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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION FOR RATE INCREASE BY
FLORIDA POWER & LIGHT COMPANY.

DOCKET NO. 160021-EI

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

DOCKET NO. 160061-EI

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

DOCKET NO. 160062-EI

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

DOCKET NO. 160088-EI

VOLUME 23
PAGES 2869 - 3007

PROCEEDINGS: HEARING

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

DATE: Friday, August 26, 2016

TIME: Commenced at 3:14 p.m.
Concluded at 5:24 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: ANDREA KOMARIDIS
Court Reporter

APPEARANCES: (As heretofore noted.)

1 I N D E X

2 WITNESSES

3 NAME: PAGE NO.

4 TIFFANY C. COHEN

5 Continued Examination by Mr. Wiseman 2872

Examination by Mr. Jernigan 2877

6 Examination by Ms. Csank 2880

Examination by Mr. Skop 2882

7 Examination by Ms. Brownless 2887

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10 RENAE DEATON

11 Direct Examination by Ms. Clark 2905

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12 Examination by Ms. Brownless 2934

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13 Examination by Mr. Moyle 2939

Examination by Mr. Wiseman 2948

14 Examination by Ms. Clark 2988

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EXHIBITS

NUMBER:	ID	ADMITTED
137 through 142 (as identified on comprehensive exhibit list)		2902
143 through 148 (as identified on comprehensive exhibit list)		2991

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

2 (Transcript follows in sequence from Volume
3 22.)

4 CONTINUED EXAMINATION

5 BY MR. WISEMAN:

6 Q And UI -- can I refer to them as UI for
7 shorthand?

8 A Sure.

9 Q Okay. UI provided assistance to FPL in this
10 rate case, right?

11 A Yes. We utilized their software for a number
12 of different departments in providing MFRs in this case.

13 Q And specifically, one thing it did -- not
14 everything -- but one thing it did is help in the --
15 helped in the development of the revenue forecast,
16 right?

17 A Yes, we do utilize UI for the revenue
18 forecast.

19 Q And specifically, what you did is -- well, UI
20 is a software company, right?

21 A Yes, sir.

22 Q And so, you used the UI -- UI software
23 platform for these forecasts, correct?

24 A Yes.

25 Q Okay. And so, UI helped prepare -- or its

1 software was used to help prepare some of the MFRs,
2 correct?

3 A Yes.

4 Q And would I be right that, in relation to your
5 testimony, the MFRs that you're aware of that UI
6 contributed to would be A-2, A-3, E-5, E-8, E-13A,
7 E-13C, E-13D, and parts of E-14?

8 A Yes, I believe that's correct.

9 Q Okay. Now, can we switch and look at -- it
10 will take me a second. I need to get a different
11 volume. Can we refer to MFR Schedule E-8, please?

12 CHAIRMAN BROWN: All right. Just a second
13 while FPL gets a copy of it.

14 MR. WISEMAN: Sure.

15 (Brief pause.)

16 CHAIRMAN BROWN: Ready?

17 MS. CLARK: Yes, I want to thank Mr. Wiseman
18 for only referring to the MFRs that have one page.

19 (Laughter.)

20 MR. WISEMAN: But nonetheless -- contained in
21 a heavy volume regardless.

22 BY MR. WISEMAN:

23 Q Ms. Cohen, do you have that MFR E-8?

24 A Yes, I do.

25 Q Okay. And this is one of the MFRs that --

1 which UI's software program contributed, right?

2 A Yes.

3 Q Okay. And this MFR is based upon the 12CP and
4 25-percent allocation methodology that FPL is proposing
5 in this case; is that right?

6 A Yes, sir.

7 Q Okay. And you haven't presented an -- a form
8 of MFR E-8 using the 12CP and the 13th methodology; is
9 that correct?

10 A That's correct.

11 Q Okay. But would you agree with me that, if
12 you were to rerun Schedule MFR E-8 using the 12CP and
13 1/13th methodology, the calculated return -- rate of
14 return and the parity index, along with actually most of
15 the other data in this schedule, would be different,
16 correct?

17 A Yes, it would be different. And I do believe
18 we actually provided a discovery response that had the
19 alternate cost-of-service method for the total increase.

20 Q Okay. And if you look to the far right
21 column, Column No. 12 -- so, that has a percentage
22 increase without clause adjustments and -- so, for
23 CILC1D, just to use that as an example, that would be
24 36 percent, correct?

25 MS. CLARK: I'm sorry. I don't see that on

1 there.

2 MR. WISEMAN: Column 12.

3 MS. CLARK: I see 27.5 without clauses?

4 MR. WISEMAN: Oh, I apologize. I'm looking at
5 the 2018 one.

6 BY MR. WISEMAN:

7 **Q Okay. 2017 for CILC1D, the percentage**
8 **increase without -- without adjustments would be**
9 **27.5 percent, correct?**

10 A That's correct. And --

11 **Q If we just follow this --**

12 MS. CLARK: I'm sorry. You said without
13 adjustments.

14 MR. WISEMAN: Yes.

15 MS. CLARK: Do you mean without adjustment
16 causes?

17 MR. WISEMAN: Without adjustment clauses.

18 CHAIRMAN BROWN: Please proceed.

19 BY MR. WISEMAN:

20 **Q And just -- just follow through -- last**
21 **question, really. If we just went down by a rate class,**
22 **we would see equivalent information for each rate class**
23 **for 2017, right?**

24 A Yes.

25 **Q Okay. Thank you --**

1 A The appropriate column, though, for measuring
2 gradualism is Column 11.

3 **Q Okay.**

4 A And I'd also note, though, that -- that the
5 increases on here that are at the top of the gradualism
6 scale are the ones that are lowest in the parity chart
7 that's shown on TCC-5.

8 MR. WISEMAN: Thank you. I have no further
9 questions.

10 CHAIRMAN BROWN: Thank you, Mr. Wiseman.

11 Retail Federation is not present. And I
12 believe they would --

13 MS. CHRISTENSEN: Yes, they had no cross
14 examination questions.

15 CHAIRMAN BROWN: Okay.

16 FEA, Mr. Jernigan.

17 MR. JERNIGAN: Thank you, ma'am. Just a
18 moment. Several of my questions have been asked
19 already. I just want to make sure we get to the
20 right questions and not start --

21 CHAIRMAN BROWN: Thank you.

22 MR. JERNIGAN: -- repeating things.

23 CHAIRMAN BROWN: Take your time.

24 MR. JERNIGAN: Thank you, ma'am.

25 (Brief pause.)

1 Thank you, ma'am.

2 EXAMINATION

3 BY MR. JERNIGAN:

4 Q Ms. Cohen, could you turn in your testimony to
5 Exhibit TCC-6, please.

6 CHAIRMAN BROWN: That's TCC-6?

7 MR. JERNIGAN: We're looking at the bottom of
8 Page 16, top of Page 17. It's a -- there is a
9 paragraph there. The line I'm looking at
10 specifically starts on Line 22 of Page 16.

11 CHAIRMAN BROWN: Mr. Jernigan, I am so sorry.
12 I cannot hear you. Could you repeat that for --

13 MR. JERNIGAN: I'm sorry, ma'am. I'm looking
14 at TCC-6, the bottom of Page 16, Line 22 running on
15 into Page 17.

16 CHAIRMAN BROWN: Okay.

17 MR. JERNIGAN: Roughly Line 8. It's the --
18 the paragraph.

19 CHAIRMAN BROWN: Bottom of Page 16 of 27, on
20 Line 22.

21 MR. JERNIGAN: Yes.

22 CHAIRMAN BROWN: Yes?

23 MS. CLARK: 16 -- where in her exhibit?

24 MR. JERNIGAN: Yes, ma'am.

25 CHAIRMAN BROWN: Yes, we're on TCC-6, exhibit.

1 MS. CLARK: 22? Page 22?

2 MR. JERNIGAN: Line 22 of 16 -- on Page 16 is
3 where it starts and then we go on to the next page.

4 MS. CLARK: Thank you.

5 CHAIRMAN BROWN: Ms. Cohen, are you there?

6 THE WITNESS: Yes, ma'am.

7 BY MR. JERNIGAN:

8 Q All right. And that -- that's the line that
9 starts with: Proposed demand and energy charges were
10 calculated by applying the rate class of increased
11 percentage to current rates.

12 A Yes.

13 Q Just so -- so, everybody is on the same point.

14 Okay. All right. In previous testimony FPL
15 has presented in their prior cases, would you agree that
16 that is not how those charges were calculated?

17 A Yes. And I address that in my rebuttal
18 testimony that we increased all charges within a rate
19 class on a percentage-increase method. And we feel that
20 is a fair way to -- to treat all customers within the
21 same rate class.

22 So, you have some customers within a rate
23 class that are lower load factor than others. And if
24 you in- -- and they could have adapted their usage
25 to the way that --

1 Q Ma'am, if it's in your rebuttal testimony,
2 maybe we should wait until your rebuttal testimony to
3 discuss that in more detail.

4 MS. CLARK: Madam Chairman, I would ask that
5 she be allowed -- he asked the question. I would
6 ask that she be allowed to answer.

7 CHAIRMAN BROWN: I'm inclined to let her
8 finish her statement.

9 MR. JERNIGAN: Okay. Thank you.

10 CHAIRMAN BROWN: You can move to strike if
11 it's inappropriate or improper, but I think this is
12 an acceptable answer.

13 Continue.

14 THE WITNESS: Okay. We increased within the
15 rate class the demanded energy charges by the same
16 percentage. It ensures that you're treating low-
17 and high-load factors that are -- customers within
18 the same rate class equitably.

19 There are instances where -- or many instances
20 where customers could have adapted their usage to
21 the way that you have currently structured your
22 rates. And so, if you increase things by the same
23 percentage, you're not adversely impacting
24 customers disproportionately.

25 MR. JERNIGAN: Okay. And we'll come back to

1 A Absolutely. It's an industry-wide accepted
2 usage of a thousand kilowatt hours.

3 Q Do you know whether, in 2006, 1,000-kilowatt
4 hours -- how -- how -- whether that was the mean,
5 median, or mode for residential customers?

6 A For FPL?

7 Q For FPL.

8 A I don't know that in 2006, no.

9 Q And what about currently?

10 A Currently, more than half of our customers use
11 less than a thousand kilowatt hours.

12 Q And do you know how that compares to other
13 utilities? Do you benchmark that?

14 A No. We don't -- I don't believe I benchmark
15 that. There are the utilities, though, that would have
16 different usage patterns, certainly.

17 Q Do you know why you don't benchmark that?

18 A I'm not aware of any benchmarking data that's
19 available either in the state or nationally.

20 Q Wouldn't the amount of energy-efficiency
21 measures that a particular customer installs influence
22 the size of their bill?

23 A Yes.

24 Q And you have no data that tracks how typical a
25 1000-kilowatt-hour bill is for a residential customer

1 **over time?**

2 A I didn't say that we didn't have data. I said
3 I don't know the answer for 2006.

4 **Q And you don't benchmark that relative to other**
5 **utilities?**

6 A I'm not -- no, I'm not aware that there is any
7 benchmarking data available.

8 MS. CSANK: Thank you. That's all my
9 questions.

10 CHAIRMAN BROWN: Thank you, Ms. Csank.

11 Walmart is not here.

12 And AARP has already asked.

13 Larsons.

14 MR. SKOP: Yes. Thank you, Madam Chair. Just
15 a few questions.

16 EXAMINATION

17 BY MR. SKOP:

18 **Q Good afternoon, Ms. Cohen.**

19 A Good afternoon.

20 **Q Did I say that correctly?**

21 A Yes.

22 **Q Okay. Thank you.**

23 All right. If I could ask you to turn to
24 Page 18, Lines 6 through 8 of your prefiled direct
25 testimony, please.

1 A Yes.

2 Q And in that section, you talk about raising
3 the customer charge for the RS1 rate class by \$2,
4 correct?

5 A Yes.

6 Q Now, the customer charge on a residential bill
7 is a fixed monthly amount that covers the cost of the
8 meter and other costs, correct?

9 A Correct.

10 Q And the cost of the meters includes over
11 \$600 million in smart meters, which FPL replaced the old
12 analogue meters with, correct?

13 MS. CLARK: Madam Chairman, I think this is
14 beyond the scope of her testimony. She is just the
15 rate-design person. And she has indicated that
16 meters are part of that customer charge.

17 CHAIRMAN BROWN: Mr. Skop?

18 MR. SKOP: Yes. She does mention AMI in her
19 testimony. I can get the specific cite --

20 CHAIRMAN BROWN: I --

21 MR. SKOP: -- in terms of additional
22 deployment, but --

23 CHAIRMAN BROWN: Yes, because I do remember
24 reading it in her direct. Could you address --

25 MR. SKOP: Yes.

1 CHAIRMAN BROWN: -- by the --

2 MR. SKOP: I can. Give me one moment, please.

3 We'll call up her testimony.

4 It would be on Page 21, Line 6, Madam Chair.

5 CHAIRMAN BROWN: Yeah. Okay. Objection
6 overruled.

7 You may answer the question.

8 THE WITNESS: No, I'm not aware.

9 BY MR. SKOP:

10 Q Okay. Are you aware that FPL -- let me
11 rephrase that. Is it fair to say that FPL earns a
12 return on equity for all assets placed in service?

13 MS. CLARK: Madam Chairman, I do believe this
14 is outside the scope of her testimony.

15 CHAIRMAN BROWN: I'll let her answer it, if
16 she knows the -- the question.

17 THE WITNESS: Yeah, it's outside of my --

18 BY MR. SKOP:

19 Q Do you know how many FPL customers are in the
20 RS1 rate class? Generally.

21 A It's approximately 4.2 million.

22 Q Okay. So, if -- if there are 4.2 million
23 customers in the RS1 rate class and we increase the
24 customer charge by approximately \$2 per month, that
25 would be a substantial amount of money on an annual

1 **basis, correct?**

2 A No, sir. It's not an additional revenue.
3 It's -- it's a shift from the energy charge to the
4 residential charge.

5 Q Okay. So --

6 A So, it's ensuring within the customer class
7 that customers are paying their fair share of costs.

8 Q Okay. So, if it's not in the -- as you state,
9 it's basically a shifting from -- from one cost bucket
10 to another, if you will.

11 A It's moving it from the energy charge to the
12 customer charge.

13 Q Okay. Okay. Great.

14 If I could ask you to turn to Line 20 -- I
15 mean, Page 24 of your testimony, please.

16 A I'm there.

17 Q Okay. And on Page 24, you discuss the
18 proposed -- what's been referred to as -- in your
19 testimony, as LSA, but it's similar to a GBRA
20 adjustment, right?

21 A Yes, sir.

22 Q Okay. All right. So, on Lines 9 through 15,
23 if I understand that correctly -- and please feel free
24 to explain -- when that plant comes in service, FPL
25 proposed to recover the first-year revenue requirement

1 and then, simultaneously, reduce the fuel factor to
2 reflect the fuel savings associated with that plan,
3 correct?

4 A Yes, that's correct.

5 MR. SKOP: Okay. And give me one moment,
6 Madam Chair, and I think I will be done.

7 (Brief pause.)

8 BY MR. SKOP:

9 Q And then one final question, on Page 28 of
10 your testimony, at Lines 10 through 13 -- I'll give you
11 a moment to get there.

12 A I'm there.

13 Q Okay. You state that, even if the full
14 increase is granted, that FPL's residential bills are
15 expected to remain amongst the lowest in the state.
16 That statement assumes that natural gas prices would not
17 increase significantly above current levels, correct?

18 A The statement is using a January 4th fuel
19 curve that we used in our exhibits.

20 Q But fuel curves, as this Commission has seen
21 in the past, with mid-course corrections have not always
22 been accurate, correct?

23 A I don't know the answer to that. I can state,
24 though, that I've seen a more-recent fuel curve, even in
25 August. And the NYMEX prices for '19 and '20 are

1 actually lower than what we've projected in my exhibits.

2 Q Okay. But all -- all things being equal,
3 when --

4 CHAIRMAN BROWN: Asked and answered.

5 MR. SKOP: All right. Thank you.

6 I think that's it, Madam Chair. No further
7 questions. Thank you.

8 CHAIRMAN BROWN: Thank you, Mr. Skop.

9 All right, staff.

10 MS. BROWNLESS: Yes, ma'am.

11 EXAMINATION

12 BY MS. BROWNLESS:

13 Q Can you look at Line 6 on Page 7. Turn to
14 Page 7 and let's look at Line 6.

15 CHAIRMAN BROWN: Ms. -- Ms. Brownless, what
16 page was that?

17 MS. BROWNLESS: Page 7, Line 6.

18 CHAIRMAN BROWN: Thank you.

19 THE WITNESS: Yes, ma'am, I am there.

20 BY MS. BROWNLESS:

21 Q Okay. And in Line 6, you refer to total rate
22 class operating revenue; is that correct?

23 A Yes.

24 Q Does this include fuel revenue for each rate
25 class?

1 A Yes.

2 Q How do you project the fuel revenue for each
3 rate class?

4 A That is actually a different witness. It
5 would be possibly Witness Forrest.

6 Q And that's provided to you, that information?

7 A Yes, ma'am.

8 Q And then you've --

9 A We --

10 Q -- placed it --

11 A We --

12 Q -- in your forecast?

13 A That's correct. We would use the total
14 information that's provided from our accounting
15 department.

16 MS. BROWNLESS: Thank you, ma'am. That's all
17 we have.

18 CHAIRMAN BROWN: Thank you.

19 Commissioners?

20 Commissioner Edgar.

21 COMMISSIONER EDGAR: Thank you, Madam Chair.

22 I thought we were going to see you this
23 morning.

24 THE WITNESS: I was hoping.

25 (Laughter.)

1 COMMISSIONER EDGAR: Have you testified before
2 this Commission before?

3 THE WITNESS: No, ma'am, I have not.

4 COMMISSIONER EDGAR: Well, welcome.

5 THE WITNESS: Thank you.

6 COMMISSIONER EDGAR: Well, it is well-known in
7 these parts that, in these forums, Mr. Moyle is
8 well-regarded for asking the tough questions. And
9 Mr. Moyle asked many of my questions. So, ipso
10 facto, I guess that means I ask tough questions.
11 But I am going to try to come at it from a slightly
12 different angle because he did ask some of my
13 questions and you've answered them.

