

1 I N D E X

2 WITNESSES

3 NAME: PAGE NO.

4	JOHN REED	
	Continued Examination by Mr. Wright	567
5	Examination by Mr. Jernigan	577
	Examination by Ms. Csank	579
6	Continued Examination by Ms. Csank	605
	Examination by Mr. Skop	620
7	Examination by Mr. Sundback	631
	Examination by Ms. Brownless	658
8	Redirect Examination by Ms. Mondcada	664

9

10	MARLENE SANTOS	
	Examination by Mr. Reuben	681
11	Prefiled direct testimony	683
	Examination by Ms. Brownless	710
12	Examination by Mr. Sayler	711
	Examination by Mr. Moyle	717

13

14

15

16

17

18

19

20


21

22

23

24

25

1	EXHIBITS	
2	NUMBER:	ID ADMITTED
3	31 through 43 (as identified on Comprehensive Exhibit List)	673
4	579 (as identified in a previous volume)	680
5	586 - Excerpts from the PSC's review of Florida IOU's 2014 service reliability reports	568 678
6	587 - FPL's 2016 report on distribution reliability	568 678
7	588 - Excerpts of Mr. Reed's testimony before the Texas Public Utility Commission at Docket No. 38929	630 676
10	589 - Excerpts of Mr. Reed's testimony before the Missouri Public Service Commission in Docket Number EC-2014-0223	642 676
13	590 - Excerpts from prepared answering testimony of John J. Reed before the FERC in Docket No. RP97-126	647 676
14	591 - Excerpt from Arizona Public Service's Form 1	651 677
15	592 - Excerpt from Idaho Power Company's FERC Form 1	651 677
18	593 - Excerpt from Public Service Company of New Mexico FERC Form 1	651 677
19	594 - Excerpt from TECO's FERC Form 1	651 677
21	595 - Excerpt from DTE's FERC Form 1	652 677
22	596 - Excerpts from FPL's FERC Form 1	652 677
23	580	673
24	581 through 585	676
25		

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

2 (Transcript follows in sequence from
3 Volume 5.)

4 CONTINUED EXAMINATION

5 BY MR. WRIGHT:

6 Q Thank you.

7 And the same is true of the new combustion
8 turbines, isn't it?

9 A Yes.

10 MR. WRIGHT: Thank you.

11 Okay. I have a -- I do have two exhibits.

12 Oh, shoot. I got taken out of order --

13 CHAIRMAN BROWN: You did.

14 MR. WRIGHT: -- and I didn't pass -- give them
15 to the staff yet.

16 CHAIRMAN BROWN: That's okay, Mr. Wright.

17 Your intentions were good, there.

18 MR. WRIGHT: Thanks.

19 CHAIRMAN BROWN: Two -- that's two exhibits,
20 Mr. Wright, total for this witness?

21 MR. WRIGHT: Yes, Madam Chair.

22 CHAIRMAN BROWN: Thank you.

23 Mr. Wright, I'm assuming you have a preference
24 in which you want these labeled, but we are at 586
25 and 587.

1 MS. BROWNLESS: Do we know which one is --

2 MR. WRIGHT: Thank -- thank you. Yes, the one
3 I would like at 580 -- marked as 586 would be the
4 excerpts from the PSC's review of Florida IOU's
5 2014 service reliability reports.

6 CHAIRMAN BROWN: Okay. So marked.

7 (Whereupon, Exhibit No. 586 was marked for
8 identification.)

9 MR. WRIGHT: Thank you.

10 And then the other one, which is an excerpt
11 from FPL's 2016 report on distribution reliability
12 I would like marked as 587.

13 CHAIRMAN BROWN: Thank you.

14 (Whereupon, Exhibit No. 587 was marked for
15 identification.)

16 MR. WRIGHT: I do have one note on that one.
17 And it is this: I did give Ms. Moncada and
18 Mr. Reed each a copy of the PSC's report. I
19 entered -- in an earlier break, I gave Ms. Moncada
20 a copy of what is now marked as 587.

21 I did not give them copies of the complete
22 document because they are 915 pages long -- the
23 document is 915 pages long. It is a filing made by
24 FPL. It is available on your -- i.e., the
25 Commission's -- website.

1 If there is a problem, I'm happy to get CDs or
2 kill a few trees and show up with them, but I
3 didn't think -- it's offered -- it's really offered
4 to update the reliability data that's shown in
5 the -- in the 2014 PSC summary report. That's all.
6 I didn't think it was necessary.

7 CHAIRMAN BROWN: Okay. Thank you. You can
8 proceed.

9 MR. WRIGHT: Thank you, ma'am.

10 BY MR. WRIGHT:

11 **Q Mr. Reed, I believe that in some cross-**
12 **examination responses to Mr. Sayler's question, you**
13 **testified that Florida Power & Light's SAIFI, System**
14 **Average Interruption Frequency Index, had improved?**

15 A Yes.

16 **Q Okay. I would like to -- what source did you**
17 **use for that information?**

18 A It was company-supplied information, but I
19 believe it is consistent with the reports to the Florida
20 Commission.

21 **Q Okay. If I could ask you to look at what has,**
22 **now, been marked as Exhibit 586 -- it's the thicker one**
23 **of the two actual exhibits. If you could, turn to**
24 **Page 77 in that document. We agree that that -- that**
25 **document shows both a graphic and numeric representation**

1 of the SAIFI information for Florida's five investor-
2 owned utilities?

3 A Yes, I see that.

4 Q Okay. If you could, read the table and tell
5 me what FPL's SAIFI was in 2010.

6 A And to just be clear, the transcript is
7 correct, we're talking about SAIFI, S-A-I-F-I.

8 Q Correct.

9 A And FPL's ratings over 2010 to 2014 are 0.92,
10 0.97, 0.90, 0.89, and 0.99.

11 Q Okay. So, it's actually roughly seven -- 7 to
12 8 percent higher in 2014 than it was in 2010, correct?

13 A Yes, if we're looking at just those two years.

14 Q Thanks.

15 And just while we're there on that page,
16 you'll also agree that FPL's SAIFI for 2014 was greater
17 than both Gulf's and Tampa Electric's, and less than
18 Duke's and FPUC's, correct?

19 A In 2014, it was greater than Gulf and Tampa,
20 and less than Duke and FPUC.

21 Q Thank you.

22 Are you familiar with the reliability metric
23 or the reliability statistic known as L-BAR?

24 A Only vaguely. It's not one that I use.

25 Q I'm curious, have you ever used it in

1 evaluating or benchmarking reliability of any utility?

2 A No, I don't believe so.

3 Q Do you know what the definition is?

4 A I believe it is the average of customer
5 service outage events lasting a minute or longer.

6 Q Average over what?

7 A Again, I'm -- can't tell you that.

8 Q Okay. Well, tell you what, let's look at --
9 let's look at Exhibit 587 for a minute. And we'll go
10 back to SAIFI first. And I do note that this -- oh,
11 this was actually filed with the Commission on
12 March 1st, 2016. So, technically it was filed with the
13 Commission before you filed your testimony.

14 But do I understand correctly that you did not
15 look at this previously to today?

16 A And this is 587 we're talking about?

17 Q 587, yes, sir. If you see the first page in
18 is there the transmittal letter from Mr. Gorland [sic]
19 to the Commission clerk dated March 1st.

20 A That's correct. I have not seen this before.

21 Q Okay. Just to update the SAIFI for 2015, if
22 you look at Page 92, which is the next-to-last page in
23 the -- in the document, will you agree that the reported
24 SAIFI value for 2015 is 1.00?

25 A Yes, it appears to be.

1 **Q Thank you.**

2 If you could, look at the same page, returning
3 to my questioning about L-BAR. It shows the definition,
4 as reported by FPL in its document, as minutes of
5 interruption divided by total number of outages,
6 correct?

7 A Yes, with the parenthetical of "AO," after
8 minutes of interruption.

9 **Q Right. I think that -- do you understand that**
10 **"AO" is the abbreviation for minutes of interruption?**

11 A I would have to review this document to verify
12 that.

13 **Q Okay. Well, I'll tell you what, if you look**
14 **at the next page, Page 93, the last page of Exhibit 587,**
15 **I think you'll readily conclude that that's what it is.**

16 A It appears to be the same number, yes.

17 **Q Okay. Let's look back at -- at Exhibit 586,**
18 **please. And if you would, turn to Page 82 in that**
19 **document, which is Figure 4-7, which shows the**
20 **comparative data for the five Florida IOUs for the L-BAR**
21 **statistic.**

22 A I have that page.

23 **Q Thanks.**

24 And you'll agree that, for 2014, that shows
25 that FPL's L-BAR was higher -- that is, more average

1 duration of an outage -- than FPUC's, Gulf's, and
2 Duke's, but lower than Tampa Electric's, correct?

3 A Yes, for 2014, that appears to be the case.

4 Q **Thanks.**

5 And generally speaking, that pattern held true
6 over the entire period, 2010 through 2014. It was
7 actually even higher in the earlier years, correct? For
8 FPL, it was higher in the earlier years.

9 A For FPL, it was higher in the earlier years,
10 yes. It's coming down.

11 Q **Thank you.**

12 The way I understand these reliability
13 statistics -- and I am going to ask a question, Madam
14 Chairman -- the way I understand these reliability
15 statistics, a low SAIFI indicates that a -- that a
16 customer on that system is less likely to be out and a
17 high L-BAR indicates that, if the customer is out, the
18 outage is likely to be longer. Is that your
19 understanding of the statistics?

20 A You are correct with regard to the L-BAR, that
21 is it is -- it is average length of the outage. Your
22 question was on SAIFI, with an "F," I believe, for the
23 first one --

24 Q **Correct.**

25 A Which goes --

1 Q It was a compound question.

2 A Which goes to frequency.

3 Q Yes?

4 A So, yes, the lower the level of the SAIFI, the
5 less likely you are to be out.

6 Q Thank you.

7 I would like to ask you similar questions
8 about the reliability metric, CEMI5. Are you familiar
9 with that metric?

10 A No.

11 Q If you turn to Page 80 in Exhibit 587, which
12 is two pages back from the L-BAR page we were just
13 looking at, CEMI5 is defined in the table, the
14 Commission's table, as percent of customers experiencing
15 more than five interruptions.

16 Have you just never used this statistic at
17 all?

18 A No. I have not, no.

19 Q Okay. You would agree that there is every
20 reason to expect that the data reported in the
21 Commission's report is accurate and reliable for the --
22 for what it says? It means what it says?

23 A Yes.

24 Q Thank you.

25 So, the data you use are SAIDI, SAIFI, and

1 CAIDI, correct?

2 A Those are the three that I've reported in
3 benchmarking, yes.

4 Q In your benchmarking.

5 A Yes.

6 Q And those are -- those are the only variables
7 you ever use in your benchmarking studies?

8 A For electric distribution reliability, those
9 are the three that I certainly most commonly use.
10 Occasionally, we have also referred to CAIFI, C-A-I-F-I,
11 the fourth in the major components. But these three
12 that I used are the three most common.

13 Q Okay. Did you -- have you -- did you ever
14 consider using L-BAR in your benchmarking studies and
15 reject it?

16 A No.

17 Q Okay.

18 A It's not one that we've considered or
19 rejected. Again, we use the three metrics that are the
20 most widely-reported metrics in the industry.

21 MR. WRIGHT: Okay. Thank you.

22 That's all I have, Madam Chair.

23 CHAIRMAN BROWN: Thank you.

24 Before we proceed, I believe our general
25 counsel has a few words that he would like to say.

1 MR. HETRICK: Yes. Thank you, Madam Chair.

2 I thought we had resolved this prior to the
3 hearing until we got into the hospital's exhibits,
4 but we would -- we suggest that it's within your
5 discretion to require that the parties will provide
6 a complete set of cross-examined exhibits in
7 advance of any cross examination to all parties and
8 their counsel.

9 Staff will be prepared to hand out -- hand the
10 witness a copy of the exhibit just prior to cross
11 examination, but a complete set of those exhibits
12 in order should be handed out prior to beginning
13 cross examination.

14 No one is to share the exhibit with witnesses
15 prior to use of that. And the attorney using the
16 document -- a document may request a return of
17 unused documents during a break or lunch or recess
18 at -- at their discretion.

19 I thought that's what all of us talked about
20 this morning, but maybe we weren't explicit enough
21 when we started this process.

22 Thank you, Madam Chair.

23 CHAIRMAN BROWN: Okay. Thank you.

24 Hospitals, are you ready to move forward?

25 MR. SUNDBACK: No, I don't believe we've

1 collated all of the exhibits.

2 CHAIRMAN BROWN: Okay.

3 MR. SUNDBACK: Can -- we would just like to
4 provide the clarification and have the record
5 reflect that we provided to staff last night all of
6 our exhibits, so --

7 CHAIRMAN BROWN: Okay. Thank you.

8 MR. SUNDBACK: Thank you.

9 CHAIRMAN BROWN: Thanks. Well, we're going
10 to -- we're not -- going to take a lunch break
11 around 12:30 for all of you. So, we're just going
12 to motor through and go to FEA now.

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

14 EXAMINATION

15 BY MR. JERNIGAN:

16 Q Mr. -- Mr. Reed, earlier, if you recall, staff
17 asked you questions about Exhibit 479 when they were
18 doing their authentication portion. Do you recall that?

19 A Yes.

20 Q And I believe in your answer you said that
21 No. 3 was confidential; is that correct?

22 A Give me just a moment.

23 Q Certainly.

24 A I believe No. 2 contained portions that were
25 confidential.

1 **Q No. 2, pardon me.**

2 I guess the comprehensive list that I have --
3 those Documents 1 and 2 confidential -- those two or
4 were -- or No. 2 is confidential is what you're --

5 A I believe portions of No. 2 are.

6 **Q Okay. And you said that was not on the CD**
7 **that you reviewed?**

8 A Yes. From what I saw last night, looking at
9 materials, the confidential materials were not on the
10 broadly-distributed CD. There may be a different one
11 that have them on it, but that's my understanding.

12 **Q Did you review Question 2?**

13 A Yes.

14 **Q Okay. What -- what did you review or what**
15 **documents did you review for Question 2?**

16 A I reviewed the material we supplied to staff
17 in a response to 479, Part 2.

18 **Q Okay. So -- so, just so I understand it, it**
19 **wasn't the CD; it was some other document that you had,**
20 **something that you had provided to staff previously that**
21 **you've reviewed?**

22 A Yes, I reviewed the material in its entirety
23 that we provided in that response.

24 MR. JERNIGAN: Okay. Thank you.

25 No further questions.

1 CHAIRMAN BROWN: Thank you.

2 Moving on to Sierra Club, Ms. Csank.

3 MS. CSANK: May I have a moment to share my
4 exhibits with staff?

5 CHAIRMAN BROWN: Absolutely.

6 MS. CSANK: Thanks.

7 MS. BROWNLESS: Madam chair, may I make
8 a brief --

9 CHAIRMAN BROWN: No. Please --

10 MS. BROWNLESS: Yes, ma'am.

11 CHAIRMAN BROWN: One second.

12 Thank you, Ms. Csank. How many exhibits for
13 this witness?

14 MS. CSANK: Two, but we'll see if I need them.

15 CHAIRMAN BROWN: Okay. Thanks.

16 You have the floor.

17 EXAMINATION

18 BY MS. CSANK:

19 Q Mr. Reed, are you ready?

20 A I am.

21 Q Good morning. My name is Diana Csank. I'm
22 here on behalf of the Sierra Club.

23 A Good morning, Ms. Csank.

24 Q Mr. Reed, to use our time well, please
25 remember the Commission's preference to hear a yes, no,

1 I-don't-know answer to questions where possible, and
2 further explanation beyond that only when explanation is
3 needed. Do you agree?

