MR. MOYLE: FPL is taking the position the
21 credits are an issue in this case, FPL is taking
22 the position that this is not the proper place for
23 credits to be determined. It's in the DSM docket,
24 so I am trying to understand whether -- they are
25 also taking the position to say, well, if this

1 isn't the proper place, then leave the credits
2 alone, and that's -- that's the purpose of the
3 questions. So he is the president of the company,
4 he has knowledge about the credits --

5 CHAIRMAN BROWN: Okay.

6 MR. MOYLE: -- I want to understand their --

7 MR. LITCHFIELD: I think we have witnesses
8 specifically on this point as well, including Mr.
9 Kopp and Ms. Cohen, if I am correct.

10 MR. MOYLE: And I am, again, just a general
11 overview.

12 MR. LITCHFIELD: I don't see this anywhere in
13 Mr. Silagy's testimony, is my point, Madam Chair.

14 CHAIRMAN BROWN: I don't see it anywhere in
15 the testimony, Mr. Moyle, but I will let you ask
16 some general questions because he is the CEO of the
17 company.

18 MR. MOYLE: Thank you.

19 CHAIRMAN BROWN: And if he is able to answer
20 them, then he can.

21 BY MR. MOYLE:

22 **Q Broadly general, I am not going to get into**
23 **the weeds with you on the details on the credits, but**
24 **generally, you would agree that customers who agree to**
25 **be interrupted, that that's a valuable DSM tool,**

1 **correct?**

2 A Yes, I would agree that it's a valuable tool
3 in DSM.

4 **Q And in responding to an objection, do I**
5 **understand FPL's position is that this is not the place**
6 **to adjust credits, that that should be in the goals**
7 **docket; is that correct?**

8 A My understanding is that these type of credits
9 are typically addressed in the goals docket, and that's
10 the appropriate place to deal with it.

11 **Q Okay. And you are not in here in this case**
12 **telling the Commission that they need to change the**
13 **credits from the last rate case, is that correct?**

14 MR. LITCHFIELD: Object to the form of the
15 question. It -- counsel is being very clever in
16 the way he has worded this question. It
17 mischaracterizes the facts, actually, as they stand
18 in this case in terms of what has been filed in
19 this case in the MFRs in the rate schedules.

20 CHAIRMAN BROWN: Did you say Mr. Moyle is
21 clever? Mr. Moyle is clever?

22 MR. LITCHFIELD: I did.

23 MR. MOYLE: I stip -- no. Sometimes lawyers
24 have to ask clever questions so, you know --

25 CHAIRMAN BROWN: Mr. Moyle, please.

1 MR. MOYLE: -- guilty as accused, but I am
2 trying to understand their position with respect to
3 whether, you know, they say okay, credits are DSM,
4 in this case, are they saying leave the credits
5 alone or whack them? That's kind of not a legal
6 term, but that's what I am trying to understand.

7 CHAIRMAN BROWN: Be very direct and ask him
8 the question. Rephrase it, please.

9 BY MR. MOYLE:

10 **Q In this case, are you asking this Commission**
11 **to make an adjustment to credits that were approved in**
12 **the last rate case?**

13 A In this rate case, rate design, Witness Cohen
14 goes into great detail on the rate design and as -- as
15 Witness Kopp also speaks to this, I believe. We have
16 worked very hard to put forth the proper rate design in
17 order to reflect cost of service.

18 **Q That wasn't my question. My question was, are**
19 **you taking the position that the credits approved in the**
20 **2012 rate case settlement should be adjusted in this**
21 **proceeding, yes or no?**

22 MR. LITCHFIELD: Object to the form. Adjusted
23 relative to what?

24 CHAIRMAN BROWN: Mr. Moyle.

25

1 BY MR. MOYLE:

2 Q You just testified the credits were increased
3 in the 2012 settlement, didn't you?

4 A As part of the settlement agreement, there
5 were CILC credits included, yes.

6 Q And they were adjusted upward, correct?

7 A Yes.

8 Q Are you, today, telling this Commission that
9 the credits should stay the same, should be increased
10 due to inflation or should go down or you don't know?

11 A So Witness Cohen goes into detail on this, but
12 our approach is to reset the credits to where they would
13 be pre the settlement in 2012, and then subsequently
14 adjust it accordingly for changes in our profile.

15 Q So the answer to that is you are asking them
16 to make a change and bring the credits down, is that
17 fair?

18 CHAIRMAN BROWN: Mr. Moyle, you have asked the
19 question 16 times.

20 MR. MOYLE: Well, I just want an answer.

21 CHAIRMAN BROWN: I think you can move along
22 now.

23 MR. MOYLE: Okay.

24 BY MR. MOYLE:

25 Q Do you know why you are taking that position?

1 A Yes.

2 Q Why?

3 A Because we have structured the rates, Witness
4 Cohen will go into detail on this, based on cost of
5 service and as appropriate.

6 Q So are you asking for any other provisions of
7 the rate case settlement, like, say, the rates that this
8 Commission approved that were part of that agreement,
9 are you asking or taking the position that those should
10 go away as well?

11 A I can't answer that. I don't know what you
12 are speaking to.

13 Q You are aware that, in the 2012 rate case
14 settlement, this Commission awarded you over 300,000 in
15 new rates -- 300 million in new rates?

16 A I am familiar that the Commission approved the
17 settlement agreement.

18 Q Okay. If the settlement agreement goes away
19 then, if you are taking the position that the credits go
20 away because they are part of the settlement agreement
21 shouldn't the increased \$300 million rates also go away?

22 CHAIRMAN BROWN: Mr. Moyle, you are asking the
23 same question cloaked in a different way, you have
24 asked it six times.

25 MR. MOYLE: But I am not sure he's answered

1 it.

2 CHAIRMAN BROWN: There are other witnesses
3 that he pointed to that are more capable or have
4 more detail. Please move your questions along.

5 BY MR. MOYLE:

6 **Q You would agree, you would not, that taxes and**
7 **rates have similarities in that both are set by**
8 **government entities?**

9 MR. LITCHFIELD: Can I ask Mr. Moyle to point
10 us to Mr. Silagy's testimony as again the point of
11 demarcation for this line.

12 CHAIRMAN BROWN: Mr. Moyle, and, please, there
13 is some chatter going on in the audience here, it's
14 really hard for me to hear when you all are
15 talking, so -- Mr. Moyle.

16 MR. MOYLE: So, you know, he is the general
17 witness described in FPL's case. I made the point
18 that rates and taxes are close cousins. They are
19 in the same family. They are set by government.

20 CHAIRMAN BROWN: I will let you ask the
21 question.

22 MR. MOYLE: Okay.

23 BY MR. MOYLE:

24 **Q Would you agree, sir, that rates and taxes are**
25 **both set by government?**

1 A Yes.

2 Q And you would agree that the proceeds of that
3 fund monopolies, correct?

4 A Proceeds fund monopolies?

5 Q Government monopoly, the State Legislature,
6 it's a monopoly, we don't have a choice, other than to
7 move from Florida if we don't like decisions from the
8 State Legislature, they act as a monopoly, correct?

9 A No, I don't view our state government as a
10 monopoly.

11 Q Okay. You would agree that people don't have
12 much flexibility as to whether they want to pay taxes in
13 the same or similar way to rates, correct?

14 A I would agree that it's required to pay taxes
15 when you live in a jurisdiction that has taxes.

16 Q Okay. And we had asked some questions about
17 the corporate aircraft. Did you use the corporate
18 aircraft to fly the jets to come to Tallahassee for this
19 rate case?

20 MR. LITCHFIELD: I object to the question
21 unless, and until Mr. Moyle can establish that
22 those costs are actually in this cost of service
23 and in this rate case.

24 MR. MOYLE: Well, he's a witness, I can't
25 testify. He is the witness, so he would know

1 whether they are or they aren't.

2 MR. LITCHFIELD: You know, I withdraw the
3 objection and I will let the witness answer the
4 question, and we will move on and we will see if we
5 want to continue to talk about aircraft.

6 THE WITNESS: No.

7 CHAIRMAN BROWN: Okay. Mr. Moyle, you can
8 move on.

9 BY MR. MOYLE:

10 Q So nobody used the corporate aircraft to come
11 here for this?

12 A That's correct, Mr. Moyle. The answer was no.

13 MR. MOYLE: Okay. Thank you, that's all I
14 have.

15 CHAIRMAN BROWN: Thank you, Mr. Moyle.

16 All right. We are moving in the order, and we
17 are going to the hospitals. Hi, how are you? Good
18 afternoon.

19 MR. SUNDBACK: Good afternoon, Madam Chair,
20 Commissioners, Mark Sundback for SFHHA.

21 CROSS EXAMINATION

22 BY MR. SUNDBACK:

23 Q Mr. Silagy, let's start generally with the
24 purposes of your testimony.

25 CHAIRMAN BROWN: If you could just hold on one

1 moment, we are just going to have the exhibits so
2 that the court reporter can pick up your questions.

3 Thank you.

4 MS. BROWNLESS: And if I may ask, Chairman,
5 there is four exhibits, is that correct?

6 CHAIRMAN BROWN: While the exhibits are being
7 handed out, let's go ahead and label them, if we
8 will. You have them in the order in which you
9 would like, correct?

10 MR. SUNDBACK: Yes, Madam Chair.

11 CHAIRMAN BROWN: Could you turn your mic on a
12 little bit?

13 MR. SUNDBACK: I am sorry, it is. I try not
14 to keep it too close or I will bang my head on it.
15 A pitiful state of affairs.

16 The first one, presumably, is 567, if our
17 note-taking is correct.

18 CHAIRMAN BROWN: That is correct.

19 MR. SUNDBACK: And that's the Glades Power
20 Park petition.

21 (Whereupon, Exhibit 567 was marked for
22 identification.)

23 MR. SUNDBACK: 568 is an order from the
24 Commission regarding that petition.

25 (Whereupon, Exhibit 568 was marked for

1 identification.)

2 MR. SUNDBACK: 569 is a press release from FPL
3 regarding that decision.

4 (Whereupon, Exhibit 569 was marked for
5 identification.)

6 MR. SUNDBACK: And presumably then, 570 would
7 be excerpts of a transcript of the hearing from the
8 2012 base rate proceeding of the company.

9 (Whereupon, Exhibit 570 was marked for
10 identification.)

11 CHAIRMAN BROWN: Thank you.

12 Everyone has copies of all of those 567 need
13 determination, 568 Commission order, 569 FPL group
14 news release and 570 hearing transcript. And
15 Mr. Sundback thank you very much for having these
16 assembled at the beginning of the cross, you may
17 begin.

18 MR. SUNDBACK: Madam Chair, we couldn't have
19 done it without the significant assistance of the
20 Commission staff in organizing the materials.

21 CHAIRMAN BROWN: They are wonderful, aren't
22 they?

23 BY MR. SUNDBACK:

24 Q Mr. Silagy, good afternoon. One of the
25 purposes of your testimony to is to identify witnesses

1 and briefly describe the highlights of their testimony;
2 is that right?

3 A Yes.

4 Q And FPL sponsors witnesses who are fully
5 competent to address the topics in their respective
6 testimonies, right?

7 A Yes.

8 Q In fact, they are the most knowledgeable about
9 the topic about which they testify among all the
10 witnesses, is that correct?

11 A Yes, I believe so.

12 Q Okay. Let's take a look at page 29, line 17
13 of your prepared direct testimony, please. Where you
14 refer to a steadfast commitment to excellence, do you
15 see that?

16 CHAIRMAN BROWN: Sorry for interrupting,
17 Mr. Sundback. Can you repeat the page and line?

18 MR. SUNDBACK: Sure. Page 29.

19 CHAIRMAN BROWN: Thank you.

20 MR. SUNDBACK: Line -- actually it starts on,
21 the phrase starts on line 16 carries over to line
22 17.

23 CHAIRMAN BROWN: Thank you.

24 BY MR. SUNDBACK:

25 Q Mr. Silagy, have you found that passage?

1 A I have.

2 Q Thank you. The steadfast commitment to
3 **excellence would indicate that the witnesses are well**
4 **versed in the topics about which they testify, right?**

5 A Our steadfast commitment to excellence, what I
6 was referring to was our corporate approach on providing
7 excellence for customers.

8 Q So it really didn't have anything to do with
9 **your filing of this rate case?**

10 A Well, I think our approach on providing value
11 to customers is very relevant to this rate case.

12 Q Okay. And your filing reflects that
13 **excellence, that commitment to excellence, correct?**

14 A Yes, I would say our filing and our approach
15 reflects our steadfast commitment to excellence.

16 Q Okay. Sort of from a 30,000-foot perspective,
17 **and you had this discussion a bit with Mr. Moyle, but**
18 **you have proposed, in essence, a four-year rate plan; is**
19 **that right?**

20 A Yes.

21 Q Okay. And part of the commitment is if the
22 **plan is approved, you won't come in for base rate**
23 **increases aside from those, right?**

24 A Yes.

25 Q Okay. Now, when you say if the proposal is

1 approved in its entirety, you mean what was advanced in
2 the company's direct case, is that correct?