14 So, I'm looking at section of your testimony,
15 Page 18 and 19, and then also from your
16 introductory opening comments in your testimony
17 which, I believe, you also used in your summary.

18 So, on Page -- the bottom of 18 and 19, you
19 say that the reset of the credits currently in
20 place for CILC and CDR customers is to, again,
21 reset them back to pre-settlement levels.

22 Would it be fair to say that that reset is
23 part of the overall move in this rate case to
24 greater parity between rate classes?

25 THE WITNESS: It certainly gets us closer to

1 parity, but it -- it truly is -- again, it was one
2 item of a multifaceted settlement agreement.

3 COMMISSIONER EDGAR: Would it be fair to say
4 that the reset of these credits is one step towards
5 minimizing subsidies between rate classes?

6 THE WITNESS: Yes, these cust- -- these
7 credits are paid for by all customers.

8 COMMISSIONER EDGAR: And -- and I believe in
9 your answers to Mr. Moyle, you described that those
10 incentives, as you just stated, were part of an
11 overall settlement plan approved by this Commission
12 in 2012, but they were also, then, included in the
13 goals and the conservation plan adopted by this
14 Commission for FPL in 2014.

15 THE WITNESS: Yes.

16 COMMISSIONER EDGAR: Okay. Are you aware of
17 any prior DSM goal-setting or conservation plan
18 approved by this Commission in other years, prior
19 to 2014, that similar credits were included for
20 those customer classes?

21 THE WITNESS: I'm not sure I totally follow
22 your question. To my knowledge that -- we've never
23 changed the credit, I don't believe, from the time
24 they were set. But Witness Koch would be a good
25 witness to ask that on rebuttal.

1 We've never proposed to change these in a
2 base-rate case. And they came about as part of a
3 multifaceted settlement agreement. And in fact,
4 our load-control customers have enjoyed the benefit
5 of almost \$80 million of credits over the four-year
6 terms of the settlement that are paid for by all
7 customers. And we've not called on those customers
8 once, actually, since 2010 for load control.

9 Witness Koch would actually be a great person
10 to talk a little bit more about the DSM piece of
11 it.

12 COMMISSIONER EDGAR: Okay. Well, let me ask
13 it this way -- and I will certainly do that.
14 For -- separate from rate-case decisions in prior
15 DSM or goal- -- excuse me -- in prior DSM and
16 conservation-plan approvals by this Commission,
17 were those credits ever included prior to the 2014
18 conservation-plan docket?

19 THE WITNESS: Yes. It's my understanding they
20 have been evaluated appropriately in those dockets.
21 In the 2014 DSM plan, they were approved as part of
22 the overall settlement agreement. So, they were
23 not evaluated.

24 COMMISSIONER EDGAR: Okay. I think we're
25 talking past each other --

1 THE WITNESS: Okay.

2 COMMISSIONER EDGAR: -- but I'll come back to
3 that. That's okay.

4 So, when you say they were not evaluated, do
5 you know if they were reviewed by staff and/or
6 intervenors as to cost-effectiveness?

7 THE WITNESS: Yes, we did provide data --
8 discovery or data requests to that effect.

9 COMMISSIONER EDGAR: Did they meet the RIM
10 test?

11 THE WITNESS: Yes, they were cost-effective.

12 COMMISSIONER EDGAR: Do you -- do you know how
13 often the Commission generally has conservation-
14 plan and DSM goal-setting dockets.

15 THE WITNESS: My understanding is it's
16 generally every five years, but I'm not the DSM
17 expert.

18 COMMISSIONER EDGAR: Sure. So -- and I agree,
19 it's generally every -- every five years. Thank
20 you. So, with that, then, barring the -- it
21 could -- it could be any time, but it would be a
22 reasonable expectation that 2019 would be the
23 next -- next proceeding.

24 THE WITNESS: Yes.

25 COMMISSIONER EDGAR: Okay. All right. Thank

1 you.

2 CHAIRMAN BROWN: Commissioner Brisé?

3 COMMISSIONER BRISÉ: Thank you, Madam Chair.

4 I just have a couple of questions.

5 Is there any adverse impact in shifting the \$2
6 charge from the variable energy charge to the fixed
7 customer charge, as you're proposing?

8 THE WITNESS: There is no impact to the
9 customer class as a whole. It -- it will increase
10 a bill slightly for a thousand-kilowatt-hour
11 customer. It's about a 20-cent increase.

12 COMMISSIONER BRISÉ: Okay. Mr. Wiseman asked
13 you a question in terms of making rates and whether
14 rates are cost-based. And it sounded to me that
15 you didn't fully get that question.

16 So, I'm trying to understand how FPL goes
17 through the process of -- of making rates or
18 developing rates if they are not necessarily
19 completely cost-based.

20 THE WITNESS: Well --

21 COMMISSIONER BRISÉ: Because that's what I got
22 from your answer.

23 THE WITNESS: What we do is take the revenues
24 that we obtain from the cost-of-service group. And
25 we allocate those to the rate classes, based on the

1 cost to serve them.

2 We, then, look at their parity calculations.
3 Some rate classes may get bigger increases than
4 others. And then, we ensure that no one is over
5 one-and-a-half times the system-average increase,
6 which is the gradualism guideline.

7 Once that's complete, we go rate class by rate
8 class, and we set the rates within the rate class
9 to recover that amount of revenue requirement. So,
10 those revenue requirements are absolutely cost-
11 based.

12 COMMISSIONER BRISÉ: Okay. And that is done
13 independent of whatever is happening in the
14 marketplace anywhere else.

15 THE WITNESS: Yes and no. The gradualism
16 calculation does take into account our forecast.
17 So, to the extent we have a fuel forecast, it's
18 part of the total operating revenues for our class,
19 which is one of the reasons the gradualism
20 calculation was instituted is because the customer
21 pays a total bill. So, it's important that you
22 focus on the total impact to the customer.

23 COMMISSIONER BRISÉ: Okay. So, then, if -- if
24 one would be comparing this to an entity that works
25 within the regular marketplace, competitive

1 marketplace, that there aren't market signals
2 injected into the price based upon external
3 conditions?

4 THE WITNESS: Can you repeat your question?

5 COMMISSIONER BRISÉ: Okay. So, just to give
6 you an example, a shoe company makes shoes. It
7 costs them \$3 to make them in China. By the time
8 you bring them here, it's \$10 total cost, but you
9 sell them for 280 bucks.

10 THE WITNESS: Okay.

11 COMMISSIONER BRISÉ: The fact that the market
12 can bear someone paying 280 bucks for the shoes has
13 an injection into that price, right.

14 THE WITNESS: Right.

15 COMMISSIONER BRISÉ: So, FPL doesn't consider
16 those type of factors when developing the price.

17 THE WITNESS: But I will say I believe the
18 gradualism calculation is what helps you ensure
19 that you're not overcharging, per se, a group of
20 customers. They are limited to the increase that
21 you give them. You cannot just increase them a
22 hundred percent to parity.

23 And you'll see in my exhibit, we actually
24 don't get to a hundred percent parity for a number
25 of rate classes, even over three years. We're

1 limited by the increase we can give them.

2 COMMISSIONER BRISÉ: Okay. Thank you.

3 CHAIRMAN BROWN: Thank you, Commissioner
4 Brisé.

5 Redirect.

6 MS. CLARK: I just have a few.

7 REDIRECT EXAMINATION

8 BY MS. CLARK:

9 Q And I think I'll start with the question
10 that -- just for clarification on the question that
11 Commissioner Brisé asked regarding the analogy to
12 selling shoes.

13 FPL, when they set their rates, it's based on
14 the cost to serve those customers, not any outside --
15 not what the market will bear, essentially.

16 A Absolutely.

17 Q And in terms of developing the cost, is that
18 the responsibility of Ms. Deaton?

19 A Yes.

20 MS. CLARK: Commissioner Edgar, you may have
21 asked this, but I'm going to go there again.

22 BY MS. CLARK:

23 Q Well, let me ask it maybe a different way --
24 differently. We were talking a little bit about
25 gradualism.

1 A Yes.

2 Q What type of proceeding is the concept of
3 gradualism applied here at the Commission?

4 A What type of proceeding?

5 Q Yes, as distinguished between a clause
6 proceeding, a base-rate proceeding, a nuclear clause
7 proceeding.

8 A Gradualism is applied in a base-rate
9 proceeding.

10 Q And do you recall Mr. Moyle's example on
11 gradualism where he spoke about a base-rate decrease?

12 A Yes.

13 Q Assuming that there is a decision to allow a
14 rate increase, under the gradualism principle, is it,
15 then, appropriate to give any rate class a rate
16 decrease?

17 A Can you repeat your question?

18 Q Yes. Assuming the Commission allows a rate
19 increase, under the gradualism concept, is it
20 appropriate to give any class a rate increase?

21 MR. LAVIA: Object. That's a leading question
22 and a hypothetical.

23 CHAIRMAN BROWN: Staff?

24 MS. CLARK: I would point out leading
25 questions are allowed on redirect, so --

1 MR. MOYLE: I don't think so.

2 MS. BROWNLESS: But also, it's not a leading
3 question if it can be answered yes or no.

4 MR. MOYLE: No, it's a who, what, where, when.
5 It's not --

6 CHAIRMAN BROWN: All right.

7 MR. MOYLE: -- isn't it true.

8 CHAIRMAN BROWN: Hold -- Mr. -- Mr. Moyle.

9 MR. MOYLE: I join the objection.

10 CHAIRMAN BROWN: Okay.

11 MR. MOYLE: A leading question is the one that
12 suggests the answer in the question.

13 CHAIRMAN BROWN: You're going to --

14 MR. MOYLE: And she said isn't it true that
15 blah, blah, blah, blah. So, it's not --

16 CHAIRMAN BROWN: All right.

17 MR. MOYLE: Yes or no is not. It's who what,
18 where, why.

19 CHAIRMAN BROWN: I understand.

20 MR. WISEMAN: And I would join in the
21 objection.

22 CHAIRMAN BROWN: I understand.

23 MR. SKOP: As would the Larsons.

24 CHAIRMAN BROWN: Everyone else?

25 Ms. Clark, would you want to rephrase it

1 maybe?

2 MS. CLARK: I would only say Ms. Brownless
3 said it wasn't a leading question.

4 No, I -- I'm happy to do that.

5 BY MS. CLARK:

6 **Q Assuming there is a rate increase, under**
7 **gradualism policies, can there be a rate decrease?**

8 A Yes.

9 **Q I think the question Commissioner Edgar may**
10 **have asked was relating to the reset of CILC credits.**
11 **If you know, do you know how much more other customers**
12 **pay during the term of the settlement agreement in CILC**
13 **credits? Was the total amount that the other customers**
14 **paid more than what they would have paid absent the**
15 **settlement?**

16 MR. MOYLE: I -- first of all, I think it's
17 beyond -- beyond the scope of -- of the cross. And
18 secondly, I thought he answered it and said it was
19 80 million that everyone contributed to.

20 MS. CLARK: I'm fine with Mr. Moyle's answer.

21 (Laughter.)

22 MR. MOYLE: You should check the record on
23 that.

24 CHAIRMAN BROWN: I will.

25 ///

1 BY MS. CLARK:

2 Q I think it was South Florida Hospital asked
3 you questions regarding MFR E-13A -- I'm sorry -- E-8.
4 Does this MFR show rate increase -- rate-increase
5 percentages between the current rates and FPL's proposed
6 rates?

7 A Do they show rate- -- can you repeat that
8 part?

9 Q Does this show the rate-increase percentages
10 between current rates and FPL's proposed rates?

11 A No.

12 Q Let me ask you this: You start with the --
13 you do have -- in Column 4, you do have present class
14 operating revenue, correct?

15 A Yes.

16 Q And then over on nine, you have company --
17 just a minute.

18 CHAIRMAN BROWN: Take your time.

19 (Discussion off the record.)

20 MS. CLARK: Madam Chairman, we'll withdraw
21 that question.

22 CHAIRMAN BROWN: Okay.

23 BY MS. CLARK:

24 Q You were asked questions about the cost-
25 effectiveness from Commissioner Edgar on the DSM. Are

1 you familiar with the two-phase process in determining
2 the appropriate level of DSM incentives?

3 A Yes, I am.

4 Q And would Witness Koch be a better witness --

5 A Yes.

6 Q -- to address that issue?

7 And I also think Commissioner Edgar asked you
8 one of my redirect questions. Do you know how many
9 times since 2006 the CILC and CDR customers have been
10 interrupted?

11 A Since 2006, no; but since 2010, none.

12 Q Since 2010?

13 A None.

14 MS. CLARK: I think one last one, Madam
15 Chairman.

16 BY MS. CLARK:

17 Q When you make your gradualism determination,
18 do you use the same fuel and other clause changes on
19 both sides of the equation?

20 A Yes.

21 MS. CLARK: Thank you.

22 Madam Chairman, thank you.

23 CHAIRMAN BROWN: You're welcome.

24 All right. Let's get to exhibits. For this
25 witness, we just have the prefilled, which are

1 listed as Exhibits 137 through 142.

2 Would you like --

3 MS. CLARK: I would move them in the record.

4 CHAIRMAN BROWN: Any objections? Seeing none,
5 we'll move 137 through 142 into the record.

6 (Whereupon, Exhibit Nos. 137 through 142 were
7 admitted into the record.)

8 CHAIRMAN BROWN: And would you like this
9 witness excused.

10 MS. CLARK: I would.

11 CHAIRMAN BROWN: Have a great afternoon.

12 THE WITNESS: Thank you. You, too.

13 CHAIRMAN BROWN: Enjoy your Friday.

14 THE WITNESS: Thank you.

15 CHAIRMAN BROWN: All right.

16 MS. CLARK: Mr. Moyle wants to make sure she's
17 coming back.

18 Yes, she'll be here on rebuttal.

19 CHAIRMAN BROWN: Okay. Great.

20 Last witness on direct is Ms. Renae Deaton.

21 Would you please call your witness.

22 MS. CLARK: FPL will call Renae Deaton.

23 CHAIRMAN BROWN: Thank you.

24 MS. CLARK: I need a minute to change my
25 notebooks.

1 CHAIRMAN BROWN: Oh, absolutely. Let's
2 take about --

3 MR. BUTLER: Madam Chair?

4 CHAIRMAN BROWN: Yes?

5 MR. BUTLER: I'm sorry. While she is doing
6 that, I had been provided a list by Mr. Wiseman of
7 the order for intervenor witnesses. I would like
8 to provide it at this time. And if there are any
9 changes or corrections to it -- but it's -- it
10 would be helpful to be sure we're all on the same
11 page for --

12 CHAIRMAN BROWN: Yes. We do not have a copy
13 of it up here, I know.

14 MS. CLARK: Madam Chair --

15 MR. BUTLER: I was just going to read it into
16 the record, but I can -- if you would like, I can
17 provide a written copy, and we can do it after
18 Ms. Deaton's testimony.

19 CHAIRMAN BROWN: I would love a written copy.

20 MR. BUTLER: Okay. We'll do that.

21 CHAIRMAN BROWN: Thank you.

22 MR. WISEMAN: And I was -- just as I told
23 Mr. Butler, it's accurate, to the best of my
24 recollection. I have not provided it to the other
25 intervenors, though and -- so, they may want to

1 check that to make sure they are all in agreement.

2 CHAIRMAN BROWN: Why don't you work all that
3 out and provide us with a written copy.

4 MR. BUTLER: I'll -- I'll circulate a written
5 copy of it to --

6 CHAIRMAN BROWN: Staff.

7 MR. BUTLER: -- the intervenors and see if
8 they agree with it, and we'll present it after
9 Ms. Deaton's testimony.

10 CHAIRMAN BROWN: Okay. Great.

11 MR. BUTLER: Thanks.

12 CHAIRMAN BROWN: Any other preliminary matters
13 before we take up this witness?

14 I know Ms. Clark is getting her books
15 organized. So, I don't want to --

16 MS. CLARK: I think I'm organized now.

17 CHAIRMAN BROWN: You're organized? Okay.

18 MS. CLARK: I don't believe Ms. Deaton has
19 been sworn.

20 CHAIRMAN BROWN: Ms. Deaton, before you get
21 sworn in, are you prepared? Are you -- are you
22 ready to go?

23 THE WITNESS: Yep.

24 CHAIRMAN BROWN: Okay. Please raise your
25 right hand.

1 THE WITNESS: Can I do my left hand.

2 CHAIRMAN BROWN: Yes, absolutely.

3 Whereupon,

4 RENAE DEATON

5 was called as a witness, having been first duly sworn to
6 speak the truth, the whole truth, and nothing but the
7 truth, was examined and testified as follows:

8 CHAIRMAN BROWN: Would you please be seated.

9 And welcome. Good afternoon.

10 THE WITNESS: Good afternoon.

11 DIRECT EXAMINATION

12 BY MS. CLARK:

13 Q Would you please provide your name and
14 business address for the record.

15 A Yes, my name is Renae Deaton. My business
16 address is 700 Universe Boulevard, Juno Beach, Florida.

17 Q By whom are you employed and in what capacity?

18 A I'm employed by FPL. I am the senior manager
19 of cost-of-service and load research.

20 Q And have you prepared and caused to be filed
21 29 pages of direct testimony in this proceeding?

22 A I haven't counted the pages. Sorry.

23 (Examining document.) Yes, ma'am.

24 Q And you did not file an errata; is that
25 correct?

1 A That's correct.

2 **Q If I asked you the questions contained in your**
3 **direct testimony, would your answers be the same?**

4 A They would.

5 MS. CLARK: Madam Chair, I would ask that
6 Ms. Deaton's prepared direct testimony be inserted
7 into the record as though read.

8 CHAIRMAN BROWN: We'll insert Ms. Deaton's
9 prepared prefiled direct testimony into the record
10 as though read.

11 (Prefiled direct testimony inserted into the
12 record as though read.)

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I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is Renae B. Deaton. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed, and what is your position?