4 A Yes, I understand that.

5 Q Okay. So, let's start with a recap of your
6 credentials on Page 3, Lines 15 through 22 of your
7 direct testimony.

8 CHAIRMAN BROWN: Can you say that again? What
9 page?

10 MS. CSANK: Page 3.

11 CHAIRMAN BROWN: Page 3, Lines --

12 MS. CSANK: -- 15 through 22.

13 CHAIRMAN BROWN: Thank you.

14 THE WITNESS: I'm there.

15 BY MS. CSANK:

16 Q And so, you have more than 35 years experience
17 in the energy industry; is that correct?

18 A Yes.

19 Q And you have, over the past 24 years, directed
20 the energy services of several consulting firms?

21 A Yes.

22 Q And you're currently -- or you have served as
23 the vice chairman and co-CEO of the nation's largest
24 publicly-traded consulting firm and as chief economist
25 for the nation's largest gas utility?

1 A That's correct.

2 Q And in the remainder of this description or,
3 more generally, as you know your background and
4 professional experience, have you provided services to
5 clients with respect to environmental issues?

6 A Yes.

7 Q So, turning to this case, Mr. Reed, your
8 testimony presents the results of your evaluation of
9 FPL's relative performance; is that correct?

10 A Yes.

11 Q You included environmental considerations in
12 the evaluation?

13 A A high degree. We provided information on CO2
14 emissions, for example, and other emissions.

15 Q Okay. We'll get into that in more detail.

16 Under your time and materials arrangement with
17 FPL, you agreed on a certain scope of work with respect
18 to environmental considerations?

19 A Not specifically. Our scope of work was more
20 general than that.

21 Q So, I believe with Mr. Sundback, you
22 previously characterized that the -- the factors that
23 you evaluated were of your own choosing for the purpose
24 of this case and what you present to the Commission; is
25 that right?

1 A Yes.

2 Q **In the scope of work that you referenced, did**
3 **FPL propose that scope?**

4 A I think, in general terms, they said they
5 wanted us to be -- to provide testimony similar to what
6 had been provided in the last rate case. So, I guess
7 that is a proposal, but nothing more specific than that.

8 Q **Did FPL specify any particular environmental**
9 **factors that they wanted you to consider?**

10 A No.

11 Q **Okay. And your opinion is that FPL is a**
12 **"clean-energy company."**

13 A Yes.

14 Q **You offer that opinion as an expert witness in**
15 **this case?**

16 A I do.

17 Q **Are there any other FPL witnesses with**
18 **environmental compliance expertise in this case?**

19 A I'm sure there are. That would have to be a
20 question answered by Counsel.

21 MR. HETRICK: Madam Chair?

22 CHAIRMAN BROWN: Yes.

23 MR. HETRICK: Excuse me, but we already passed
24 that point with the pre-hearing officer's decision
25 on voir dire and the ability to question and

1 distinguish between experts and fact testimony.

2 I don't think this is the appropriate place to
3 be dealing with whether or not someone is an
4 expert. And we would ask you to require parties to
5 move on.

6 CHAIRMAN BROWN: Thank you, Ms. -- thank you
7 very much, Mr. Hetrick.

8 All right. Ms. Csank, please proceed.

9 MS. CSANK: Okay.

10 BY MS. CSANK:

11 Q Did you work with FPL environmental compliance
12 staff for the purposes of preparing your testimony --

13 A We --

14 Q -- in this case?

15 A No. We solicited data from them, but we
16 didn't really work with them.

17 Q Can you expand on that? I'm not sure I
18 understood.

19 A We asked for data, specifically emissions
20 rates, for the generation fleet from that group, but we
21 did not work with them in terms of having them review my
22 testimony or me review their testimony or anything else
23 like that.

24 Q And your Exhibit JJR-2 lists your past
25 assignments for other clients as well as F&PL?

1 A Yes.

2 Q I see one reference to an environmental
3 assignment that ended in 2000 -- I believe that's on
4 Page 28 of 29 of JJR-2?

5 A (Examining document.) I see.

6 Q So, got it?

7 A It's there, yes.

8 Q Do you recall that assignment? I know it's
9 been a while.

10 A I do.

11 Q Can you describe concisely the type of
12 environmental issues that you evaluated there?

13 A In that specific case -- we're talking about
14 the Central Hudson litigation involving the Riverkeeper?

15 Q Indeed.

16 A As I recall, the issue there was the impact of
17 keeping the unit in op- -- units in operation. On Fish
18 and Wildlife, there were issues, I guess -- as I
19 recall -- this was a while ago, but as I recall, the
20 issues were with the short-nose sturgeon.

21 Q I'm very familiar with the species.

22 Have you worked on any other environmental
23 assignments besides this one?

24 A Yes, many.

25 Q Could you please identify them for us?

1 MS. MONCADA: Madam Chair, we've reached the
2 point -- you know, we've let him answer a few
3 questions about environmental issues, but at this
4 point, I think it's beyond the scope of his
5 testimony.

6 CHAIRMAN BROWN: I think -- objection
7 sustained. You're getting into what is cloaked as
8 voir dire.

9 Will you address his prefiled direct
10 testimony?

11 MS. CSANK: Absolutely.

12 CHAIRMAN BROWN: Thank you.

13 BY MS. CSANK:

14 Q Mr. Reed, in your past assignments, have you
15 analyzed or directed analysis on the Environmental
16 attributes of energy resources?

17 A Yes.

18 Q So, turning to Page 8, Lines 1 through 3 of
19 your testimony, please --

20 A I have that.

21 Q Okay. So, here, in relation to your opinion
22 that FPL is a clean-energy company, on Lines 1 through
23 10, you make several statements. I'll read those, and
24 you let me know if I get them correctly.

25 You say: With a generating fleet that

1 produces over 82 percent of its electric power from
2 natural gas, solar, and nuclear sources, FPL is a clean-
3 energy company.

4 Is that still a correct statement, Mr. Reed?

5 A Yes.

6 Q And you were referring to 2015 production data
7 because you did not have access to complete 2016
8 production data? Or was that 2014 data?

9 A The over 82 percent was actually over the ten-
10 year period that we looked at. The benchmarking is for
11 ten years.

12 Q Which ten years?

13 A 2005 to 2014.

14 Q Okay. You go on to say: FPL has one of the
15 lowest emissions profiles among major U.S. utilities in
16 terms of carbon dioxide, sulfur dioxide, and nitrogen
17 oxides.

18 Is that still a correct statement?

19 A Yes.

20 Q You also say the performance of FPL's fossil
21 generation and nuclear generation help achieve favorable
22 air emissions?

23 Is that still correct?

24 A Yes.

25 Q Did we pin down all the bases of your opinion

1 **that FPL is a clean-energy company?**

2 A I don't think --

3 Q So --

4 A Go ahead.

5 Q **Sorry. To clarify my question -- so, I know**
6 **we didn't go into detail of those four statements, but**
7 **was there -- is that the universe of points that you're**
8 **making or were there additional points that you are**
9 **presenting to this Commission about why FPL is a clean-**
10 **energy company?**

11 A No. Those are the points that are contained
12 within our benchmarking. They go to air emissions on,
13 as we said, carbon dioxide, sulfur dioxide, and nitrogen
14 oxides.

15 Q **Thank you. And Mr. Reed, I know you've**
16 **testified on FPL's behalf in other cases. So, to**
17 **confirm, the work you did for those other cases did not**
18 **directly inform your opinion with respect to FPL's**
19 **clean-energy status today?**

20 A I wouldn't say that. This issue came up in
21 the deposition. What I said was my work in the nuclear
22 cases frequently referred to the benefits of the fuel
23 diversity. And nuclear remaining in the portfolio is a
24 emissions-free energy source. So, it's certainly my
25 experience in those cases. Also helped to inform my --

1 my thoughts here, my conclusions here.

2 **Q Let's make sure we all have a clear**
3 **understanding of the results of your analysis with**
4 **respect to FPL's relative environmental performance that**
5 **you performed for this case.**

6 So, first, let's refer to your statement about
7 FPL's energy sources by fuel type. Mr. Reed, you were
8 here yesterday when we discussed FPL's energy sources by
9 fuel type and referred to Schedule 6.2 of FPL's 2016
10 ten-year site plan?

11 A When you say "we" discussed that, you mean
12 Mr. Silagy?

13 **Q Yes.**

14 A I recall that reference, yes.

15 **Q Okay. Good. So, we can make this quick and**
16 **hopefully skip that exhibit.**

17 So, yesterday, we identified that FPL
18 currently produces 0.1 percent, in other words, a tenth
19 of its percent of its power from solar?

20 A I recall a statement to that effect, yes.

21 **Q And the period that was relevant to your**
22 **analysis, though, was -- was a retrospective. So, it's**
23 **not cur- -- 2016 -- the current ten-year site plan goes**
24 **from 2016 to 2025, but you were looking at a period**
25 **before that, correct?**

1 A Yes, that's correct.

2 **Q Okay. But that tenth of a percent is still**
3 **the high threshold of the peer that you were looking at.**
4 **In other words, you didn't see more solar in FPL's**
5 **energy mix over the period that you studied?**

6 A I think that's correct. I did not see a
7 higher level of solar generation.

8 **Q Thank you.**

9 And do you recall the level of natural-gas-
10 burning generation in the period that you studied in
11 FPL's mix?

12 A It increased over time. I think it's
13 currently just above 65 percent.

14 **Q Actually, I believe the number is**
15 **67.8 percent, according to the discussion we had with**
16 **Mr. Silagy yesterday.**

17 MS. MONCADA: Is that a question, Madam --

18 CHAIRMAN BROWN: Mr. Csank?

19 BY MS. CSANK:

20 **Q Mr. Reed, would you accept that, subject to**
21 **check?**

22 A Yes, I think that's consistent with what I
23 just said.

24 **Q Thank you.**

25 CHAIRMAN BROWN: Much better.

1 BY MS. CSANK:

2 Q And currently, FPL produces 23.9 percent of
3 its power from nuclear fuel?

4 A Is that a 2016 number?

5 Q Yes.

6 A I can accept that, subject to check.

7 Q And so, that was the -- what informed your --
8 your statement that FPL is a clean-energy company, the
9 fact that, you know, the bulk, essentially -- more
10 than -- more than half of the company's power comes from
11 natural gas, a smaller portion comes from nuclear, and
12 an even smaller percentage comes from solar?

13 A No, it was not the fuel mix really that in
14 formed my conclusions; it was the emission levels --

15 Q Okay.

16 A -- which is what I referred to in the
17 testimony.

18 Q Okay. So, let's -- let's turn to that. You
19 compared emissions of three types of air pollutants as
20 we identified before, carbon dioxide, nitrogen oxides
21 and sulfur dioxide; is that correct?

22 A Yes.

23 Q And just to be clear, did you look at carbon
24 dioxide equivalents -- or I mean, there are different
25 sources of greenhouse gas emissions. Did you pick

1 **carbon dioxide for a particular reason?**

2 A Simply because it is reported. If you are
3 asking about did we look at methane emissions or other
4 elements that can contribute to carbon in the
5 atmosphere, we did not. We looked at emissions directly
6 from generation.

7 **Q Did you consider other emissions from, for**
8 **example, methane, but reject that for a particular**
9 **reason?**

10 A No. Our focus was on generation, not, for
11 example, on supply chain or fuel cycle. It was on
12 generation.

13 **Q Have you performed those types of supply-chain**
14 **fuel-cycle assessments for other clients?**

15 A Yeah, not for a long time, but more than 20
16 years ago, I did.

17 **Q Okay. Do you know if -- is that something**
18 **commonly that you see in -- in benchmarking for electric**
19 **utilities across the country?**

20 A It is not common. It's almost never seen in
21 utility benchmarking.

22 **Q Okay. And did you look at any water**
23 **pollutants?**

24 A No. We looked at the three categories of
25 emissions.

1 Q Did you consider but reject water
2 pollutants?

3 A No.

4 Q And so, just to make sure I have that right,
5 you did not consider conducting a life-cycle assessment
6 of FPL's generation resources?

7 A By life cycle, you mean fuel cycle, looking at
8 upstream impacts?

9 Q Right.

10 A That's correct. We looked at the air
11 emissions from generation directly.

12 Q Do you have any sense of how FP&L would
13 compare to other utilities on that measure?

14 MS. MONCADA: Objection. Madam Chair, he's
15 already said he did not conduct the evaluation.

16 CHAIRMAN BROWN: Objection sustained.

17 Please move along.

18 BY MS. CSANK:

19 Q Mr. Reed, are you familiar with the peer-
20 reviewed science on the life-cycle impacts of natural
21 gas?

22 A I'm sorry. Whose findings?

23 Q Peer-reviewed science.

24 A In general terms, yes.

25 Q It's a relatively new field of scientific

1 inquiry, is it not?

2 A Yes.

3 Q Do you have any sense of how -- what portion
4 of that literature is from January of 2013 to the
5 present?

6 A No.

7 Q But you offer opinions to this Commission
8 about how clean a fuel source natural gas is?

9 A No, I offer an opinion about how clean, in
10 terms of air emissions, FPL's generation is.

11 Q But you offer no opinion as to the upstream
12 and midstream impacts of getting that fuel here to
13 Florida for FPL's generation mix?

14 A As I said, we did not look at the -- a fuel
15 cycle or fuel-supply chain. We looked at the point of
16 emission, which is generation.

17 MS. MONCADA: Madam Chair, I didn't get a
18 chance to make my objection before --

19 CHAIRMAN BROWN: You did not. I saw you go
20 for the button --

21 MS. MONCADA: But if that -- if we could
22 complete this line, I think we've exhausted as much
23 as Mr. Reed has information about the questions she
24 is propounding.

25 CHAIRMAN BROWN: Ms. Csank?

1 MS. CSANK: That's fine.

2 CHAIRMAN BROWN: Thank you.

3 BY MS. CSANK:

4 Q All right. So, let's -- let's turn to the
5 emission comparison itself. Your comparison did not
6 compare FPL to all utilities in the country, right?

7 A That's correct.

8 Q You looked at companies whose energy
9 generation was within 60 percent above or below FPL's
10 2014 generation level?

11 A That was one group. And we also looked at the
12 Florida utilities.

13 Q Right. Have you performed any similar
14 comparison for other clients?

15 A Not that comparison. I do a lot of resource-
16 planning work for other utilities around the country.
17 In fact, the Sierra Club has questioned me in many other
18 cases, but I don't think we've done this plus-or-minus-
19 60-percent grouping or within a single state.