3 A And as amended with regards to K020.

4 Q I am sorry, as amended with regards to what?
5 I am sorry.

6 A I believe it's K020, it's the latest filing
7 with our updated numbers.

8 Q Okay. Thank you, sir. I have some
9 difficulties hearing, so if I can impose upon you to
10 speak up at the end of your sentences, it will help us
11 both in this process and I appreciate your cooperation.

12 So the flip side is, let's say the step rate
13 increases, as modified but proposed by the company, are
14 approved -- are you with me so far?

15 A Yes.

16 Q So, for instance, in 2018, we are at 826 and
17 so forth, but a non-rate provision that's embodied in
18 your direct case is not approved by the Commission, and
19 you can have your pick, whether it's 12 CP and 1/13th or
20 changes to depreciation, does that mean that you feel
21 the company is not obligated to observe a moratorium on
22 base rate increases as a result?

23 A Yes, again, as I stated before, we filed a
24 comprehensive case, which includes a variety of
25 provisions, and that's all designed for us to be able to

1 comfortably commit that we can stay out for the four
2 years.

3 Q Okay. Thank you, now, as part of this plan,
4 what restrictions has the company offered in terms of
5 its ability to file for new surcharges or trackers?

6 A You want a yes or a no?

7 Q I would like you to tell me whether you are
8 proposing any restrictions on your ability to file for
9 new trackers or surcharges?

10 A No, as I have said, we have filed this case
11 with a commitment to stay out for four years if we are
12 granted this request.

13 Q Well, that's for base rates, sir. I am asking
14 you about surcharges and trackers. Are you saying that
15 if your entire proposal is approved, you would not seek
16 a commission authorization to implement a new track or a
17 surcharge, not a hard question.

18 A I haven't contemplated that. I don't believe
19 we would. We were, again, outside our regular
20 proceedings and our dockings like fuel hearings, things
21 of that nature, but our proposal is to be able to stay
22 out with no base rate proceedings, and I haven't thought
23 about any trackers or anything else because we are not
24 contemplating anything.

25 Q Okay. So I think we've established you are

1 committed to not filing for base rate increases. Just
2 to make sure I understand your testimony, you haven't
3 considered whether you are willing to stay out for that
4 period of time from seeking additional surcharges or
5 trackers, is that a correct understanding of your
6 statement?

7 A Yes, I haven't considered it at this point.

8 Q Okay. Thank you.

9 And similarly, you haven't made any commitment
10 with regard to existing surcharges or trackers about
11 trying to recover pursuant to those additional items, is
12 that correct?

13 A I don't know what surcharges and trackers you
14 are referring to. If you would point those to me, I
15 would be happy to address it.

16 Q Any, sir.

17 A I don't have any trackers.

18 Q Pardon?

19 A I am not aware of a tracker.

20 Q Okay. Surcharges, clause -- clause related
21 revenues?

22 A Clause related revenue, we will, as a regular
23 course of business, be coming before the Commission, as
24 we are required to annually, in order to go through the
25 clause proceedings.

1 **Q And to the extent you get your four-year plan**
2 **approved, are you committing to the Commission that you**
3 **won't come to the Commission with new types of items to**
4 **include in existing clauses?**

5 A No, we will come before the Commission with
6 appropriate clause related items as required.

7 **Q Thank you.**

8 Now, we can spend a lot of time on this, but
9 maybe we can shortcut it. Would you agree that in
10 several different places in your testimony, you harken
11 back to circumstances of 10 or 15 years ago?

12 A Yes.

13 **Q Okay. And you argue in your testimony that**
14 **the results we see today are based on decisions that**
15 **were made, for instance, 10 or 15 years ago?**

16 A Yes.

17 **Q Okay. Let's look at page 12, lines seven**
18 **through nine of your testimony?**

19 CHAIRMAN BROWN: Page 12, lines seven through
20 nine in the direct testimony?

21 MR. SUNDBACK: Yes, Madam Chair.

22 BY MR. SUNDBACK:

23 **Q You state there, we strive do the right thing**
24 **even before we are ordered or asked to do so. Do you**
25 **see that?**

1 A I do. Yes, I do.

2 Q Okay. You state on page 13, lines three
3 through six, had we not started investing in clean
4 energy years ago -- do you see that passage?

5 A Yes.

6 Q You would agree with me that the -- this
7 Commission can take substantial credit for FPL's
8 starting to invest in clean energy certainly in 2000 --
9 or cleaner energy in 2006 and '07, isn't that correct?

10 A Yes, absolutely, I would say the Commission,
11 over many years, has supported our investments in clean
12 technology and new technology. I would say even going
13 back 2001 and that's the reason we are in the position
14 we are despite the objections of many intervenors at the
15 table.

16 Q Okay. And one example of that is the
17 rejection of FPL's proposal to construct the Glades
18 County coal-fired generation unit, is that correct?

19 A What's your question.

20 Q One example of that Commission action is this
21 Commission's rejection to FPL's proposal to construct
22 the Glades County coal-fired generation, is that
23 correct?

24 A I would agree that that's an action of the
25 Commission. I am not familiar with this particular

1 proceeding.

2 Q Okay. Well, you have referenced repeatedly in
3 your testimony, decisions made, for instance in 2006 and
4 up to 15 years before, right?

5 A Yes.

6 Q Okay. You are aware that the Glades County
7 coal-fired units projected to cost \$5.7 billion?

8 A No. I am reading this for the first time.

9 Q Okay. Well, if you would look at what's been
10 marked as Exhibit 567, on page 19, paragraph 39. You
11 don't have any reason to dispute the numbers that appear
12 in that paragraph, particularly the five-thousand-
13 seven-hundred-million-dollar estimate that's shown in
14 the first sentence, is that correct?

15 A That's correct. I have no reason to dispute
16 that.

17 Q Okay. And that would have installed just
18 under 2,000 megawatts of capacity, as shown on page five
19 of the application, in paragraph five; is that correct?
20 In the first sentence.

21 A Yes, 1,960 megawatts.

22 Q Okay. And on page seven, paragraph nine, the
23 company claimed that this was a compelling project, the
24 need for the project was compelling, do you see that?

25 A I see where it says that in paragraph nine.

1 Q Okay. But nonetheless, this Commission denied
2 that application, right?

3 A Apparently so, yes.

4 Q Okay. And that took place in the order that's
5 been marked as Exhibit 568, right?

6 A I am sorry, in the order of Exhibit 568?

7 Q In the order that's been marked as Exhibit
8 568, correct?

9 A I will have to get there. Yes, I see that.

10 Q Okay. If you would turn to what's been marked
11 as Exhibit 569, do you see that's a press release from
12 FPL?

13 A I am there, sorry.

14 Q Yep, and in the third paragraph, let's look at
15 the third paragraph, second sentence. There is an
16 expression of an opinion by the company that the PSC's
17 decision increases the customer's exposure to what most
18 experts believe will be higher natural gas prices, do
19 you see that?

20 A I see that.

21 Q How natural -- would you agree that natural
22 gas prices generally have declined since June 5th, 2007
23 on both a real and a nominal basis?

24 A Generally, I would agree that they are lower
25 today. I can't tell you what the exact curve was back

1 then. I am happy to look at it if you want to produce
2 it.

3 Q Okay. In lieu of the Glades coal-fired power
4 plant, FPL eventually turned to constructing the
5 Riviera, Cape Canaveral and Port Everglades gas-fired
6 units, correct?

7 A We have built those subsequent to this, yes.

8 Q How much did those units improve FPL's
9 emissions profiles relative to what Glades would have
10 contributed to that profile?

11 A I don't know. I can tell you that, on
12 average, the combined cycle plants are 52 percent less
13 for CO2 production of the plants that they replaced,
14 which were oil-fired or gas-fired, depending on the
15 circumstances.

16 Q So you -- would you agree, subject to check,
17 that in approximately a dozen places in your testimony,
18 you reference lowest -- lower emissions, the cleanliness
19 of your generation, and comparable phrases? If you
20 would like, we can walk through them, but I am just
21 trying to move it along?

22 A Yes, I will agree with you that we have a very
23 low emissions profile. And again, I can't speak to
24 the -- this was supposed to be a super critical coal
25 facility with emissions technology that was supposed to

1 be state-of-the-art, so I don't know what the emissions
2 profile would have been comparatively speaking to these
3 other gas plants.

4 **Q Well, Mr. Silagy, are you telling us you don't**
5 **know whether gas-fired units are cleaner than coal-fired**
6 **units, regardless of the type of coal-fired unit?**

7 A No, Mr. Sundback. What I am saying is that
8 super critical clean coal technology compared to gas
9 technology, I don't know. You asked me specifically
10 what the difference would be, and I don't know.

11 **Q Okay. Fair enough.**

12 Let's look back at page five, lines 10 through
13 14 of your testimony, please.

14 CHAIRMAN BROWN: Page five, lines 10 through?

15 MR. SUNDBACK: 10 through 14. I am sorry,
16 Madam Chair.

17 CHAIRMAN BROWN: Thank you.

18 MR. SUNDBACK: I am trying to move things
19 along.

20 CHAIRMAN BROWN: I really appreciate that.
21 Thank you, but --

22 MR. SUNDBACK: At some point, the caffeine
23 will wear off, and you will be stuck with a slower
24 version.

25 CHAIRMAN BROWN: We got Redbull up here, so we

1 will share.

2 BY MR. SUNDBACK:

3 Q You mentioned their relentless focus on
4 efficiency and productivity, and that is sort of
5 paralleled -- sorry to keep flipping you around here,
6 but on page 27, line 14, with your reference to FPL
7 prides itself on operating efficiently, do you see that?

8 A Where on page 27?

9 Q I am sorry, line 14.

10 A Thank you. Yes, I see that.

11 Q Okay. So to the extent your focus is on
12 efficiency and productivity, and that focus is
13 relentless, reducing overhead to captive customers is
14 something you are very interested in, right?

15 A Reducing overhead to whom?

16 Q Captive customers.

17 A I --

18 Q We will strike captive. Customers, how is
19 that?

20 A If you are talking about reducing our
21 operations and maintenance expense that impacts customer
22 bills, yes, we are focused on that.

23 Q Okay. Now, we discussed a few minutes ago,
24 and you have had a number of discussions in your
25 cross-examination about the FPL four-year rate plan, you

1 **recall that?**

2 A Yes, I do.

3 Q And the idea generally is to put to bed, for
4 four years, the issues of projected costs, revenues,
5 billing determinants, the usual moving pieces in a
6 general base rate case, right?

7 A Yes, I would say that our proposal is
8 provided -- is designed to provide the stability and the
9 predictability and our ability to focus on our business
10 as we have demonstrated over the past four years. So
11 it's designed to provide us that same type of approach.

12 Q Okay. Given your focus and pride on
13 efficiency and productivity, presumably you have
14 directed a study on how much overhead could be
15 reassigned from FPL to Encore if NextEra Energy acquires
16 Encore, is that correct?

17 A No, that's not correct. My focus is on
18 Florida Power & Light and our efficiency that we focus
19 on. Mr. Reed goes into great detail on, that is what I
20 focus on.

21 Q To the extent that FPL strives to do the right
22 thing even before it's ordered to do so, wouldn't you
23 agree implementing reduced rates that arise from
24 synergies from a planned merge or acquisition when it
25 takes place is the proper thing to do?

1 A I am not going to be presumptuous on whether a
2 merger or an agreement with another company will take
3 place. My focus is on Florida Power & Light. I haven't
4 done any work on the Encore transaction with regards to
5 any type of O&M benchmarking so, no. I think what we are
6 doing right now is focusing on our company and the value
7 to our customers.

8 **Q Would you agree with me that it wouldn't be**
9 **right to charge FPL customers for overhead items that**
10 **were actually helping to benefit Encore's operations at**
11 **some future date?**

12 MR. LITCHFIELD: Object to the line of
13 questioning at this point. It seems like we are
14 working in a case four years from now as opposed to
15 the case at hand here. There is absolutely no
16 basis for any exploration of details or facts
17 related to a potential acquisition that has only
18 been just been announced and still has a long road
19 ahead of it.

20 MR. SUNDBACK: Madam Chair.

21 CHAIRMAN BROWN: Yes.

22 MR. SUNDBACK: The company is asking the
23 Commission to put to bed all issues regarding the
24 derivation of rates for services for four years and
25 it's talking about a quid pro quo, okay, we will

1 get rate certainty and stabilization for the
2 customers and in exchange the company gets some
3 certainty, too.

4 CHAIRMAN BROWN: Mr. Sundback, I have allowed
5 you questions up until this point, but Mr. Silagy
6 just testified that he did not work on the Encore
7 project, and he has not worked on that, and his
8 focus is on FPL, so at this time, I will sustain
9 the objection.

10 MR. SUNDBACK: Well, Madam Chair, that last
11 question didn't go to facts, it went to -- it was a
12 general question, a philosophical question.

13 CHAIRMAN BROWN: Can you restate the question?

14 MR. SUNDBACK: Certainly.

15 You would agree with me that it wouldn't be
16 right to charge FPL customers for overhead items in
17 the event that they are actually benefiting
18 Encore's operations, correct?

19 CHAIRMAN BROWN: I will allow the question.

20 THE WITNESS: I would agree that we will focus
21 on any expenses related to FPL remaining at FPL.
22 We work very hard to make sure that any charges
23 that we have, that have anything to do with outside
24 of FPL are charged to whatever those entities are,
25 and that customers do not subsidize entities

1 outside of FPL.