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as the Senior Manager of Cost of Service and Load Research in the Rates & Tariffs Department.

Q. Please describe your duties and responsibilities in that position.

A. With regard to retail rates, I am responsible for managing FPL's load research and cost of service activities. In this capacity, my responsibilities include the preparation and filing with the Florida Public Service Commission ("FPSC" or the "Commission") of load research sampling plans and study results, the development of annual energy and demand line loss factors by rate class, and the preparation of jurisdictional separation and retail cost of service studies.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science in Business Administration and a Master of Business Administration from Charleston Southern University. Since joining FPL in 1998, I have held various positions in the rates and regulatory areas. Prior to my current position, I held the position of Senior Manager of Rate Design, responsible for the retail tariff and rate development. Prior to joining

1 FPL, I was employed at South Carolina Public Service Authority (d/b/a Santee
2 Cooper) for fourteen years, where I held a variety of positions in the
3 Corporate Forecasting, Rates, and Marketing Department and in generation
4 plant operations.

5

6 I am a member of the Edison Electric Institute (“EEI”) Rates and Regulatory
7 Affairs Committee, and I have completed the EEI Advanced Rate Design
8 Course. I have been a guest speaker at Public Utility Research Center/World
9 Bank International Training Programs on Utility Regulation and Strategy.

10 **Q. Have you previously testified before this Commission?**

11 A. Yes. I have testified or filed testimony before this Commission in several
12 dockets. I testified as the rate design witness in FPL’s last two rate cases in
13 Docket Nos. 080677-EI and 120015-EI. I testified in FPL’s Energy
14 Conservation Cost Recovery Clause (“ECCR”) Docket No. 140002-EG and
15 the related Docket No. 140226-EI regarding the rate-making issues associated
16 with the ECCR clause opt-out request. I provided testimony in FPL’s Fuel and
17 Purchased Power Cost Recovery Clause Docket No. 110001-EI. I also
18 provided testimony and represented FPL before the Federal Energy
19 Regulatory Commission (“FERC”) in rate and cost of service matters.

20 **Q. Are you sponsoring any exhibits in this case?**

21 A. Yes. I am sponsoring the following exhibits:

22 • RBD-1 – MFRs and Schedules Sponsored or Co-Sponsored by Renae

23 B. Deaton

- 1 • RBD-2 – Load Research Rate Classes and Related Rate Schedules
- 2 • RBD-3 – Rate Class Extrapolation Methodologies
- 3 • RBD-4 – Rates of Return and Parity at Present Rates
- 4 • RBD-5 – Target Revenue Requirements at Proposed Rates
- 5 • RBD-6 – Comparison of FPL Cost of Service Methodologies

6 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements**
7 **(“MFRs”) and schedules filed in this case?**

8 A. Yes. Exhibit RBD-1 contains a listing of the MFRs and schedules that I am
9 sponsoring or co-sponsoring.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to address four principal areas:

- 12 1. What load research is, how it is used in the jurisdictional separation and
13 cost of service studies, and how the projected load forecast by rate class
14 and energy loss factors were developed;
- 15 2. The process used in the development of FPL’s jurisdictional separation
16 study and resulting jurisdictional separation factors;
- 17 3. FPL’s process of preparing a retail cost of service study and the proposed
18 change in methodologies used to allocate production and transmission
19 plant to retail rate classes; and
- 20 4. The results of the retail cost of service study for the 2017 Test Year and
21 2018 Subsequent Year.

22 **Q. Please summarize your testimony.**

1 A. My testimony supports the results of FPL's cost of service study for the
2 projected 2017 Test Year and 2018 Subsequent Year. The cost of service
3 study fairly presents each rate class's cost responsibility, rate of return
4 ("ROR"), and parity position (i.e., rate class ROR relative to system average
5 ROR). The methodologies used to allocate rate base, revenues, and expenses
6 were accurately applied and are consistent with those previously approved by
7 this Commission. FPL's load research sampling plan and studies, which
8 provide the basis for cost allocation, were approved by the Commission and
9 meet the FPSC's precision requirements. The separation study was conducted
10 to allocate rate base, revenues and expenses between retail and wholesale
11 customers. The retail cost of service study allocates the retail jurisdictional
12 rate base, revenues and expenses to the individual rate classes based on the
13 appropriate costs drivers previously approved by this Commission. Finally as
14 discussed later in my testimony, FPL proposes to use a 12 CP and 25%
15 allocation method for production plant and a 12 CP method for transmission
16 plant, except for transmission pull-offs, in order to better align costs and
17 benefits among the customer classes.

18
19 The results of the rate class cost of service study show that at present rates,
20 certain rate classes, such as GS(T)-1 and GSCU, are more than 10% above
21 parity, while some of the larger commercial/industrial rate classes, particularly
22 GSLD(T)-1 and GSLD(T)-2, are well below parity. Exhibit RBD-4 lists the
23 ROR and related parity index for each rate class along with the revenue

1 requirement and percent differential needed to achieve full parity at present
2 rates, before any revenue increase is applied. MFR E-1 provides the details
3 supporting these results.

4
5 Finally, the cost of service study provides the target revenue requirements by
6 rate class and the underlying unit costs for each billing determinant, e.g.,
7 demand, energy, and customer bills. This information is presented on MFR
8 E-6b, and provides the basis for designing rates that would improve the parity
9 among rate classes and better align FPL's rates and charges with the costs to
10 serve each rate class. Exhibit RBD-5 shows for each rate class the target
11 revenue requirements at proposed rates on an equalized basis, that is, at the
12 retail ROR or at parity.

13

14

II. LOAD RESEARCH AND ENERGY LOSSES

15

16 **Q. Why is load research a necessary input into the jurisdictional separation
17 and cost of service studies?**

18 A. Load research provides information on usage characteristics, which provides
19 the basis for allocating costs between retail and wholesale jurisdictions and for
20 allocating costs among retail rate classes.

21 **Q. What information is provided by load research?**

22 A. Load research provides, for each rate class, information on the contribution to
23 the system peak (Coincident Peak or "CP"), as well as the class peak (Group

1 Non-Coincident Peak or “GNCP”), and the customers’ Non-Coincident Peak
2 (“NCP”). The contribution to the system peak represents the rate class
3 demand at the time of the system peak. By contrast, the GNCP represents a
4 rate class’s maximum demand as a class. The customers’ NCP demand is the
5 sum of the individual customer peak demands for all the customers within the
6 rate class, regardless of when they occur. In addition, load research provides
7 load shapes, hourly data, and load factors for each rate class. Load research
8 data reflecting all of the above attributes is developed on a monthly basis for
9 each wholesale and retail rate class. The monthly data is analyzed and
10 reported on an annual basis as well.

11 **Q. Has the Commission reviewed and approved the Company’s load**
12 **research?**

13 A. Yes. Rule 25-6.0437, Florida Administrative Code (“F.A.C.”), Cost of
14 Service Load Research, requires that investor-owned utilities serving more
15 than 50,000 retail customers submit a load research sampling plan to the
16 Commission for review and approval every three years. FPL’s most recent
17 sampling plan was submitted and approved in May 2014. In addition, the rule
18 requires that utilities submit a complete load research study every three years.
19 FPL’s most recent load research study was filed with the Commission in June
20 2015.

21 **Q. Please describe the information provided and summarize the results**
22 **achieved in the load research study filed with the Commission in June**
23 **2015.**

1 A. This study provided the estimated CP and GNCP demands for the 12 month
2 period ending December 31, 2014, for all rate classes subject to reporting
3 under Rule 25-6.0437, F.A.C. Also included in the report for the sampled rate
4 classes are the 90% confidence intervals around the monthly peak demands
5 and their percent relative accuracy. FPL met the target level of statistical
6 accuracy required by the rule for the estimate of averages of the 12 monthly
7 CP, as well as for the summer and winter peaks of the sampled rate classes.

8 **Q. Please explain what is meant by “rate classes.”**

9 A. In general terms, rate classes are groups of individual rate schedules with like
10 billing attributes (e.g., customer type and load size) and rate design inter-
11 relationships that are treated for rate design purposes on a combined basis. As
12 a result, one or more rate schedules may be combined into a single rate class.
13 For example, residential non-time-of-use, Rate Schedule RS-1, and residential
14 time-of-use rider, Rate Schedule RTR-1, are combined together into the
15 RS(T)-1 rate class. The practice of combining time-of-use rate schedules with
16 their non-time-of-use counterparts is consistent with the practice followed by
17 FPL in the cost of service studies that were filed in the last five rate cases
18 (Docket Nos. 830465-EI, 001148-EI, 050045-EI, 080677-EI and 120015-EI).

19 **Q. Have you prepared an exhibit that lists the rate classes used for load
20 research purposes?**

21 A. Yes. Exhibit RBD-2 lists and describes the rate classes used for load research
22 study purposes.

23 **Q. How is load research information developed by rate class?**

1 A. The first step is to collect and analyze load data by rate class. For certain rate
2 classes, load data is captured by the recording metering devices that are used
3 for billing purposes (100% metered). Unmetered rate classes, such as street
4 lights, are modeled based on their equipment usage characteristics. Statistical
5 samples developed in compliance with Rule 25-6.0437, F.A.C., are used for
6 all rate classes that are not modeled or 100% metered. Exhibit RBD-3 lists
7 the rate classes that are 100% metered, modeled, or sampled.
8
9 FPL then uses one of two extrapolation methodologies identified in Exhibit
10 RBD-3 to estimate the load research data for each rate class: the Ratio
11 Extrapolation and the Mean Per Unit Extrapolation. The Ratio Extrapolation
12 methodology is used to expand the historical load research data for sampled
13 rate classes and for 100% metered rate classes with a large number of
14 customers. This methodology estimates the total rate class demand by
15 applying the ratio of demand to billed energy for each interval recorded
16 multiplied by the billed energy for the rate class. The Mean Per Unit
17 Extrapolation methodology is used for rate classes with a small number of
18 customers. The Mean Per Unit Extrapolation methodology estimates the total
19 rate class demand by applying the average demand for each interval recorded
20 multiplied by the number of customers in the rate class. Both extrapolation
21 methodologies are used for 100% metered rate classes as necessary to account
22 for missing interval data resulting from meter, data translation, or
23 communication issues.

1

2 Presently, rate classes SL-1, OL-1, and SL-2 are billed as unmetered rates.
3 The usage characteristics for the lighting rate classes, SL-1 and OL-1, are
4 modeled based on the estimated number of burn hours or estimated hours of
5 operation. This modeling estimates that light fixtures are on approximately
6 48% of all hours in a year. The Traffic Signal Service rate class, SL-2, is
7 modeled based on a 100% load factor.

8

9 The load research sampling and extrapolation methodologies described above
10 are standard practices that are widely used in the industry. FPL has applied
11 these methodologies on a consistent basis in its load research filings with the
12 Commission.

13 **Q. Please discuss the historical load research information used in this filing.**

14 A. The monthly load research data for the most recently completed three year
15 annual load research studies was used to project the peak loads by rate class.
16 Load research data for the historical years 2012, 2013, and 2014 is provided in
17 MFR E-11, Attachments 2, 3, and 4, respectively. The historical load research
18 information provided the basis for the projected 2017 Test Year and 2018
19 Subsequent Year load data shown in MFR E-11, Attachment 1. The
20 methodology for applying historical data to project rate class load is the same
21 as that used in previous FPSC rate cases and cost recovery clause filings. In
22 addition, as stated previously, FPL's load research study for the year 2014 was
23 filed with the Commission in June 2015.

1 **Q. Did the study results filed with the Commission in June 2015 cover the**
2 **same rate classes as those being presented in this rate case?**

3 A. Yes. The load research study filed in June 2015 covers the same rate classes
4 as those used in this rate case and both are consistent with the load research
5 sampling plan approved by the FPSC Staff in May 2014. Exhibit RBD-2 lists
6 and describes the rate classes used for load research study purposes. Exhibit
7 RBD-2 also shows the rate schedules that comprise each rate class.

8 **Q. Please describe how the projected 2017 Test Year and 2018 Subsequent**
9 **Year load research data were developed.**

10 A. The historical load research data was used in conjunction with the sales
11 forecast by rate class to develop the CP, GNCP, and NCP demand estimates
12 for the projected 2017 Test Year and 2018 Subsequent Year. Monthly ratios
13 of each rate class's CP, GNCP, and NCP to actual kilowatt hours ("kWh")
14 sales were developed for each of the three years of historical load research
15 data.

16

17 Projected 2017 Test Year and 2018 Subsequent Year monthly CP, GNCP, and
18 NCP ratios for each rate class were then developed based on the average of
19 their respective historical ratios. The projected CP, GNCP, and NCP ratios
20 were then applied to the sales forecast by rate class to derive the projected CP,
21 GNCP, and NCP demands for each class. The sales forecast, by rate class,
22 was developed by FPL witness Cohen.

1 **Q. Has this method of developing projected load research information just**
2 **described been used previously?**

3 A. Yes. The forecasted load research data in FPL's MFR filings in FPSC Docket
4 Nos. 001148-EI, 050045-EI, 080677-EI and 120015-EI utilized this same
5 methodology.

6 **Q. Is the projected load research data by rate class consistent with the**
7 **system load forecast?**

8 A. Yes. The projected load research data is consistent with the forecast of system
9 monthly peak demands for the 2017 Test Year and 2018 Subsequent Year
10 presented in MFR E-18 and with the forecast of system sales for the Test Year
11 and Subsequent Year presented in MFR F-8.

12 **Q. Which MFRs provide additional information on load research?**

13 A. MFR E-9 and MFR E-17 provide additional information on load research.

14 **Q. How is the load research data used in the development of the separation**
15 **factors and cost of service study?**

16 A. The load research data is used to develop the load-related allocation factors
17 shown in MFR E-10. These load-related allocation factors, namely CP,
18 GNCP, and NCP, are then adjusted to account for energy losses.

19 **Q. What are energy losses?**

20 A. Simply stated, energy losses represent the amount of energy produced that is
21 neither sold nor used by the Company. There are two types of energy losses:
22 technical and non-technical. Technical losses are inherent to the transmission
23 and distribution of electricity and occur on generation step-up transformers,

1 transmission lines, distribution station step-down transformers, distribution
2 lines, distribution transformers, and secondary service to customers. Non-
3 technical losses include electricity theft and other unaccounted-for use of
4 energy.

5 **Q. Why is it appropriate to adjust the load-related allocation factors for**
6 **energy losses?**

7 A. As discussed above, the load-related allocation factors are developed based
8 upon the sales forecasts by rate class, which are then multiplied by the ratios
9 established through load research to project CP, GNCP, and NCP. However,
10 the forecasted sales for each rate class are measured at the customer's meter,
11 which is net of energy losses that occur in delivering electricity to customers
12 in that class. The peak load that is imposed upon the system by each rate class
13 is actually more than the amount of energy delivered at the meter.

14
15 If all rate classes had the same level of energy losses, there would be no need
16 to adjust for the losses because the relative relationship among the rate classes
17 would remain the same, regardless of whether the losses were netted out.
18 However, energy losses are different for rate classes served at transmission,
19 primary distribution, and secondary distribution voltage levels. Therefore, it
20 would not be appropriate to assume that the energy losses are the same for the
21 different rate classes. Electric lines operating at higher voltage levels
22 experience less energy loss per amount of energy delivered than lower voltage
23 lines; thus, transmission customers incur lower losses as a percent of energy

1 delivered than customers served at lower voltage levels. Primary distribution
2 voltage losses are higher than transmission voltage losses because they
3 include transmission losses, as well as distribution station step-down
4 transformers and distribution line losses. Secondary distribution voltage
5 customers incur the highest losses per unit delivered because, in addition to
6 losses from transmission and primary distribution voltages, their losses also
7 include losses due to transformers and secondary services. Therefore, FPL
8 develops and applies separate loss adjustments to each rate class so that these
9 differences in energy losses among the rate classes are recognized.

10 **Q. How are the adjustments for energy losses determined?**

11 A. FPL witness Morley forecasts energy losses on a total FPL system basis. The
12 forecasted system-wide energy losses are then converted into loss adjustment
13 factors by voltage level and by rate class. MFRs E-19a, E-19b, and E-19c
14 provide the details and results of this process. When these energy loss factors
15 by rate class are applied to the corresponding rate class load-related data, the
16 resulting values are termed 12 CP, GNCP, and NCP "adjusted for losses."
17 Load data by rate class reflecting adjustments for energy losses is summarized
18 in MFR E-9.

19

20 III. JURISDICTIONAL SEPARATION STUDY

21

22 **Q. What is a jurisdictional separation study?**

1 A. A jurisdictional separation study allocates the Company's total rate base and
2 net operating income ("NOI") between different rate-regulated jurisdictions.
3 FPL's utility business operates under two rate-regulated jurisdictions: retail,
4 regulated by the FPSC; and wholesale, regulated by the FERC. FPL must
5 maintain its accounting books and records in accordance with the Uniform
6 System of Accounts as prescribed by the FERC and the FPSC. Compliance
7 with the Uniform System of Accounts requires electric utilities to record costs
8 incurred and investments made at original cost. Because most investments
9 made and costs incurred by a regulated utility serve all of its utility customers,
10 retail and wholesale, it is necessary to prepare a jurisdictional separation study
11 to allocate costs between the two jurisdictions. The jurisdictional separation
12 study develops allocations or jurisdictional separation factors for allocating
13 rate base and NOI items recorded on the Company's accounting books and
14 records to the jurisdictions.

15 **Q. What are the steps in the jurisdictional separation study?**

16 A. Costs are first functionalized, then classified, and finally allocated between the
17 retail and wholesale jurisdictions. The term "functionalization" refers to the
18 assignment of costs into one or more of the major functions of an electric
19 utility (e.g., production, transmission and distribution). The term
20 "classification" refers to the categorization by cost driver, that is, the
21 determination of whether a cost is driven by demand, energy, or number of
22 customers. Finally, each component is "allocated" between jurisdictions
23 using jurisdictional separation factors. The method of allocating a cost should

1 be consistent with its functionalization and classification. For example, a cost
2 classified as demand-related should not be allocated on the basis of kWh of
3 energy consumed, nor should a cost classified as energy-related be allocated
4 based on peak demand.