20 Q So, the 60-plus-or-minus-percent grouping is
21 not a standard element of benchmarking.

22 A No, there's --

23 MS. MONCADA: He -- he just answered that,

24 Madam Chair.

25 CHAIRMAN BROWN: He -- yes, he did.

1 BY MS. CSANK:

2 Q What percent do you commonly use elsewhere?

3 A There isn't a common number. There isn't, in
4 fact, a standard. The selection is based upon a range
5 needed to get a sufficient number of companies in the --
6 in the peer group. Here, we came up with six other
7 companies by going plus or minus 60 percent.

8 There is no magic to that number. We're just
9 trying to find a range that provides a large enough
10 sample.

11 Q Okay. And six is a -- six is a large enough
12 sample?

13 A For purposes of this comparison, along with
14 the Florida utilities and the other comparison, I
15 thought it was.

16 Q Okay. And as you considered and decided to
17 include other Florida investor-owned utilities, did you
18 also consider but reject Florida municipal utilities,
19 for example, such as Tallahassee?

20 A I considered it. I didn't -- we did not have
21 information on all of the emission levels of the
22 municipal power companies in Florida. So, we did not do
23 it, but it's something we thought about.

24 Q Did you try reaching out on the municipal
25 utilities or the Florida Municipal Electric Association

1 **to see if they could get you that data?**

2 A No, we did not reach out to individual
3 municipals to do that. We tried to operate from what
4 were, again, publicly-available sources and reported
5 sources.

6 Q Okay. Are you at all otherwise familiar with
7 the emissions profile of the Tallahassee municipal
8 utility?

9 A No.

10 Q No? Okay.

11 And your emission comparison does not include
12 FPL's affiliates, does it?

13 A No. The benchmarking is of FPL, not
14 affiliates.

15 Q Do you have any understanding of how those FPL
16 affiliates would compare to FP&L?

17 MS. MONCADA: Madam Chair, he already
18 testified he did not benchmark FPL's affiliates.

19 CHAIRMAN BROWN: I'll let him -- I'll let him
20 answer the question if he knows. If he knows, he
21 does; if he doesn't, he doesn't.

22 THE WITNESS: I'm familiar with the
23 affiliates. I mean, some of them -- for example,
24 Lone Star Transmission, the company I've testified
25 for in Texas, doesn't own any generation. So,

1 there isn't really a basis for comparison there.

2 I'm also familiar with NextEra Energy
3 Resources, the development company for wind and
4 solar and for merchant nuclear. But again, there
5 really isn't a basis for comparison in terms of
6 having a portfolio, the regulated portfolio, the
7 way FPL does.

8 BY MS. CSANK:

9 Q Okay. Let's turn to what I believe is yet
10 **another basis for your opinion that FPL is a clean-**
11 **energy company. Recall that that was the performance of**
12 **FPL's fossil generation and nuclear generation, helping**
13 **to achieve favorable air emissions, right?**

14 A Yes.

15 Q Did you perform or oversee any analysis of the
16 **specific air-emissions reductions that are attributable**
17 **to the performance of FPL's fossil generation?**

18 A Reductions as compared to what? I don't
19 follow your question.

20 Q Well, it's your testimony that there are
21 **reductions that have been achieved generally -- I mean,**
22 **we can go back to your testimony. You can tell me what**
23 **your basis for that statement is. I was trying to**
24 **understand it.**

25 MS. MONCADA: It would be helpful for me if

1 she did provide a page and line reference.

2 CHAIRMAN BROWN: Could you -- could you --
3 could you please do that, Ms. Csank. And also,
4 please, could you be more clear with your questions
5 so he could understand what you're asking?

6 MS. CSANK: I'll try my best.

7 CHAIRMAN BROWN: What page are you talk- --
8 are you directing us to, please?

9 MS. CSANK: So, that would be Page 8. And the
10 line numbering is a bit on odd in my copy, but I
11 believe the relevant line numbers are six through
12 ten.

13 CHAIRMAN BROWN: Okay. Now, rephrase your
14 question, please.

15 MS. CSANK: I will. I just have to find my
16 spot.

17 BY MS. CSANK:

18 **Q Mr. Reed, did you perform or oversee any**
19 **analysis of the specific favorable air emissions that**
20 **are achieved through the performance of FPL's fossil**
21 **generation?**

22 A Yes. We looked at the entirety of their
23 generating fleet in terms of air emissions, which,
24 obviously, come from the fossil fleet.

25 **Q Right. But did you -- did your study identify**

1 the causation for whatever favorable air emissions that
2 you were seeing? In other words, I think what you're
3 connecting is a certain level of efficiency and
4 performance in the fleet as compared to a reduction in
5 air emissions. Am I -- is that -- is that clear or do
6 you need me to restate that?

7 A I understand your question, my testimony --
8 actually, my testimony doesn't speak in terms of a
9 reduction in air emissions; it talks about the
10 comparison of FPL to the others in the peer-group
11 companies. There has been a reduction. That's not
12 actually in my testimony. If you look at my prior
13 benchmarking, you will see there has been a reduction.

14 But ultimately, your question was: Did we
15 attempt to attribute that to what one generally calls an
16 event analysis where you've introduced a new technology
17 or new generator. No, we did not try and take it back
18 to an event analysis.

19 Q And a similar -- the same question with
20 respect to nuclear generation?

21 A Same answer: We did not attempt to go back
22 and attribute those changes to an event analysis.

23 Q And your analysis did not include, for
24 example, the gas generation that's included in FPL's
25 request in this case. So, that would be the Okeechobee

1 facility as well as the gas-combustion turbines that I
2 referenced in my opening statement?

3 A Correct. We -- our last year in the data set
4 was 2014. Since those units were not in operation then,
5 they are not reflected in that emissions profile.

6 Q So -- would you please turn to Page 34 of your
7 testimony?

8 CHAIRMAN BROWN: Ms. Csank, how many more
9 questions do you have for this witness?

10 MS. CSANK: I have a good number, but I don't
11 expect it to go more than 20 minutes. If you would
12 like to break now, that's fine by me.

13 CHAIRMAN BROWN: Are you guys ready to break?

14 All right. We're going to take a lunch break
15 now at roughly 12:30. And we will reconvene at
16 1:15.

17 I want to encourage the parties here to please
18 collate their exhibits and give them to staff.

19 Thank you.

20 We'll see you. Have a great lunch.

21 (Brief recess from 12:27 p.m. to 1:18 p.m.)

22 CHAIRMAN BROWN: Ms. Csank, you have the
23 floor.

24 MR. REHWINKEL: Madam Chair, at the
25 appropriate time, when this witness is -- is done,

1 we would like to address the Commission. But I
2 don't want to interrupt the flow of conversation.

3 CHAIRMAN BROWN: You know what, I think now is
4 a good time to do that.

5 MR. REHWINKEL: Okay. The representation that
6 was made or, I guess, the advice that was made by
7 your general counsel before lunch break about the
8 process for distributing impeachment exhibits was
9 contrary to what we had agreed to or our
10 understanding of what was agreed to this morning.

11 The -- we object on the record and we object
12 on due-process grounds to give the -- our
13 adversaries in this case our exhibits on
14 impeachment that, in effect, relate to them -- our
15 cross -- our cross-examination questions on
16 impeachment.

17 If the goal is to facilitate distribution on
18 the logistical basis --

19 CHAIRMAN BROWN: Uh-huh.

20 MR. REHWINKEL: -- I have a proposal that, I
21 think, would get there that would require the
22 attorneys receiving the information not to review
23 it until the time that it was needed and so -- for
24 cross-examination purposes.

25 But if the goal is to make sure it's all out

1 there and pre-deployed, that's one thing that we
2 can facilitate. But we cannot agree, as a
3 matter -- it's no different than me giving my
4 cross-examination questions to the other side ahead
5 of time. And for the Commission to require that is
6 a violation of our due process.

7 CHAIRMAN BROWN: Could you just get to the
8 proposal?

9 MR. REHWINKEL: Well, the proposal would be,
10 we can -- we might not be able to do it on this
11 witness. We can talk to the parties about it, but
12 there are large, oversized envelopes that we can
13 provide. And we can put a cover sheet on each
14 exhibit that says A, B, C, D, and E.

15 And when I'm ready to ask the witness a
16 question on impeachment, I'll say -- the attorneys
17 can reach in and get Exhibit A out, and then they
18 can open it up and they can see it. And they have
19 it there with them and we don't need to take all
20 the distribution time to do that. And it would
21 save time.

22 CHAIRMAN BROWN: And that is the goal.

23 MR. REHWINKEL: We would rather do that --

24 CHAIRMAN BROWN: And that is the goal, to save
25 time.

1 MR. REHWINKEL: Okay. We'd rather do that
2 than to go through some process where parties have
3 the exhibits ahead of time and are alerted to --

4 CHAIRMAN BROWN: Okay.

5 MR. REHWINKEL: -- issues on impeachment.

6 CHAIRMAN BROWN: Okay. Thank you.

7 Do -- does legal counsel -- would you like to
8 respond first?

9 MS. HELTON: Madam Chairman, I'm not sure,
10 just for purposes of the record, that I agree that
11 the concern about providing impeachment exhibits is
12 a due-process concern. I'm not sure, for the
13 purposes of the record, that I agree to that.

14 However, I think that Mr. Rehwinkel's proposal
15 to put the exhibits into an envelope is a good one.
16 And I think it's one that is definitely worth a
17 trial run.

18 CHAIRMAN BROWN: Okay. Seeing no
19 objections --

20 MR. MOYLE: Wait. Wait.

21 MS. MONCADA: No objection.

22 CHAIRMAN BROWN: Mr. Moyle.

23 MR. MOYLE: This is news to me. So, it's
24 just -- it's just hard when I --

25 CHAIRMAN BROWN: Okay.

1 MR. MOYLE: You know, I don't have these
2 envelopes that we're supposed to put them in. So,
3 I've just got some process issues. And I haven't
4 been talked to, and here is what we're doing, so --

5 CHAIRMAN BROWN: Mr. Moyle --

6 MR. MOYLE: -- you know, I -- the evidence
7 code, Rules of Civil Procedure, all that good stuff
8 is what I would like to, you know --

9 CHAIRMAN BROWN: Just a second.

10 MR. MOYLE: -- have govern my conduct.

11 MS. HELTON: Madam Chairman, if Mr. Moyle or
12 any of the parties have problems getting envelopes,
13 I'm sure that we can find some upstairs for them to
14 use for today.

15 CHAIRMAN BROWN: Let's just do this. Okay?
16 Let's just --

17 MR. MOYLE: I'm sorry.

18 CHAIRMAN BROWN: The purpose and intent of
19 passing out the exhibits in advance is only to
20 facilitate the process. And that's it. If you're
21 not able to do it, then you're not able to do it.

22 MR. MOYLE: Okay.

23 CHAIRMAN BROWN: All right? It would be very
24 helpful. If you can't do it, Mr. Moyle, that's --
25 that's fine.

1 MR. MOYLE: Okay. Thank you.

2 CHAIRMAN BROWN: So, let's just proceed. But
3 I do want to let everybody know, we've spent a lot
4 of time this morning and today on process and
5 procedure.

6 So, that being said, we're going to go a
7 little bit later tonight. And I do encourage the
8 parties to use the time wisely, of course, as
9 always, but we'll probably go until around 8:00.
10 We will not take a dinner break. We will take
11 short breaks to allow you all to stretch and for
12 our court reporter to take a break. So, please
13 plan accordingly.

14 And so, I would like us to continue with
15 Ms. Csank at this time.

16 MS. CSANK: Thank you, Madam Chair.

17 CONTINUED EXAMINATION

18 BY MS. CSANK:

19 Q Mr. Reed, I believe where we left off was
20 Page 34, Lines 3 through 7 of your direct testimony.

21 A Yes, I have -- I have that.

22 Q Good. So, there, you state in response to a
23 question of whether there are benefits associated with
24 FPL's commitment to a clean-energy portfolio that are
25 not reflected in base rates -- you state: While FPL's

1 investments in making its fossil-fuel generation
2 portfolio significantly more efficient are reflected in
3 FPL's base rates, the savings associated with this
4 improved efficiency are ultimately reflected in lower
5 fuel and environmental-compliance costs, which are
6 recovered through separate adjustment clauses; is that
7 right?

8 A Yes.

9 Q Have you participated in any clause dockets
10 before this Commission?

11 A Yes, I've participated in the Nuclear Cost
12 Recovery Clause dockets.

13 Q Did you, for this case, perform any analysis
14 to quantify the cost savings that you are citing in
15 Lines 3 through 7 of your testimony?

16 A This case meaning in this rate case.

17 Q This rate case.

18 A And no, the cost savings referred to there are
19 the savings that are not in base rates. I looked at the
20 savings that are in base rates.

21 Q So, what's -- so, you're providing an opinion
22 to the Commission about -- I guess I'm not -- I'm not
23 clear on what exactly you're -- you're advising the
24 Commission.

25 A My testimony speaks to the point that there

1 are benefits beyond those captured in my benchmarking
2 analysis. Benefits in terms of lower fuel costs, lower
3 emissions-compliance costs that occur outside of base
4 rates and outside of the metrics I've put forward in my
5 testimony here.

6 **Q Have you sought to, in a quali- --**
7 **quantitative way characterize what those savings are?**

8 MS. MONCADA: Asked and answered.

9 CHAIRMAN BROWN: Ms. Csank?

10 BY MS. CSANK:

11 **Q Have you otherwise, in a qualitative way,**
12 **analyzed those savings to which you refer?**

13 A No, quali- -- beyond what's in these four
14 lines, that's the qualitative assessment right there;
15 that there are, obviously, benefits that go beyond
16 what's reflected in base rates.

17 **Q Did you consider benchmarking the company's**
18 **relative performance on implementing energy efficiency**
19 **and other demand-side measures in its territory?**

20 A I did not benchmark energy-efficiency programs
21 or demand-side management programs as part of my work
22 here. We focused on costs and operating performance.

23 **Q Would you agree that energy efficiency is a**
24 **way for customers to save on their bills?**

25 A It can be, yes.

1 **Q Are you aware that Gulf Power has achieved**
2 **annual retail sales of 0.9 percent?**

3 CHAIRMAN BROWN: Ms. Csank, I don't see the
4 relevancy in his prefiled testimony here. Can you
5 please move along?

6 MS. CSANK: Madam Chair, he speaks to the
7 quality of FPL's services. And Sierra Club would
8 submit that demand-side is very much a part of the
9 company's overall quality of service.

10 CHAIRMAN BROWN: The last question is not
11 allowed. Please proceed with your other questions.
12 Thank you.

13 MS. CSANK: Madam Chair, just to clarify, he
14 is FPL's benchmarking expert. So, I have to
15 understand to the extent that FPL has put him
16 forward.

17 CHAIRMAN BROWN: Please proceed.

18 MS. CSANK: Thank you.

19 BY MS. CSANK:

20 **Q Do you agree that energy-efficiency is a clean**
21 **resource with respect to air, water emissions?**

22 A Yes.

23 **Q Is it cleaner than natural-gas-burning**
24 **generation resources?**

25 A Yes, I can accept that. Essentially, it can

1 represent -- again, when viewed at point of impact, a --
2 zero-discharge zero-emission form the way nuclear, for
3 example, would be. So, yes, I would accept it can be,
4 when measured at point of impact.