2 MR. SUNDBACK: Thank you.

3 Thank you, Madam Chair.

4 CHAIRMAN BROWN: You are welcome.

5 BY MR. SUNDBACK:

6 Q You had some discussions with Mr. Moyle about
7 the CILC rate schedule and the credits associated with
8 that rate schedule, do you recall that?

9 A I do.

10 Q You, at page 11, lines 17 through 19,
11 discussed what you characterize as strong customer
12 satisfaction, do you see that phrase?

13 A I do.

14 Q Okay. Are you aware that some of your CILC
15 customers have installed equipment and made substantial
16 investments based on credits that they are receiving?

17 A No, I am not aware as to what their rationale
18 was for installing equipment.

19 Q Okay. Are you aware that they have done so?

20 A I don't know what other customers have
21 installed, no.

22 Q Okay. So it's your testimony that there is
23 strong customer satisfaction with regard to the CILC
24 customers given the treatment the company proposes with
25 regards to the credits in this case?

1 A No, my testimony with respect to what you
2 pointed out here on page 11 has to do with overall
3 customer satisfaction of which Ms. Santos, Witness
4 Santos, can provide you great details of and of course
5 we won a lot of national awards around customer
6 satisfaction.

7 Q Okay.

8 A I would expect CILC customers are part of the
9 pool of that.

10 Q Let's look at page six, lines one through five
11 of your testimony, please.

12 A I am sorry, lines what?

13 Q One through five, please.

14 A Thank you.

15 Q There, you refer to Mr. Reed's benchmarking
16 study; is that right?

17 A Yes.

18 Q And you will recall -- well, before we get
19 there. Mr. Reed's -- it's your understanding that Mr.
20 Reed's testimony provides important background for
21 assessing FPL's requested 50 basis point incentive
22 adder; is that right?

23 A Yes. I believe Mr. Reed's testimony will
24 provide additional background for the Commission to
25 consider.

1 **Q FPL hired Mr. Reed because of the thoroughness**
2 **of his experience in the industry; is that right?**

3 A Yes, Mr. Reed is well-known to be an expert in
4 this area.

5 **Q Okay. And the thoroughness of his analysis**
6 **was also important to you, is that correct?**

7 A Yes, I would expect his analysis to be
8 thorough.

9 **Q Okay. Did FPL place any restrictions on what**
10 **Mr. Reed would consider in his benchmarking study?**

11 A I am not aware of what we -- any conversations
12 with Mr. Reed regarding that. I never had any.

13 **Q Okay. You will recall that in 2012, in the**
14 **hearing on FPL's rate case, we had a discussion**
15 **regarding what entities would be suitable for comparison**
16 **purposes to FPL, correct?**

17 A I don't remember it specifically, but I am
18 sure we did.

19 **Q Okay. Well, let's look at what's been marked**
20 **as exhibit --**

21 CHAIRMAN BROWN: 570.

22 MR. LITCHFIELD: While we are pulling that
23 exhibit, may I ask Counsel to articulate where
24 Mr. Silagy's testimony in this case, again,
25 provides a point of reference do this line?

1 CHAIRMAN BROWN: I would agree. Where is it?

2 MR. SUNDBACK: Madam Chair, we start on page
3 six, lines three through five. The witness
4 actually references Mr. Reed more than any other
5 witness in his testimony. He references him again
6 at line six at page 16, line 13, at page 27, line
7 18, at page 28, lines four through five, and at
8 page 30, line 18.

9 CHAIRMAN BROWN: You are very fast.

10 MR. SUNDBACK: He, in other words, relies on
11 Mr. Reed more than any other witness for cites,
12 call outs in this proceeding, and we think it's
13 appropriate to see what his understanding of Mr.
14 Reed's analysis is, he testified in response to
15 questions to Counsel for FIPUG that he had reviewed
16 Mr. Reed's testimony before filing his own, so this
17 is an important piece of testimony from the
18 witness' perspective.

19 MR. LITCHFIELD: And yet we are about to go
20 back how many years in time to an analysis that was
21 submitted when by Mr. Reed? Not part of this case,
22 as I appreciate it. That's my question, counselor?

23 CHAIRMAN BROWN: I am -- Mr. Sundback, I think
24 I see the reference on page 27, lines seven through
25 12, talking about the 2012 rate settlement and then

1 talking about the need for further increases, kind
2 of broad, but I will allow a general line of
3 questions to the witness.

4 MR. SUNDBACK: Thank you, Madam Chair, I just
5 point out that this objection is remarkably
6 ill-founded. By looking at page 27, line 19, where
7 Mr. Silagy volunteers that Mr. Reed looked at
8 similarly situated utilities.

9 CHAIRMAN BROWN: Thank you.

10 MR. SUNDBACK: We keep having these kind of
11 objections.

12 CHAIRMAN BROWN: Sir, proceed.

13 MR. SUNDBACK: Thank you.

14 BY MR. SUNDBACK:

15 Q Okay, Mr. Silagy, your -- your use of that
16 phrase, similarly sized, suggests to us that you believe
17 one important factor in determining what a suitable
18 universe of comparable companies is would be the size of
19 the other companies, is that correct?

20 A Yes, I think scale is one factor over all I
21 rely on Mr. Reed's expertise in this area for
22 benchmarking.

23 Q Okay, and that's in part because we want to
24 determine how successfully different enterprise of the
25 same size have captured and exploited scale economies,

1 **correct?**

2 A Yes, capturing economies of scale is one
3 factor, among many, when it comes to benchmarking.

4 **Q Okay. And we also want to make sure that the**
5 **comparisons are made on the basis of similar**
6 **opportunities to capture synergies, is that correct?**

7 A I don't know if you could point me to my
8 testimony on synergies.

9 **Q Your testimony addresses repeatedly claimed**
10 **deficiencies that your implementing on FPL, does it not?**

11 A Yes, it does.

12 **Q Okay. And do some of those deficiencies arise**
13 **because of synergies associated with scale, in your**
14 **opinion?**

15 A Yes, with economies of scale in capturing
16 those, that's part of it, you would have to ask Mr. Reed
17 for details as to what part of his testimony how
18 important it is within it.

19 **Q Okay. But if we look back at what's been**
20 **marked as Exhibit 570, you don't dispute your**
21 **observation, at page 448 of the transcript, lines 10**
22 **through 14, that it's critical to compare apples to**
23 **apples on companies, right?**

24 CHAIRMAN BROWN: Could I --

25 THE WITNESS: Where are you?

1 CHAIRMAN BROWN: Mr. Silagy, just one second,
2 I just want to clarify is this Mr. Silagy's
3 testimony you are directing us to and could you
4 please tell us the page and line.

5 MR. SUNDBACK: Yes, Madam Chair, just for a
6 point of reference the second -- third page of the
7 exhibit is the index, and that shows that
8 Mr. Silagy was the witness, and the
9 cross-examination was from SFHHA starting at 444
10 through 461. If we turn to 448, lines 10 through
11 fourteen.

12 CHAIRMAN BROWN: Got you.

13 MR. SUNDBACK: We see Mr. Silagy's apples to
14 apples language.

15 BY MR. SUNDBACK:

16 **Q Do you recall that exchange, Mr. Silagy?**

17 A Honestly, no, but I see that here.

18 MR. SUNDBACK: Okay. If we could beg your
19 indulgence for one more moment, we think we are
20 wrapped up we just want to make sure.

21 Yes. Those are all of our questions. Thank
22 you for your time, Mr. Silagy.

23 THE WITNESS: You are welcome.

24 CHAIRMAN BROWN: Thank you, Mr. Sundback.

25 All right. We are getting at the three

1 o'clock -- nearing the three o'clock, let's take
2 about a 10-minute break. We will come right back
3 here at three o'clock.

4 MR. SUNDBACK: Madam Chair, could we inquire
5 of the bench what time we anticipate going until
6 this evening, which may affect our nutrition
7 choices during the break?

8 CHAIRMAN BROWN: You don't want the fine
9 vending machine for snacks. We will be concluding
10 tonight somewhere between 6:00 and 7:00.

11 MR. SUNDBACK: Thank you.

12 CHAIRMAN BROWN: Okay. So we will reconvene
13 at three o'clock.

14 (Brief recess.)

15 CHAIRMAN BROWN: Thank you. And next up on
16 this witness, Mr. Silagy, is Retail Federation.
17 And before he begins, I want to thank him for
18 working with our staff in handing out the exhibits.
19 They -- our staff just loves, and it's really made
20 it a lot more efficient and helped out with the
21 process, so thank you so much, Mr. Wright.

22 MR. WRIGHT: Thank you, Madam Chair.

23 COMMISSIONER EDGAR: I love it, too, Madam
24 Chair.

25 CHAIRMAN BROWN: Thank you, Commissioner

1 Edgar.

2 MR. WRIGHT: Thank you, Commissioners. I am
3 doing my best trying to make the process work.

4 CHAIRMAN BROWN: All right. So are you ready?

5 MR. WRIGHT: Yes, ma'am, I am.

6 CHAIRMAN BROWN: Mr. Silagy, are you ready?

7 THE WITNESS: Yes, ma'am.

8 CHAIRMAN BROWN: All right. You may proceed.

9 CROSS EXAMINATION

10 BY MR. WRIGHT:

11 Q Good afternoon, Mr. Silagy.

12 A Good afternoon.

13 Q How are you?

14 A I am well. Thank you.

15 Q Good. You have heard questions a lot like
16 these before, mostly from me, I think I do have a few
17 follow-ups on questions you asked earlier.

18 I want to be sure I understand how you
19 characterized the 2019 increase associated with the
20 Okeechobee Clean Energy Center. You referred to is it
21 as a subsequent year adjustment?

22 A I don't believe so.

23 Q Oh.

24 A No. I believe I said limited scope.

25 Q Oh, thank you, limited scope, okay.

1 In your understanding, would that be -- would
2 that result in an increase in the company's base rates
3 pursuant to that limited scope adjustment?

4 A Yes. Once the plant goes into service, which
5 is scheduled, or projected to be mid-2019, roughly June
6 of 2019.

7 **Q Thank you. I just want to be clear that it**
8 **was to be implemented through a change in base rates.**

9 A Yes, that's my understanding.

10 **Q Thank you.**

11 A And I think Witness Cohen can provide any
12 other details if I make a mistake on that, but that's my
13 understanding.

14 **Q That's fine.**

15 I know that you ascended to your current
16 position in 2011, but when did you start working for
17 FPL?

18 A 2007.

19 **Q Thank you. How familiar are you with FPL's**
20 **history, operation,s decisions, et cetera, before 2007?**

21 A Hard to say. Generally, I am familiar with
22 things, but, you know, it's -- we have been in
23 operations now providing customers for 90 years, so
24 there is a lot of history there.

25 **Q 91, I think.**

1 A I stand corrected. 91, excuse me. You are
2 right.

3 Q You made some statements in your testimony,
4 and also in your cross, you chose to modernize your
5 fleet. Do you recall those statements?

6 A Yes.

7 Q You did -- the company, that is, Florida Power
8 & Light -- did also attempt on two occasions in the
9 early 2000s to build two separate coal plants, correct?

10 A I am not familiar with two. Which ones?

11 Q St. Lucie County and followed by Glades Power
12 Park when St. Lucie didn't make it.

13 A I am not familiar with the St. Lucie project,
14 but I am now, obviously, with Glades.

15 Q Okay. Quick follow-up on a question asked you
16 by Mr. Sundback related -- tied back to the -- his
17 questions about the Encore merger and common costs, but
18 my question is this: Do you know how much of NextEra
19 Energy costs are allocated to Florida Power & Light for
20 purposes of seeking FPL's rate increases in this case?

21 A No, I don't know off the top of my head. I
22 believe Witness Ousdahl might could provide that for
23 you. I think that's correct.

24 Q Thank you. That actually answered my next
25 question. That's great.

1 For the entire period of which you are aware
2 of FPL's operations, has FPL consistently provided safe
3 and reliable service?

4 A For which period? I am sorry.

5 **Q For the entire period of which you are aware.**

6 A Yes, for the entire period I am aware of, yes.

7 **Q Would it be fair to say that, in general**
8 **terms, you are aware of back at least in the 1980s,**
9 **based on what you learned with the company over the last**
10 **nine years?**

11 A You know, Mr. Wright, I am aware generally of
12 our history. I know that we have always strived to
13 provide reliable and affordable power, but going back to
14 the '80s, no, I can't speak to the 1980s. I wasn't even
15 with the NextEra family in the 1980s, or '90s for that
16 matter.

17 **Q Okay. So can I be on firm ground if I go back**
18 **to 2007, when you joined the company?**

19 A That's when I joined FPL. That's correct.

20 **Q Okay. And would you agree that FPL has**
21 **consistently provided safe and reliable service since**
22 **2007, at least?**

23 A Yes, as far as I know.

24 **Q And I believe it follows that -- well, during**
25 **that period, isn't it true that FPL paid all its**

1 **employees fair compensation?**

2 A I believe that's true.

3 **Q Paid all of its bills, all of its O&M costs?**

4 A Yes. We have -- well, I am not aware of us
5 not paying any of our bills. We have never filed for
6 bankruptcy, I am very proud to say, and we have met all
7 of our obligations I am aware of.