5 **Q. What are jurisdictional separation factors?**

6 A. Jurisdictional separation factors are the result of the process just described and
7 are used to allocate rate base and NOI items between retail and wholesale
8 jurisdictions. These factors are expressed as figures between zero and one,
9 with the former indicating no retail responsibility and the latter indicating
10 100% retail responsibility. The jurisdictional separation factors are primarily
11 based on demand or energy sales for the retail and wholesale jurisdictions.
12 However, other factors that best represent each jurisdiction's cost
13 responsibility are also used. MFR E-10, Attachment 1, outlines the specific
14 methodology used to develop the separation factors by each component of
15 cost.

16 **Q. Are there different types of wholesale sales?**

17 A. Yes. In general, wholesale sales consist of electricity sold to other electric
18 utilities or power marketers for resale. They include power sales to other
19 utilities, which are firm, long-term sales, as well as opportunity sales which
20 are non-firm and of shorter duration. Transmission service between utilities
21 also falls under the wholesale jurisdiction regulated by the FERC.

22 **Q. What is the significance of the different types of wholesale transactions in**
23 **developing separation factors?**

1 A. It is important to understand the significance of a wholesale sale that is a
2 “separated sale” and a wholesale sale that is a “non-separated sale,” because
3 different regulatory treatments apply to the costs and revenues associated with
4 each type of sale. The FPSC has historically made a distinction between
5 separated versus non-separated wholesale power sales. As outlined in Docket
6 No. 970001-EI, Order No. PSC-97-0262-FOF-EI (the “Separated Sales
7 Order”), wholesale sales that are non-firm or less than one year in duration are
8 treated as non-separated sales, and all other sales are treated as separated
9 sales. Non-separated sales are not assigned cost responsibility through the
10 separation process because a utility does not commit long-term capacity to
11 such wholesale customers. Therefore, the revenues and costs associated with
12 non-separated sales are shared by both retail and long-term firm wholesale
13 customers.

14 **Q. How are separated sales treated in the jurisdictional separation study?**

15 A. The FPSC has historically required that, absent a request to deviate from the
16 Separated Sales Order, costs associated with separated sales be allocated on a
17 system average basis and treated as wholesale for jurisdictional separation
18 purposes. In essence, the wholesale sale is separated to remove the production
19 plant and operating expenses (including fuel expenses) associated with the
20 sale from the retail jurisdiction’s cost responsibility. FPL’s separated
21 wholesale sales for the 2017 Test Year and the 2018 Subsequent Year include
22 Seminole Electric Cooperative, Lee County Electric Cooperative, Florida
23 Keys Electric Cooperative, City of Homestead, City of New Smyrna Beach,

1 City of Winter Park, and City of Quincy power sales contracts. The
2 jurisdictional separation factors for separated wholesale sales are calculated
3 using the wholesale customers' load forecasts.

4 **Q. How are wholesale transmission service contracts treated in the**
5 **jurisdictional separation study?**

6 A. Consistent with the FPSC order in Docket No. 080677-EI, FPL has separated
7 the costs and revenues associated with wholesale transmission service
8 contracts that are firm and longer than one year. These wholesale contracts
9 are separated to remove the transmission plant and operating expenses
10 associated with the transmission service contracts from the retail jurisdiction's
11 cost responsibility. Revenue from short-term, non-firm wholesale
12 transmission service contracts are credited to both retail and wholesale
13 jurisdictions, thereby reducing the costs to serve both jurisdictions. In other
14 words, these contracts are not assigned cost responsibility through a
15 separation process; therefore, the retail and wholesale firm transmission
16 customers support all of the transmission investments and costs. In exchange
17 for supporting the investment, both the retail and wholesale firm transmission
18 customers receive all of the revenues.

19 **Q. Please explain how the results of the jurisdictional separation study are**
20 **incorporated into the cost of service study.**

21 A. The jurisdictional separation factors are applied on a line item basis to the
22 Company's total utility rate base and NOI to compute jurisdictional or retail
23 rate base and NOI. The jurisdictional results and associated factors are shown

1 on MFR B-6 and MFR C-4. The jurisdictional separation factors are among
2 the inputs used to calculate the jurisdictional or retail-adjusted rate base and
3 NOI reported in MFRs B-1 and C-1, respectively, sponsored by FPL witness
4 Ousdahl. The jurisdictional or retail-adjusted rate base and NOI are allocated
5 to retail rate classes in the cost of service study.

6 **Q. How does the allocation of rate base and expenses to the wholesale
7 jurisdiction in this case compare to the allocation in the last case?**

8 A. A higher percentage of production plant and expenses is allocated to the
9 wholesale jurisdiction in this case due to the increase in long-term power
10 sales. This higher allocation, in turn, decreases the retail share of revenue
11 requirements. In the last case, the retail separation factor for production
12 demand costs was approximately 98%, and in this case it is 95%.

13

14

IV. RETAIL COST OF SERVICE STUDY

15

16 **Q. Please provide an overview of a retail cost of service study.**

17 A. A retail cost of service study is the continuation of the jurisdictional
18 separation study but at the retail rate class level. The cost of service study
19 starts with the jurisdictional-adjusted rate base and NOI. To determine FPL's
20 costs to serve each retail rate class, the various components of the
21 jurisdictional-adjusted rate base and NOI are functionalized, classified, and
22 allocated to the retail rate classes.

1 **Q. Please explain the treatment of production plant in FPL's cost of service**
2 **study.**

3 A. FPL is proposing to utilize a 12 CP and 25% methodology for production
4 plant, rather than the 12 CP and 1/13th method used in prior rate cases, to
5 better reflect cost causation. The 12 CP and 25% methodology classifies 75%
6 of costs on the basis of CP demand and 25% of costs on the basis of energy.
7 That portion classified to demand is allocated to the individual rate classes
8 based on their 12 CP contributions, adjusted for losses, while the portion
9 classified to energy is allocated based on their kWh sales, adjusted for losses.
10 Under the 12 CP and 25% methodology, all generating units are treated
11 consistently based on their function (i.e., production), their classification (75%
12 demand and 25% energy), and their allocation (contribution to the system
13 peak and kWh of energy).

14 **Q. Why is FPL proposing a 12 CP and 25% methodology for allocation of**
15 **production plant?**

16 A. The proposed methodology provides a more appropriate classification and
17 allocation of production plant considering how power plants are planned and
18 operated at FPL in response to customer energy and demand needs. FPL has
19 installed a significant amount of base and intermediate load generation that
20 costs more to construct but is less costly to operate over time than peaking
21 generation. Investment in these generating units that improve system heat
22 rates and lower fuel costs drives the need to use a greater energy allocation
23 (e.g., 25%) for production plant. As discussed by FPL witness Kennedy, these

1 investments have resulted in approximately \$8 billion of fuel savings for
2 customers since 2001.

3
4 The Commission has previously recognized the need to reflect in the cost of
5 service study increasing levels of generation installed to reduce fuel costs and
6 has approved varying levels of production plant to be classified and allocated
7 based on energy. In Docket No. 820097-EU, the Commission required that
8 70% of the FPL St. Lucie Unit 2 plant, equivalent to the estimated fuel
9 savings, be classified and allocated based on energy. In Docket No. 850050-
10 EU, the Commission required the use of the Equivalent Peaker Cost method
11 that allocated all costs in excess of the cost of a peaking plant based on
12 energy, which resulted in approximately 75% of Tampa Electric Company's
13 production plant being allocated based on energy. Subsequently, the
14 Commission approved the use of 12 CP and 25% for all of Tampa Electric's
15 production plant in Docket No. 080317-EI.

16 **Q. Would the adoption of the 12 CP and 25% methodology have**
17 **implications for other cost recovery mechanisms?**

18 A. Yes. Production plant recovered in the cost recovery clauses should also be
19 allocated on the basis of 12 CP and 25%.

20 **Q. How does FPL's cost of service methodology treat transmission costs?**

21 A. With the exception of transmission pull-offs that are required to connect
22 transmission voltage customers to the grid, transmission costs have been
23 allocated on the basis of 12 CP. All transmission costs classified to demand

1 are allocated to the individual rate classes based on their 12 CP contributions,
2 adjusted for losses. Costs associated with transmission pull-offs are classified
3 as customer-related and allocated to transmission voltage customers. This
4 approach reflects the treatment of transmission plant approved for Duke
5 Energy Florida, Tampa Electric Company, and Gulf Power in Docket Nos.
6 000824-EI, 080317-EI, and 010949-EI, respectively.

7 **Q. Has FPL also filed a cost of service study reflecting 12 CP and 1/13th**
8 **methodology?**

9 A. Yes. As required by MFR E-1, FPL has filed a cost of service study utilizing
10 a 12 CP and 1/13th methodology for production and transmission plant. This
11 methodology classifies 12/13th, or approximately 92%, of costs on the basis of
12 CP demand and 1/13th, or approximately 8%, of costs on the basis of energy.
13 The portion classified to demand is allocated to the individual rate classes
14 based on their 12 CP contributions, adjusted for losses, while the portion
15 classified to energy is allocated based on their kWh sales, adjusted for losses.
16 Under the 12 CP and 1/13th methodology, all generating units and all
17 transmission plant, with the exception of transmission pull-offs, are treated
18 consistently based on their function (i.e., production), their classification
19 (12/13th demand and 1/13th energy), and their allocation (contribution to the
20 system peak and kWh of energy).

21 **Q. Have you prepared an exhibit that compares the results of the two**
22 **methodologies?**

1 A. Yes. Exhibit RBD-6 provides a summary comparison of the class cost of
2 service results of the two methodologies and calculates the difference in class
3 revenue requirements for the rate classes.

4 **Q. How does FPL's cost of service methodology treat distribution plant?**

5 A. Unlike production and transmission plant, which serve all of FPL's retail rate
6 classes, distribution plant is often specific to particular rate classes. Metering
7 costs, for example, are not relevant to unmetered lighting classes, such as SL-
8 1 and OL-1. Likewise, the cost of distribution is not incurred in providing
9 service to transmission level customers. Thus, the distribution function is
10 actually a mix of a number of distinct sub-functions, each with its own
11 allocation methodology. Substations and primary voltage lines are allocated
12 on the basis of the GNCP of customers served from the distribution system.
13 Secondary voltage lines are allocated on the basis of the GNCP of customers
14 served at secondary voltage levels. Transformers are allocated on the basis of
15 the NCP of customers served at secondary voltage levels.

16

17 The cost of metering equipment is classified as customer-related and is
18 allocated to rate classes based on the fully loaded cost of the meters in service
19 for each rate class. Service drops and primary voltage pull-offs are also
20 classified as customer-related. Primary voltage customers are allocated the
21 cost of primary pull-offs, and secondary voltage customers are allocated the
22 cost of service drops.

23

1 Lastly, costs specifically dedicated to lighting customers, including fixtures,
2 poles, and conductors, are directly assigned to those rate classes. FPL's
3 methodology for treating distribution plant just described is consistent with
4 that approved in Docket Nos. 830465-EI, 080677-EI and 120015-EI.

5 **Q. Is additional detail available outlining the methodology used in the**
6 **retail cost of service study?**

7 A. Yes. MFR E-10 provides details of the methodologies used in the cost of
8 service study to allocate the various components of rate base and NOI.

9 **Q. Which MFRs outline the functionalization, classification, and allocation**
10 **of costs in the cost of service study?**

11 A. MFRs E-4a and E-4b show the functionalization and classification of rate base
12 and expenses by FERC account. MFRs E-3a and E-3b show the allocation of
13 rate base and expenses by FERC account to the individual rate classes.

14

15 **V. RETAIL COST OF SERVICE RESULTS**

16

17 **Q. What results are produced in the cost of service study?**

18 A. The cost of service study produces specific data for each rate class including
19 rate base, NOI, ROR, target revenue requirements, and unit costs for demand,
20 energy, and customer charges. Target revenue requirements and unit costs
21 serve as the initial basis in the rate design process.

22 **Q. How do the target revenue requirements compare among demand, energy**
23 **and customer classifications?**

1 A. Most costs recovered in base rates are fixed costs that do not vary with energy
2 use; therefore, the majority of revenue requirements are classified as either
3 demand or customer-related. As shown on MFR E6b, Attachment 1, \$1,277
4 million out of \$6,595 million, or 19%, are classified as energy-related. More
5 than 80% of costs recovered through base rates are fixed costs classified as
6 demand or customer-related, including directly assigned fixed lighting costs.

7 **Q. How is the ROR by rate class determined?**

8 A. ROR is calculated by dividing NOI by rate base. The retail jurisdictional
9 ROR represents the jurisdictional adjusted NOI divided by the jurisdictional
10 adjusted rate base. The ROR for each rate class is calculated once the various
11 components of jurisdictional adjusted rate base and jurisdictional adjusted
12 NOI are allocated to all rate classes. ROR on a total retail and on an
13 individual rate class level are reported in MFR E-1.

14 **Q. How are comparisons in ROR by rate class made?**

15 A. A measure of how a rate class's ROR compares to the total retail ROR can be
16 computed by dividing the class ROR by the retail ROR. The resulting figure
17 is referred to as the parity index. A rate class with a parity index of 100%
18 would be earning the same ROR as the retail average, and deemed to be
19 precisely at parity. A rate class with a parity index of less than 100%, or
20 below parity, would be earning an ROR that is less than the retail average
21 ROR, while the opposite would be true for a rate class with an index above
22 100%.

1 **Q. What does FPL's cost of service study show regarding the retail average**
2 **ROR and the parity indices by rate class?**

3 A. At present rates, FPL's cost of service shows a projected retail jurisdictional
4 ROR of 4.97% for the 2017 Test Year and 4.65% for the 2018 Subsequent
5 Year, which is the same earned ROR as that reported on Line No. 12 of MFR
6 A-1. The study shows that at present rates, certain rate classes, such as
7 GS(T)-1, are above parity, while other rate classes, such as GSLD(T)-1, and
8 GSLD(T)-2, are below parity. Exhibit RBD-4 lists the ROR and relative
9 parity index for each rate class along with the revenue requirement differential
10 to achieve full parity at present rates for the 2017 Test Year. MFR E-1
11 provides the details supporting these results.

12 **Q. Please explain the other results produced in the cost of service study.**

13 A. As previously mentioned, a cost of service study also calculates revenue
14 requirements or target revenues by rate class. Revenue requirements consist
15 of a return on rate base plus income taxes and expenses. Thus, revenue
16 requirements represent the level of revenues required to earn a particular
17 ROR. Consistent with FPSC filing requirements, three sets of projected
18 revenue requirements by rate class have been developed. One set of revenue
19 requirements, shown in MFR E-6a, is based on each rate class's projected
20 individual ROR. The second set of revenue requirements, also presented in
21 MFR E-6a, is based on FPL's projected retail ROR applied uniformly to each
22 class. The third set of revenue requirements, shown in MFR E-6b, is based on
23 FPL's requested retail ROR applied uniformly to each rate class. MFR E-6b

1 provides the target revenue requirements by rate class and underlying unit
2 costs for each billing determinant (i.e., demand, energy, and customer) used
3 by FPL witness Cohen in the rate development process. Exhibit RBD-5
4 shows target revenue requirements for each rate class at proposed rates on an
5 equalized basis, that is, at the retail ROR or at parity. As can be seen on this
6 exhibit, the total revenue requirements deficiency shown in Column 4 equals
7 the amount shown on MFR A-1, line 16. The target revenue requirements
8 shown in Column 3 are reported on MFR E-1.

9

10 The unit costs shown in MFRs E-6a and E-6b are derived by dividing the
11 demand, energy, customer, and lighting-related revenue requirements by the
12 appropriate billing unit. Thus, the cost of service study provides the basis to
13 determine the demand, energy, and customer unit costs for each rate class. As
14 stated earlier, the rate classes' target revenue requirements and underlying unit
15 costs at the requested retail ROR serve as the initial basis in the rate design
16 process, which FPL witness Cohen addresses.

17

18 The cost of service study in MFR E-1 also provides the impact of the
19 proposed revenue increase on the ROR and parity index for each rate class.

20 The proposed revenue increase by rate class used in this MFR is provided on
21 MFR E-5, sponsored by FPL witness Cohen.

22 **Q. Should the Commission approve FPL's cost of service study?**

1 A. Yes, the Commission should approve the jurisdictional separation study and
2 the cost of service study methodology presented in my testimony. The
3 methodologies used to allocate rate base, other operating revenues, and
4 expenses between the retail and wholesale jurisdictions and among the retail
5 rate classes were accurately applied and are consistent with those previously
6 approved by this Commission. The use of 12 CP and 25% for production
7 plant and 12 CP for transmission plant, adjusted for pull-offs, cost of service
8 methodologies should be approved because they better align costs and benefits
9 to the customer classes.

10 **Q. Does this conclude your direct testimony?**

11 A. Yes.

1 BY MS. CLARK:

2 Q Ms. Deaton, do you have exhibits to your
3 testimony that were identified by you as RBD-1 through
4 RBD-6?

5 A Yes.

6 Q Were these prepared under your direction,
7 supervision, and control?

8 A Yes.

9 MR. WISEMAN: Madam Chair, I would note that
10 these are pre-identified as Exhibits 143 through
11 148.

12 CHAIRMAN BROWN: So noted.

13 Staff?

14 MS. BROWNLESS: Yes, ma'am.

15 EXAMINATION

16 BY MS. BROWNLESS:

17 Q Good afternoon, Ms. Deaton. Have you had an
18 opportunity to look at what's been marked as
19 Exhibit 579?

20 A I have.

21 Q Okay. And have you reviewed the Exhibits that
22 are listed next to your name?

23 A I have.

24 Q Okay. And did you prepare these exhibits or
25 were they prepared under your supervision and control?

1 A Yes.

2 Q And are these exhibits true and correct, to
3 the best of your knowledge and belief?

4 A Yes.

5 Q If you were asked the same interrogatory
6 responses today, would your answers be the same?

7 A Yes.

8 Q Are any portions of your listed exhibits
9 confidential?

10 A Yes.

11 Q And with regard to Exhibit 479 [sic], did you
12 review the work papers, your work papers that were
13 submitted in response to that exhibit?