5 **Q Do energy-efficiency measures cost more than**
6 **or less than nuclear generation?**

7 A Depends on which energy-efficiency measure
8 you're talking about.

9 **Q Are you aware of any energy-efficiency measure**
10 **that's more expensive than a nuclear-generation facility**
11 **on an -- on a dollar-per --**

12 MS. MONCADA: Before he answers that question,
13 I would like to lodge that objection. It's, first
14 of all, unrelated to Mr. Reed's testimony; and
15 second, seems more appropriate in a DSM goals
16 proceeding and not in this rate case.

17 CHAIRMAN BROWN: Objection sustained.

18 BY MS. CSANK:

19 **Q All right. Mr. Reed, please turn to Page 24,**
20 **Line 4 of your testimony.**

21 A I have that.

22 **Q Thank you.**

23 And just to make sure I'm clear before we
24 spend time on this portion of your testimony -- so, have
25 you done any benchmarking analysis for other utilities

1 on their demand-side performance?

2 MS. MONCADA: He's already answered that
3 question.

4 MS. CSANK: I don't believe I heard an answer.

5 CHAIRMAN BROWN: I'm not sure if you have --
6 if he has or if he hasn't.

7 So, go ahead.

8 THE WITNESS: I have done -- I'm not sure I
9 would describe it as benchmarking. I've assessed
10 the cost-effective -- cost-effectiveness of demand-
11 side measures for companies, but not typically
12 through benchmarking.

13 BY MS. CSANK:

14 **Q Can you describe succinctly what that analysis**
15 **looks like instead of benchmarking?**

16 A It looks at the comparison of DSM alternatives
17 to others within a resource portfolio or within a
18 resource plan.

19 **Q And what are, generally, the conclusions of**
20 **those types of studies?**

21 MS. MONCADA: Madam Chair, I'm not sure what
22 the relevance of benchmarkings with regard to
23 cost-effectiveness of DSM programs has to do with
24 Mr. Reed's testimony.

25 CHAIRMAN BROWN: I'm going to give her some

1 latitude here.

2 Ms. Csank, proceed.

3 MS. CSANK: Thank you.

4 THE WITNESS: I'm sorry. Your question was
5 what were the conclusions in some of those studies?

6 BY MS. CSANK:

7 Q Right. So, I think my understanding was you
8 were comparing the relative cost-effectiveness of
9 demand-side measures as compared to other types of
10 measures and their performance characteristics. Is
11 there a fair characterization of your testimony?

12 A Yes.

13 Q And I was curious if you had any high-level
14 observations with how those demand-side measures compare
15 to other types of technologies that you were comparing
16 them to -- or resources?

17 A Demand-side measures, especially energy
18 efficiency and interruptible rate programs and programs
19 like that, can be very cost-effective. Obviously, there
20 is a range of payback and internal returns that come
21 from all the different measures that are evaluated
22 within a portfolio of options.

23 So, there is no single answer as to whether
24 something is cost-effective, but there is a wide range
25 of measures that can be and have been shown to be cost-

1 effective within energy efficiency and DSM programs.

2 Q And have you ever performed such analysis on
3 behalf of Sierra -- on behalf of FP&L?

4 A No. That's not part of my work here.

5 Q Thank you.

6 So, turning to Line 4, Page 24 of your
7 testimony, the question and answer here states: Which
8 metrics provide the best indication of FPL's overall
9 performance relative to comparable groups.

10 Did I get that right?

11 A Yes.

12 Q And in your answer, you focus attention on the
13 non-fuel operating and maintenance expenses; is that
14 right?

15 A Yes.

16 Q And you state that this metric has the
17 advantage of removing the effects of differences in fuel
18 costs which can vary due to availability, location, and
19 state or local environmental policies; is that correct?

20 A That's correct, yes.

21 Q And do you see any other metric that the
22 Commission should give equal weight to as non-fuel
23 O & M? Or is this really the most important one, in
24 your opinion?

25 A It's certainly the most important for the

1 purposes of this proceeding, which is a base-rate
2 proceeding. And that reflects the broadest measure of
3 the total cost in base rates.

4 **Q But electric utilities do have fuel costs,**
5 **right?**

6 A Certainly.

7 **Q And do you know approximately how much of**
8 **FPL's revenue requirements are made of fuel costs?**

9 A For FPL? I don't have that figure.

10 **Q When approved by the Commission, FPL recovers**
11 **fuel costs from customers through the annual clause**
12 **dockets; is that right?**

13 A That's my understanding.

14 **Q So, fuel costs are not a trivial part of**
15 **customer's bills?**

16 A That's correct.

17 **Q Yet, you're advising a metric for benchmarking**
18 **that essentially ignores fuel costs; is that right?**

19 A It doesn't ignore it. What I've said is the
20 best metric that I think is relative to this case
21 relates to the costs at issue in this case, which are
22 base rates. And that involves the mix of capital and
23 O & M costs.

24 And in terms of total cost-effectiveness, I
25 think the non-fuel O & M metric is the best total cost

1 measure that I can put before the Commission.

2 Q I believe earlier, you mentioned that you've
3 also testified before this Commission about the value of
4 a diversified energy mix for FP&L?

5 A That is correct.

6 Q And you've done so in the context of the
7 nuclear cost recovery dockets?

8 A Yes.

9 Q And there, do you recall testifying to this
10 Commission as recently as last year that Florida is
11 susceptible to gas-price spikes?

12 A Yes.

13 Q You described in that testimony from last year
14 that hundreds of millions of dollars, if not billions,
15 were lost to northeast customers due to gas-price spikes
16 during the polar vortex; is that right?

17 CHAIRMAN BROWN: Hold on.

18 MS. MONCADA: Madam Chair?

19 CHAIRMAN BROWN: Yes.

20 MS. MONCADA: She seems to be very focused --
21 Ms. Csank -- on fuel prices, and that is all
22 covered in the fuel docket, Docket 0001 before this
23 Commission, not in this rate-base docket.

24 CHAIRMAN BROWN: I agree.

25 Ms. Csank, please stick to the prefiled

1 testimony. Thank you.

2 MS. CSANK: I will. Thank you, Madam Chair.

3 BY MS. CSANK:

4 Q I want to return to the new gas generation
5 that's included in FPL's request. And I will bring this
6 immediately back to your direct testimony, which is to
7 ask whether the backward-looking, retrospective
8 benchmarking analysis you did would change in any
9 material way if we were to consider 2015 data, 2016
10 data, and the company's plans as presented here in this
11 case?

12 A No, I don't think that incorporating more
13 recent data for 2015, or even partial-year data for 2016
14 would change the conclusions. The conclusion I reached
15 was there has been billions of dollars -- in fact, more
16 than \$10 billion of savings for customers as a product
17 of FPL's efficiency, productive efficiency.

18 And in fact, this study plus the two prior
19 studies that I submitted to the Commission shows that
20 that has existed for a 17-year period. In fact, it
21 shows that, not only is the performance that strong, but
22 it's actually been getting stronger over that 17-year
23 period.

24 So, no, I have no reason to believe that
25 incorporating 2015 or 2016 data would change that

1 conclusion.

2 **Q Are you, perhaps, aware of how other**
3 **utilities -- let me rephrase that.**

4 Are you aware whether other electric utilities
5 in the U.S. are investing in gas-combustion turbines,
6 simple-cycle turbines at this point in time?

7 A Yes, I am.

8 **Q Is that a common investment or is that a**
9 **relatively rare investment in today's market? Do you**
10 **know?**

11 A For utilities with generation, it's fairly
12 common.

13 **Q What's your basis for stating that?**

14 A I work in a lot of resource-buying dockets for
15 a lot of companies. The Sierra Club, for example,
16 cross-examined me on a simple-cycle turbine plant in
17 Oklahoma and, similarly, on the simple-cycle turbine
18 plant in Indiana.

19 **Q Do you have a sense of, proportionately, in**
20 **terms of the amount of generation additions going in in**
21 **recent years -- let's say the last three -- what portion**
22 **of that was made up of gas-combustion turbines?**

23 MS. MONCADA: If she could tie it more closely
24 to his testimony, that would, I think, help move
25 things long.

1 CHAIRMAN BROWN: Ms. Csank, broad questions
2 outside the scope of his prefiled testimony is --
3 it will not be allowed. So, can you please direct
4 me to the testimony?

5 MS. CSANK: Yes, of course. His overall
6 testimony is about a backward-looking analysis.
7 And I'm trying to understand for this Commission
8 whether his assertion that that performance that he
9 has identified for the past 17 years will continue.
10 And I'm trying to pick out specific pieces of
11 information that will help us understand the basis
12 for his -- his answer to that.

13 CHAIRMAN BROWN: Can you restate the question?

14 MS. CSANK: Certainly.

15 BY MS. CSANK:

16 **Q My question was if Mr. Reed was familiar with**
17 **whether other electric utilities' or what portion of**
18 **other electric utilities' or national electric**
19 **utilities' generation-addition investments are made up**
20 **of gas-combustion turbines?**

21 A The answer --

22 CHAIRMAN BROWN: I'll allow it.

23 THE WITNESS: The answer is no. I can't give
24 you a nationwide figure as to what portion of the
25 generation expansion portfolio is made up of

1 simple-cycle turbines.

2 BY MS. CSANK:

3 Q And is it true that simple -- simple-cycle
4 combustion turbines often can, as a back-up, run on oil?

5 A That's region-specific. In some regions, they
6 choose to put in the cost, the extra cost of having oil
7 backup; in others, they do not.

8 Q Do you know if that's true for FPL's fleet for
9 the combustion turbines that FPL has in its system?

10 A Yeah, I don't know the answer as to whether
11 the new units that they are proposing would come with
12 dual-fuel capability. My recollection vaguely is that
13 they would not, but I can't be any more specific than
14 that.

15 Q If I were to tell you they do, would you
16 accept that, subject to check?

17 A Yes, but I can also say that's really covered
18 by other witnesses, not me.

19 Q To the extent that FPL ends up operating those
20 units on oil instead of gas, do you have an opinion of
21 how that would impact the emissions profile of FPL's
22 fleet?

23 A Of what pollutants are you --

24 Q Those you studied. Just stick with your
25 direct testimony; carbon dioxide, sulfur dioxide,

1 **nitrogen oxides.**

2 A If they were to operate on oil, you would have
3 slightly higher carbon. You would have higher SO2 and
4 higher NOX emissions than operating on natural gas.

5 Q **But you didn't, for the purposes of this case,**
6 **study the actual operation characteristics of FPL's**
7 **combustion turbines with respect to gas or oil?**

8 A We did with regard to the ten-year historic
9 period. We looked at, again, total emissions out of all
10 the fossil-fuel generating units for that historic
11 period, not prospectively.

12 MS. CSANK: Okay. Thank you.

13 No further questions. Thank you, Mr. Reed.

14 CHAIRMAN BROWN: Thank you.

15 Moving on to Walmart -- oh, pardon me. I'm
16 sorry.

17 Hospitals -- before we get to Walmart,
18 Hospitals, are you ready to proceed?

19 MR. SUNDBACK: Yes, Madam Chairman, but we're
20 at your disposal, if you would like to go to
21 Walmart next. We're happy to have them go.

22 CHAIRMAN BROWN: Would you mind going after
23 the Larsons?

24 MR. SUNDBACK: No.

25 CHAIRMAN BROWN: Okay. Thank you.

1 We're going to go to Walmart, then.

2 MS. ROBERTS: We have no questions for this
3 witness. Thank you.

4 CHAIRMAN BROWN: Thank you so much,
5 Ms. Roberts.

6 We will go to AARP.

7 MR. McRAY: We have no questions of this
8 witness.

9 CHAIRMAN BROWN: Mr. Skop.

10 MR. SKOP: Thank you, Madam Chair. Just a few
11 questions.

12 EXAMINATION

13 BY MR. SKOP:

14 Q Good afternoon, Mr. Reed.

15 A Good afternoon.

16 Q It's good to see you again.

17 I just had a quick question following up on a
18 line with respect to your hourly rate that you charge in
19 this proceeding. I believe you stated that rate is
20 confidential, correct?

21 A Yes, that's my understanding.

22 Q Okay. You participated as an expert witness
23 in the NextEra merger docket in Hawaii, correct?

24 A That's correct.

25 Q All right. And you would have no reason to

1 doubt that -- your testimony in that docket that, during
2 the past five years, you charge between 650 and \$700 per
3 hour for consulting services?

4 A I'm sorry. Could I have the first part of
5 that --

6 Q Yes.

7 A -- statement read back?

8 Q Yes. So, I believe in Hawaii that you
9 testified that, over the last five years, you charge
10 approximately 650 to \$700 per hour for consulting
11 services; is that correct?

12 A The range is actually a little broader than
13 that, but -- I don't recall that specific statement in
14 Hawaii.

15 Q Do you have any reason to doubt that the
16 number that you're charging in Florida would be less
17 than that?

18 MS. MONCADA: Objection. This is now delving
19 into the precise area that was confidential. He's
20 not hitting a specific number, but you know, we're
21 getting into a narrow range.

22 MR. SKOP: May I be heard?

23 CHAIRMAN BROWN: Yes, Mr. Skop.

24 MR. SKOP: Yes. Madam Chair, the Larsons, as
25 FPL residential customers, are being asked to pay

1 as part of rate-case expense, Mr. Reed's fee. And
2 to my knowledge, not only as a practitioner, but a
3 former Commissioner, I don't believe I've ever seen
4 confidentiality surrounding an hourly fee of an
5 expert witness.

6 CHAIRMAN BROWN: Mr. Skop, my understanding is
7 that this is sensitive material that has already
8 been identified as confidential. So, if you could
9 tread very cautiously in your line of question,
10 they will be permitted.

11 MR. SKOP: Very well. Thank you.

12 BY MR. SKOP:

13 **Q Mr. Reed, with respect to the amount of -- let**
14 **me refrain.**

15 With respect to the amount that you build in
16 the Hawaii case to NextEra Energy, you would agree,
17 would you not, that that was in excess of \$1.6 million,
18 correct?

19 MS. MONCADA: Objection on relevance.

20 CHAIRMAN BROWN: Objection sustained.

21 MR. SKOP: Okay.

22 BY MR. SKOP:

23 **Q Mr. Reed, if I can ask you to turn to Page 8**
24 **of your direct testimony, please.**

25 THE WITNESS: I have that, yes.

1 MR. SKOP: And Lines 17 through 20.

2 Madam Chair, can you hear me okay? I know
3 we're sharing mics, so --

4 CHAIRMAN BROWN: Yes, thank you.

5 MR. SKOP: Okay.

6 BY MR. SKOP:

7 Q And on Line 17 through 20, you talk about the
8 non-fuel O & M costs, and the related nature of those
9 costs to the extent they would be higher than actual,
10 correct?

11 A Yes.

12 Q You would agree, would you not, that FPL has
13 made substantial investments in new natural-gas-fired
14 generation?

15 A Yes.

16 Q And you would agree, would you not, that the
17 Florida Public Commission has timely cost recovery for
18 plants placed in service?