8 **Q And included in those obligations would be all
9 of your debt service, correct?**

10 A Yes, as far as I know, we have never made a
11 debt -- missed a debt service obligation.

12 **Q And during that time, would you agree that FPL
13 has earned reasonable returns on its equity investment,
14 or its -- FPL's equity investors have reasonable
15 returned on their investments?**

16 A You know, Mr. Wright, I can't remember all the
17 returns that we are going back to 2007, to be honest
18 with you. I can say that I -- I know we are meeting all
19 of our obligations at this point, and, you know, other
20 witnesses might be able to help you with a little more
21 history on that.

22 **Q Okay.**

23 A Sorry about that.

24 **Q You do not have to apologize to me, Eric.**

25 At page eight of your testimony, you referred

1 to five multiyear settlements agreements. I am sure you
2 know what I am talking about.

3 A Yes.

4 Q Okay.

5 MR. WRIGHT: Madam Chairman, this would be a
6 good time to mark my exhibits for identification,
7 so I think -- I think we are up to 571 --

8 CHAIRMAN BROWN: We are.

9 MR. WRIGHT: -- for me.

10 CHAIRMAN BROWN: We are.

11 MR. WRIGHT: And I would like the first one to
12 be PSC Rate Reduction and Increase Summary, 1960 to
13 Present.

14 CHAIRMAN BROWN: Okay. That will be marked
15 for 571.

16 (Whereupon, Exhibit 571 was marked for
17 identification.)

18 MR. WRIGHT: And 572, I would like marked as
19 NEE 2012 and 2015 Annual Reports --

20 CHAIRMAN BROWN: Okay --

21 MR. WRIGHT: -- Selected Financial Data.

22 CHAIRMAN BROWN: Okay.

23 (Whereupon, Exhibit 572 was marked for
24 identification.)

25 MR. WRIGHT: And 573, then, will be excerpts

1 from the PS -- from FPL's Earnings Surveillance
2 Reports from 2010 to 2015.

3 (Whereupon, Exhibit No. 573 was marked for
4 identification.)

5 CHAIRMAN BROWN: Thank you. Those are all
6 marked accordingly.

7 MR. WRIGHT: Great. Thank you.

8 BY MR. WRIGHT:

9 Q Mr. Silagy, if you would, look at what's now
10 been marked for identification as Exhibit 571. On the
11 second page of that document --

12 A I am sorry, which one is 571?

13 Q It's the PSC Rate Reduction and Increase
14 Summary?

15 A Yes.

16 Q If I could ask you to look at the second page,
17 so it's the third page of the packet in the upper
18 left-hand corner it says, Florida Power & Light Company.

19 A I see that.

20 Q You have seen a document like this before, I
21 bet you even remember it, do you?

22 A I don't recall it, but I have seen a lot of
23 documents, so, no, I don't recall this one.

24 Q Okay. If you just look toward the bottom --
25 well, actually, if you look sort of around the middle,

1 **there are a number of dockets and orders listed,**
2 **starting with the 990067 docket. Was that not the first**
3 **of the rate settlement orders to which you referred in**
4 **your testimony?**

5 A Yes, although I am trying to find the 99.
6 Which one is that?

7 Q **It's just about -- it's just about in the**
8 **middle. If you wanted to look at the --**

9 A I see it. I am sorry, yes, I got it. Thank
10 you.

11 Q **That was the first one, and the second was the**
12 **next one, docket 001149.**

13 A 48?

14 CHAIRMAN BROWN: Yes.

15 MR. WRIGHT: I think you are right. I think
16 it is 48.

17 CHAIRMAN BROWN: It's an eight.

18 MR. WRIGHT: Thank you. I am sorry. It's
19 small print, and my glasses aren't that great,
20 thanks.

21 THE WITNESS: Thank you. I see that as well.

22 BY MR. WRIGHT:

23 Q **And then the next one was a settlement entered**
24 **into in docket 050045?**

25 A I see that.

1 Q Okay. And then there was subsequently a
2 settlement agreement following the Commission's decision
3 in docket 080677, that would be the fourth one to which
4 you referred?

5 A Yes, I see that.

6 Q Okay. That's -- do you recall participating
7 with me in the negotiations that led to that settlement?

8 A I do, indeed.

9 Q Okay. I do, too. I am not going to ask you
10 anything about it, but we were both there.

11 And then the last settlement of the five was
12 the one entered into by FPL and some other intervenors
13 in 2012, and approved by Commission Order in 2013,
14 correct?

15 A Yes, sir.

16 Q Okay. Now, in the 2009 settlement, FPL agreed
17 to a base rate reduction of \$350 million a year,
18 correct?

19 A Yes.

20 Q And in the 2002 settlement, it was an
21 additional reduction in base rates of \$250 million a
22 year?

23 A Yes, I see that.

24 Q In the 2005 case, there was a base rate freeze
25 with GBRA provision. Do you recall, or are you aware of

1 **that?**

2 A I see that.

3 **Q And, in fact, I think the exhibit shows that**
4 **there were some subsequent GBRA type orders that are**
5 **actually identified by power plants. Do you see those?**

6 A I see them footnoted. I am trying to see --
7 it looks like Turkey Point Unit 5, is that what you are
8 referencing?

9 **Q Yeah, Turkey Point 5 and --**

10 A And West County.

11 **Q And West County 1 and 2?**

12 A Yes.

13 **Q Okay. Good.**

14 Will you agree that, under the settlements,
15 Florida Power & Light continued to provide safe and
16 reliable service throughout the periods covered by those
17 settlement agreements?

18 A Yes.

19 **Q Paid all its bills and obligations during**
20 **those times?**

21 A As far as I know, yes.

22 **Q And earned reasonable returns?**

23 A I see the returns we earned, yes.

24 **Q Well -- would you agree that customers got**
25 **good value for FPL's product, electric service, during**

1 **that time period?**

2 A Yes.

3 **Q Thank you.**

4 Moving back to returns for just a minute, I
5 would like to ask you to look, please, at -- I am sorry,
6 it's out of order, but Exhibit 573.

7 A Okay. I apologize because I did not number
8 them all at the same time.

9 CHAIRMAN BROWN: 573 is the excerpts, FPL's
10 Earning Surveillance Reports.

11 THE WITNESS: Thank you, Madam Chairman.

12 MR. WRIGHT: Thank you, Madam Chairman. And I
13 will aver to you that I followed my friend,
14 Mr. Butler's request, and I provided two complete
15 copies of all of the earning surveillance reports,
16 from which these are excerpted, to Mr. Litchfield
17 during the break so that he and the witness would
18 have one but, you know, it's three-fourths of an
19 inch thick and I am saving some trees.

20 CHAIRMAN BROWN: Thank you.

21 BY MR. WRIGHT:

22 **Q Mr. Silagy, you recognize these documents, do**
23 **you not?**

24 A Yes, generally, no, specifically, I have seen
25 them, but I have seen earnings surveillance report.

1 Q Okay. So if I could ask you to look at the
2 third page into the exhibit, the cover sheet being the
3 first, and the next being a letter from Ms. Lopez dated
4 February 15th, 2011. And the third page is the first
5 page of actual data provided by the company to the
6 Commission in its earnings surveillance reports.

7 A The cover letter dated --

8 Q I would like you to look at the first table,
9 the page after the cover letter.

10 A I am sorry.

11 Q Thank you.

12 A You are welcome.

13 Q Thank you.

14 Okay. Will you agree this shows that,
15 during -- that on a 13-month average basis for the
16 year-end 2010, FPL earned an FPSC adjusted return on
17 equity of 11 percent?

18 A Yes. This is December 2011.

19 Q I think if you look at the top of the page, I
20 think it's December of 2010. The report was filed with
21 the Commission in February of 2011. Can you confirm
22 that for us?

23 A At the top of mine, it says -- maybe I am
24 looking at the wrong page. It says December 2011.

25 Q If you turn back two pages. I think you may

1 **have flipped ahead.**

2 A Sorry. Yes, I see that now --

3 Q **Oh, good.**

4 A -- December 2010.

5 Q **I was afraid we messed up.**

6 Okay, if you look down at the bottom, it says,
7 FPSC adjusted of 11 percent, correct?

8 A 11 percent, yes.

9 Q **And you just confirmed the same thing is true
10 for December 2011?**

11 A Yes, that's correct.

12 Q **Okay. And without belaboring and going page
13 by page, these are the company's documents, and they
14 speak for themselves, correct?**

15 A Yes.

16 Q **Thank you. I can move on to my next group of
17 questions.**

18 I would like to stick with the period 2010
19 through 2012. During that time, did FPL's stock price
20 increase?

21 A Yes, generally.

22 Q **Okay. During that time, did Florida Power &
23 Light -- sorry, I did not mean to trick you. I really
24 meant to ask NextEra Energy.**

25 A I was about to correct myself, so yes, NextEra

1 Energy. Yeah, generally, I would have to look it up --
2 I would have to look at it exactly. There was ups and
3 downs, I am sure, as there normally are.

4 **Q Thanks.**

5 Would you agree that it was higher in 2012
6 than it was in early 2010?

7 A Generally, I would agree with that, but I
8 honestly don't know the number.

9 **Q Will you also agree that the company increased**
10 **its dividends throughout that period?**

11 A I don't recall what our dividends policy was
12 during that period.

13 **Q Okay. I would like to ask you to look at**
14 **Exhibit 572, please, which is some excerpted information**
15 **from NextEra Energy's annual reports.**

16 MR. WRIGHT: And again, Madam Chairman, I
17 furnished complete copies of both annual reports to
18 Mr. Litchfield so Mr. Silagy would have those
19 available to him if he wants to look at them. This
20 isn't any kind of trick question. I just want to
21 ask him to look at the two tables that are
22 reproduced. One is reproduced from the 2012 annual
23 report, which will be the third page in the packet.
24 And the other table is produced from the 2015
25 annual report, which is the fifth and last page in

1 the packet.

2 BY MR. WRIGHT:

3 Q And these -- this is titled item six, selected
4 financial data. And I think Mr. Silagy, if you look at
5 each table on the third page in the packet, which is the
6 one from the 2012 annual report, it would show that
7 NextEra Energy increased its dividend steadily from 2018
8 until 2012 from 178 a share in 2008 to 240 a share in
9 2012?

10 A Yes, I see that.

11 Q And similarly, if you look at the last page in
12 there, it's a little further down on the page, but it
13 shows data from 2011 to 2015. And picking up with the
14 \$2.40 per share in 2012, FPL's share pricing -- sorry --
15 FPL's dividends paid per share -- NextEra Energy's
16 dividend paid per share increased from 240 to 308 from
17 2012 to 2015, correct?

18 A Yes, I see that.

19 Q Thank you.

20 Referring to the period 2010 to 2012 again,
21 would you agree that FPL was delivering superior value
22 to its customers during that period?

23 A On a general basis, I would say yes. Our
24 bills were going down and our reliability was improving.
25 Our emissions profile was improving, so I would say --

1 my opinion would be yes.

2 Q Okay. You may remember a brief conversation
3 that you and I had in 2012 in which I asked you whether
4 you would agree that it's FPL's duty to provide safe and
5 reliable service at the lowest possible cost. Do you
6 recall that conversation?

7 A I do.

8 Q Okay. You rejected my use of the word "duty",
9 correct?

10 A I did.

11 Q Instead, you stated that it's FPL's goal or
12 desire to provide safe and reliable service at the
13 lowest possible -- at the least cost, I believe is your
14 term, correct?

15 A That's correct. It is a goal.

16 Q Other than the legal distinction between a
17 goal or a desire on the one hand, and a duty on the
18 other hand, does FPL go about its business of providing
19 safe and reliable service at least cost any differently?

20 A I am sorry, Mr. Wright, could you repeat the
21 question? I am not sure I understood what you were
22 saying.

23 Q The question I am trying to ask is, does it
24 make a difference in how y'all conduct your business,
25 whether you call it a duty, or whether you call it a

1 **goal or desire?**

2 A Well, I do think it makes a difference. I
3 mean, the duty to serve is something that all employees
4 take very seriously, and we understand that there is a
5 duty to serve. But the standard, actually, for which we
6 serve is different than that, from a standpoint of, you
7 know, we are required by law to provide reasonably
8 sufficient, adequate and efficient service. And so we
9 strive to do the best job we can, and think we have
10 delivered on that in many respects, but we are not
11 perfect, and so we continue to try to do what we can to
12 meet the highest expectations that our customers have.

13 **Q Okay. This is kind of random because it comes**
14 **out of someone else's cross, but I do want to ask you**
15 **about natural gas as it relates to your bills. You had**
16 **the conversation, I think, with Mr. Moyle about that.**

17 How much natural gas does FPL burn each year?

18 A Roughly, about 600 billion cubic feet a year.
19 Witness Forrest can provide the exact details on that.

20 **Q Thank you.**

21 So if there were a one-dollar increase in the
22 price of natural gas, that would add about \$600 million
23 to FPL's revenue requirement through the fuel clause in
24 this case, correct?

25 A Yes, roughly that's right.

1 **Q And translating that into customer bills at**
2 **the 105, 107, 108,000 GWh, that's about five-and-a-half**
3 **dollars per thousand kWh, correct?**

4 A Yeah. I would have to do the math for it, but
5 again, Witness Forrest can provide the details of the
6 bill impact; but, clearly, our focus on not burning
7 fuel, and being as efficient as we can on natural gas,
8 as well as everything else, is why it's so important for
9 us and why we have been successful on being able to keep
10 bills low.