14 A Yes.

15 MS. BROWNLESS: Thank you.

16 CHAIRMAN BROWN: FPL.

17 CONTINUED EXAMINATION

18 BY MS. CLARK:

19 Q Ms. Deaton, would you summarize -- provide a
20 summary of your testimony.

21 A Yes, ma'am.

22 Good afternoon, Madam Chairman and
23 Commissioners. Thank you for the opportunity to speak
24 to you today. As I said, I'm Renae Deaton. I'm the
25 cost-service and load-research senior manager.

1 I am going to talk to you about four major
2 topics in my testimony; the first being load research.
3 The second topic is a jurisdictional-separation study.
4 The third topic is the mechanics of the cost-of-service
5 study. And the fourth topic is the proposed change in
6 the percentage of production plant that is classified
7 and allocated on an energy basis.

8 Load research provides the basis for -- to
9 determine each rate class' contribution to system peaks,
10 which is used to allocate demand-related costs. FPL's
11 load-research results meet the Commission's requirements
12 for precision and accuracy and can be relied upon for
13 allocating costs to the retail rate classes.

14 The separation study is the first step in the
15 cost-of-service study. The jurisdictional-separation
16 study separates costs between the wholesale and the
17 retail jurisdictions.

18 Jurisdictional-separation factors are
19 calculated for each line item of rate base, expenses,
20 and revenues. And the separation factors are primarily
21 calculated based on the rate -- the wholesale and the
22 retail classes' contribution to the system peak demands
23 and energy sales.

24 There are three basic steps in the cost-of-
25 service study. The first step is the functionalization

1 of cost by type; that is, whether it's production-
2 related, transmission-related or customer-related.

3 And then the second is the classification of
4 costs between demand, energy, and customer based on the
5 cost driver. And the third is the allocation of cost to
6 the rate classes based on their contribution to the
7 total system on the cost driver.

8 Consistent with precedent set in previous
9 Commission orders and staff recommendations, FPL is
10 proposing to increase the percentage of production
11 plant, classified and allocated on an energy basis, from
12 1/13th or about 8 percent, to 25 percent in order to
13 better align the allocation of generation capital costs
14 with the associated fuel savings.

15 The allocation of the remaining 75 percent of
16 production cost is not changing. It is still based on
17 the customer's contribution to the monthly coincident
18 peak demands or the 12CP. This allocation method is
19 referred to the 12CP and 25-percent method.

20 This change in production plant allocation is
21 driven by increasing investment in base and intermediate
22 load generation with higher capital costs, but lower
23 fuel costs and total costs than peaking generation. The
24 result is significant fuel savings and lower bills
25 overall.

1 The Commission has recognized the need to --
2 for a higher energy allocation in prior rate cases in
3 order to better align cost and fuel savings benefits and
4 previously approved the 12CP and 25-percent method for
5 Tampa Electric Company.

6 The Commission should approve the
7 jurisdictional-separation and cost-of-service studies
8 and methods filed in my testimony. The results are
9 accurately determined and fairly present each class'
10 cost responsibility.

11 This concludes the summary of my direct
12 testimony. I'll be happy to answer any questions you
13 may have. Thank you.

14 MS. CLARK: Madam Chairman, we tender the
15 witness for cross examination.

16 CHAIRMAN BROWN: Thank you. And welcome and
17 good afternoon, Ms. Deaton.

18 THE WITNESS: Good afternoon.

19 CHAIRMAN BROWN: Mr. Rehwinkel.

20 MR. REHWINKEL: Madam Chairman, we have no
21 questions at this time for this witness.

22 CHAIRMAN BROWN: Okay.

23 MR. REHWINKEL: Thank you.

24 CHAIRMAN BROWN: FIPUG. I know you have
25 questions, Mr. Moyle.

1 MR. MOYLE: A few.

2 EXAMINATION

3 BY MR. MOYLE:

4 Q Ms. Deaton, good afternoon.

5 A Good afternoon, Mr. Moyle.

6 Q Good -- good to see you.

7 Let's talk about the last point that you
8 brought up with the Commission about your proposed
9 change in allocation from what -- what's called the 12CP
10 and 1/13th to the 12CP and 25 percent. Okay?

11 A Okay.

12 Q FPL has been using the 12CP and 1/13th
13 approach since the 1980s, correct?

14 A That's correct. We've been using it since
15 1983.

16 Q And you said -- the note I took was -- is that
17 you're recommending the change in part because of the
18 changes related to base and intermediate load
19 investment. Did I get that right?

20 A I don't think that's quite right. I said
21 we're -- we're continuing to increase our investment in
22 base and intermediate load generation that is more
23 capital intensive, but cheaper total costs than peaking
24 generation.

25 Q Okay. Would that, what you just described,

1 include things like the Riviera combined cycle unit?

2 A Yes, it would.

3 Q And the Cape Canaveral combined cycle unit?

4 A All of our combined cycle units.

5 Q The Fort Lauderdale -- you call that Port
6 Everglades; is that right? The combined cycle unit at
7 Port Everglades -- that would be included in that
8 description --

9 A I said it includes all of our combined cycle
10 units.

11 Q Okay. At the time you filed your last rate
12 case in 2000 -- the 2012 rate case, you had -- you knew
13 that Cape Canaveral was moving forward with repowering,
14 correct?

15 A Retiring?

16 Q Moving -- I'm sorry -- repowering, the Cape
17 Canaveral -- the Cape Canaveral repowering project.

18 A I don't think they had a repowering.

19 Q What -- the Cape Canaveral project -- what do
20 you call it?

21 A We built a brand-new plant where an old plant
22 used to be. It's a modernization, I believe.

23 Q Okay. Cape Canaveral modernization. That was
24 moving forward and had been approved before you filed
25 the 2012 rate case, correct?

1 A Yes.

2 Q Same question with respect to Riviera.

3 A I believe so. I'm not --

4 Q Same question --

5 A -- familiar with all of the need-determination
6 dates.

7 Q Okay. Same question with respect to Fort
8 Lauderdale.

9 A Fort Lauderdale?

10 Q Port Everglades.

11 A I'm -- like I said, I don't know the exact
12 dates of all the need determinations, but I knew that
13 those plants were going in service.

14 Q And you didn't propose a change in your last
15 rate case to this 12CP and 50 -- 25-percent approach,
16 did you?

17 A No, we did not. We looked at -- we have
18 looked back in every rate case since, I think, before
19 2000. And it wasn't until this rate case that we
20 determined that it -- the time was ripe. Given the
21 extensive amount of fuel savings discussed by Witness
22 Kennedy that is benefiting all customers, we felt the
23 time was right to have all customers pay a larger share
24 of the capital costs associated with those fuel savings.

25 Q You said -- you suggested in your summary that

1 **TECO -- there was a Commission order that approved a**
2 **different approach for -- for TECO, right?**

3 A That's correct.

4 Q Okay. But -- but as we sit here today, TECO
5 uses a 12CP and 1/13th, correct?

6 A It's my understanding that TECO agreed to a
7 12CP and 1/13th in their last settlement --

8 Q Okay. So, that would be --

9 A -- that they filed for a 12CP and 50 percent.

10 Q Okay. So, the answer would be yes, that Tampa
11 Electric uses a 12CP and 1/13th, correct, as we sit here
12 today?

13 A Yes, that -- that's part of their settlement.

14 Q So, why -- why does that make a difference if
15 it was part of a settlement, in your mind?

16 A Because they filed and supported a 12CP and
17 50-percent cost allocation.

18 Q Okay. But ultimately, the Commission looks at
19 what's in a settlement and decides whether they're
20 comfortable with it or not, correct?

21 A No. I think that the Commission determines
22 whether the overall settlement is best for -- for all
23 customers. I don't think they go line item by line
24 item, depending on the settlement.

25 In fact, the Commission addresses -- and I

1 talk about that in my rebuttal testimony about the
2 Commission specifically saying that approving a 12CP and
3 1/13th for Duke and prior settlements does not bind them
4 for TECO when they approve the 12CP and 25 percent for
5 TECO.

6 Q You were involved in the part of the 2012
7 settlement, were you not?

8 A Yes, I was.

9 Q Okay. And didn't the Commission -- my
10 recollection is -- is that the Commission had before it
11 a settlement and then had a hearing. And during the
12 hearing, they were uncomfortable with a couple of
13 aspects and suggested that changes be made. Is that
14 consistent with your recollection?

15 A That was a long time ago.

16 Q So -- so, you don't recall one way or the
17 other?

18 A I don't recall the specifics of the hearing,
19 no.

20 Q An issue relating to how much the revenue the
21 residential class would share -- you don't remember
22 that?

23 MS. CLARK: Asked and answered.

24 MR. MOYLE: Just trying to hone in and refresh
25 her memory.

1 MS. CLARK: She said she doesn't remember.

2 CHAIRMAN BROWN: Mr. Moyle, can you move
3 along?

4 BY MR. MOYLE:

5 Q What are transmission pull-offs?

6 A Transmission pull-offs are the transmission
7 facilities required to connect transmission-level
8 customers who take service at the transmission level to
9 the transmission system.

10 Q Okay. And -- and are they -- they're
11 typically located, I guess, close -- obviously close to
12 transmission lines; is that right?

13 A Depending on where the customer is. I don't
14 know how long the lines are, the pull-offs.

15 Q Okay. Do you have a sense with respect to
16 location of industrial customers, vis-a-vis transmission
17 lines -- generally speaking, do they locate closer to
18 transmission lines so you don't have to install a whole
19 bunch of poles and things to -- to serve them?

20 A No, I'm not aware of that. We have very --
21 many industrial customers of various sizes in all of our
22 rate schedules and all of our rate classes. There's
23 industrial customers that take service under the GS rate
24 schedule.

25 So, to characterize it as being all industrial

1 customers take service close to the transmission
2 system -- I have no knowledge of that.

3 **Q Do you have any knowledge, one way or the**
4 **other, whether many of them do?**

5 A No, I do not.

6 **Q Just don't have any knowledge one way or the**
7 **other.**

8 A No, I do not. Mr. Miranda would have been the
9 person to ask that question.

10 **Q What are demand line-loss factors?**

11 A Can you repeat that? And I didn't catch the
12 first part.

13 **Q I'm sorry. Demand line-loss factors.**

14 A Those are loss factors that are applied to the
15 billing -- the CP demands and to adjust up to the
16 generation level.

17 **Q Does that relate to transmission to energy**
18 **losses that occur when you're moving electricity on**
19 **transmission lines?**

20 A We have energy losses and demand-loss factors.
21 You asked for demand-loss factors, we calculate demand-
22 loss factors at the various -- at the transmission level
23 and at the primary distribution level, and at the
24 secondary distribution level.

25 **Q Okay. And if I understand your testimony -- I**

1 don't want to miss an opportunity -- but the MDS, the
2 minimum distribution system -- you are addressing that
3 in your rebuttal; is that right?

4 A Yes.

5 Q Okay. Well, we'll have something to chat
6 about next week.

7 A I can't wait.

8 (Laughter.)

9 Q Thank you. I did want to ask -- it's getting
10 late. Did I ask you the question about how many pages
11 were in the Exhibit 579?

12 A No.

13 Q Okay. Let me ask you that. You were asked by
14 staff to identify exhibits that you sponsored. And you
15 did. And I just am curious as to whether the total
16 number of the exhibits -- not to hold you to it, but --
17 was within the range of one to ten, ten to a hundred, or
18 over hundred?

19 A Total number of exhibits?

20 Q That you -- when staff asked you those
21 questions about -- about work papers and did you
22 authenticate these --

23 A Are you asking me how many files were in our
24 responses?

25 Q I'm just asking how many pages are represented

1 **by what you just testified to that, yes, you sponsored**
2 **those.**

3 A At least more than this because this is the
4 part that I could print out of interrogatories
5 (indicating). The production of documents -- I reviewed
6 them. They are voluminous files that could not be
7 printed, I don't think, because we provided 87 -- 8,760
8 hours of load data for every customer that we sample in
9 our load-research sampling plan.

10 And we have voluminous amounts of back-up
11 files for all of our cost of service that I have no clue
12 what -- if we printed them out, what the number of pages
13 would be.

14 Q **And I don't know that this means much to me,**
15 **but it means something to some people. Can you equate**
16 **how many of those files were in terms of, like,**
17 **gigabytes or -- gigabytes, the size of the data?**

18 A Well, they fit on a CD. Would you like me to
19 look at the CD --

20 Q **No. No. No. I just am --**

21 A -- and tell you what --

22 Q **-- trying to --**

23 Please. Please.

24 BY MR. MOYLE:

25 Q **No. Just for the record, the book that you**

1 please?

2 A Which attachment?

3 Q Well, I'm glad you said that. First, let me
4 ask you a couple of preliminary questions, and then
5 we'll get to the attachments.

6 First of all, you've included in E-1 -- there
7 is a -- there are data for the 2017 test year, and then
8 separate data for the 2018 test year, correct?

9 A That's correct.

10 Q Okay. And also, you have one data set that
11 relates to -- or that utilizes the 12CP and 25-percent
12 methodology and a -- a parallel data set that utilizes
13 the 12CP and a 13th methodology; is that right?

14 A That's correct.

15 Q Okay. What I would like to do -- first of
16 all, let's focus on the data sets for the 2017 test year
17 and -- well -- oh, one -- I'm sorry. One other
18 preliminary question. You did not submit an E-1,
19 Schedule E-1 for the Okeechobee limited scope
20 adjustment, correct?

21 A That's correct.

22 Q Okay. So, with respect to MFR E-1, would you
23 agree that each -- you have data sets that the include
24 forecasts of the parity index and the rate of return for
25 each rate class, right?

1 A Yes.

2 Q And just for -- so the record is clear, can
3 you describe what it means when you have a parity index
4 rating of either -- above 1.0 or below 1.0?

5 A Certainly. The parity index measures the rate
6 classes -- rate of return as compared to the system-
7 average rate of return.

8 If the rate class is -- is earning more than
9 the system average, that parity would be above one,
10 which means that they are -- you know, they are earning
11 above where they should be. And if they are below one,
12 then they -- the classes are below where they should be,
13 as discussed by Witness Cohen.

14 Q Okay. And would you agree that your
15 calculated rate of return is going to differ, dependent
16 upon whether you use the 12CP and 25-percent methodology
17 or the 12CP and 1/13th methodology?

18 A The total system rate of return would not
19 change.

20 Q I'm sorry. Let me make -- be more clear.
21 Would you agree that the rate of return for each rate
22 class would differ, dependent upon whether you're doing
23 the calculations using the 12CP and 1/13th methodology
24 or the 12CP and 25-percent methodology?

25 A That's correct. Any time you change your

1 allocation methodologies, whether it's the production
2 allocation or the transmission or the distribution,
3 you're going to affect how much rate base is allocated
4 to each customer class and, also, how much expenses is
5 allocated to each customer class.

6 Therefore, the amount of net operating income
7 left over from revenue will change. So, therefore, your
8 rate of return will change and your parity will change.

9 **Q Okay. Great.**

10 Let's refer to Attachment -- again, I want to
11 focus on the 2000 test -- 2017 test year. And I want to
12 refer to Attachment No. 1 of 3 in MFR E-1. Okay? And
13 it -- for ease, if you would, pull out the applicable
14 schedules; one for the 12CP and 25-percent methodology,
15 and then the parallel one for the 12CP and the 13th
16 methodology.

17 A Attachment 1?

18 **Q Attachment 1 --**

19 A Yes.

20 **Q -- of 3, correct.**

21 A Yes. Okay.

22 **Q All right. If we turn to -- I'm -- I'm in the**
23 **12 -- the one for the 12CP and 25-percent methodology.**
24 **And if you could, go to Page 2 of 4 in that attachment,**
25 **please. Do you have that?**

1 A Yes.

2 Q Okay. So, let's look at the CILC1D rate class
3 in Column 3. Do you have that?

4 A Yes, this is at present rates.

5 Q I'm sorry?

6 A This is the schedule for the parity level at
7 present rates.

8 Q Yes, correct -- yeah, thank you for that
9 clarification.

10 Would you agree that, using the 12CP and
11 25-percent methodology, you calculate for the CILC1D
12 rate class a rate of return in the 2017 test year at
13 present rates of 3.68 percent?

14 A That's correct.

15 Q Okay. And the parity index that you calculate
16 for the CILC1D rate class in the 2017 test year at
17 present rates would be 0.739, correct?

18 A That's correct.

19 Q Okay. Now, let's go to the 12CP -- the
20 Attachment 1 of 3 for the 2017 test year at present
21 rates under the 12CP and 1/13th methodology. All right?

22 A Same page?

23 Q Same page, Page 2 of 4. For the CILC1D rate
24 class, using the 12CP and 1/13th methodology at present
25 rates for 2017 test year, you determine a rate of return

1 of 3.89 percent, correct?

2 A That's what it says.

3 Q Okay. And that the index, the parity index in
4 that instance is at .78 -- 0.783, correct?

5 A That's correct.

6 Q Okay. So, in each instance, the rate of
7 return and the parity index for the CILC1D rate class is
8 somewhat higher using the 12CP and the 13th methodology,
9 as compared to the 12CP and 25-percent methodology; is
10 that right?

11 A That's right. As I said before, when you
12 change allocation methodologies, some classes are going
13 to be allocated more cost and some classes are going to
14 be allocated less. So, some classes, the parity and
15 rate of return go down; some classes, they go up.

16 Q Okay. And would you agree that, from a
17 directional standpoint, the GSLDT1, GSLDT2, and
18 GSLD3- -- LDT -- GSLDT3 rate schedules are similarly
19 situated to the CILC1D rate schedule, meaning that, for
20 each of those rate classes, their rate of return and
21 their parity index are higher under the 12CP and 1/13th
22 methodology than they are under the 12CP and 25-percent
23 methodology?

24 A Yes. The larger rate classes, the more
25 energy-intensive rate classes that have enjoyed the

1 benefits of the fuel savings are seeing greater costs
2 being allocated to them to cover their fair share of the
3 costs of the generating plants that produced those
4 savings.