19 A Yes, I believe it has provided for cost
20 recovery for those investments.

21 Q And you would agree, would you not, that those
22 investments placed in rates are paid for by FPL
23 customers?

24 A Yes, generally.

25 Q Okay. And would you agree that the investment

1 **of new infrastructure generates these savings, correct?**

2 A They contribute to it. The existing assets
3 plus the management of those assets, including, for
4 example, availability and forced-out-of-trade
5 management, have all contributed to the savings.

6 **Q Okay.**

7 A But the new investments certainly contribute
8 to the savings.

9 **Q Okay. And those savings that you recognize**
10 **are part of -- of your benchmarking that suggests that**
11 **FPL should deserve a greater-than-average ROE, correct?**

12 A With one point of clarification, I will agree
13 with that, which is my benchmarking goes to non-fuel
14 costs. Your question also asked about fuel costs
15 associated with new generation. To the extent there are
16 improvements in O & M costs, non-fuel O & M costs, those
17 are captured within the benchmarking.

18 **Q Okay. Great.**

19 I believe, in response to an earlier question,
20 you indicated your benchmarking was based on the last
21 ten years, correct?

22 A Yes.

23 **Q Okay. And did your benchmarking include**
24 **looking at level of investment of -- that FPL made**
25 **versus its peer groups?**

1 A Yes.

2 Q And with respect to the peer-group ranking,
3 for those utilities that did nothing and kept rates the
4 same, were they -- were they penalized for -- for not
5 making additional investment?

6 A Penalized by whom? I'm sorry. I don't
7 understand the question.

8 Q In terms of the benchmarking, again, the level
9 of investment was looked at as a factor, correct?

10 A Yes, the level of investment was looked at as
11 a factor.

12 Q So, if you had, for the sake of example,
13 Utility A and Utility B, and Utility A was making a
14 substantial billions of dollars of investment over a
15 course of the time frame that the benchmark was taken,
16 obviously, that -- that utility would ranked higher than
17 Utility B that's made no investment, correct, for that
18 particular aspect?

19 THE WITNESS: No, the metric -- this appears,
20 by the way, in Exhibit JJR-6, Page 34.

21 CHAIRMAN BROWN: Thank you.

22 THE WITNESS: Of 34, and also, Page 33 of 34.

23 The metric there is incremental investment per
24 incremental customer, and the prior page, Page 33
25 is gross investment.

1 What this shows is that FPL, even with all of
2 the investments made to improve efficiency and
3 reduce costs and to improve their overall
4 performance, still has one of the lowest investment
5 profiles of any of the companies in the peer group.

6 So, that goes to the efficiency of deploying
7 capital. It is very efficient at deploying
8 capital and achieving maximum, if you will, bang
9 for the buck with the dollars that are invested.

10 BY MR. SKOP:

11 **Q So, are you -- are you suggesting that**
12 **Florida -- that Florida Power & Light Company has made**
13 **less investment within the last ten years than its other**
14 **Florida peer groups?**

15 A Less on a unit-cost basis, yes.

16 **Q But that's because it has the highest number**
17 **of customers, correct?**

18 A No, it's because the numbers are what they
19 are; whether it's done on a per-megawatt-hour-sold basis
20 or a per-customer basis.

21 **Q If I could ask you to turn to Page 20 of your**
22 **testimony, please. And at Line 10 through 19, you**
23 **mentioned that FPL had the highest energy loss for at**
24 **least the last seven of the ten years; is that correct?**

25 A Yes.

1 **Q** And that's on Line 17. So, how does that
2 factor into the benchmark? Is that a function of the
3 distribution -- I mean -- excuse me -- of the
4 transmission and the service area? Or how is that --
5 how is that relevant?

6 A That's a metric within the situational
7 assessment, not productive efficiency. And it's a
8 proxy, if you will, for the level of transmission
9 dependence of the utility. If generating resources are
10 cited further away from the load centers, you tend to
11 have higher losses.

12 So, this is a measure basically indicating
13 that, in seven of the ten years, the company was highly
14 challenged with regard to transmission dependence.

15 **Q** Okay. And just one or two more questions.

16 On Page 21 of your testimony, Line 13, you
17 mention a high-level snapshot.

18 A I'm sorry. What line number?

19 **Q** Line 13.

20 A Yes.

21 **Q** On Page 21.

22 A Yes.

23 **Q** What -- at the high level, what significance
24 should be given to the benchmarking?

25 A Are you talking about the productive

1 efficiency benchmarking or the situational assessment?

2 **Q The situational assessment.**

3 A The conclusion that I reached from the
4 situational assessment was that the company faced a lot
5 of exogenous factors that tended, among its peer group,
6 to drive costs higher; yet, notwithstanding these
7 challenges, it overcame them and actually achieved very,
8 very favorable cost performance.

9 So, the high-level analysis referred to here
10 is the fact that we looked at eight situational-
11 assessment metrics and said, at least on those eight
12 metrics -- which I recognize are what we call a lay-of-
13 the-land analysis -- indicate the company has faced real
14 challenges, but overcame them.

15 **Q Thank you.**

16 And would your answer to that question be the
17 same if you were providing testimony for one of the
18 other investor-owned utilities in the state of Florida?

19 A The situational assessment would be the same,
20 yes; the conclusions would, obviously, differ for each
21 company.

22 MR. SKOP: All right. Thank you.

23 No further questions.

24 CHAIRMAN BROWN: Thank you, Mr. Skop.

25 Mr. Sundback.

1 MR. SUNDBACK: Thank you, Madam Chair.

2 So, following up on Mr. Rehwinkel's
3 suggestion, which obviously can't be implemented
4 completely now, but if it would be acceptable to
5 the Chair, what we propose is we provided staff
6 with all of the -- hopefully more than all of the
7 exhibits we'll need to use for the balance of
8 Mr. Reed.

9 If we could proceed through them sequentially
10 once they are passed out, such that the counsel and
11 the witness are not leafing through them during the
12 examination on another exhibit, we would appreciate
13 that.

14 CHAIRMAN BROWN: Okay. That's -- I'm amenable
15 to that. And --

16 MR. SUNDBACK: And where -- I'm sorry.

17 CHAIRMAN BROWN: We'll be --

18 MR. SUNDBACK: Are we at 588?

19 CHAIRMAN BROWN: We'll start at 588 again for
20 you. And Mr. Sundback, I want to thank you for
21 facilitating this to make it a little bit more
22 expeditious.

23 MR. SUNDBACK: We -- we appreciate your
24 indulgence.

25 CHAIRMAN BROWN: Thank you.

1 (Whereupon, Exhibit No. 588 was marked for
2 identification.)

3 MR. SUNDBACK: Should we wait until they are
4 distributed to start --

5 CHAIRMAN BROWN: No. You can --

6 MR. SUNDBACK: -- rolling through the --

7 CHAIRMAN BROWN: No, you can -- as long as
8 you're not questioning on 588.

9 MR. SUNDBACK: Well, we can -- we can close
10 off the situation -- the discussion around 585 that
11 was previously marked.

12 MR. SAYLER: Excuse me, Madam Chair.

13 CHAIRMAN BROWN: Yes.

14 MR. SAYLER: Eric Sayler with Public Counsel.

15 I thought the exhibit from Sierra Club was
16 Exhibit 588. Or was it never --

17 CHAIRMAN BROWN: It was never even used.

18 MR. SAYLER: -- marked for identification.

19 CHAIRMAN BROWN: I didn't mark it because it
20 was never used.

21 MR. SAYLER: Okay.

22 CHAIRMAN BROWN: Right? Yes.

23 So, we're at 588 and -- but Mr. Sundback,
24 you're going back to 585.

25 MR. SUNDBACK: Yes.

1 CHAIRMAN BROWN: Mr. Reed, do you have Exhibit
2 585?

3 THE WITNESS: I do.

4 CHAIRMAN BROWN: Mr. Sundback, you can proceed
5 with those questions.

6 EXAMINATION

7 BY MR. SUNDBACK:

8 Q All right. Mr. Reed, just to finish off with
9 585, there, you had pointed out the T and D utilities
10 have less flexibility than integrated utilities and that
11 integrated utilities enjoyed benefits of
12 diversification, right?

13 A That's part of my answer on Page 24 and 25.

14 Q Would you accept, subject to check, that
15 you've made the same sort of statements in at least two
16 other Encore proceedings as well?

17 A That would not surprise me.

18 Q Okay. Thank you.

19 Now, you have before you -- and if not, tell
20 us -- well, let's -- let's take them one at a time.

21 Would you agree that the size of an individual
22 generating unit can affect its operational economies?

23 A Your question goes, as I heard it, to an
24 individual generating unit?

25 Q That is correct.

1 A Yes.

2 Q Okay. Would you agree that there are
3 generally three times of synergies that larger
4 generation companies can obtain; those being portfolio
5 synergies, operational synergies, and strategic
6 synergies?

7 A Yes, I would agree those are three areas of
8 synergies that a generating company can strive to
9 achieve.

10 Q I'm sorry, Mr. Reed. My question was with
11 regard to larger generating companies. Can you answer
12 that question, please?

13 A Yes. The answer is the same.

14 Q Thank you.

15 In your assessment of FPL, you didn't make any
16 explicit recognition of the size of FPL's generation
17 units relative to the size of generation units utilized
18 by other utilities; is that correct?

19 A We didn't look at the size of units. That's
20 correct. We looked at the size of the company and,
21 obviously, adjusted for both customers and output, but
22 we did not look at the size of individual units.

23 MR. SUNDBACK: Good news. We can take the
24 first document and flip it over without marking it.

25 CHAIRMAN BROWN: Okay.

1 BY MR. SUNDBACK:

2 Q Let's look at Page 9, Line 15 of your prepared
3 testimony, again, if we could. You'll see there a
4 reference to financial resources at the end of the
5 sentence. Do you see that?

6 CHAIRMAN BROWN: Mr. Sundback, did you say
7 Page 9, Line 15?

8 MR. SUNDBACK: Yes, Madam Chair. Maybe -- I
9 believe that's the correct citation.

10 THE WITNESS: Yes, I have that.

11 BY MR. SUNDBACK:

12 Q Okay. Financial resources presumably would
13 include both equity and debt; is that correct?

14 A Yes.

15 Q Okay. And they are an important component in
16 undertaking to provide the complex series of steps that
17 are necessary to provide reliable and reasonably-priced
18 electric service, right?

19 A That's probably a little broader than I would
20 say. I would say that financial strength is an
21 important component of providing reliable and
22 reasonably-priced electric service.

23 Q So, you don't believe that the individual
24 components are essential parts of providing that
25 service; that being equity and debt?

1 A The individual components -- and by that, I
2 assume you mean the relative mix or size of each
3 component -- aren't really determinative of financial
4 strength. They can contribute to it. I would accept
5 that.

6 Q Well, let's look at your next sentence. You
7 state that assessing whether a particular company has
8 **successfully achieved not only its service obligations**
9 **and cost-control objectives -- let's -- let's look at**
10 **that phrase.**

11 You would agree with me that attaining its
12 cost-control objectives would involve making an
13 assessment of debt and equity in its capital structure,
14 wouldn't it?

15 A Not for purposes of my benchmarking, no.

16 Q Well, for purposes of achieving cost-control
17 **objectives overall, wouldn't you agree that a company**
18 **would be doing that?**

19 A I would agree that the company would look at
20 the cost of capital, cost of debt, cost of equity.

21 Q Let's look at Page 8, Lines 13 and 14. There,
22 **you assert that the company continues to excel at**
23 **controlling costs. Do you see that?**

24 A Yes.

25 Q And that's a result of controlling costs that

1 were referenced at Page 9, Lines 13 through 17; is that
2 right -- I'm sorry -- 15 through 18.

3 A I may have lost the thrust of your question,
4 but I think, yes, the answer is controlling cost
5 involves the evaluation of productive efficiency,
6 operational efficiency, and service quality, which is
7 what appears there on Lines 15 to 18.

8 Q Okay. And that, in turn, is affected by,
9 among other things, the items you've enumerated on
10 Lines 13 and 15, right?

11 A Yes.

12 Q Okay. Now, if we go back and look at your
13 Exhibit JJR-1 again, you've provided, in a number of
14 contexts, financial advice to utilities; is that
15 correct?

16 A Yes.

17 Q Okay. And when I say "you," for the purposes
18 of these questions, I would like you to think of it as
19 Concentric, your firm, not just you, John Reed; is that
20 fair?

21 A Okay.

22 Q Okay. When Concentric looks at a utility's
23 financial profile, does Concentric do a thorough
24 analysis if it's important for purposes of evaluating
25 cost controls?

1 A Yes, we try and be thorough.

2 Q Okay. And when you do that analysis, do you
3 document it generally?

4 A Yes.

5 Q If the company had an existing capital
6 structure, for instance, or return-on-equity request,
7 your analysis wouldn't consist of just looking at the
8 existing level, would it?

9 A Are we talking about in the context of a
10 rate -- utility rate case? Is that what you're --

11 Q A financial -- I'm sorry. Go ahead.

12 A Was your question in the context of a utility
13 rate case?

14 Q We can start with that.

15 A And again, could you repeat the question?

16 Q Your analysis wouldn't simply look at the
17 existing level of ROE and capital structure and cease at
18 that point.

19 A That's correct. It would not just consider
20 the existing ROE and the existing capital structure.

21 Q Okay. And to the extent that you limited your
22 analysis to just those existing factors, you wouldn't
23 con- -- you wouldn't consider that consistent with good
24 utility practice, would you?

25 A I would have to have a lot more information to

1 answer that question.

2 MR. SUNDBACK: Okay. Let's take a look at
3 what, presumably, is going to be marked as -- I'm
4 sorry. We are at 588, Madam Chair?

5 CHAIRMAN BROWN: We are at 588.

6 MR. SUNDBACK: 588, which should be excerpts
7 of Mr. Reed's testimony before the Texas Public
8 Utility Commission in Docket No. 38929.

9 CHAIRMAN BROWN: Mr. Reed, do you have that in
10 front of you?

11 THE WITNESS: Yes, I do. And I'm sorry, this
12 was 588.

13 CHAIRMAN BROWN: Yes, 588.

14 THE WITNESS: I have that.

15 MR. SUNDBACK: All right. Could we -- could
16 we look at Page 16 in that package -- I'm sorry --
17 the page designated as 16 on the bottom of the page
18 in that package. It is not the 16th page of that
19 package.

20 CHAIRMAN BROWN: Okay.

21 BY MR. SUNDBACK:

22 Q Let me know when you've had a chance to review
23 that, Mr. Reed.

24 A Okay. Give me just a moment (examining
25 document).

1 CHAIRMAN BROWN: Got it, Mr. Reed?

2 THE WITNESS: I have it, yes.

3 BY MR. SUNDBACK:

4 Q Okay. And starting with the passage at
5 Lines 11 through 13 -- well, I guess we need to start at
6 Lines 7 through 11. There, you're stating that the
7 capital structure should be more consistent with the
8 average of companies in the comparison group; is that
9 correct?

10 A Yes, I said that for Encore.

11 Q And then in the next sentence, you say that
12 that enhances the comparison not only for a capital-
13 structure comparison and ROE, but for other regulatory
14 determinations. Do you see that?