11 **Q I want to talk about value for a couple of**
12 **minutes. Will you agree that value is a function of the**
13 **quality of any product and its price?**

14 A Could you point me to that?

15 **Q You talk about providing superior customer**
16 **value --**

17 A Correct.

18 **Q -- extensively throughout your testimony.**
19 **This is kind of a predicate question asking you whether**
20 **you will agree that value is a function of the quality**
21 **of the product and the price of the product?**

22 A No. The way I define value actually is a
23 little bit differently in my testimony, and that is -- I
24 mean, the value is -- affordability is part of it, but
25 it's not just related to affordability. Value is also

1 having high reliability, as an example. Value is being
2 able to provide great customer service, because there
3 are different things that we could do as a company if it
4 was just about affordability that would negatively
5 impact customer service, as an example. You could close
6 a call center, reduce O&M, increase wait times on the
7 phone for responses, but it would have an affordability
8 impact in a positive way, arguably, but the customer
9 experience would be degraded.

10 So the value proposition is the holistic
11 approach of low bills, high reliability, customer
12 service that's excellent, and a clean emissions profile;
13 not having to make a choice for one or the other.

14 **Q Will you agree that if you hold quality and**
15 **reliability constant, a lower price provides better**
16 **value to customers than a higher price?**

17 A Yes.

18 **Q Do you do your own grocery shopping?**

19 A Sometimes, yes.

20 **Q Do you like Triscuits? I like Triscuits.**
21 **Triscuits is it kind of a baseline product for me. Do**
22 **you like Triscuits?**

23 A I try to eat the low fat ones, but yes.

24 **Q Good. If you shop where I shop, Triscuits are**
25 **about 3.49 a box when they are not on sale. Does that**

1 **sound about right?**

2 A Schef, honestly, I don't recall, but I will --
3 subject to check, I will accept --

4 MR. LITCHFIELD: I will ask a clarifying
5 question. Is he talking about Triscuits in FPL's
6 service territory or somebody else's service
7 territory?

8 CHAIRMAN BROWN: Counsel, can you please
9 clarify?

10 MR. WRIGHT: I will aver to you and Mr.
11 Litchfield that I buy Triscuits in FPL's service
12 territory when I am there, and I buy them in
13 Tallahassee when I'm here.

14 CHAIRMAN BROWN: Are they constant in both?

15 MR. WRIGHT: I think pretty much they are 3.49
16 a box regular price wherever I buy them.

17 CHAIRMAN BROWN: I am assuming you are going
18 to get to a very fine point, though.

19 MR. WRIGHT: Of course I am.

20 CHAIRMAN BROWN: Of course.

21 THE WITNESS: I will agree with you, for the
22 sake of argument, yes, that sounds about right,
23 even for the low fat ones.

24 BY MR. WRIGHT:

25 **Q When you do some grocery shopping, do you ever**

1 pay attention to the BOGOs, the buy one get one free?

2 A Oh, sure, yes, I do.

3 Q So you will agree with me that the buying two
4 boxings of Triscuits for 3.49 is a better value than
5 buying one box of Triscuits for 3.49?

6 A Yes, I will. Although, I will find that
7 often, the second box goes expired and I throw it away
8 and it's not as good a value, so not always.

9 Q Similarly, will you agree that, for electric
10 service, holding quality and reliability constant, that
11 electric service at 10 cents a kilowatt hour is better
12 value than that service at 11 cents a kilowatt hour?

13 A Yes, all things being constant, if you can
14 provide it at the exact same services, then there is
15 better value. The problem is, you know, it is very
16 difficult to maintain those level of services for all
17 other things being equal, it's just that's not the
18 reality of how it works.

19 MR. WRIGHT: Thanks very much. That's all the
20 questions I have.

21 CHAIRMAN BROWN: Thank you, Mr. Wright.

22 Moving on to FEA, Mr. Jernigan.

23 MR. JERNIGAN: Thank you, ma'am. And just in
24 the interest of time, I have no further questions
25 for you.

1 CHAIRMAN BROWN: Well, thank you.

2 Moving on to the Sierra Club. Ms. Csank.

3 MS. CSANK: Yes, one moment.

4 CHAIRMAN BROWN: While you are doing that, we
5 have some exhibits. Thank you again for handing
6 those out. If you would like, we will label them
7 when you are ready. Thank you.

8 And I will encourage the next person, who is
9 Wal-Mart, to tee up their exhibits if they have
10 any, followed by AARP and the Larsons. Thank you.

11 And we will be starting at Exhibit 574.

12 CROSS EXAMINATION

13 BY MS. CSANK:

14 Q Hello, Mr. Silagy.

15 A Hi. How are you?

16 Q Well, thanks.

17 My name is Diana Csank. I am here on behalf
18 of the Sierra Club.

19 Mr. Silagy, for starters, would you mind
20 telling us whether you hold any positions with NextEra,
21 or the affiliates of NextEra, other than Florida Power &
22 Light Company?

23 A No, not that I am aware of. I don't believe I
24 serve on any of the other entities.

25 Q Do you have any responsibilities that pertain

1 **to those other affiliates?**

2 A No. My responsibility is for Florida Power &
3 Light.

4 **Q Thank you.**

5 Now, turning to your direct testimony, Mr.
6 Silagy, you refer to FPL's long-term strategy throughout
7 your testimony. For clarification, how long is
8 long-term?

9 A Well, that's a good question. We obviously
10 file a 10-year site plan, which I am sure we are going
11 to speak about, and so we are always looking 10 years
12 out. But, you know, we talk about -- look at
13 technologies and what the impact will be for many years
14 to come, even beyond that. Many of our assets, as
15 pointed out in the depreciation study, have lives that
16 last for, you know, decades, and so we have to be
17 thinking about that in technologies.

18 So it's testimony not an easy answer in the
19 sense of it's a long time, and we try to think about
20 what are the implications beyond even the 10-year site
21 plan, although it's -- trying to predict is hard.

22 **Q I appreciate that. Do you -- does the company**
23 **prepare supplements to the 10-year site plan that**
24 **project out beyond the 10-year horizon that's required**
25 **for filing in April of each year by this commission?**

1 A No, we don't.

2 **Q And it's also your testimony that it's**
3 **important for the company to have a constructive**
4 **regulatory framework, as you put it, right?**

5 A Yes, ma'am. It is important to have a
6 constructive regulatory framework.

7 **Q And that framework includes transparency with**
8 **the Commission and stakeholders about FPL's long-term**
9 **strategy?**

10 A Yes, I believe that's part of it as part of
11 our 10-year site plan.

12 **Q And that framework includes coming before this**
13 **commission when FPL's activities require Commission**
14 **approval?**

15 A Yes.

16 **Q And FPL, as we covered earlier this afternoon,**
17 **strives to do the right thing even before it is asked or**
18 **ordered to do so, right?**

19 A Yes. And I believe we have demonstrated that
20 a number of different times.

21 **Q This promotes a stable regulatory framework?**

22 A Well, not that in and of itself, no. I think
23 that is part of what we are as a company, and our
24 culture. But I think what we have actually talked about
25 from promoting a regulatory, or a stable regulatory

1 framework, is what we talked about in testimony in
2 virtuous circle, and being able to provide excellent
3 value for customers, which leads to high customer
4 satisfaction, which then leads to a stable and favorable
5 regulatory environment, which, in turn, leads to the
6 ability to have strong financial performance and
7 foundation, which allows us to invest in the
8 technologies that allows us to provide great customer
9 satisfaction by having, as an example, low bills having
10 invested and the modernizations, as an example.

11 **Q So the company strives to promote a strong**
12 **financial position for itself?**

13 A As one -- yes, that is one element of it.
14 Absolutely. We strive to actually be innovative and to
15 think about what is going to provide customer value.

16 **Q So before making a substantial financial**
17 **commitment, the company seeks Commission approval where**
18 **it's required?**

19 A If it's -- yes, excuse me, if it's required in
20 advance, then we will find it in advance. If it's not
21 required in advance, then, no, not necessarily.

22 **Q But there are instance when the company comes**
23 **in even if it's not required to seek Commission approval**
24 **because it's making a substantial financial commitment?**

25 A Yes, I can't recall it specifically, but, yes,

1 we have come in before to seek guidance from the
2 Commission.

3 **Q Is a 200-megawatt power plant a substantial**
4 **financial commission?**

5 A Yes and no. It is -- it is substantial in the
6 sense of it's millions of dollars, and I view that as
7 substantial always; but, no, in the scheme of our
8 system, 200 megawatts is a very small amount of power in
9 our system. So, no, I would not see that as substantial
10 in that relationship.

11 **Q So here, the company is requesting -- part of**
12 **the company's requests are the three solar power plants.**
13 **Is it -- are you saying that that's not a substantial**
14 **financial commitment in, those solar -- three solar**
15 **power plants that amount to 220 megawatts?**

16 A Yes. Those solar plants do add up to about
17 223.5 megawatts. That's a \$400 million investment,
18 which has positive customer benefits. So that is why I
19 believe, from a customer value perspective, it is
20 positive for customers, saves money, and that's why I am
21 comfortable with the decision on the investment.

22 **Q Thank you. And back to my question, that you**
23 **would agree with me that those power plants, those three**
24 **projects are a substantial financial commitment?**

25 A In the -- again, no, not in the scheme of our

1 overall rate base, it's not; but it is a lot of money,
2 and we take great care in managing it.

3 **Q Turning back to the example of a 200-megawatt**
4 **power plant, let's say it burns gas. If you have seven**
5 **of those, would that cumulatively amount to a**
6 **substantial financial commitment?**

7 A If we had, I am sorry, how many?

8 **Q Seven 200-megawatt.**

9 A You know, again, I think any of these
10 investments are substantial in their overall cost, but
11 how it relates into our system remains to be seen. So I
12 haven't really thought about it. Seven on
13 200 megawatts, 1,400 megawatts, yes, that's substantial.

14 **Q And you are familiar with the company's**
15 **inclusion of seven new gas combustion turbines in its**
16 **request in this case?**

17 A Yes.

18 **Q And do you know, did FPL obtain from this**
19 **commission preconstruction approval for those plants?**

20 A No, we did not. That's why we are here today.

21 **Q Thank you, Mr. Silagy.**

22 Now, let's turn to your testimony. And again,
23 we referred to this earlier, but you introduced the FPL
24 witnesses in this case, right?

25 A Yes.

1 **Q The witnesses are your colleagues?**

2 A Yes.

3 **Q You work with them directly?**

4 A Well, most. Some are consultants, like Mr.
5 Reed, so he is -- he is a consultant. He is not an
6 employee of Florida Power & Light.

7 **Q Understood. And which of the FPL witnesses in**
8 **this case are from the company's resource planning**
9 **department?**

10 A Ms. Deaton and Dr. Morley was going to be in
11 those.

12 **Q Anyone else?**

13 A Dr. Morley.

14 **Q Right. She's the director of that department?**

15 A That's correct. And Witness Deaton. Witness
16 Cohen actually is in our regulatory group, but obviously
17 involved with rate design.

18 **Q And referring back to the resource planning**
19 **department, are they -- is that department responsible**
20 **for resource selection?**

21 A No. Ultimately, resource selection is going
22 to be responsibility of senior management, such as
23 myself.

24 **Q Okay. And senior management, in making those**
25 **types of decisions, is informed by which components of**

1 **the company?**

2 A By a variety of components of the company.

3 **Q Is there one that has primacy over the others**
4 **when it comes to resource selection?**

5 A When you say resource selection, could you
6 clarify.

7 **Q Sure. So when the company identifies a need,**
8 **and is trying to identify the least cost resource to**
9 **meet that need, is there a particular component of the**
10 **company that provides the analysis to inform the**
11 **decision about the preferred alternative?**

12 A Well, there is a variety of elements, or
13 people, I should say, within the company, and factors
14 that we consider. So the need, as you have identified,
15 is one, and then the type of need is another.
16 Locational opportunities of where we could actually
17 place that would also drive that. Available
18 technologies would also come into play.

19 So there is a number of subject matter experts
20 that we would be briefed by that I would obtain
21 information from in looking at what is available, and
22 make a decision on what's the best path forward.

23 **Q I appreciate the thoroughness of your**
24 **response.**

25 So taking one of those at a time, you

1 mentioned the type -- the need itself. That there is a
2 component of the company that identifies whether there
3 is a need. Is there a witness in this case who is
4 testifying to the need with respect to the seven new gas
5 combustion turbines?

6 A I am not sure. I would say Dr. Morley, again,
7 having to do with sales and load forecasting is going to
8 be probably the witness that deals with what are our
9 expected needs are, coupled with, again, also then how
10 we would structure that going forward. So that would be
11 Witness Deaton and even Cohen about how rates are
12 actually set and bills are paid.

13 Q May me ask you, when did Dr. Morley assume her
14 position as Director of Resource Planning?

15 A I don't know exactly when. It was relatively
16 recently.

17 Q So when did the company make the selection, or
18 the decision to proceed with the seven new gas
19 combustion turbines? That was some years back, right?