5 Q All right. Now, can you turn to Page 4 of 4
6 in each of those schedules that we've been talking
7 about?

8 A Okay.

9 Q All right. Do you see -- it's Column 4 for
10 the residential rate class. Do you see that?

11 A Yes, I do.

12 Q Okay. And looking at the calculation using
13 the 12CP and 25-percent methodology for the 2017 test
14 year at present rates, the residential class shows a
15 rate of return of 5.3 percent and a parity index of
16 1.065, correct?

17 A Yes. Would you like me to read the parity
18 indexes for all the rate classes? I mean, the MFRs are
19 filed and --

20 Q No, I would just like to go over a couple of
21 these --

22 A Okay.

23 Q -- if that would be all right with you.

24 So, the answer was -- could you verify those
25 were the numbers?

1 A That is what the schedule says, yes.

2 Q All right. And if you go to the parallel
3 schedule using the 12CP and 1/13th methodology, would
4 you agree that, for the residential rate class at
5 present rates for the 2017 test year, the rate of return
6 is 5.23 percent and the parity index is 1.051, correct?

7 A Yes. There is still over-parity under the
8 1/13th method.

9 Q Okay. So, but you would agree that, in this
10 instance, as opposed to the rate classes we've talked
11 about previously, the residential rate class is shown as
12 producing a lower rate of return and a lower parity
13 index number using the 12CP and 1/13th methodology as
14 compared to the 12CP and 25-percent methodology,
15 correct?

16 A Mr. Wiseman, I think I've answered this
17 numerous times; some rate classes go up; some rate
18 classes go down.

19 Q I -- I'd like a question -- can I get an
20 answer to the question I asked, Ms. Deaton?

21 CHAIRMAN BROWN: Yes. Please --

22 THE WITNESS: Yes. And would you like to know
23 which other classes have changed?

24 BY MR. WISEMAN:

25 Q No, I think we can move along. But the answer

1 on my question was yes, correct?

2 A Yes.

3 Q All right. Now, would you agree that when you
4 perform class cost-of-service-allocation calculations
5 using different methodologies, that the revenues that
6 are used are identical in each case?

7 A No.

8 Q Well, let's take a look at -- let's go back to
9 Page 2 of -- let's go to Page -- give me a second,
10 please.

11 CHAIRMAN BROWN: Sure.

12 Q All right. Look at Page 1 of 4 in Attachment
13 No. 1 using the 12CP and 25-percent methodology. Do you
14 have that page?

15 A Yes.

16 Q Okay. And if we look at the CILC1D rate
17 class -- just let's use that as an example -- and let's
18 look at Line 15, sales of electricity.

19 A Yes, the sales-of-electricity revenue is not
20 changing. That's not what you asked. You said total
21 revenue. And other operating revenues will be allocated
22 differently for the different methodologies.

23 Q All right. Well, let me ask -- thank you for
24 the clarification. Let me ask it more clearly, then.
25 First of all, the figure that's in Row 15 -- that's a

1 **dollar figure, correct?**

2 A That's thousands of dollars.

3 Q **Fair enough. But it's dollars we're talking**
4 **about, right, as opposed to some other unit of measure?**

5 A That's correct.

6 Q **Okay. And so, for the CILC1D rate class, the**
7 **sales of electricity in this schedule for 2017, at**
8 **present rates, using the 12CP and 25-percent methodology**
9 **is \$87,801,000, correct?**

10 A Yes. It's the same for both methodologies
11 because, like I said, the sales -- revenue from sales
12 doesn't change. It's just the allocation of other
13 operating revenue.

14 Q **Okay. And the sales-of-electricity figures**
15 **will be the same for every rate class across the board**
16 **under both of the -- under either of the methodologies**
17 **we've been talking about, right?**

18 A Yes.

19 Q **Okay. So, would you agree that when you're**
20 **comparing results under different class cost-of-service-**
21 **allocation methodologies, you're using a fixed revenue**
22 **amount in terms of sales of electricity, but you're**
23 **evaluating the results differently, meaning that your**
24 **allocating a different amount to cover costs and a**
25 **different amount to cover return?**

1 A I -- not sure -- no, because the allocation is
2 rate base and expenses. So, I am allocating rate base
3 differently. I'm allocating the production plant rate
4 base based on 12CP and 25-percent energy. So,
5 25 percent of the production-plant rate base will be
6 classified and allocated on an energy basis and the --
7 and each class' contribution to energy determines how
8 much of that rate base gets allocated to that cost.

9 And for the production expenses -- that really
10 doesn't change. It's just rate base. So, when you
11 calculate the return, you -- you calculate how much of
12 the net operating income is available to -- to, you
13 know, meet expenses and a return.

14 And when you calculate your return, it's based
15 on the amount of rate base that's allocated. When I
16 allocate more rate base to that class to cover a greater
17 portion of consideration of greater energy use, then
18 they will have a higher rate base. Their net operating
19 income will be the same, essentially. And so,
20 therefore, their rate of return goes down and their
21 parity goes down. And when the -- and it's all -- you
22 know, other classes have less rate base allocated to
23 them.

24 So, this is just a calculation. It does
25 not -- you know, there is not anything sinister in

1 this -- in this allocation. It's just a calculation.

2 Q Ms. Deaton, I absolutely was not intending to
3 suggest there was anything sinister about it. And I
4 think your explanation actually was consistent with what
5 I asked you.

6 So, let -- so, let me ask it so it's more --
7 maybe I wasn't clear enough. We agree that we're
8 talking about a set --

9 MS. CLARK: Madam Chairman, I'm going to
10 object. I think this is the third time this
11 question has been answered in various ways.

12 MR. WISEMAN: The question hasn't been
13 answered yet.

14 MS. CLARK: She continues to answer the
15 question that the parities would change --

16 CHAIRMAN BROWN: Hold on a second.

17 MS. CLARK: -- based on the allocation --

18 CHAIRMAN BROWN: Staff --

19 MS. CLARK: -- methodology.

20 CHAIRMAN BROWN: Thank you.

21 MR. WISEMAN: But that --

22 CHAIRMAN BROWN: Got it. Please, no further
23 clarification.

24 Staff?

25 MS. BROWNLESS: I believe she's answered that

1 the parity between the classes change depending
2 upon the cost of service.

3 MR. WISEMAN: And Madam Chair, that wasn't the
4 question I asked. I don't want -- I'm not asking
5 about the parity.

6 CHAIRMAN BROWN: Repeat the question.

7 MR. WISEMAN: Yes.

8 BY MR. WISEMAN:

9 Q My question was that you have -- we agree,
10 we're talking about the same amount of dollars using
11 each -- each methodology, correct, for the --

12 A Not --

13 Q -- for the --

14 A Not quite.

15 Q For the -- for the sales of electricity to the
16 applicable rate class.

17 A Well, the calculation uses total sales -- I
18 mean, total revenue, not -- total operating revenue.
19 So, that can change slightly, but the revenue from sales
20 doesn't change, but we do calculate the -- and net
21 operating income based on total revenues. So, it's
22 total revenues.

23 MR. WISEMAN: Madam Chair, I'm sorry. I have
24 to ask the question because I'm getting different
25 answers to the same question that's been asked.

1 THE WITNESS: No. No -- all right. I'm
2 sorry.

3 BY MR. WISEMAN:

4 Q The sale -- you agree that the sales of
5 electricity reflected on Line 15 for each rate class are
6 identical whether we're talking about sales -- whether
7 I'm talking about use of the 12CP and 1/13th methodology
8 or the 12CP and 25-percent methodology, correct?

9 A That's correct.

10 Q Okay.

11 A That revenue is added to other operating
12 revenues to calculate NOI.

13 Q Okay. I want to focus on the sales-of-
14 electricity figure in Line 15. Okay?

15 A Okay.

16 Q All right. And taking -- focusing on those
17 dollars that don't change, as between the two
18 methodologies, you would agree that, dependent upon
19 which methodology you are using, you're going to
20 allocate a different amount of those costs to a return
21 and a different amount -- to the recovery of costs; is
22 that correct?

23 MS. CLARK: Do you --

24 A No. No.

25 MS. CLARK: -- costs or revenues?

1 CHAIRMAN BROWN: Mr. Wiseman?

2 MS. CLARK: I think you've confused it in your
3 question.

4 MR. WISEMAN: I didn't confuse it. I'm
5 talking about costs and return. That's how --
6 that's what ratemaking is about is costs and
7 return. What on a class cost-of-service basis --

8 CHAIRMAN BROWN: Okay.

9 MR. WISEMAN: What are the costs and what's
10 the return.

11 CHAIRMAN BROWN: Okay. Proceed.

12 BY MR. WISEMAN:

13 **Q And my question to you is: If you have a**
14 **set -- if you have a set -- let me try it a different**
15 **way. Again, referring to the sales of electricity,**
16 **that's a set amount in Line 15. It's not changing.**

17 When you run -- when you use the different
18 methodologies, you agree that you're going to come up
19 with a different return based upon which methodology --

20 A Yes.

21 **Q -- you use, correct?**

22 A And that -- yes, that's because rate base is
23 changing.

24 **Q Okay. But that -- doesn't that mean that what**
25 **is happening under the two different methodologies is**

1 that you're determining a different amount goes to rate
2 base --

3 A Yes.

4 Q -- correct?

5 A If you will look on Line 12 on that same page,
6 you can see the different rate-base amounts that are
7 allocated under the two methodologies.

8 Q So, you're attributing a different amount to
9 rate base under the two methodologies, correct?

10 A Yes.

11 Q Okay. And that ends up resulting in a
12 different calculation of rate of return, correct?

13 A The calculation is the calculation.

14 Q The result -- it ends up in a different
15 result.

16 A The result is different because rate base is
17 different --

18 Q All right.

19 A -- and NOI is different.

20 Q All right. Let's move on to a different
21 subject or slightly different --

22 CHAIRMAN BROWN: Please.

23 Q The E-1 schedules reflect forecasts for the
24 2017 and 2018 test years, right?

25 A The E-1 what?

1 Q The EI schedule -- MFR Schedules E-1, whether
2 we're talking -- if -- those are forecasts of 2017 and
3 2018 results, correct?

4 A Those are forecasts of 2017 and 2018 rate base
5 and expenses and income taxes, other things that are on
6 there.

7 Q Different forecasts, correct?

8 A They are forecasts.

9 Q Okay. Would you agree on -- that, on a
10 historical basis, the rate of return for each customer
11 class is a quantifiable number?

12 A Yes.

13 Q And would you agree that, on a historical
14 basis, to quantify the rate of return for each customer
15 class, specifically each -- the rate of return each
16 customer class returned to FPL, you determine the
17 revenues that FPL received from that rate class -- rate
18 class relative to the costs of presiding -- providing
19 service to that rate class.

20 A Relative to the rate base and expenses,
21 allocated to that class, yes.

22 Q Now, isn't it true that FPL has not conducted
23 a study to determine the actual costs that FPL incurred
24 to provide service to customers in each of its rates
25 classes in calendar year 2015?

1 A FPL has not completed that cost-of-service
2 study for 2015. As I explained in discovery, that we
3 postponed doing the actual cost of service that we do
4 every year because we're in a rate case. And those
5 people working on the rate case are the ones who do that
6 actual cost-service study.

7 MR. WISEMAN: So, the -- Ms. Deaton -- Madam
8 Chair, if I could please get a direction from you.
9 I'm happy for Ms. Deaton to explain her answers,
10 but if she can answer with a yes or a no first
11 prior to giving an explanation --

12 CHAIRMAN BROWN: Absolutely.

13 And Ms. Deaton, you've testified before and
14 you know that is our policy.

15 THE WITNESS: Yes.

16 CHAIRMAN BROWN: So, if at all possible,
17 please provide a yes, no, I don't know, and a
18 succinct clarification to that answer.

19 THE WITNESS: Yes. And I thought is a said
20 yes at the beginning of my answer. If -- I'll get
21 closer to the mic.

22 BY MR. WISEMAN:

23 **Q So, the answer is yes, you have not -- FPL**
24 **has not conducted the study I've inquired about,**
25 **correct?**

1 A Yes, as I explained in response to discovery
2 and in deposition, that we haven't finished that yet.

3 Q Okay. And isn't it true that FPL hasn't --
4 has not conducted a study to determine the rate of
5 return that each rate class actually provided to FPL in
6 calendar year 2015?

7 A The same response.

8 Q Is that a yes? An answer?

9 A Yes.

10 Q An affirmative answer?

11 A That's what my prior response was, yes.

12 Q Okay. Would you agree that, in at least the
13 last five years, if not longer, FPL hasn't conducted any
14 study to attempt to determine the costs that FPL incurs
15 to provide services to each of its rate classes under a
16 methodology other than the 12CP and 1/13th methodology
17 or the 12CP and 25-percent methodology?

18 A That's correct. We didn't conduct any other
19 allocation studies in this -- prior to this rate case
20 like we had in prior rate cases. So, it's been more
21 than five years since we've done that.

22 Q All right. Can you refer to Page 21 of your
23 testimony, Lines 16 to 23, please.

24 CHAIRMAN BROWN: Are you there?

25 THE WITNESS: Yes.

1 BY MR. WISEMAN:

2 Q All right. Would you agree that, in that
3 discussion, you have an explanation of various reasons
4 that you suggest that FPL's proposing the change to a
5 12CP and 25-percent methodology in this case?

6 A Yes.

7 Q All right. What I want to do is I want to go
8 over the reasons individually and just identify them,
9 and then we'll talk about them in a little more detail.
10 All right?

11 A Okay.

12 Q So, first, you say that the methodology is
13 essentially consistent with how power plants are planned
14 and operated, correct?

15 A (Examining document.) In response -- sorry --
16 how power plants are planned and operated in response to
17 customer energy and demand needs.

18 Q Okay. And then the next explanation is that
19 you say, FPL has installed a significant amount of base
20 and intermediate-load generation that costs more to
21 construct, but costs less to operate, correct?

22 A That is correct.

23 Q And then the third reason you give -- and I
24 think this is the last one -- is that you say that the
25 new units have lower heat rates and have produced fuel

1 savings that FPL Witness Kennedy discusses; is that
2 right?

3 A That's correct.

4 Q All right. Now, let's talk about your first
5 reason, talking about power plant -- power plant
6 planning and operations. You would agree that you're
7 not employed in FPL's resource planning department,
8 correct?

9 A That's correct. Contrary to popular belief,
10 I'm not in the resource planning.

11 Q Now, as part of your job responsibilities, you
12 don't play a role, then, in the company's determination
13 of when to add generation capacity to its system, right?

14 A That's correct.

15 Q And as part of your job responsibilities, you
16 don't include playing a role in the company's
17 determination of what kind of generation should be added
18 to the system, right?

19 A That's correct.

20 Q So, in terms of speaking knowledgeably about
21 the reasons that FPL has added generation capacity to
22 its system, you would agree that there are FPL employees
23 who are more knowledgeable about that subject than you
24 are, correct?

25 A Yes.

1 MR. WISEMAN: Okay. We previously -- if I
2 could have the witness look at Exhibit 631, which
3 was previously admitted into evidence. And I have
4 an extra copy.

5 CHAIRMAN BROWN: That would be great, yeah.

6 Counsel, is it okay if -- if Mr. Wiseman
7 provides her a copy or would you like to do that?

8 And just so that I can let you know,
9 Ms. Deaton, what it is, it is the direct testimony
10 of Steve Sim in the FPL need determination,
11 Okeechobee.

12 THE WITNESS: Okay.

13 CHAIRMAN BROWN: And it was directed to
14 Witness Morley by the Hospitals.

15 You have a copy in front of you?

16 THE WITNESS: I do. Thank you.

17 CHAIRMAN BROWN: Please proceed, Mr. Wiseman.

18 BY MR. WISEMAN:

19 Q Okay. Ms. Deaton, could you refer to Page 2
20 of this petition. And to be clear, what you have in
21 front of you is the petition that FPL filed in the need
22 determination for the Okeechobee Clean Energy Center,
23 Unit One; is that correct?

24 A Yes.

25 Q Okay. And so, if you could turn, please, to

1 Page 2 of the petition. As you see, there is a Roman
2 Numeral 1 and then Paragraph 1.

3 A I'm sorry. Page 2 of the attachment or --

4 Q Of the petition, itself.

5 A Oh. Okay.

6 Q And you see on that page Paragraph Arabic 1?

7 A Yes.

8 Q Okay. Do you see in Lines -- oh, it's
9 roughly, I guess, four to five. The petition says that
10 a cumulative increase in customer accounts from 2014 to
11 2024 is expected to reach about 675,000. Do you see
12 that?

13 A Yes.

14 Q Okay. And then in the next sentence, it says:
15 FPL is projecting an annual increase of 1.6 percent in
16 the summer peak demand between 2015 and 2024, correct?

17 A Yes.

18 Q And then, if you go to the last sentence in
19 that same paragraph, it says: By 2019, the summer peak
20 is projected to reach 25,045 megawatts, a cumulative
21 increase of 2,110 megawatts relative to the actual 2014
22 summer peak, correct?

23 A Correct.

24 Q All right. Now, let's talk -- turn to the
25 attachment -- I think it starts after Page 17 --

1 actually, excuse me. I'm sorry. Before we get there,
2 if you could, refer to Page 3 of the petition, and
3 specifically to Paragraph 3. Do you see that?

4 A Yes.

5 Q And then it says in there, the first sentence:
6 FPL's request for an affirmative determination of need
7 for OCEC Unit One is the culmination of extensive
8 investigation and analyses designed to identify the
9 best, most cost-effective alternative available to meet
10 FPL's forecasted resource need for new generating
11 capacity beginning in 2019, correct?

12 A Yes, we chose the least-cost option to meet
13 the summer peak --

14 CHAIRMAN BROWN: Mr. -- Mr. Wiseman, I know
15 what -- I know you're trying to lay some foundation
16 questions, but I want to know how that's
17 appropriate to this witness' prefiled testimony.