15 A Yes, I see that.

16 Q Okay. If we were to look at the table at the
17 top of the page, you will see a bar chart, right?

18 A Yes, I see that.

19 Q And you'll see on the far right-hand side the
20 very small bar associated with the capital structure of
21 57.5 percent to 60 percent. Do you see that?

22 A I do.

23 Q That's where FPL would fall based on its
24 proposed capital structure; is that correct?

25 A I don't think that is correct. I -- these

1 data and the chart are for 2009, 2010.

2 Q Well, is it your testimony that you understand
3 the distribution of this bar chart to be materially
4 different now?

5 A Yes, it is materially different now.

6 Q And in that case, if you were to move to the
7 second-from-the-right bar, the 55- to 57-percent bar,
8 what percent of the utilities do you think would fall
9 into that bar now?

10 A I really don't know. That question should be
11 directed to Mr. Hevert.

12 Q When you put this chart together, there wasn't
13 even any utility over 60 percent; is that right?

14 MS. MONCADA: Madam Chair?

15 CHAIRMAN BROWN: Yes.

16 MS. MONCADA: We do have ROE and capital-
17 structure witnesses that are on the list to
18 testify. Mr. Reed is not one of them.

19 CHAIRMAN BROWN: Okay.

20 Mr. Sundback --

21 MR. SUNDBACK: Madam Chair --

22 CHAIRMAN BROWN: -- stick to the instant case,
23 please.

24 MR. SUNDBACK: The witness' testimony before
25 you in the Encore's case says this is relevant for

1 purposes of regulatory determinations in addition
2 to ROE and capital structure. And we're trying to
3 probe how unusual this capital structure is with
4 regard to FPL.

5 MS. MONCADA: And with regard to capital
6 structure, we have better witnesses who can speak
7 to that -- I'm sorry. They are not better
8 witnesses, Mr. Reed. We have other witnesses who
9 can speak to that.

10 THE WITNESS: Thank you.

11 (Laughter.)

12 CHAIRMAN BROWN: That are probably more
13 appropriate.

14 MR. SUNDBACK: Madam Chair, I can certainly
15 understand why FPL doesn't want Mr. Reed to talk
16 about his statements in this regard because they
17 are inconsistent with some of the positions FPL is
18 taking now, but that doesn't mean that this isn't
19 appropriate cross examination, especially when the
20 witness volunteered in the original testimony that
21 it's appropriate to consider not just for ROE and
22 capital structure, but other regulatory
23 considerations as well.

24 CHAIRMAN BROWN: Mr. Sundback, I'm going to
25 allow you to ask the question. And if the witness

1 can answer it, then he can; if he can't, then he
2 can't. But please be reminded to stick to the
3 instant case --

4 MR. SUNDBACK: Thank you.

5 CHAIRMAN BROWN: -- as these facts relate to.

6 MR. SUNDBACK: Thank you.

7 CHAIRMAN BROWN: Thank you.

8 THE WITNESS: And I'm sorry. Is there a
9 pending question?

10 BY MR. SUNDBACK:

11 Q When you -- when you prepared this chart,
12 there were no other utilities that even had a capital
13 structure with an equity component in excess of
14 60 percent; is that correct?

15 A I believe that is true for electric utilities.

16 Q Okay. Thank you.

17 A And by the way, that's for the authorized
18 ratios, not for the actual ratios.

19 Q Okay. So, looking at your testimony, we
20 established earlier that FPL -- your understanding is
21 that FPL is going to use your testimony to attempt to
22 justify the 50-basis-point adder for incentive -- to
23 incentivize both itself and other Florida utilities.

24 Do you recall that?

25 A It is my understanding that the company

1 relies, at least in part, on my testimony for that.

2 Q Okay. Let's look at the -- well, would you
3 agree that, as recently as two years ago, you stated
4 that the cost-of-service model, the traditional cost-of-
5 service model, incents management to improve efficiency
6 so that it can increase its errant return over that
7 which would otherwise be achievable?

8 A Again, if you can give me a specific
9 reference, we can verify that.

10 MR. SUNDBACK: Okay. Madam Chair, we would
11 ask to have marked as Exhibit No. 589 the next
12 document, hopefully, which are excerpts of
13 Mr. Reed's testimony before the Missouri Public
14 Service Commission in Docket Number EC-2014-0223.

15 CHAIRMAN BROWN: Okay. We will do that.

16 (Whereupon, Exhibit No. 589 was marked for
17 identification.)

18 MR. SUNDBACK: Thank you.

19 CHAIRMAN BROWN: Mr. Reed, do you have a copy
20 of that before you?

21 THE WITNESS: I believe I do.

22 CHAIRMAN BROWN: Okay.

23 Mr. Sundback, can you direct him on the exact
24 point in that exhibit?

25 MR. SUNDBACK: Thank -- thank you, Madam

1 Chair.

2 BY MR. SUNDBACK:

3 Q If you look at Page 9, starting at Line 8,
4 there, you're stating that: The opportunity to respond
5 to changing market conditions and preserve or enhance
6 returns under the cost-of-service model is an important
7 incentive for management to capture efficiencies, right?

8 A I meant to complete the sentence: And it's an
9 important incentive for management to capture -- I'm
10 sorry -- and management should be allowed to reap the
11 rewards and bear the costs of these efforts. That's
12 correct.

13 Q Okay. And at Page 5 of this testimony,
14 Lines 5 through 6, two years ago, you told that
15 Commission that: The cost-of-service model incents
16 management to improve efficiency so it can increase its
17 earned return over that which would otherwise be
18 achievable, right?

19 A Yes, in the context of the question that's
20 being addressed there, that's correct.

21 MR. SUNDBACK: Okay. We don't have to --
22 Madam Chair, to move this along, we could spend a
23 lot of time with some of the quotes in here. We're
24 happy to move along and not review all of them on
25 this point if we are not going to be met with an

1 objection that we haven't spent enough time with
2 the exhibit and the witness, so --

3 CHAIRMAN BROWN: FPL?

4 MS. MONCADA: I think there will be an
5 objection to these exhibits on the ground of
6 completeness. Not an objection on how much time
7 you're spending on them, but Mr. Reed just, in this
8 example, said that he agreed with Mr. Sundback in
9 the context of the question being asked. The
10 question being asked does not appear here.

11 This is just one instance. I -- I believe --
12 and I could be wrong, and he'll kick me under the
13 table if I am -- but that Mr. Butler asked folks to
14 have complete -- at least two complete copies of
15 the exhibits for the purposes of the record.

16 MR. SUNDBACK: We're -- we're happy to provide
17 those to FPL if they would like them right now.

18 CHAIRMAN BROWN: FPL?

19 MS. MONCADA: Sure. If that's the copy that's
20 going to go into the record, we're fine with --

21 CHAIRMAN BROWN: Okay. Fair enough.

22 MR. SUNDBACK: We're prepared to provide them
23 to FPL. We are not going to move the entire copy
24 into the record.

25 CHAIRMAN BROWN: Okay. Why don't your have

1 your staff do that, and you continue with your
2 cross, please.

3 MR. SUNDBACK: Thank you.

4 CHAIRMAN BROWN: So, you're saying that that
5 be streamlining your questions on this exhibit.

6 MR. SUNDBACK: Yes, that is correct. In that
7 event, we would be done, hopefully, with 589.

8 CHAIRMAN BROWN: Okay. Thank you.

9 MR. SUNDBACK: Oh, I'm sorry. We've got one
10 more item on 589 before we say goodbye. It was
11 too -- it was too easy.

12 BY MR. SUNDBACK:

13 Q Let's look at Page 15, Lines 20 -- I'm
14 sorry -- 12 through 22, if we could. There, you're
15 citing a treatise on utility-rate regulation; is that
16 right?

17 A That's correct.

18 Q And on Line 16, you have a caption
19 "prohibition on single-issue ratemaking." Do you see
20 that?

21 A I do see that, yes.

22 Q And is it fair to conclude that, by the
23 quotation in the indented language, you are endorsing
24 the opinion expressed in that language?

25 A I'm endorsing it for the purpose of answering

1 the question; again, how are these incentives and
2 principles applied in modern ratemaking.

3 **Q Okay.**

4 A In the entirety of the answer, both one, two,
5 and whatever came after that.

6 **Q All right. Very well.**

7 All right. You've made similar objections to
8 what you characterized as partial or piecemeal
9 ratemaking in another docket involving Iroquois Pipeline
10 at FERC; is that right?

11 A Again, if you can give me an example, I'm
12 happy to take it.

13 **Q Well, hopefully, the next document in your**
14 **packet, which we would ask to have assigned Exhibit 590,**
15 **consists of excerpts of your Iroquois testimony. Do you**
16 **happen to have a copy of that?**

17 CHAIRMAN BROWN: I'm -- Mr. Sundback, which
18 one is that?

19 MR. SUNDBACK: I'm sorry. It's labeled
20 "Excerpts from prepared answering testimony of John
21 J. Reed before the FERC" --

22 CHAIRMAN BROWN: FERC.

23 MR. SUNDBACK: -- "In Docket No. RP97-126."

24 CHAIRMAN BROWN: Would you like that labeled
25 as Exhibit 590?

1 MR. SUNDBACK: If we could, please.

2 (Whereupon, Exhibit No. 590 was marked for
3 identification.)

4 CHAIRMAN BROWN: Mr. Reed, do you have a copy
5 of that before you?

6 THE WITNESS: I do.

7 CHAIRMAN BROWN: All right. Proceed, please.

8

9 BY MR. SUNDBACK:

10 Q Let's look at what's designated in the
11 original document as Pages 6 and 7. Let's start at
12 Line 22, if we could. And if you could, review that
13 paragraph that carries over to Page 7. And let us know
14 when you're done.

15 A (Examining document.)

16 CHAIRMAN BROWN: Got it, Mr. Reed?

17 THE WITNESS: I have reviewed that.

18 BY MR. SUNDBACK:

19 Q Okay. And the sentence in particular that
20 carries over from six to seven represents your criticism
21 of piecemeal adjustments for post-test-period changes
22 and individual ratemaking elements, right?

23 A Yes, under the FERC's test-period principles,
24 that's correct.

25 Q Okay. Do you understand that that's what is,

1 **in essence, proposed in the LSA in this case?**

2 MS. MONCADA: Madam Chair?

3 CHAIRMAN BROWN: Yes.

4 MS. MONCADA: Mr. Reed's testimony does not
5 address the LSA in any way.

6 MR. SUNDBACK: I -- may I be heard, ma'am?

7 CHAIRMAN BROWN: Yes.

8 MR. SUNDBACK: We spent some time in the
9 morning with Mr. Reed exploring his understanding
10 of FPL's rate filing, a phrase he used in his
11 testimony. And he volunteered that he understood
12 separate steps for 17, 18, 19. And he, in fact,
13 volunteered the LSA acronym. So, he has some
14 familiarity with it.

15 CHAIRMAN BROWN: Yes, I'll allow the question.
16 Objection overruled.

17 MR. SUNDBACK: Thank you.

18 THE WITNESS: And your question is: Is the
19 LSA an example of an individual change in a cost
20 element? Is that the question?

21 BY MR. SUNDBACK:

22 **Q Is the LSA proposed by FPL an example of post-**
23 **test-period changes and individual ratemaking elements,**
24 **based on your understanding?**

25 A And I will start by saying I don't really have

1 a complete understanding of the structure of the LSA,
2 but I would say that the Commission's rules here and
3 policies are different than FERC's. And it is my
4 understanding that it is a limited-scope adjustment,
5 meaning it does not include or involve a review of the
6 entirety of the revenue requirement at that time.

7 MR. SUNDBACK: Okay. Thank you, Mr. Reed.

8 Madam Chair, we would be prepared to move on
9 from 590 as well, based on the earlier
10 understanding, if we're going to have an objection
11 we haven't spent enough time with 590, we're happy
12 to spend more time with 590.

13 CHAIRMAN BROWN: FPL, any response?

14 MS. MONCADA: No, just the same completeness
15 objection. And we can take that up at the end.

16 CHAIRMAN BROWN: I think they are working on
17 that right now.

18 MS. MONCADA: Sure.

19 CHAIRMAN BROWN: Correct, Mr. -- you're
20 working on the completeness?

21 MR. SUNDBACK: We have copies to provide to
22 FPL right now.

23 CHAIRMAN BROWN: Okay. You can proceed with
24 your questions.

25 MR. SUNDBACK: Thank you.

1 ///

2 BY MR. SUNDBACK:

3 Q So, Mr. Reed, the good news is I think we're
4 done with your past testimonies. Let's see if we can do
5 a kind of overall summary to expedite things here. And
6 if it doesn't work, you tell me and we'll back up and
7 take it a little slower.

8 The next set of materials are excerpts from
9 FERC Form 1s. Would you agree that some of the data
10 that you used in the preparation -- well, you'll recall
11 you had a discussion with Mr. Moyle this morning that
12 some of the data you used in your benchmarking study
13 came from FERC Form 1; is that correct?

14 A Yes.

15 MR. SUNDBACK: Okay. Madam Chair, if we could
16 have the next -- the rest of the exhibits, now,
17 marked in sequence, we would appreciate it. The
18 first being excerpt from Arizona Public Service's
19 Form 1.

20 CHAIRMAN BROWN: Okay.

21 MR. SUNDBACK: And that would be 591, if our
22 record keeping is correct.

23 CHAIRMAN BROWN: That is correct. We will
24 label that as 591. That's excerpts from Arizona
25 PSC.

1 (Whereupon, Exhibit No. 591 was marked for
2 identification.)

3 MR. SUNDBACK: The next would be an excerpt
4 from Idaho Power Company's FERC Form 1. And if
5 we're in sync, that would be 592.

6 CHAIRMAN BROWN: 592 it is.

7 (Whereupon, Exhibit No. 592 was marked for
8 identification.)

9 MR. SUNDBACK: The next would be an excerpt
10 from Public Service Company of New Mexico FERC Form
11 1.

12 CHAIRMAN BROWN: 593.

13 (Whereupon, Exhibit No. 593 was marked for
14 identification.)

15 MR. SUNDBACK: Thank you.

16 The next would be an excerpt from TECO's FERC
17 Form 1.

18 CHAIRMAN BROWN: 594.

19 (Whereupon, Exhibit No. 594 was marked for
20 identification.)

21 MR. SUNDBACK: Thank you.

22 And hopefully, the last -- no, not the last.
23 The next would be an excerpt from DTE's FERC Form
24 1.

25 CHAIRMAN BROWN: 595.

1 (Whereupon, Exhibit No. 595 was marked for
2 identification.)

3 MR. SUNDBACK: And now we're at the last,
4 excerpts from FPL's form -- FERC Form 1.

5 CHAIRMAN BROWN: That will be labeled as 596.
6 (Whereupon, Exhibit No. 596 was marked for
7 identification.)

8 MR. SUNDBACK: Okay. Thank you, Madam Chair.

9 BY MR. SUNDBACK:

10 **Q Let's see if we can summarize this, Mr. Reed.**

11 Would you agree, subject to check that --
12 well, I think we need to at least go through one of
13 these to make sure we're all on the same page on the
14 data. Let's turn to the third page of what's been
15 marked as Exhibit No. 5.