20 A I don't recall exactly when, but it was
21 several years ago.

22 Q So who does the company hold out as the most
23 knowledgeable with respect to the needs of those gas
24 plants if Dr. Morley was not in her role at the time the
25 decision was made?

1 A Well, from a need determination standpoint,
2 from whether or not customers need it, Dr. Morley, who
3 also worked in the department, so she may not have been
4 in that position but she was in that department, but
5 also witness Kennedy can speak at great length about the
6 operational needs. And even Witness Miranda, Manny
7 Miranda can also provide quite a bit of information with
8 regards to the operational needs when it comes down to
9 meeting load requirements, transmission and
10 distribution.

11 So Witnesses Kennedy and Miranda can also
12 provide, from a standpoint of being able to meet
13 operational needs.

14 **Q And you referred to the locational aspects of**
15 **needs. Who is the witness who can speak to that?**

16 A Well, I would say Witness Kennedy would be
17 able to speak to the fact that these particular type of
18 assets require access to gas, as an example, and access
19 to transmission to be able to export the power, and
20 other elements required for the safe operation of these
21 facilities. So she will be able to speak to the
22 locational needs of these type of technologies.

23 **Q Were there any other factors with respect to**
24 **resource selection that witnesses are presenting on?**

25 A Witness Kennedy, I think, can provide you a

1 number of areas, such as the ability of these machines
2 to be able to start relatively quickly to meet peak load
3 requirements in order to meet either summer or winter
4 peaks as necessary, and meet our reserve margins.

5 **Q And would she be the one who would investigate**
6 **other options besides the new gas combustion turbines,**
7 **which I understand, from speaking with her earlier, she**
8 **was told to analyze by the resource planning department?**

9 A No, she would not be analyzing other
10 technologies.

11 **Q Who would be analyzing those other**
12 **technologies?**

13 A I would, along with others in the company, as
14 we look at different technologies that are available and
15 the needs that are required.

16 **Q So with respect to the company's decision to**
17 **pursue those seven new gas combustion turbines, Mr.**
18 **Silagy, did you investigate battery storage as an**
19 **alternative?**

20 A I have investigated battery storage as an
21 alternative to generation, yes.

22 **Q Is that documented somewhere?**

23 A Not that I am aware of.

24 **Q Do you have colleagues who would investigate**
25 **that type of investigation?**

1 A You know, at Florida Power & Light, I don't
2 know if we have that documentation. I can tell you that
3 we continue to look at battery storage technology,
4 including at our sister company, NextEra Energy
5 Resources. And I also read materials provided that are
6 public domain, and have a understanding of what the
7 costs are associated with battery technology, and also
8 understand what some of the limitations are around
9 battery technology.

10 And so while I personally am a fan of battery
11 technology, I also recognize that there are lots of
12 limitations, and very expense costs associated with it,
13 and they would not meet the needs, in my opinion, for a
14 peaker system in our system at this time.

15 **Q Do you have any of analysis that shows that**
16 **those are expensive specifically as applied to FPL**
17 **system?**

18 A I do not.

19 **Q Is that something the company plans to analyze**
20 **and document?**

21 A I am sure we will continue to look at battery
22 technology within FPL system, and I am sure our sister
23 company will look at it as well to see when it is
24 possible that battery technology could be utilized.

25 **Q Approximately when would you present the**

1 **results of that analysis to this commission?**

2 A I don't know.

3 **Q Are you familiar request NextEra's battery**
4 **storage projects?**

5 A Just generally.

6 **Q There were several --**

7 A NextEra Energy Resources, so sorry, to correct
8 you a little bit, yes.

9 **Q Okay. My apologies.**

10 Are those large-scale battery storage
11 projects?

12 A Define large-scale.

13 **Q Greater than the pilot projects that FPL is**
14 **currently undertaking?**

15 A I believe one is 20 megawatts, but you are
16 getting out of my depth, because it's NextEra Energy
17 Resources, so I could be wrong on that.

18 **Q And those were cost-effective for NextEra**
19 **Energy Resources to pursue?**

20 A No, not necessarily. These were pilot
21 projects.

22 **Q The projects that NextEra Energy Resources is**
23 **pursuing and went through a competitive bid are pilot**
24 **projects, and not necessarily cost-effective?**

25 A Yes, winning a competitive bid for being able

1 to install at the least cost is one thing, but it
2 actually being competitive in a marketplace, depending
3 on what the marketplace is, is another. So I am not
4 familiar with the details of those projects.

5 **Q And you have no analysis showing whether those**
6 **are cost-effective in Florida for FPL system?**

7 A I do not have those analysis because those are
8 site-specific projects in different markets.

9 **Q Okay. Thank you.**

10 Just to make sure that I have exhausted my
11 earlier line of questions, is FPL presenting any other
12 witnesses are resource planning responsibilities other
13 than Ms. Deaton, Dr. Morley, I believe you mentioned Mr.
14 Forrest and yourself?

15 A I don't believe so.

16 **Q And just to show that I am not trying to ask a**
17 **trick question, Mr. Barrett also speaks to resource**
18 **planning issues, is that right?**

19 A Yes, that group reports to him as well.

20 **Q Does he, himself, perform analysis with**
21 **respect to resource selection?**

22 A He is part of my lead team, so we have
23 discussions as to what are the opportunities to deploy
24 technologies.

25 **Q So generally, he would be familiar with the**

1 types of options that are available to FPL when it's
2 making resource selection decisions?

3 A Generally, but that's not his area of focus on
4 a daily basis.

5 Q Okay. Thank you.

6 So do you review the 10-year site plans that
7 FPL files with the Commission in April of each year?

8 A Yes, generally speaking, I do.

9 Q Are you familiar with how much, as a
10 percentage, of FPL's energy resources currently burn
11 natural gas?

12 A Yes, I believe it's about 68 percent. I may
13 be off by a percent or so.

14 Q Do you know directionally whether that will
15 increase or decrease over the next 10 years?

16 A At this point, I would say it would increase
17 over the next 10 years --

18 Q What about --

19 A -- directionally.

20 Q What about the next 20 years.

21 A Hard to predict.

22 Q Okay. And what about solar -- solar power in
23 FPL system, do you know, as a percentage, what that
24 currently makes up?

25 A Roughly one percent.

1 **Q Less than one percent?**

2 A One percent -- roughly one percent.

3 **Q And how much in 2020?**

4 A I don't know. I would say it's going to be
5 depending on how many more facilities we are able to
6 build. Right now we are building 223.5 megawatts, so
7 our total system will be up to around 330 megawatts.

8 **Q Thank you.**

9 MS. CSANK: I think this is a good time to
10 mark my exhibits.

11 CHAIRMAN BROWN: Sounds good. You are at 574,
12 so which one would you like? The site plan --
13 10-year site plan?

14 MS. CSANK: I think they should be in the
15 correct order. So 574, I would like to identify as
16 FPL's 2016 10-year Site Plan, Schedule 6.2.

17 (Whereupon, Exhibit No. 574 was marked for
18 identification.)

19 CHAIRMAN BROWN: Okay.

20 MS. CSANK: And then 575, if we need it, will
21 be FPL's 2016 10-year Site Plan Renewable
22 Resources.

23 CHAIRMAN BROWN: Okay.

24 (Whereupon, Exhibit No. 575 was marked for
25 identification.)

1 MS. CSANK: 576 would be March 1st, 2016, EIA
2 Report on 2016 Generation Additions.

3 CHAIRMAN BROWN: Okay.

4 (Whereupon, Exhibit No. 576 was marked for
5 identification.)

6 MS. CSANK: And finally, excuse me, 575 would
7 be the 2016 Georgia Power IRP Stipulation -- sorry,
8 77.

9 CHAIRMAN BROWN: 577.

10 MS. CSANK: The coffee is wearing off.

11 CHAIRMAN BROWN: Okay.

12 (Whereupon, Exhibit No. 577 was marked for
13 identification.)

14 CHAIRMAN BROWN: You may proceed.

15 MS. CSANK: Thank you.

16 BY MS. CSANK:

17 Q So, Mr. Silagy, you do review FPL's 10-year
18 site plans?

19 A Yes, at a high level, I do.

20 Q Okay. Are you familiar with Schedule 6.2 in
21 the company's plan from this year?

22 A I am not familiar with the schedule, but I see
23 it.

24 Q And so you are referring to Exhibit 574?

25 A 574.

1 **Q** And I have provided you with an excerpt, and I
2 apologize, because I attempted to give you a full copy,
3 but that didn't happen. So do you have any reason to
4 doubt the accuracy of this schedule, this excerpt from
5 FPL's 10-year site plan?

6 A No.

7 **Q** Is it familiar to you?

8 A Yeah, I have no reason to doubt it.

9 MR. LITCHFIELD: Madam Chairman, as I
10 indicated to counsel for the Sierra Club, we are
11 happy to have her ask a couple of questions on this
12 to determine whether we have any objection to her
13 not having the full copy here today, so we will see
14 where it goes.

15 CHAIRMAN BROWN: Okay, that's fair enough.

16 MS. CSANK: Thank you. I will have limited
17 questions on this exhibit.

18 CHAIRMAN BROWN: Thank you.

19 BY MS. CSANK:

20 **Q** So, Mr. Silagy, Schedule 6.2 is entitled
21 **Energy Sources Presented by Fuel Type, right?**

22 A Yes, it is.

23 **Q** And across the top, you see years spanning
24 **from 2014 historic data through projected data in 2025?**

25 A That's correct.

1 Q And then on the left-hand side, you see energy
2 sources going down through the various sources that are
3 in FPL's system?

4 A Yes.

5 Q And so earlier, you indicated that, at
6 present, solar makes up one percent of the company's
7 resource mix. What number do you see in 20 -- under --

8 A 1/10th of a percent. I misspoke. Thank you.

9 Q All right. And then in 2020, that number goes
10 up to one percent?

11 A Correct.

12 Q And in 2021, for solar, what percentage do you
13 see?

14 A One percent.

15 Q And in 2022?

16 A The same.

17 Q And that continues all the way to 2025?

18 A That's correct.

19 Q So 2025 is still one percent?

20 A That's correct.

21 Q Why is that?

22 A Well, again, this is an estimate based on a
23 view that was put forth when we had the 10-year site
24 plan. The entire system is growing also, so even when
25 you are adding new solar, it's going to be on, a

1 percentage basis, still going to be subject to the other
2 generation that's being added, so as an example in 2019
3 we will be adding 1,600 megawatts of combined cycle gas,
4 so adding solar to get to one percent would require you
5 to still put in additional solar, just mathematically,
6 so, you know, there are puts and takes throughout the
7 system, there are plant retirements, there are plant
8 additions, and then there is also it's based on a plan
9 at the time we filed this, but that's going to change as
10 our ability to cost effectively add solar into our
11 system. I am hopeful that this will actually go up if
12 we can continue to build it cost effectively, so
13 customers enjoy the benefits of solar power.

14 **Q Thank you.**

15 And turning to natural gas, then, what's the
16 percentage in 2016 for natural gas in FPL's system?

17 A 67.8.

18 **Q And that number goes all the way up to 71.2**
19 **percent in 2020?**

20 A That's correct.

21 **Q And then it comes back down to 69.9 percent in**
22 **2025?**

23 A That's what it says.

24 **Q Do you have any reason to doubt the accuracy**
25 **of this forecast?**

1 A No, I don't, but it's a forecast, so by
2 definition, it means it's, you know, a forecast. It
3 is --you know, your -- it's not certain, but it is a
4 forecast based on the best available information that we
5 have.

6 **Q And your testimony in this case focuses on**
7 **benchmarking. Has FPL benchmarked itself in terms of**
8 **the diversity of its resource mix to other utilities?**

9 A No, I am not aware of a benchmark to that, at
10 least I haven't done a benchmark to that effect, of
11 course the resources that we have available to utilize
12 are also somewhat driven geographically, you know, as an
13 example we don't have high mountains in South Florida
14 and so hydropower is effectively nonexistent in major
15 parts of Florida. We have -- we have chosen to not go
16 down the path of burning oil, and so we have limited
17 ourselves there also. And same thing with regards to
18 coal, as an example. And so other technologies that are
19 available, wind is another good example. We are limited
20 by the wind resource that's available for us to utilize,
21 and unfortunately, or fortunately, depending on if you
22 live on the beach or not, the best wind is right on the
23 beach, which happens to be the most expensive property
24 in Florida, and also has some environmental challenges
25 to it from a wind turbine perspective. So it's very

1 limiting in our ability to being able to actually deploy
2 those type of resources. Solar is one of areas we are
3 looking at because we think it does make sense now, it
4 really hasn't until recently but now cost-effectively on
5 a large-scale we can make it work.

6 **Q Okay, and let's talk a little bit about those**
7 **resources that you just mentioned, has the company**
8 **studied opportunities to wheel in winds from other**
9 **places in the country what are winds rich?**

10 A Yes, we have, as I believe you stated in your
11 opening, we are actually the largest producer of
12 electricity from wind and solar in the world. We have a
13 lot of winds farms in places like Oklahoma, as an
14 example, and Texas. But unfortunately, wheeling power
15 from that far away is both challenging and very
16 expensive, and there are more efficient ways. It's not
17 impossible, nothing is impossible from an engineering
18 standpoint, but there are more efficient ways for us to
19 be able to meet our resources.