18 MR. WISEMAN: Absolutely. And she testifies
19 that the reason they are proposing the change in
20 methodology is -- one of the reasons -- the first
21 reason she gives is because that's how FPL plans
22 and operates the system and --

23 THE WITNESS: That's not what my testimony
24 says.

25 MR. WISEMAN: The testimony --

1 CHAIRMAN BROWN: Mr. Wiseman, can you direct
2 me to the --

3 MR. WISEMAN: Yes, I will --

4 CHAIRMAN BROWN: Thank you.

5 MR. WISEMAN: I will do that.

6 If you go to Ms. Deaton's testimony at
7 Page 21 --

8 CHAIRMAN BROWN: Yes.

9 MR. WISEMAN: -- Line 16, the proposed
10 methodology provides a more appropriate
11 classification and allocation of production plant
12 considering how power plants are planned and
13 operated at FPL in response to customer energy and
14 demand needs.

15 CHAIRMAN BROWN: Okay.

16 MR. WISEMAN: And so, she's talking about how
17 the power plants are planned and operated. And
18 this document is directly relevant to how FPL plans
19 its system.

20 CHAIRMAN BROWN: Well, that's true, but what
21 is the question you're asking her?

22 MR. WISEMAN: I just wanted to see if the -- I
23 think I asked her to verify a sentence in the
24 petition.

25 CHAIRMAN BROWN: Okay. Move along, please.

1 MR. WISEMAN: Okay. All right.

2 BY MR. WISEMAN:

3 Q Well, I'll shortcut this. First of all, there
4 is an attachment to this which is the prepared testimony
5 of Dr. Steven Sim, correct?

6 A I don't know.

7 Q Take a look at page -- after Page 17 of the
8 petition. I think you'll see it.

9 A (Examining document.) It says direct
10 testimony of Dr. Steven R. Sim.

11 Q Okay. And Dr. Steven R. Sim reports to
12 Dr. Morley, correct?

13 A That's correct.

14 Q And did you review this petition before you
15 filed your testimony in this case?

16 A No.

17 Q All right.

18 CHAIRMAN BROWN: Mr. Wiseman, I just want to
19 get a gauge of the amount of questions that you
20 have left, based on the time.

21 MR. WISEMAN: I --

22 CHAIRMAN BROWN: I know this is an important
23 issue to you.

24 MR. WISEMAN: This is -- I have quite a bit
25 left. We're not going to -- if you want to take a

1 break at this point, I mean, that would be okay.
2 It's -- it's not a terrible breaking point. I
3 could -- actually, if you could give --

4 CHAIRMAN BROWN: How many minutes do you need?

5 MR. WISEMAN: You know what, if you could
6 actually give me a sentence -- I'm sorry -- a
7 minute or two -- or a sentence or two -- let me
8 testify.

9 (Laughter.)

10 If we could go for maybe -- I think it will
11 take five minutes -- I could wrap up this area.

12 CHAIRMAN BROWN: And that -- five more
13 minutes. Okay.

14 MR. WISEMAN: Yeah, wrap up this area. And
15 then I will have more after that, but we could wrap
16 up this one -- one part.

17 CHAIRMAN BROWN: Okay.

18 MR. WISEMAN: All right.

19 BY MR. WISEMAN:

20 **Q The second reason -- we can dispense with the**
21 **Okeechobee application.**

22 The second reason that you gave in your
23 testimony about the proposal, the reasons for the
24 proposal to change the allocation methodology is you say
25 that FPL has installed a significant amount of base and

1 intermediate-load generation that costs more to
2 construct, but costs less to operate.

3 FPL hasn't conducted a study to evaluate which
4 rate classes have caused it to add generating capacity
5 to its system, has it?

6 A All rates classes have caused us to add
7 generating capacity because we have to meet the system
8 peak demand.

9 Q That's not the question I asked. The question
10 I asked is: Isn't it true that FPL has not caused the
11 study to evaluate the extent to which rate class -- each
12 individual rate class has caused it to add generating
13 capacity to its system.

14 A Well --

15 Q Isn't that true?

16 A No, I disagree because our cost-of-service
17 study shows that -- and MFR E-10 shows each rate class'
18 contribution to the system peaks.

19 CHAIRMAN BROWN: Mr. Wiseman, would you like
20 staff to help you out?

21 MR. WISEMAN: Yes, actually, if -- Ms. Deaton,
22 do you have your deposition there?

23 THE WITNESS: Yes.

24 MR. WISEMAN: Okay.

25 This is not an exhibit.

1 CHAIRMAN BROWN: Okay. Ms. Deaton, you've got
2 a copy of your deposition?

3 THE WITNESS: Yes, I do.

4 CHAIRMAN BROWN: Okay. FPL, you have a copy?

5 MR. BUTLER: (Nodding head affirmatively.)

6 CHAIRMAN BROWN: All right.

7 THE WITNESS: Do you have the corrections?

8 MR. WISEMAN: I don't have the corrections. I
9 don't know if there was a correction. Actually --
10 well, let's read the question. We can get into a
11 debate with any corrections to this, but maybe we
12 can avoid that.

13 CHAIRMAN BROWN: Yes.

14 BY MR. WISEMAN:

15 Q Ms. Deaton, do you recall that I asked you a
16 question: Did FPL conduct a study to evaluate which
17 rates classes have caused it to add generating capacity
18 to its system? Did I ask you that question? Do you
19 recall?

20 A I -- sorry. I don't recall.

21 Q Okay. Why don't you look at Page 20 of the
22 deposition. Tell me when you're ready.

23 A Okay.

24 Q And I -- on Line 12, I asked you a question:
25 Did FPL conduct the study to evaluate which rate classes

1 have caused it to add generating capacity to its system.

2 Can you read out loud your answer on Page 15?

3 A Yes, the -- I said -- no. Further down, I did
4 say that our cost-of-service study is our cost study.
5 So, I think -- I think I was a little confused about
6 your question, since the system causes us to add
7 generation and not individual rate classes by
8 themselves, so --

9 Q The answer you gave me on Line 15 of the
10 deposition was just "no." No explanation, correct?

11 A That's correct. I didn't offer an explanation
12 at that time. I offered it later.

13 Q All right. The third reason you give, that we
14 talked about, was lower -- the new units have produced
15 lower heat rates and produced fuel savings, right?

16 A Yes.

17 Q Okay. And just -- those are calculations that
18 were not done by you, correct?

19 A No. I was relying on Witness Kennedy.

20 MR. WISEMAN: All right. Thank you.

21 I do have -- if we want to take a break at
22 this time, this would be a good place to break.

23 COMMISSIONER EDGAR: Ms. Deaton, do you need a
24 drink -- a drink -- I need water. Do you need a
25 break?

1 THE WITNESS: I'm okay.

2 COMMISSIONER EDGAR: You're good?

3 Commissioners?

4 COMMISSIONER GRAHAM: We're good.

5 COMMISSIONER EDGAR: We're good.

6 MR. WISEMAN: Oh, I'm sorry. I thought --

7 COMMISSIONER EDGAR: No. That's okay.

8 MR. WISEMAN: -- Madam Chair wanted a break.

9 COMMISSIONER EDGAR: That's okay. That's all
10 right. We're going to -- we're going to roll.

11 MR. WISEMAN: Okay.

12 BY MR. WISEMAN:

13 Q Ms. Deaton, if you could get MFR E-17, please.

14 Now -- do you have it, E-17?

15 A Yes.

16 Q Now, that's an MFR that you sponsored,
17 correct?

18 A Yes.

19 Q And it has load-factor data for each rate
20 class, right?

21 A That's correct.

22 Q And you would agree that the load-factor data
23 are based on the historical 2014 year, correct?

24 A All of this data on this -- yes, all of the
25 data on this MFR is 2014 historical data.

1 Q So, this is -- these are actuals as opposed to
2 a projection or estimate, correct?

3 A I'm sorry. Yes.

4 Q Okay. Let's refer to Page 1 in the MFR, which
5 is for the CILC1 -- excuse me -- 1D rate class. Would
6 you agree that the categories of information that are
7 contained on this page are the same categories of
8 information that are contained in the additional pages
9 of the schedule that are applicable to other rate
10 schedules?

11 A Yes.

12 Q All right. Now, on the left side of the page,
13 you see it says "annual coincident peak." Do you see
14 that?

15 A Under Column 1?

16 Q Under -- it's actually -- it's on Line 17.

17 A Yes.

18 Q Would you agree that the annual coincident
19 peak is the rate class' highest peak at the time of the
20 system peak?

21 A It -- yes, for -- it's the highest peak this
22 class had during the year that occurred at the time of
23 the system peak.

24 Q Okay. And then the next line down, 12-month
25 coincident peak average -- you would agree that that is

1 the average of the 12 monthly coincident peaks for this
2 rate class that are reflected in Lines 2 through 13,
3 correct?

4 A Yes, for Column 3.

5 Q Yes. And then, under that, it says "class
6 peak." And that's the highest peak for the class for
7 the year, regardless of when the system peaks as a
8 whole, right?

9 A That's correct.

10 Q And then the last one, customer maximum
11 demand -- that's the sum of the individual customer's
12 demands and, therefore, the class' maximum demand,
13 right?

14 A It's not -- I'm sorry. It's the sum of each
15 customer in the class' maximum demand.

16 Q Yes. Okay.

17 Now, let's go over to the right side. And so,
18 annual kilowatt hours -- do you see that on Line 17?

19 A Yes.

20 Q So, for the CILCD1 rate class, that would
21 reflect that its actual kilowatt-hour usage was
22 2,754,000 -- I'm sorry -- 2,000,754,000 kilowatt hours
23 approximately, right?

24 A Yes.

25 Q And we can see its 12CP load factor was

1 **91.58 percent, right?**

2 A Yes.

3 **Q And the GNCP load factor was 81.15 percent,**
4 **correct?**

5 A Yes.

6 **Q And last -- the NCP load factor was**
7 **67.79 percent, right?**

8 A Yes.

9 **Q Okay. Would you agree that those are high-**
10 **load factors?**

11 A Generally, when I think of high-load factors,
12 I think of the NCP load factor. And it's -- it's on
13 the -- I wouldn't call it high. It's -- I would call
14 seven -- something above 70 percent a high load factor
15 on the NCP load factor.

16 **Q And so, you don't think the 67.79 percent load**
17 **factor is a high load factor?**

18 A No, like I said, a 70 percent to 80 percent is
19 a pretty high load factor.

20 **Q Okay. Well, let's compare this to some of the**
21 **other rate schedules, then.**

22 A Well, it's going to be higher than some
23 others. It's just not -- it's not what I would consider
24 high, no.

25 **Q Okay. Well, let's go to -- let -- you know,**

1 we'll cut this short because I think we can do that.
2 Let's go to Page -- whatever the load factors are in
3 this rate schedule, they -- they are accurate. You
4 would agree that they set forth the --

5 A Yes.

6 Q -- accurate load factors, right?

7 A Yes.

8 Q Okay. Let's go to page -- let me make sure
9 this is right -- go to Page 13, please. These have the
10 load factors for the residential class, correct?

11 A That's correct.

12 Q And focusing on the load factor that you said
13 you looked at, the NCP load factor, that's
14 19.92 percent, correct?

15 A That's correct.

16 Q You would agree that's a lot lower than the
17 NCP load factor for the CILC1D rate class, right?

18 A Yes, it is.

19 Q Okay. Would you agree that, whether a
20 customer class takes service at a 20-percent load
21 factor, a 40-percent load factor, 60-percent,
22 80-percent, that rates should be designed so that the
23 rate class pays for the costs of the capacity that FP&L
24 installs to provide service to that rate class?

25 A Yes, and FPL provides service to meet the

1 customer's energy needs as well as their peak demand
2 needs.

3 Q Okay. And would you agree that the
4 development of rates should be transparent, meaning that
5 both the Commission and ratepayers should have all the
6 data, the formulas, the methodologies available to them
7 to be able to confirm that FPL's proposed rates have
8 been properly determined?

9 A Well, first of all, I'm not --

10 Q Could I --

11 A -- the rate witness.

12 MR. WISEMAN: If I could have a yes or no,
13 please.

14 CHAIRMAN BROWN: Absolutely.

15 Ms. Deaton --

16 THE WITNESS: I -- well, I'm not the rate
17 witness.

18 CHAIRMAN BROWN: I don't know, then --

19 THE WITNESS: Well, I -- can you repeat the
20 question?

21 BY MR. WISEMAN:

22 Q Yes. Would you agree that the development of
23 rates should be transparent, meaning that both the
24 Commission and ratepayers should have all data,
25 formulas, and methodologies avail to them -- available

1 to them to be able to confirm that FPL's proposed rates
2 have been properly determined?

3 A Yes. And we have provided that.

4 Q Okay. You're familiar with an entity named
5 Utilities International, Inc., right?

6 A Yes.

7 Q And for shorthand, can we refer to that as UI?

8 A Yes.

9 Q And UI provides a software platform that's
10 used by FPL, correct?

11 A Yes.

12 Q And would you agree that MFRs E-1 through E-4,
13 E-6, E-9 through E-11, E-16, E-17, and E-19 were
14 formulated based, at least in part, on the use of
15 UI's -- UI's software program?

16 A That's correct.

17 Q Okay. Now, UI software program was also used
18 in the preparation of other MFRs in this case. If you
19 know; is that correct?

20 A Yes.

21 Q Okay. You would agree that intervenors in
22 this rate case asked to provide -- be provided UI's
23 software program, right?

24 A No.

25 Q You're not aware of that?

1 A No.

2 Q Do you still have your deposition in front of
3 you?

4 A Yes.

5 Q All right. Well, let me ask the question
6 another way. Would you agree that UI's software program
7 has not been provided to intervenors in this case?

8 A The --

9 Q Yes or no, and then you can explain.

10 A I --

11 Q You have --

12 A -- don't know if -- I know that the cost-of-
13 service model was not provided. That's what I'm
14 responsible for. I don't know if other parts of the
15 company that use UI provided that or not.

16 I do know what we responded to in FIPUG's
17 first request for PODs, No. 9, that asked for a live
18 working copy of FPL's class cost-of-service study for
19 2017 and 2018. And we said that FPL's live working copy
20 of the cost-of-service study is contained in a
21 proprietary software platform licensed by Utilities
22 International, Inc. The license does not authorize FPL
23 to provide a copy of the software platform to non-
24 licensees.

25 FPL has provided a cost-of-service roadmap

1 which shows the inputs and calculations of the various
2 allocation factors and the rate base and NOI by rate
3 class and billing determinate.

4 Q So, you didn't provide a live copy of the
5 software program, right?

6 A Yes.

7 Q Okay. And you don't know whether FPL's
8 attorneys or management, at any level, ever asked UI for
9 authorization to provide it to intervenors, do you?

10 A I -- I did not receive a discovery request to
11 that --

12 Q That wasn't my question. Do you know whether
13 FPL's attorneys or FPL management, any person at FPL
14 asked for authorization from UI to produce its software,
15 a live version of its software program to intervenors?

16 A I don't know.

17 MR. WISEMAN: Thank you.

18 That's all I have. Thank you.

19 CHAIRMAN BROWN: Thank you, Mr. Wiseman.

20 MR. WISEMAN: Thank you, Ms. Deaton.

21 CHAIRMAN BROWN: Retail Federation.

22 MR. LAVIA: No questions. Thank you.

23 CHAIRMAN BROWN: Thank you.

24 FEA?

25 MR. JERNIGAN: It's great going after these

1 two. I don't --

2 CHAIRMAN BROWN: Isn't it?

3 MR. JERNIGAN: Yeah, most of my questions have
4 been asked. I'll defer to rebuttal. Maybe that
5 will be short, too.

6 CHAIRMAN BROWN: Thank you.

7 Sierra Club.

8 MS. CSANK: No questions, Madam Chair.

9 CHAIRMAN BROWN: Thank you.

10 Larsons.

11 MR. SKOP: No questions, Madam Chair.

12 Staff -- no staff.

13 MS. HELTON: Madam Chairman, it's my
14 understanding that we don't have questions.

15 CHAIRMAN BROWN: Okay.

16 MS. HELTON: But Ms. Suzanne -- Ms. Brownless
17 would know for sure.

18 CHAIRMAN BROWN: Sorry for making you run.

19 (Laughter.)

20 MS. BROWNLESS: No, ma'am. Thank you very
21 much. No questions.

22 CHAIRMAN BROWN: It doesn't look like my
23 fellow Commissioners have any questions either.

24 So, redirect.

25 MS. CLARK: I just have a few redirect.

1 REDIRECT EXAMINATION

2 BY MS. CLARK:

3 Q Maybe a simple one. First, you were asked a
4 question by Mr. Moyle regarding the information that was
5 in the staff's request. And you mentioned there was a
6 lot of data in there. And I understand that was data
7 provided in response to discovery requests, correct?

8 A That's right.

9 Q You mentioned load data. What is load data
10 and how big is load data in terms of papers?

11 A It's a -- well, I don't think you would want
12 to print it out. It's voluminous. It's -- for our
13 load-research samples and -- for example, for
14 residential customers, we have about 800 samples that we
15 do load research that we collect hourly data on. And we
16 provided 8,760 hours of data for each of those 800
17 customers for residential rate class.

18 And the same for the general-service rate
19 class, the general service demand, large demand one,
20 two, and three, CILCs. We -- and for the larger
21 classes, the interval data is -- is not hourly. It's
22 every 15 minutes. So, we've provided four times as much
23 data for each customer that's sampled in those classes.

24 And for the CILC1T class and the GSLDT3
25 classes, those are a hundred percent metered. So, all

1 of the customer classes, 15-minute data was provided.

2 **Q Let me ask you a follow-up question regarding**
3 **the answer you gave on Page 20 of your deposition.**

4 MR. MOYLE: Was this something that took place
5 during the cross, Page 20, that had a reference --

6 CHAIRMAN BROWN: Yes. Where were you? You
7 got to step out, didn't you?

8 MR. MOYLE: I thought we had a break coming.

9 (Laughter.)