16 CHAIRMAN BROWN: Would you move your mic a
17 little bit closer so that our court reporter can
18 pick up? Thanks. Please.

19 MR. SUNDBACK: Okay. Thank you.

20 BY MR. SUNDBACK:

21 **Q Let's look at the third page of what's been**
22 **marked as Exhibit 591, please.**

23 A I have that.

24 **Q In what's labeled Column D, as in "David,"**
25 **year-to-date, quarterly/annual, that is a report of the**

1 total sales of the company; is that correct? And you
2 may have to go back to the prior page to find the label
3 on that line.

4 A (Examining document.) So, I'm sorry. Your
5 question is about what -- which line?

6 Q Line -- Line 12.

7 A Oh, Line 12.

8 Q 32,951,388 -- let's see if we can expedite
9 that. Is that the type of data that you used in
10 performing your benchmarking studies?

11 A Yes, it is the type of data we use in
12 performing the benchmarking study.

13 Q And you can see in the upper right-hand corner
14 it's the fourth quarter of 2014. Do you see that?

15 A Yes, I -- let me correct my answer, actually.
16 I can't tell without looking at this. Is this the
17 Form 3Q as opposed to the Form 1?

18 CHAIRMAN BROWN: Mr. Sundback?

19 Q The -- the cover page says it's FERC Form 1.

20 A It also says that the cover page says it's
21 Form 3Q.

22 Q Would you -- would you -- (discussion off the
23 record.)

24 Mr. Reed, are you familiar with Form 1s
25 generally?

1 A Yes.

2 Q And do you understand that the fourth quarter
3 2014 Form 1s are the forms for which the annual data are
4 reported -- on which the annual data are reported?

5 A Yes, that is correct.

6 Q Okay. And you can see that, not only the page
7 we were looking at, the third page in the document is
8 labeled as 2014/Q4 in the upper right-hand corner, but
9 also on the second page of the exhibit, in the lower
10 right-hand corner, you will see year/period of report,
11 end of 2014/Q4. Do you see that?

12 A I'm not sure where you were for that second
13 reference, but I believe it is the report for the fourth
14 quarter of 2014.

15 Q Okay. So, turning to the third page, Line 12,
16 Column D, the 32,951,388 figure -- that's the type of
17 data you utilized in your benchmarking study for total
18 sales of utilities that were in your survey; is that
19 correct?

20 A Yes.

21 Q Okay. And similarly, under Column F on
22 Line 12, the 1,163,134 thousand [sic] number -- that
23 represents the total average number of customers per
24 month, correct?

25 A Yes.

1 Q And that's also a data input that you utilized
2 in your benchmarking study; is that right?

3 A Yes.

4 Q Okay. Would you accept, subject to check,
5 that for the Form 1s, designated Exhibit Nos. 591,
6 through 595 -- well, would you accept, first of all,
7 that those companies filing those Form 1s in the
8 identified exhibits are within one or more of your
9 comparison groups in this case?

10 A Give me just a moment to verify that.

11 Q Sure. If you could, go, for instance, to -- I
12 think it's JJR-6.

13 A Yes, Page 1 of 34.

14 Yes, they are.

15 Q Okay. Very good.

16 And would you accept, subject to check, that
17 with regard to Column D data, the year-to- -- year-
18 to-date sales, megawatt hours sold -- none of these
19 reports and none of these utilities exceeded 30 percent
20 of the total sales of FPL?

21 A I would have to make that calculation, but
22 that would not surprise me.

23 Q Okay. And similarly for Column F, for the
24 entities that are represented in Exhibit Nos. 591
25 through 595, the average number of customers is no

1 greater than -- for any of them, no greater than
2 40 percent of the average total number of customers of
3 FPL?

4 A Same answer; that would not surprise me, but I
5 haven't made the calculation.

6 Q Okay. It wouldn't surprise you either to find
7 out that, in terms of the total sales, the range of
8 variability is approximately ten-to-one between IdaCorp
9 and FPL, would it?

10 A Give me just a moment to check that.

11 Q Sure.

12 MS. MONCADA: While he's checking on that, if
13 Mr. Sundback tell us the relevance of Iroquois?

14 MR. SUNDBACK: I'm sorry?

15 MS. MONCADA: The relevance of Iroquois.

16 MR. SUNDBACK: IdaCorp. IdaCorp --

17 MS. MONCADA: Oh.

18 MR. SUNDBACK: -- as Mr. Reed has already
19 testified, is a member of one or more of his
20 comparison groups.

21 CHAIRMAN BROWN: Thank you.

22 Mr. Reed?

23 THE WITNESS: I don't believe that -- your
24 ratio was ten-to-one? I don't believe that's
25 correct. What I see in the Idaho Power report is a

1 total sales figure of one six three one two seven
2 eight six versus Florida Power & Light at one one
3 two nine two nine seven two nine. So, more like a
4 six-to-one, seven-to-one.

5 BY MR. SUNDBACK:

6 Q Seven-to-one. Okay. Fair enough.

7 Would you accept, subject to check, that the
8 ratio is about nine-to-one with regard to the Column F
9 data, if you were to compare either IdaCorp or Public
10 Service of New Mexico to FPL?

11 A I'm sorry. Which companies? IdaCorp or --

12 Q IdaCorp or Public Service Company of New
13 Mexico?

14 A And you're, now, asking me to compare a
15 customer count; is that correct?

16 Q The Column -- the Column F data.

17 A Which is customer count, yes.

18 Q Yes.

19 A (Examining document.)

20 CHAIRMAN BROWN: Got it, Mr. Reed?

21 THE WITNESS: I have it.

22 It's -- I think your question was nine-to-
23 one. Is that the ratio you offered?

24 BY MR. SUNDBACK:

25 Q Yes, sir.

1 A That's correct.

2 MR. SUNDBACK: Okay. Thank you.

3 Thank you, Mr. Reed. Those are all our
4 questions.

5 Thank you, Chair.

6 CHAIRMAN BROWN: Thank you, Mr. Sundback.

7 Staff?

8 MS. BROWNLESS: I'm --

9 CHAIRMAN BROWN: I'm sorry. I did not hear
10 you.

11 MS. BROWNLESS: I said, I'm in the exhibits.

12 MR. SAYLER: Sorry?

13 EXAMINATION

14 BY MS. BROWNLESS:

15 Q Good afternoon, Mr. Reed.

16 A Good afternoon.

17 Q Do you agree that utility regulations should
18 function as a proxy for a competitive marketplace?

19 A In general terms, yes.

20 Q Do you agree that utility generation, as
21 generally practiced, has no equivalent for the short-
22 term economic profits that can be earned by companies in
23 a competitive marketplace when they are more efficient
24 than their competitors?

25 And by efficiency, I mean being defined as

1 being able to earn above their cost of capital due to
2 higher productivity.

3 MR. MOYLE: I think it's irrelevant.

4 CHAIRMAN BROWN: Objection overruled.

5 THE WITNESS: I think your question was: Is
6 there a counterpart -- was that the word -- in the
7 short-term experience of a regulated utility versus
8 a non-utility?

9 BY MS. BROWNLESS:

10 Q Is there an equivalent --

11 A Equivalent.

12 Q -- in the regulated market for short-term
13 economic profits that can be earned by companies,
14 competitive companies, in a competitive marketplace when
15 they are more efficient than their competitors?

16 A I don't think there is an equivalent. The
17 focus on regulation tends to be longer-term cost trends
18 rather than shorter-term. Your question was about
19 shorter-term profitability variations and non-utilities.
20 The focus with any utility regulation tends to be longer
21 term.

22 Q Thank you.

23 Would it be beneficial to utilities and their
24 customers if utility regulation could provide an
25 incentive mechanism that would allow utilities to earn

1 short-term economic profits similar to those that can be
2 earned by companies in a competitive marketplace?

3 MR. MOYLE: I'm going to object to this. It's
4 beyond his direct testimony. He said he's talking
5 about the adder. That's it. Now, they're asking
6 him about -- about essentially the incentive
7 mechanism that Witness Forrest covers.

8 So, this is beyond his direct. It's getting
9 into a whole other area that another FPL witness
10 covers.

11 CHAIRMAN BROWN: Ms. Brownless?

12 MS. BROWNLESS: One moment, please.

13 Well, I believe that Mr. Moyle asked questions
14 about Issue 84, which was the ROE adder. And to
15 the extent that Mr. Reed is relied upon by
16 Mr. Dewhurst, which discussed about -- discusses
17 the ROE adder in greater detail -- as Mr. Moyle
18 asked questions about this, we believe we should be
19 entitled as well.

20 MR. SAYLER: Public Counsel would join FIPUG's
21 objection. This witness does not provide anything
22 as it relates to the incentive mechanism. I don't
23 believe the ROE adder has any relationship to the
24 incentive mechanism, and we would object --

25 CHAIRMAN BROWN: Objection sustained.

1 Please -- please move on with your question.

2 MS. BROWNLESS: No further questions. Thank
3 you, ma'am.

4 CHAIRMAN BROWN: Okay. Thank you.

5 Commissioners, our turn. Any questions?

6 Commissioner Brisé?

7 COMMISSIONER BRISÉ: Thank you, Madam Chair.

8 Quick question about the performance factors
9 that you considered. So, how many of the
10 performance factors that are, in my mind,
11 inherently favorable to FPL are due to its size and
12 its ability to take advantage of economic
13 efficiencies?

14 THE WITNESS: Your question had an interesting
15 word in it, which was "inherently." I don't think
16 there is anything necessarily inherent about size
17 that necessarily means you will do better.

18 Size can be a contributor to doing better.
19 And that's one of the reasons why we focused on
20 unit costs by not looking at aggregate costs. So,
21 our measures of productivity efficiency --
22 productive efficiency are based on unit cost.

23 And it's also why we separately looked at the
24 subset of performance relative to just large
25 utilities; utilities with more than 200 -- I'm

1 sorry -- with more than two million customers. So,
2 we would not have some of the smaller companies
3 that Mr. Sundback took us through in that
4 comparison.

5 What was notable to me when I looked at the
6 differentiation between performance versus the
7 straight utility peer group versus the large
8 utility peer group is that FPL's performance was
9 even stronger when you limited the comparisons to
10 the large companies.

11 When you do that, you find that they were
12 actually first every single year of the ten as
13 opposed to first or second, which is their ranking
14 out of the 27 companies in a straight utility
15 group.

16 So, size can matter. And on some of these
17 metrics, there is the opportunity to achieve
18 economies of scale, but when you look at other
19 large utilities, more than two million customers,
20 again, FPL's performance even stands out more,
21 which I thought was remarkable.

22 COMMISSIONER BRISÉ: Okay. So, is there any
23 coincidence in the situational-assessment rankings
24 that, when you rank the Florida group, they tend to
25 fall out by size?

1 THE WITNESS: Remember, situational assessment
2 is not a measure of efficiency --

3 COMMISSIONER BRISÉ: Sure.

4 THE WITNESS: -- or productivity. It's a
5 measure of how challenged they are.

6 So, no, I don't think that is -- I would -- I
7 would say it is coincidental if you see a
8 relationship there by size. We're looking to
9 measure things like customer growth, things like
10 age of plant, other aspects, use per customer, that
11 can be a challenge in terms of achieving lower
12 costs.

13 So, no, I would not expect there to be any
14 predictable relationship there between size and
15 rank within the situational assessment.

16 COMMISSIONER BRISÉ: Okay. I think that's --
17 that's all I have.

18 CHAIRMAN BROWN: Thank you, Commissioner
19 Brisé.

20 Any other questions?

21 Okay. Redirect.

22 MS. MONCADA: Thank you, Madam Chair. I do
23 have a few.

24 REDIRECT EXAMINATION

25

1 BY MS. MONCADA:

2 Q Mr. Reed, do you recall a discussion with
3 Mr. Moyle earlier today, I believe it was, and he asked
4 you about specifically this one metric, the nuclear
5 capacity factor -- do you remember that conversation?

6 A I do.

7 Q And that was just taking one isolated metric.
8 If you take all of the areas that you've
9 analyzed as a whole, what is your opinion regarding
10 FPL's overall performance?

11 A In aggregate, I think, again, from the words
12 of my summary, the results speak for themselves. The
13 company is first or second in every single peer group
14 that we looked at when you consider all metrics.

15 That's 24 individual cost metrics that we
16 looked at in productive efficiency, plus all of the
17 operational metrics that we looked at for customer-
18 service quality and reliability of the system.

19 Taken together, it is a remarkable performance
20 to be first or second in every single one of the ten
21 years versus every single one of the peer groups.

22 Q Thank you.

23 And then following up on OPC's questions from
24 last night -- and there was a couple of questions from
25 Florida Retail Federation in the same vein. They asked

1 you about investments that FPL has made that have led to
2 improvements in things such as operational flexibility,
3 SAIDI, forced outage rates, and response times.

4 And my question to you is: Do the other
5 companies in any of the three peer groups or all of the
6 three peer groups have opportunities to make some of the
7 same investments?

8 MR. SUNDBACK: We will object based on the
9 form of the question. It's a leading question on
10 redirect. It's improper in that form.

11 CHAIRMAN BROWN: Can you rephrase it?

12 BY MS. MONCADA:

13 **Q Do the other companies in the peer groups have**
14 **an opportunity to make some of the same investments or**
15 **improvements that FPL has made?**

16 MR. SAYLER: Objection. Speculation.

17 CHAIRMAN BROWN: I'm going to allow it.

18 THE WITNESS: Yes, they do certainly have the
19 opportunity to invest in new generation, in system
20 hardening and reinforcements, anything to enhance
21 service quality.

22 I think I said in response to another question
23 that, again, a remarkable attribute here is, when
24 you look at investment as well as expenses, that
25 FPL is more efficient, not only in minimizing the

1 need to deploy capital for incremental customers or
2 in aggregate, a cost of gross plant, but it
3 actually achieves greater bang for the buck.

4 So, it is more efficient in the deployment of
5 capital and in the results that are able to be
6 achieved through the deployment of that capital.

7 BY MS. MONCADA:

8 **Q Thank you.**

9 Mr. Moyle also asked you earlier this morning
10 with regard to a portion of your direct testimony and
11 the \$1.9 billion of savings relative to the average
12 straight electric company in their productive efficiency
13 performance.

14 And he had a discussion with you regarding
15 whether customers actually receive the \$1.91 billion
16 benefit in 2014. Do you have an understanding about
17 whether the O & M savings from productive efficiency are
18 reflected in this filing?

19 A In this filing was your question. Yes --

20 **Q In this filing.**

21 A -- I do. And again, I would have a reference
22 to Exhibit JJR-8, Page 1 where we have the calculation
23 of that 1.91 billion and put it in context of how it's
24 changed over time.

25 All of those savings, as I understand it, are

1 reflected in the base-period revenue requirements for
2 the company and then, of course, adjusted on to a known
3 or measurable basis for the test year.

4 So, all of those savings, as they are
5 reflected in the actual 2015 data will flow through in
6 terms of benefits and the revenue requirements to
7 customers.

8 **Q Thank you.**

9 Mr. Sundback presented you an exhibit
10 earlier today and asked you a question regarding your
11 definition of productive efficiency. Do you remember
12 that?