20 **Q Has the company actually documented its**
21 **analysis of wheeling in winds from elsewhere?**

22 A I don't know if we have. It's been a while
23 since I have looked at that, but it's -- Mr. what is
24 probably Forrest can give you a little understanding on
25 some of the fuel costs, not necessarily on wind, but,

1 you know, cost to wheel power, he does have a little
2 understanding of what it costs for us to actually be
3 able to wheel power into Florida, and then also Witness
4 Miranda can provide some understanding on just the
5 physical constraints of bringing the power in. We have
6 limited interconnections here in Florida that allow us
7 to actually transmit that power, so part of this is
8 physical limitations on what we are able to bring into
9 the State.

10 **Q What about higher wind turbines?**

11 A What about higher wind turbines? I'm not sure
12 I understand what your question is.

13 **Q There have been studies performed by the**
14 **national laboratories in recent years that have shown a**
15 **dramatic increase in winds generation potential**
16 **including in places like Florida.**

17 MR. LITCHFIELD: Madam Chairman before the
18 witness answers, let me interpose an objection here
19 I think Counsel is putting facts in the records
20 that are not verified by any witness, she's
21 testifying to an effect and asking the witness to
22 accept her testimony, but maybe more to the point
23 it might be the spot to ask Counsel to articulate
24 the relevance of this line. We have been exploring
25 resource planning options now for the last 20

1 minutes and I am curious as to the relevance.

2 CHAIRMAN BROWN: Ms. Csank, I have been
3 thinking the exact same thing, you have been going
4 on for a while about the resource planning, can you
5 elaborate a little bit more and get to the point.

6 MS. CSANK: Absolutely, I would love to.

7 The contention of FPL repeatedly throughout
8 this proceeding has been that there are no resource
9 issues before the Commission, but, in fact, there
10 are at least two such issues with respect to the
11 natural gas burning generation that I referred to
12 in my opening statement, the new gas combustion
13 turbines as well as the expansion of the existing
14 combustion turbines, it has been quiet frustrating
15 to find a witness who can actually speak in a
16 holistic manner about the analysis that FPL has
17 performed and that is offering to the Commission to
18 understand the resource planning implications of
19 those parts of the company's request, so as Mr.
20 Silagy has indicated that he oversees the resource
21 planning responsibilities with the company, I am
22 trying to ascertain what options the company is
23 studying.

24 CHAIRMAN BROWN: All right, Ms. Csank, I have
25 given you a great deal of latitude in this regard

1 and he has provided -- the witness has provided you
2 several key witnesses who delve deeper into
3 resource planning, so please keep it at a general
4 level and kind of curtail some of these questions.

5 MS. CSANK: I'm almost done, thank you.

6 CHAIRMAN BROWN: Thank you.

7 BY MS. CSANK:

8 Q If I may, Mr. Silagy, then one final line of
9 questions, and this follows on the question of
10 benchmarking and how the company identifies the options
11 that it has when it comes to resource planning.

12 Do you or your staff look to other electric
13 utilities, in other states, for intelligence on the
14 types of technologies that are available?

15 A Yes. We look at all sources of information
16 that we can find that we believe are legitimate. We
17 don't want to be like a lot of other utilities that have
18 made some mistakes in this, but I think fundamentally it
19 comes down to, our duty is to make sure we keep the
20 lights on, so when it comes to resource planning it's to
21 make sure that we do that, and we are able to meet the
22 customers' needs. And then we look at how can we do it
23 most affordably and make sure that we can also do so in
24 a manner that whenever possible is as environmentally
25 friendly as we can possibly make it so it's a holistic

1 approach, we would look at any source of information we
2 can, and there are many examples of successes and many
3 examples of spectacular failures using different types
4 of technologies. So we are trying to balance all that
5 and find the best decision we can for customers, both
6 short and importantly long-term.

7 **Q Mr. Silagy, are you familiar with the Georgia**
8 **Power Company?**

9 A Yes. Generally speaking, I am familiar with
10 them.

11 **Q Do you know how many customers Georgia Power**
12 **serves?**

13 A No, I don't know off the top of my head.

14 **Q Subject to check, you would accept that they**
15 **serve 2,450,000 customers?**

16 A Subject to check, I will agree with that.

17 **Q So they are substantially smaller than FPL in**
18 **terms of their customer base?**

19 CHAIRMAN BROWN: Ms. Csank, I am going to ask
20 you real quick the relevancy of that. I see that
21 you have an exhibit that you have had us mark on
22 the 2016 Georgia Power IRP Stipulation, would
23 encourage you to get to the point of the relevancy
24 on Georgia Power.

25 MS. CSANK: Sure.

1 BY MS. CSANK:

2 Q So speaking of that exhibit, Mr. Silagy, are
3 you familiar with the resource planning proceeding that
4 Georgia Power recently concluded?

5 A No.

6 Q Do you ever track the integrated resource
7 planning that occurs in Georgia?

8 A No, generally, I don't, I may read things in
9 the clips that I see, but I don't -- I don't track there
10 planning process in Georgia, we don't serve customers in
11 Georgia.

12 Q Are you aware whether Georgia Power has been
13 adding new gas burning generation in recent years?

14 A Generally speaking, yes. I am aware that they
15 are adding gas that they have -- are in the process of
16 building a nuclear plant and that they are also a very
17 large burner of coal.

18 Q You referred to new gas, could you specify
19 what you meant by that?

20 A No, I don't -- again, I am not familiar with
21 their gas generation plants, I believe they built some
22 but I am not sure, I don't track them.

23 Q Got it. So turning to Exhibit 577, do you
24 have that before you, Mr. Silagy?

25 A I do, yes.

1 **Q And you have the full document which is titled**
2 **stipulation before the Georgia Public Service**
3 **Commission?**

4 A I see that, correct. I am assuming it's full
5 document, I don't know.

6 **Q It is.**

7 A Okay.

8 **Q I would like to give you a chance to verify**
9 **that.**

10 MR. LITCHFIELD: Madam Chairman -- excuse me,
11 Mr. Silagy, for one minute.

12 Madam Chairman, I am wondering what counsel is
13 intending to cross Mr. Silagy on with respect to an
14 IRP stipulation out of Georgia when he has just
15 testified he does not follow their resource
16 planning process, is not involved in their resource
17 planning process?

18 CHAIRMAN BROWN: I agree, Ms. Csank, I am --
19 it's going to be very hard for you to set a
20 predicate on this. He just testified that he is
21 not aware of this, so I don't know what type of
22 questions you are going to ask as they pertain to
23 this document.

24 MS. CSANK: I was going to focus his attention
25 on paragraph three which is a stipulation.

1 CHAIRMAN BROWN: No. No.

2 MS. CSANK: Okay. In that case, no further
3 questions, Mr. Silagy.

4 CHAIRMAN BROWN: Thank you. All right, moving
5 on to Wal-Mart.

6 MS. ROBERTS: We have no questions for you.

7 CHAIRMAN BROWN: Thank you, Ms. Roberts.
8 Moving on to AARP.

9 MR. COFFMAN: I have a few.

10 BY MR. COFFMAN:

11 Q Good afternoon, Mr. Silagy.

12 A Good afternoon.

13 Q Since you are a high level witness, I am going
14 to ask some very high level general questions for the
15 most part.

16 Do you believe that electric rates should be
17 set to reflect the cost of service, generally?

18 A Generally, yes, that's how we structure our
19 rates.

20 Q And so what relevance is it that your rates
21 may or may not be, you know, how your rates compare to
22 the national average for electric rates?

23 A Well, I think it's very relevant for our
24 customers. I think they care about having a good value
25 proposition, and I think it is relevant from a

1 standpoint of demonstrating how we have been able to
2 operate efficiently and making choices that have
3 actually allowed us to deliver to our customers a cost
4 of service that is lower.

5 **Q But if the cost of service to provide power in**
6 **the FPL service area is less than the national average,**
7 **do you believe that the Commission should give you a**
8 **rate, electric rate, that's closer to the average simply**
9 **because of the comparison to other utilities' rates?**

10 A I think the level of our efficiency and our
11 cost of service that's reflected in that, being low, is
12 a consideration that the Commission should take into
13 account as they look at our, particularly Witness
14 Dewhurst, goes into great detail on this on the 50 basis
15 points adder.

16 **Q So you believe that should be a factor that**
17 **would tend to argue for higher rates than the cost of**
18 **service reflects?**

19 MR. LITCHFIELD: Object, that's not a fair
20 characterization of the witness' testimony.

21 MR. COFFMAN: Well, I am not sure I got an
22 answer to my last question.

23 CHAIRMAN BROWN: I will let the witness answer
24 and if he is able to answer then he is.

25 THE WITNESS: I am not sure what the question

1 is.

2 BY MR. COFFMAN:

3 Q Does your current rates in relationship to
4 other utility rates in the country, is that a factor
5 that should argue towards raising your rates higher than
6 the cost of service?

7 A Raising our rates higher than the cost of
8 service?

9 Q Yes.

10 MR. LITCHFIELD: I'm sorry, is this an
11 open-ended question from Counselor or an effort to
12 attempt to articulate some form of the company's
13 position in this docket, that's my question.

14 CHAIRMAN BROWN: Counselor?

15 MR. COFFMAN: It's simply, I was simply asking
16 if he believes that is relevant to where the rates
17 should be set in this case or whether the cost of
18 service should be the --

19 MR. LITCHFIELD: But again, based on something
20 that Counselor believes that Mr. Silagy or another
21 witness in this docket has said or is that simply a
22 question of Counsel?

23 CHAIRMAN BROWN: Can you rephrase the question
24 in a different way, please.

25 BY MR. COFFMAN:

1 Q Okay. All I am trying to get at is do you
2 believe that where your rates -- you believe your rates
3 fall, as far as the other utility rates, is a factor
4 that should be considered about whether -- how high the
5 level of rates should be coming out of this case?

6 A Should -- yeah, so.

7 Q Is that -- is that relevant to the level of
8 rates that the Commission should be ordering as a result
9 of this proceeding?

10 A Commissioners, I think our performance is
11 relevant and I think it has provided customers with a
12 great value proposition. Witness Reed will go into
13 great detail, it's not just my opinion, it's his
14 benchmarking analysis' as to what we have been able to
15 achieve.

16 With respect to setting the revenue
17 requirements, we have many witnesses who will go into
18 great detail as to what the needs are that are required
19 to set that.

20 With respect to the 50 basis point adder for
21 performance, if that's where you are going Counselor, so
22 I am not sure of, Witness Dewhurst can go into great
23 detail about that, but, yes, I think performance is
24 relevant and I think it's something that the Commission
25 can or cannot choose to apply.

1 **Q So if I am understanding you, you believe that**
2 **that is relevant to the ROE performance adder issue?**

3 A I think performance -- yes, I think
4 performance is relative -- is relevant, pardon me.

5 **Q Is it relevant to any other issue in this**
6 **case?**

7 A Yes, I think out performance is relevant and
8 the value that we provide to customers, absolutely. And
9 I think our performance, as an example, is relevant in
10 our cost structure.

11 Our excellent performance in managing our
12 operations and maintenance expense, as an example,
13 directly impacts the amount we are asking for in revenue
14 requirement for O&M, which is materially less than it
15 would be but for the efforts we have undertaken to drive
16 costs out.

17 So, yes, our performance is relevant across a
18 whole number of areas. Our performance is relevant as
19 an example in how we operate our power plant, we save
20 customers billions of dollars in being fuel efficient,
21 that's reflected in the revenue requirements we are
22 asking for going forward.

23 **Q Okay. So the fact that your rates may be**
24 **lower than the average is a factor that should be taken**
25 **into consideration to raise your rates in this**

1 **proceeding?**

2 MR. LITCHFIELD: Asked and answered?

3 CHAIRMAN BROWN: Agreed.

4 MR. COFFMAN: Was it answered?

5 CHAIRMAN BROWN: I think it was.

6 MR. COFFMAN: Okay.

7 BY MR. COFFMAN:

8 **Q Do you believe that electric service is an**
9 **essential service for residential customers?**

10 A I think -- yes, I think for many people it is
11 an essential service, but there are options for how
12 people want to get electricity.

13 **Q Okay. And by that, are you referring to net**
14 **metering and putting -- putting some other type of**
15 **ratepayer owned generation on your home?**

16 A That is one area that I spoke to earlier, yes,
17 that I think customers have some options if they want
18 to, depending on the type of customer it is, so
19 franchisees, as an example, a city, will have different
20 options, most of our customers may have a different
21 option.

22 **Q Mr. Silagy, my clients are residential**
23 **customers. What other options would they have for**
24 **electricity in the FPL service territory?**

25 A They could install rooftop solar if they

1 wanted to and battery technology.

2 **Q What if they live in an apartment and they**
3 **don't own their home?**

4 A Then that would be more challenging for them,
5 they would have to get permission I would assume.

6 **Q Do you know what the cost of living increase**
7 **was for the Social Security recipients this year?**

8 A I don't know that off the top of my head.

9 **Q Zero.**

10 CHAIRMAN BROWN: I remind counselor to please
11 not testify when asking cross-examination.

12 BY MR. COFFMAN:

13 **Q Assuming someone is living solely on Social**
14 **Security benefits, how challenging do you think it would**
15 **be to put the investment into some type of net metering**
16 **generation even if they owned their own home?**

17 A Commissioners, I think it would be very
18 challenging. Unfortunately today, rooftop solar is
19 still not cost-effective, as an example, and battery
20 technology is also very expensive, that's why I am very
21 proud of the fact we have actually lowered our bills
22 repeatedly in the past 10 years, and that your -- your
23 clients have been getting a great value over the years.
24 They have actually had their bills going down and I am
25 proud of that.