10 BY MS. CLARK:

11 **Q Ms. Deaton, after you said no, Mr. Wiseman,**
12 **who was questioning you at the time, appeared to clarify**
13 **his question. Would you read your answer on Lines 21**
14 **and 22?**

15 A Yes: No, our cost-of-service study under 12CP
16 and 25 percent is the cost study.

17 **Q Does the NARUC manual address the**
18 **appropriateness of allocating some of the production**
19 **plant based on energy?**

20 A It does.

21 **Q And it does indicate that it is appropriate**
22 **to --**

23 MR. WISEMAN: Objection. I didn't ask
24 anything about the NARUC manual.

25 MS. CLARK: But you asked about the allocation

1 of the production plan.

2 MR. WISEMAN: I didn't ask anything -- I'm
3 sorry.

4 CHAIRMAN BROWN: Ms. Clark?

5 MS. CLARK: Yes, the 12CP and 25-percent
6 methodology is the method for allocating production
7 plant. The 25 percent refers to allocating it on
8 the basis of energy. That is the basis for my
9 question on the NARUC manual.

10 CHAIRMAN BROWN: All right. Objection
11 overruled.

12 I would --

13 BY MS. CLARK:

14 Q Do you know if the rationale that you have put
15 forth for the use of the 12CP and 25 percent was
16 consistent or is consistent with the rationale used by
17 this Commission in prior orders approving that
18 allocation methodology?

19 A Yes, it was in the TECO order.

20 Q I guess my final question is: Mr. Wiseman
21 asked you numerous questions regarding the MFRs. And he
22 pointed out a good deal of data. Does any of that data
23 change your mind about FPL's proposal regarding the 12CP
24 and 25 percent?

25 A No.

1 MS. CLARK: That's all I have. Thank you.

2 CHAIRMAN BROWN: All right. Exhibits. We
3 have just the prefiled exhibits, which are
4 identified as 143 through 148.

5 MS. CLARK: And FPL would move them into the
6 record.

7 CHAIRMAN BROWN: Are there any objections?
8 Seeing none, we're going to go ahead and move those
9 into the record.

10 (Whereupon, Exhibit Nos. 143 through 148 were
11 admitted into the record.)

12 CHAIRMAN BROWN: And now is the time for
13 Ms. Deaton to be excused. Would you like that?

14 MS. CLARK: Yes. And I'm sure she would, too.

15 CHAIRMAN BROWN: I know. Ms. Deaton, you're
16 excused.

17 THE WITNESS: Thank you.

18 CHAIRMAN BROWN: Thank you.

19 And Mr. Butler?

20 MR. BUTLER: Yes.

21 CHAIRMAN BROWN: Housekeeping matters.

22 MR. BUTLER: Yes. Madam Chair, thank you.

23 MR. REHWINKEL: Madam Chairman, before
24 Mr. Butler makes his housekeeping measures -- they
25 may be impacted by a motion that the Public

1 Counsel's office would like to make at this time
2 upon the conclusion of the company's direct case.

3 MR. BUTLER: I'm sorry? Are -- is he asking
4 me whether we've completed our direct case? Yes,
5 we have.

6 CHAIRMAN BROWN: What is your -- I'm -- I'm
7 sorry. Can you repeat that?

8 MR. BUTLER: I didn't hear for sure what
9 Mr. Rehwinkel said. If he's asking whether we've
10 concluded the presentation of our direct case, the
11 answer is yes.

12 CHAIRMAN BROWN: The answer is yes?

13 MR. BUTLER: Yes.

14 MR. REHWINKEL: Yes, and --

15 CHAIRMAN BROWN: All right.

16 MR. REHWINKEL: I -- the Public Counsel would
17 like to make a motion.

18 CHAIRMAN BROWN: I know -- I was asking,
19 though, quickly if there are any housekeeping
20 items. And I thought Mr. Butler was going to offer
21 housekeeping items; is that correct?

22 MR. REHWINKEL: The reason I -- I apologize,
23 Madam Chairman. The reason I suggested this is may
24 affect --

25 CHAIRMAN BROWN: Oh, okay. Go --

1 MR. REHWINKEL: -- the housekeeping matters.

2 CHAIRMAN BROWN: Okay. Go ahead,
3 Mr. Rehwinkel.

4 MR. REHWINKEL: Thank you, Madam Chairman.

5 As FPL has, as you've just heard on the
6 record, concluded its direct case, which, apart
7 from the emergency insertion of Mr. Miranda, was --
8 and we understand. And I'm not complaining about
9 that -- was assiduously guarded. The company asked
10 to have discrete direct case, intervenor case,
11 rebuttal case.

12 The OPC has a motion to make. And we ask that
13 the Commission dismiss or issue, in the
14 alternative, a directed final decision with respect
15 to what we perceive to be the amended request by
16 the company to create and authorize an
17 amortization-reserve mechanism.

18 On August 12th, 2016, after the conclusion of
19 the deposition of Mr. Allis, FPL's depreciation
20 witness, FPL amended its position on Issue 48 to
21 add the phrase, "... unless another disposition has
22 the ability to defer or avoid future base-rate
23 proceedings."

24 The discovery cutoff was on August 16th, and
25 no further opportunity to conduct discovery on

1 FPL's modification of its proposal was reasonably
2 available. And that is at the transcript of the
3 pre-hearing conference at Page 54.

4 On August 22nd, the first day of the hearing,
5 at the opening of the hearing, FPL's general
6 counsel stated in his opening on Page 69 of the
7 official transcript, Lines 15 through 22: If the
8 Commission is to find acceptable any aspect of
9 Mr. Pous' depreciation study, it should not be for
10 the purpose of finding an arbitrary means to lower
11 FPL's revenue requirements, but rather, for the
12 only purpose of deferring or avoiding a second
13 base-rate case over the same four-year period,
14 similar to how the revenue -- the reserve surplus
15 was used in the past case.

16 On August 23rd, FPL Witness Ferguson testified
17 in support of the depreciation study that,
18 depending on the plant balance to which it applied,
19 the theoretical reserve imbalance to which FPL's
20 proposed depreciation rates would be applied,
21 ranged from between negative 99 million, a
22 deficiency, to a positive 80.4 million, surplus.
23 He made no changes to his testimony other than the
24 adjustments in the second notice.

25 On August 24, FPL's depreciation expert Allis

1 testified that his testimony did not change as
2 filed, except as provided in the second notice that
3 is KO-19 to Ms. Ousdahl's rebuttal testimony.

4 Mr. Allis testified that the less-than-
5 1-percent difference for seven-tenths of 1 percent
6 as he portrayed it in his testimony was a, quote,
7 minor difference. And that is at the record of the
8 1863 and 1864. He further testified that no
9 adjustment is needed beyond the remaining-life
10 technique. That is at 1863.

11 On August 24, Mr. Bob Barrett, FPL's vice
12 president of finance, testified at Page 1480, 1486
13 through 1487, and suggested that this Commission
14 should or could continue the amortization
15 mechanism, quote, to otherwise -- to make a
16 commitment to -- for FPL to make a commitment to
17 stay out four years.

18 Otherwise, Mr. Barrett did not testify that
19 the -- that there would be any change to the
20 depreciation surplus as a result of the 2016
21 depreciation study. And that's at 1455.

22 In sum, Commissioners, there is no evidence in
23 FPL's direct case that supports the creation of a
24 reserve surplus based on the 2016 depreciation
25 study.

1 So, we are asking that, to the extent that FPL
2 has effectively or constructively amended its
3 petition to ask this Commission to create a
4 depreciation-reserve surplus-amortization mechanism
5 using the depreciation parameters supported in the
6 depreciation study that is contained in its direct
7 case -- there is no evidence to support it.

8 As a matter of law, FPL has failed to meet its
9 burden to put evidence on in its direct case to
10 support this new claim for relief.

11 Accordingly, the Public Counsel moves this
12 Commission to dismiss FPL's amended request or,
13 alternatively, to direct a verdict or decision that
14 FPL has failed to meet its burden to present
15 competent, substantial evidence supporting a
16 reserve amount amortization mechanism as a part of
17 its four-year stay-out proposal.

18 We ask you, Commissioners, to order that FPL
19 has not met its burden to create this mechanism,
20 based on its 2012 depreciation study. Any surplus
21 that the Commission might find that results from
22 the 2009, 2010, and 2012 orders has no effect upon
23 the 2016 study, as testified by Mr. Barrett at
24 Page 1476.

25 FPL has presented no competent, substantial

1 evidence that can support a finding of its
2 depreciation surplus amortization reserve mechanism
3 request.

4 So, that is our request, Madam Chairman.

5 CHAIRMAN BROWN: Okay.

6 MR. REHWINKEL: We are looking for some
7 guidance from the Commission on this.

8 CHAIRMAN BROWN: Okay. Well, first, let's
9 talk about process.

10 MR. REHWINKEL: Yes.

11 CHAIRMAN BROWN: So, are you intending to file
12 a written motion with the Commission at this
13 juncture? I assume that's what you were reading
14 in.

15 MR. REHWINKEL: I'm reading from my notes,
16 Madam Chairman, but I can provide a written
17 proposal to the Commission. We are -- the reason
18 I'm bringing this up right now is this is a fairly
19 late-breaking issue with -- with the Public
20 Counsel. We are trying to decide about the rest of
21 our case. And we are also -- Mr. Butler has been,
22 understandably, asking about the order of
23 witnesses. And so, this may affect that.

24 But we are prepared and will be able to file a
25 motion with the Commission.

1 CHAIRMAN BROWN: Thank you.

2 Florida Power & Light.

3 MR. MOYLE: Just for -- for the -- for the
4 record, we would -- we would join in this. We
5 heard it right now. And it's an ore tenus motion.
6 But for the purposes of clarity, we would join the
7 motion.

8 And to the extent there is an issue that's not
9 clearly identified, it's also on the grounds of due
10 process that it's inappropriate to make a decision
11 if the issue is not clearly before the Commission.

12 CHAIRMAN BROWN: Okay.

13 MR. WISEMAN: And FPL's --

14 (Laughter.)

15 FPL does support the motion, I'm sure.

16 SFHHA supports the motion.

17 CHAIRMAN BROWN: And I will just go down the
18 intervenors, I guess, before we turn to FPL.

19 FEA.

20 MR. JERNIGAN: The Federal Executive Agency
21 agrees and joins in this motion.

22 CHAIRMAN BROWN: Sierra.

23 MS. CSANK: Sierra Club joins the motion.

24 CHAIRMAN BROWN: Larsons.

25 MR. SKOP: Thank you, Madam Chair. The

1 Larsons join and agree with the motion.

2 CHAIRMAN BROWN: Thank you.

3 MR. LAVIA: Retail Federation joins the
4 motion, too. Thank you.

5 CHAIRMAN BROWN: Okay.
6 Florida Power & Light.

7 MR. BUTLER: We don't join the motion, just to
8 be clear.

9 (Laughter.)

10 We are hearing this for the first time.

11 CHAIRMAN BROWN: As are we.

12 MR. BUTLER: Yes. I think it would be
13 appropriate if the Commission chooses to entertain
14 the motion that it be made in writing and we be
15 given an opportunity to respond to it.

16 Unless I'm missing something here, although
17 Mr. Rehwinkel wanted to be sure that it was brought
18 up before we address witnesses for next week, I
19 don't think it's going to affect that. I mean, my
20 gosh, the great majority of their case,
21 intervenors' case, and the great majority of our
22 rebuttal case has nothing to do with the issue of
23 the disposition of any reserve on surplus from the
24 depreciation-study results.

25 So, I think that we should be and that it

1 would be no interference with the, you know -- the
2 expeditious -- proceeding with the -- with this
3 docket to give us the opportunity to see a
4 written -- you know, a written motion from Public
5 Counsel and to be able to respond to it in writing,
6 next week. And I think it's something that the
7 Commission certainly could consider based on the
8 motions and make a decision on it.

9 I will observe, just off the top of my head
10 here, that Public Counsel's Witness Pous has a very
11 different view of depreciation. In his very
12 different view of depreciation, he concludes that
13 there is a substantial reserve surplus. He has an
14 idea of how it ought to be handled, that surplus.

15 And I think they've put that issue, you know,
16 squarely into play. And you know, what Mr. Barrett
17 had commented on the other day was simply an
18 alternative for what one might do with the surplus,
19 if there is one.

20 We continue to, you know, stand behind our
21 study, which indicates a very modest reserve
22 imbalance, but if the Commission went the direction
23 of finding a big one, that's what Mr. Pous'
24 testimony was about.

25 So, it seems like it's something that would be

1 sort of productively addressed next week in
2 hearing, but sort of -- first and foremost, I would
3 say that we really ought to be given an opportunity
4 to respond in writing to this motion.

5 CHAIRMAN BROWN: Thank you.

6 Mary Anne, my inclination and reaction is,
7 obviously, this is some -- a new development that
8 has just occurred. Personally, I would like to be
9 given an opportunity to review the motion and
10 have -- and of course, allow the petitioning party
11 an opportunity to respond, Florida Power & Light to
12 respond, and then take that up as a preliminary
13 matter before we get into the intervenors.

14 That's just kind of the way I -- but I don't
15 know if you have a different suggestion.

16 MS. HELTON: I definitely agree that I think
17 that it's -- given the complexity of the case,
18 we've -- I -- we've been in this hearing room I'm
19 not sure how many hours this week hearing
20 testimony. There has been I don't know how many
21 pages of discovery -- I mean, of prefiled testimony
22 filed, how many production of documents and
23 interrogatories that have been answered.

24 There is a lot of information in this case to
25 digest. And I think there is a lot to digest with

1 what Mr. Rehwinkel said this evening.

2 CHAIRMAN BROWN: Uh-huh.

3 MS. HELTON: And I know that staff is not
4 prepared to be able to give you a recommendation.
5 So, it seems to me that it would be reasonable that
6 that, if Mr. Rehwinkel wants the opportunity to
7 file a written motion and for Florida Power & Light
8 to answer in writing -- as far as the timing of
9 everything goes, can we have five minutes so that I
10 can confer with --

11 CHAIRMAN BROWN: Absolutely.

12 MS. HELTON: -- with my boss and with
13 Ms. Brownless and with Mr. Maurey and -- I don't
14 know who else is down here -- so we can kind of see
15 if we have a suggested game plan for you?

16 CHAIRMAN BROWN: Absolutely.

17 MR. REHWINKEL: Before you do that, Madam
18 Chairman, I need to drop another shoe.

19 CHAIRMAN BROWN: No. You're dropping bombs at
20 5:30 on Friday.

21 (Laughter.)

22 MR. REHWINKEL: I apologize for that. I was
23 thinking maybe that we would be doing this at 2:00
24 today, but --

25 COMMISSIONER GRAHAM: Me, too.

1 CHAIRMAN BROWN: All of us up here, probably.

2 MR. REHWINKEL: I need to inform the
3 Commission that, because of what has transpired --
4 and I think you heard from counsel for FPL -- we
5 are -- need to announce that, based on how things
6 have transpired, as I laid out in the facts, we
7 will not be putting Mr. Pous on the stand. He will
8 not testify for us.

9 So, we are withdrawing our filing of that
10 testimony. And I need to put everyone on notice of
11 that because that may impact how people view this
12 and think about this as we go forward.

13 CHAIRMAN BROWN: Before we adjourn, I want to
14 give FPL an opportunity to comment or respond on
15 that new development.

16 MR. BUTLER: Well, it is a big shoe dropping.

17 CHAIRMAN BROWN: I mean, recess.

18 MR. BUTLER: But I -- I will say this just --
19 again, this is just off the top of my head because
20 I'm just hearing it. I think we ought to have an
21 opportunity to consider it and respond with a
22 little bit more reflection.

23 But I don't think it works that way that you
24 sort of put evidence out there, see whether that
25 evidence takes you in a direction you would like it

1 to take you, and then pull it back if you are not
2 happy with where things are going.

3 You know, Mr. Pous has been -- has had his
4 testimony in the record for some considerable time
5 now. He has a very different view of depreciation,
6 as I mentioned earlier, than our witness Mr. Allis
7 does. We have rebuttal testimony to Mr. Pous.

8 And I'm just -- I'm frankly just surprised
9 that Public Counsel would take this approach of
10 having -- presumably, with serious intent --
11 believe that they had a fundamentally different
12 view of depreciation and, now, halfway through the
13 hearing, decide that, all of a sudden, no, not
14 their issue.

15 CHAIRMAN BROWN: Okay. We're going to take a
16 ten-minute recess. But before we do that, I want
17 to turn to my colleagues and see if they have any
18 questions or comments of the parties or of staff at
19 this time.

20 Commissioner Graham.

21 COMMISSIONER GRAHAM: I just want to -- before
22 we take that ten minutes -- to hear from any of the
23 intervenors who want to chime in within 30 seconds.

24 CHAIRMAN BROWN: FEA.

25 MR. JERNIGAN: Yes, ma'am, just -- just a

1 minor response to what I just heard from Florida
2 Power & Light. Mr. Pous' testimony is not in the
3 record at this point. He's not been sworn in. He
4 has not -- he may have been in a deposition --
5 pardon me -- on that, but he has not taken the
6 stand. We have not read his testimony into the
7 record. It is not there at this point. And my
8 understanding is OPC is not going to be offering it
9 into the record.

10 So, just -- just pointing that out. I don't
11 know how that impacts my case at this point. I'm
12 going to need to think about it, but that's what I
13 understand.

14 CHAIRMAN BROWN: Thanks, Mr. Jernigan.

15 Any other intervenors?

16 Mr. Moyle.

17 MR. MOYLE: I think it's a similar point. I
18 mean, people control the case that they have. And
19 the witnesses -- if Mr. Pollock -- I decide, well,
20 you know what, I'm not going to put that on, I
21 think I have the right to not call him -- I'm not
22 going to do that, but I think I would have the
23 right.

24 CHAIRMAN BROWN: Any other intervenors before
25 we recess?

1 MR. SKOP: Madam Chair, I'm Nathan Skop on
2 behalf of the Larsons. Again, we agree with the
3 point made by FEA, to the extent that the testimony
4 has not been entered into the record as though
5 read.

6 CHAIRMAN BROWN: Okay. Commissioners, any
7 further questions or comments?

8 All right. We will reconvene in ten minutes.
9 So, 5:35.

10 (Transcript continues in sequence in Volume

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

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