1 **Q Okay. Now, I believe that you have previously**
2 **acknowledged that FPL is a regulated monopoly; is that**
3 **right?**

4 A Have acknowledged that we are a regulated
5 monopoly as so far as the Commission has set our service
6 territory, yes.

7 **Q And did I hear you correctly say earlier that**
8 **being a regulated monopoly, your business has greater**
9 **risk than a competitive business or less risk?**

10 A I don't believe I said that either way. We
11 have different risks -- different risk profiles and all
12 businesses have different risk profiles.

13 **Q All other factors being equal, being a**
14 **regulated monopoly with a regulatory compact, wouldn't**
15 **that make your business less risky than a competitive**
16 **business?**

17 MR. LITCHFIELD: This is a line that was
18 covered explicitly through Mr. Moyle, so I think
19 now we are cumulative and redundant.

20 CHAIRMAN BROWN: Mr. Coffman.

21 MR. COFFMAN: Well, the witness just admitted
22 he didn't answer the question earlier, he didn't
23 say whether it was less or greater risk, so I am
24 just trying to clarify that.

25 CHAIRMAN BROWN: Okay, clarify that specific

1 question, not the question you just asked which was
2 asked and answered previously by this witness.

3 MR. COFFMAN: Okay. Well, did I get -- did I
4 get an answer?

5 BY MR. COFFMAN:

6 Q All other factors being equal, is it -- is a
7 regulated monopoly less risky than a competitive
8 business?

9 A Not necessarily.

10 Q And why is that?

11 A Because there are different risk profiles
12 associated with both types of business.

13 Q In what way is a regulated monopoly more risky
14 than a competitive business?

15 A The duty to serve, as an example, creates a
16 different risk profile. The regulatory regime,
17 depending on whether or not it's favorable or not
18 creates a different risk profile. We don't have, as an
19 example, during the greatest financial crisis outside of
20 The Great Depression, the option to not provide service,
21 whereas an unregulated business, as an example, could
22 decide not to, or to not enter into a marketplace that
23 no longer is, so that's a different risk -- that is
24 profitable, so that's a different risk profile as an
25 example.

1 **Q But on the other hand, an unregulated business**
2 **does not have the ability to request a rate increase**
3 **from a regulated body like the Public Service**
4 **Commission, correct?**

5 A That's correct, they can set their rates
6 whenever they choose to.

7 **Q Isn't it true that your utility enjoys several**
8 **surcharges and riders and a fuel clause that allows some**
9 **of your expenses to be passed through or flowed through**
10 **to ratepayers outside of the base rate structure?**

11 MR. LITCHFIELD: May I ask Counsel to point to
12 Mr. Silagy's testimony that provides the foundation
13 for this line of cross.

14 CHAIRMAN BROWN: Yes, Mr. Coffman.

15 MR. COFFMAN: Well, this all goes to the issue
16 of risk, which his testimony --

17 MR. LITCHFIELD: Mr. Silagy's testimony does
18 not address risk. Mr. Silagy's testimony refers to
19 Mr. Dewhurst and Mr. Hevert to address those
20 topics.

21 CHAIRMAN BROWN: Mr. Coffman, can you please
22 point me to the language about the riders and the
23 pass-throughs that you are referring to
24 specifically?

25 MR. COFFMAN: I don't believe his testimony

1 does discuss the riders and clauses.

2 CHAIRMAN BROWN: Why don't you just move along
3 with your questions, then, please.

4 BY MR. COFFMAN:

5 Q You did describe a constructive regulatory
6 environment as a factor in earlier in your testimony
7 today, does a constructive regulatory environment make
8 FPL less risky?

9 A As opposed to what?

10 Q An environment that is not constructive.

11 A Yes, I think a constructive regulatory
12 environment is more positive than a non-constructive
13 regulatory environment, as the -- (INAUDIBLE) --
14 agencies demonstrated before when we have actually been
15 downgraded for a non-constructive regulatory
16 environment, so I think that is, that is a factor, but,
17 again, Mr. Dewhurst covers this in great details when it
18 comes to risk profiles and the implications associated
19 with that.

20 Q And what year was it that FPL was downgraded
21 for having a less than constructive regulatory
22 environment?

23 A Again, I think -- I can't remember the exact
24 timing of it. Mr. Dewhurst can answer that question for
25 you.

1 **Q Do you believe the current Public Service**
2 **Commission is a constructive regulatory body --**

3 A Yes.

4 **Q -- as far as you are concerned?**

5 Do you believe that having a multiyear rate
6 plan would make FPL less risky than not -- than having
7 its rates set just for one year?

8 A Not necessarily, no.

9 **Q Do you believe that the plan that FPL has**
10 **specifically proposed in this case would be a plan that**
11 **would lower FPL's risk compared to the alternative?**

12 A Compared to what alternative?

13 **Q Having its rates set just based on the cost of**
14 **service for the test year.**

15 A No. Multiyear plan, as we put forward, has
16 both risks and rewards to it. We have tried to put
17 together a proposal that balances that and address that
18 in this proceeding.

19 **Q I believe you testified that a multiyear rate**
20 **plan would provide stability to FPL?**

21 A That's one of the benefits.

22 **Q Well, what is -- what are the risks of a**
23 **multiyear plan to FPL?**

24 A Again, Witness Dewhurst can go into great
25 details, but as an example interest rate risks over a

1 four-year period would be one of them.

2 MR. COFFMAN: That's all I have, thank you.

3 CHAIRMAN BROWN: Thank you very much,
4 Mr. Coffman.

5 All right. Moving on to Mr. Skop.

6 MR. SKOP: Thank you, Madam Chairman.

7 CHAIRMAN BROWN: Do you have, Mr. Skop, just a
8 reminder, do you have any exhibits that you plan to
9 pass out for this witness?

10 MR. SKOP: Not at this time.

11 CHAIRMAN BROWN: Okay.

12 CROSS EXAMINATION

13 BY MR. SKOP:

14 Q Good afternoon, Mr. Silagy.

15 A Good afternoon.

16 Q Nathan Skop representing the Larsons, I just
17 have a few aspects --

18 CHAIRMAN BROWN: Closer, I am sorry, I am
19 having a hard time hearing, oh, no, it's off now.
20 You turned it off. Thanks.

21 BY MR. SKOP:

22 Q All right. Good afternoon, Mr. Silagy?

23 A Good afternoon.

24 Q I just had a few aspects of your direct
25 testimony I would like to clarify if I could ask you to

1 **turn to page four, line 15.**

2 A Yes, I am there.

3 Q Okay. And in that statement, you indicated
4 **that the bills are lower today than it was 10 years ago.**
5 **You would agree, amongst other factors, would you not,**
6 **that that is due in part to substantially lower current**
7 **natural gas prices than were in effect in 2006, correct**
8 **in?**

9 A No, I wouldn't agree with your
10 characterization of substantial. I would degree that it
11 is, in part, yes. But we have worked very hard on a
12 number of areas, some of which I have already touched
13 upon, such as operations and maintenance costs, but also
14 reducing the amount of fuel that we burn, which has
15 saved customers billions of dollars. Last year alone as
16 an example, our generation fleet saved customers \$1
17 billion just in operations in maintenance costs and fuel
18 associated that we didn't burn. It's \$1 billion
19 strictly in 2015.

20 Q Fair enough. And I have a follow-up question
21 on that that I will get to in a moment. If I could ask
22 you to turn to page six, line 14 through 19, please.

23 A I am there.

24 Q And you indicated in that testimony that from
25 the end of 2013, that FPL's invested approximately 15.8

1 billion dollars through 2017. You would agree, you
2 would not, from 2010 to present, that number would
3 actually be higher than listed in your testimony?

4 A Yes, I would agree with that.

5 Q Okay. And that substantial investment was
6 made at a midpoint ROE of 10-and-a-half percent which
7 has been in effect since the Commission decided the 2009
8 rate case, correct?

9 A I am not sure I would have to -- you are
10 saying for the entire period of time from 2010?

11 Q From the time that the Commission decided the
12 20 -- 2009 rate case which was decided in 2010, that
13 10-and-a-half percent ROE has remained constant through
14 present-day, correct?

15 A Yeah, I don't think the Commission decided it
16 was 10-and-a-half in 2009, but we're at 10-and-a-half
17 percent now is our midpoint, that's correct.

18 Q Correct. And if I could ask you to turn to
19 page seven, lines 14 through 18, please.

20 A I am there.

21 Q Okay. And you indicate in your testimony that
22 even if the Commission were to grant the full amount of
23 the increase, your typical bill would continue to be
24 lower in 2020 than it was in 2006 and would remain the
25 lowest in the State and nation, do you see that?

1 A I do, I appreciate you pointing it out I think
2 it's pretty amazing, if granted 100 percent of our
3 request, customers would still enjoy bills that are
4 below where they were a decade today at the end of 2020.

5 **Q That statement assumes that natural gas prices
6 do not increase above current levels, correct?**

7 A Witness Cohen can give you all the details
8 about that calculation, but I believe that includes
9 actually a forward fuel curve.

10 **Q Okay. But you previously testified in a
11 response to a question that Mr. Wright asked you
12 regarding the revenue requirement for a \$1 increase and
13 excuse me in MMBTU natural gas and you indicated that
14 that would also have a direct one-to-one correlation
15 revenue requirement, correct, so if natural gas went up,
16 the bill would go up?**

17 A Yes, if natural gas prices go up, it will go
18 up, but importantly, it will go up a lot less than it
19 otherwise would, but for our investments in this
20 technology, we are burning fuel at a clip above
21 35 percent less, each plant has 35 or so percent more
22 fuel efficient, so bills will go up a lot less than they
23 otherwise would.

24 **Q Correct and that's my next question, if I
25 could ask you to turn to page 13 of your testimony,**

1 **please.**

2 A I am there.

3 Q **And lines, excuse me, lines one through four**
4 **and 11 through 13?**

5 A Okay.

6 Q **So you would agree, you would not, that FPL**
7 **stands to benefit financially from ROE on assets placed**
8 **in service in into the base rates, correct?**

9 A Yes, will earn a return on assets that we
10 place into services.

11 Q **So are you familiar with the concept of**
12 **deploying capital for fuel?**

13 A Generally, yes.

14 Q **Okay. So, again, you mentioned the -- on line**
15 **12, the tangible customer benefits, would it be accurate**
16 **to say that FPL also benefits by virtue of the fact that**
17 **it earns a return on equity on capital invested in this**
18 **new technology where it would not do so on fuel?**

19 A Yes, it's correct that we earn a return on the
20 assets that we put forward that our customers have
21 benefited and the shareholders have benefited which many
22 of the shareholders are Floridians as well, so I think
23 they have been pleased also.

24 Q **So would you agree that FPL's motives are not**
25 **completely altruistic, correct?**

1 A No, our motivation is very clear, and that is
2 provide the best value proposition that we can for our
3 customers, day in and day out, and that's what we have
4 shown over the course of many years. Yes, we would like
5 to also be able to provide our investors with a return
6 because that's the only way we will be able to attract
7 investors to our company.

8 Q Okay. Thank you. May I ask you next to turn
9 to page 17, lines 11 through 12 of your testimony?

10 A I am sorry, which lines?

11 Q Line 11 through 12, on page 17.

12 A Yes, sir, I am there.

13 Q Okay. With respect to your advanced metered
14 infrastructure that FPL has deployed, you would agree,
15 you would not, that FPL has invested hundreds of
16 millions of dollars to date?

17 A Yes, that's correct.

18 Q Okay. And you would also agree, you would
19 not, that FPL's returning -- earning a return on equity
20 on that investment, correct?

21 A Yes, although we did receive \$10 million from
22 the federal government as well. Yes.

23 Q And also, too, and I believe Witness Santos
24 testified to this in 2009, that for 2013, contrary to
25 her testimony at the Commission, that FPL customers did

1 **not recognize the \$30 million in projected annual**
2 **savings in 2013 that was promised by FPL in the prior**
3 **rate case, correct?**

4 A You could talk to Witness Santos about that.
5 I am not familiar with her testimony. I can tell you
6 that the investments we made in the smart meter, smart
7 grid technology have been tremendous, and we continue to
8 reap millions of dollars of benefits on an annual basis
9 and saved O&M, coupled with the opportunity to provide a
10 value of service to customers that, just never been able
11 to do before because we never had the visibility, if you
12 will, into what the grid was doing and Witness Miranda
13 can talk to you at great length about that if you would
14 like to, but the smart meter and smart grid technology
15 has been tremendous, positive.

16 (Transcript continues in sequence in Volume
17 3.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

IT IS FURTHER CERTIFIED that I
stenographically reported the said proceedings; that the
same has been transcribed under my direct supervision;
and that this transcript constitutes a true
transcription of my notes of said proceedings.

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 23rd day of AUGUST , 2016.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020