13 A I do.

14 **Q Do you believe that efficiency is a relative**
15 **term?**

16 A It is. That quote that we had in the
17 testimony before was about the achievement of lowest
18 possible costs or least cost. And that is the measure
19 of perfect efficiency. If you have, in fact, achieved
20 the lowest possible or minimum -- minimization point on
21 the cost curve, that's perfect efficiency.

22 But in reality, efficiency is measured against
23 what others achieve and what is achievable in the real
24 world. And that is what a benchmarking study is meant
25 to do. That's what my benchmarking study is meant to

1 do.

2 Q Mr. Sundback also asked you a question -- I'll
3 paraphrase as closely as possible. He asked if you knew
4 what FPL's emissions profile, I'll say, would have been
5 if the Commission had approved -- had approved the
6 Glades coal power plant, if that had gone into service.
7 Do you remember that question?

8 A I do.

9 Q Mr. Reed, do you know, with respect to
10 generation resource selection, what steps FPL took in
11 response to the Commission's decision against the Glades
12 coal plant with regard to emissions profile?

13 MR. MOYLE: I think his answer to that
14 question was he didn't know. So, it's not proper
15 redirect if he said, I don't know.

16 MS. MONCADA: He said he --

17 MR. SUNDBACK: I'm sorry. Go ahead.

18 MS. MONCADA: Madam Chair, he said he did not
19 know what the emissions -- and I'm not a technical
20 person, but the pounds of --

21 CHAIRMAN BROWN: I'm going to allow the
22 question. Objection overruled.

23 THE WITNESS: The response, which I was part
24 of, was to put forward plans for clean energy in
25 the form of new nuclear, Turkey Point 6 and 7, and

1 in the form of nuclear uprates at St. Lucie and
2 Turkey Point, and to replace the capacity that
3 would have been achieved through Glades through
4 zero emission, new nuclear, and nuclear expansions.

5 BY MS. MONCADA:

6 **Q Thank you.**

7 Following up on some questioning you had form
8 from Mr. Wright from the Florida Retail Federation, he
9 took you through some exhibits that showed you metrics
10 such as L-BAR and safety and other metrics.

11 But my question to you is: What do you
12 consider the most comprehensive measure of distribution
13 reliability?

14 A If we're trying to view this from the
15 perspective of a customer, as opposed to engineers, it
16 is typically viewed that the SAIDI and SAIFI indices,
17 which are system-average indices as opposed to customer-
18 average indices are the ones that best reflect the
19 experience of the customers overall in the system.

20 And that's why I have relied most heavily on
21 the three that I used.

22 **Q Mr. Wright also focused his questions on the**
23 **years 2014 and 2016 in his exhibits, which were 586 and**
24 **587. Do you believe that's the appropriate time frame**
25 **to hone in on?**

1 A No, I wouldn't want anybody to draw
2 conclusions about reliability based upon a single year
3 or even two years. We present a data for ten years,
4 which encompass all kinds of events on the system. And
5 what we saw there was a significant improvement over a
6 long trend in these reliability metrics over that ten-
7 year period. And I think that's the appropriate type of
8 analysis to look at.

9 **Q Thank you.**

10 And sticking with the Exhibits 586 and 587
11 that Mr. Wright presented you, did you prepare or were
12 you involved in the preparation of those documents that
13 were submitted to the PSC?

14 A No, I was not involved in the preparation of
15 either.

16 **Q And if the Commission or Mr. Wright had more**
17 **questions and maybe wanted more specific information**
18 **regarding those exhibits, do you know who they should**
19 **speak to?**

20 A I believe they should speak to Witness Miranda
21 in this case.

22 MS. MONCADA: Thank you.

23 And Madam Chair, I believe I have just one
24 more.

25

1 BY MS. MONCADA:

2 Q Just recently, Mr. Sundback took you through a
3 couple of exhibits and FERC Form 1s regarding the
4 company's Idaho Power Company and the Public Service
5 Company of New Mexico.

6 Do you remember that?

7 A I do.

8 Q Could you turn to your exhibit, JJR-6, Page 1?

9 CHAIRMAN BROWN: Could you just speak up just
10 a little bit?

11 MS. MONCADA: Sure.

12 CHAIRMAN BROWN: Thank you.

13 MS. MONCADA: Exhibit JJR-6, Page 1.

14 CHAIRMAN BROWN: Thank you.

15 THE WITNESS: I have that.

16 BY MS. MONCADA:

17 Q Are Idaho Power or Public Service Company of
18 New Mexico part of the large utility group?

19 A No, they are not.

20 Q And is that important for purposes of
21 Mr. Sundback's questioning?

22 MR. SUNDBACK: We're going to object --
23 both -- it's too late to object to the last
24 question, which was a classic leading question, but
25 this one is a great example of it, too. It could

1 go in the dictionary. It's not -- it's not an
2 open-ended question. It is a very directed
3 question.

4 And in fact, Mr. Reed was telling us about his
5 comparison-group constituents throughout the
6 discussion.

7 CHAIRMAN BROWN: I gave you a lot of latitude
8 on direct. I'm going to overrule that objection.
9 You may answer the question.

10 THE WITNESS: I think it is relevant because,
11 as I said, the comparisons, even at the large
12 utility group, portray Florida Power & Light as
13 being even more of a top achiever relative to the
14 straight electric group, which does include some
15 companies that are certainly smaller than FPL.

16 MS. MONCADA: Thank you.

17 I have no more questions.

18 CHAIRMAN BROWN: Okay. We are moving on to
19 exhibits.

20 Let's move to the exhibits that are attached
21 to Mr. Reed's prefiled testimony first.

22 MS. MONCADA: Thank you. Those would be
23 Exhibits 31 through 43. FPL moves those exhibits.

24 CHAIRMAN BROWN: 31 through 43. Are there any
25 objections?

1 Seeing none, we will move Exhibits 31 through
2 43 into the record.

3 (Whereupon, Exhibit Nos. 31 through 43 were
4 admitted into the record.)

5 CHAIRMAN BROWN: Now, getting to the parties.
6 I have first up is FIPUG, Exhibit 580, savings from
7 reduced costs?

8 MR. MOYLE: We would move it.

9 MS. MONCADA: No objection.

10 CHAIRMAN BROWN: No objections. We'll move
11 580 into the record.

12 (Whereupon, Exhibit No. 580 was admitted into
13 the record.)

14 CHAIRMAN BROWN: Hospitals has a few. We're
15 going to go 581 to 585 and 588 through 595; is that
16 correct?

17 MR. SUNDBACK: I believe -- don't we have 596?
18 And I apologize, Madam Chair. I'm -- I believe we
19 numbered 596 as the excerpt from FPL.

20 CHAIRMAN BROWN: You're right.

21 MR. SUNDBACK: Thank you.

22 CHAIRMAN BROWN: It was stuck. Thank you.

23 Okay. So, I'll just repeat those real
24 quickly. Those are 581 through 585, and 588
25 through 596; is that correct?

1 MR. SUNDBACK: Yes, that's correct.

2 CHAIRMAN BROWN: Okay. Are there any
3 objections to moving those in?

4 MS. MONCADA: Objections from FPL on Nos. 581
5 through 585 and Nos. 588 through 590. These are
6 excerpts from Mr. Reed's prior testimonies. And
7 there were a few instances -- and because of the
8 timing, I couldn't catalog them all -- in which the
9 portions that were excerpted by the Hospital
10 Association were incomplete.

11 Mr. Reed's answers to certain questions were
12 either cut off in the beginning where the question
13 was posed to or cut off at the end of the answer.
14 FPL would like to move the entirety of the
15 testimony and -- so, we would object to them coming
16 in if they are incomplete.

17 CHAIRMAN BROWN: Would you be amenable if
18 Counselor provides them in complete form?

19 MS. MONCADA: Yes.

20 MR. SUNDBACK: Madam Chair, we're happy to do
21 that at the risk of many trees.

22 CHAIRMAN BROWN: Mary Anne --

23 MR. SUNDBACK: Madam Chair, we would like the
24 record to reflect that, in every instance they
25 requested for a complete copy of it, we provided it

1 to them. We brought additional copies with us to
2 the extent they wanted it for any of these
3 excerpts. They could have asked for it in a timely
4 fashion during the cross examination consistent
5 with the rules of the Commission.

6 MS. HELTON: I was actually going to say
7 something along the same lines of Mr. Sundback;
8 that it would be very helpful if, when a party has
9 an objection to an exhibit, if you will mention
10 that objection at the time the exhibit is being
11 used so that all parties can respond appropriately.

12 That being said, I don't think it's
13 an unreasonable request to ask that the entire
14 exhibit be admitted into the record.

15 MR. SUNDBACK: Can we just recap the bidding
16 so we're sure we've got that? So, 581, 582, 583,
17 584, 585, 588 and 589, we have a request for the
18 entirety of the document. And I believe, now, FPL
19 has 589, 588, complete copies. And to the extent
20 we retained one of them, we'll be happy to tender
21 those for inclusion.

22 And then for 581 through 585, I think we have
23 complete copies still in our possession.

24 CHAIRMAN BROWN: Okay. Excellent. And so,
25 with that understanding --

1 MS. MONCADA: No objection.

2 CHAIRMAN BROWN: No objection. Okay.

3 So, we will move in exhibits in their complete
4 form, 581, 582, 583, 584, 585, 588, 589, and 590.

5 (Whereupon, Exhibit Nos. 581 through 585, 588
6 through 590 were admitted into the record.)

7 MR. SUNDBACK: As just a mechanical question,
8 Madam Chair, are -- are we making copies of the
9 complete testimony or is FPL to submit?

10 Obviously, this is Mr. Reed's testimony and
11 we've prepared the excerpts. If they want the
12 complete, we'll give them the complete. And they
13 can make it tendered, if that's their preference.
14 We're looking for your -- your direction.

15 MS. HELTON: I think it would be appropriate
16 for the party who is sponsoring the exhibit to make
17 a complete copy. I'm not suggesting to give it to
18 everyone unless someone requests it, but to make
19 sure the court reporter has it for purposes of the
20 hearing record.

21 MR. SUNDBACK: We will do that by the end of
22 the day.

23 CHAIRMAN BROWN: That sounds fair.

24 MR. SUNDBACK: Thank you.

25 CHAIRMAN BROWN: Okay. So, now, we have a few

1 others, 591 through 596. Seeing no objections --

2 MS. MONCADA: No objection.

3 CHAIRMAN BROWN: -- from any of the parties,
4 we will move those in.

5 (Whereupon, Exhibit Nos. 591 through 596 were
6 admitted into the record.)

7 CHAIRMAN BROWN: Going to FRF, we've got 586
8 and 587.

9 MR. LAVIA: Good afternoon, Madam Chair.

10 CHAIRMAN BROWN: You're not Schef.

11 MR. LAVIA: No, I'm not. And I'm not going to
12 mention Triscuits.

13 (Laughter.)

14 I will -- I would like to move those into the
15 record, please.

16 CHAIRMAN BROWN: Okay. Seeing no
17 objections --

18 MS. MONCADA: Actually, for FPL, we note that
19 the witness for these exhibits are both Mr. Reed
20 and Mr. Miranda. Mr. Miranda is the person with
21 the most knowledge about these exhibits. And FPL
22 would ask that they be moved in at the end of
23 Mr. Miranda's testimony.

24 CHAIRMAN BROWN: So, that's both 586 and 587.

25 MS. MONCADA: That's correct.

1 MR. LAVIA: If I remember correctly, I believe
2 FPL just asked questions of this witness about
3 those exhibits. I think it would be appropriate to
4 move it in now.

5 CHAIRMAN BROWN: I'm more inclined to just
6 clean it up and move it in now because you asked
7 questions on those -- they asked on those, and he
8 was able to respond.

9 So, I'll move them in now with that
10 understanding. Okay.

11 MR. LAVIA: Thank you.

12 CHAIRMAN BROWN: You're welcome.

13 (Whereupon, Exhibit Nos. 586 and 587 were
14 admitted into the record.)

15 CHAIRMAN BROWN: We don't have any other
16 exhibits. Would you like your witness to be
17 excused?

18 MS. MONCADA: Yes, Madam Chair.

19 CHAIRMAN BROWN: Thank you, Mr. Reed. Thank
20 you for your time this morning and today.

21 All right.

22 MR. SAYLER: Madam Chair, two things. This
23 witness is -- was asked to, I guess it was,
24 authenticate a particular discovery response.

25 CHAIRMAN BROWN: Oh --

1 MR. SAYLER: And also, in the interest of the
2 saving trees, I would happily take electronic
3 copies of all of the voluminous testimony that the
4 hospitals have. And if -- if it's a disc, that's
5 fine. And I don't necessarily need it today.

6 CHAIRMAN BROWN: Okay.

7 MR. SAYLER: And -- because I know, maybe
8 saving some trees, we can put them on CDs.

9 CHAIRMAN BROWN: Thank you. We are not moving
10 in the staff exhibits at this time, as noted
11 earlier.

12 MS. HELTON: Madam Chair, maybe it might be
13 helpful -- staff's plan, as I understand it, is for
14 each exhibit listed on the comprehensive exhibit
15 list -- they will go through those exhibits with
16 each witness that appears on the stand and ask them
17 to authenticate them. Once all of the exhibits
18 have been authenticated -- I think I said that
19 correctly.

20 CHAIRMAN BROWN: You did.

21 MS. HELTON: At the end of the hearing, the
22 last day of the hearing, staff will ask to move in
23 all exhibits listed on the comprehensive exhibit
24 list for which they originally asked for a
25 stipulation.

1 CHAIRMAN BROWN: And that is going to be a fun
2 day.

3 (Laughter.)

4 MR. SAYLER: So, okay. Just understanding the
5 process, so then we'll go exhibit by exhibit, state
6 our specific objections or not objections?

7 CHAIRMAN BROWN: That's my intention.

8 MR. SAYLER: Okay.

9 CHAIRMAN BROWN: Okay? We do have 579,
10 though, which was staff's --

11 MS. BROWNLESS: Yes, ma'am.

12 CHAIRMAN BROWN: It's just a list of the
13 hearing exhibits. Would you like to move that in?

14 MS. BROWNLESS: Yes, please.

15 CHAIRMAN BROWN: Okay. Seeing no objections,
16 we're going to move 579 in.

17 (Whereupon, Exhibit No. 579 is admitted into
18 the record.)

19 CHAIRMAN BROWN: Now, your witness is excused.
20 And we will call Ms. Marlene Santos.

21 MR. BUTLER: Ms. Santos, yes.

22 CHAIRMAN BROWN: While we're doing that, we're
23 just going to take about a five-minute break while
24 she gets settled. And we'll reconvene in about
25 five minutes.

1 (Brief recess from 2:51 p.m. to 3:03 p.m.)

2 CHAIRMAN BROWN: Good afternoon, Mr. Reuben.

3 MR. REUBEN: Good afternoon, Madam Chair.

4 May I begin?

5 CHAIRMAN BROWN: Yes.

6 MR. REUBEN: Thank you.

7 DIRECT EXAMINATION

8 BY MR. REUBEN:

9 Q Good afternoon, Ms. Santos.

10 A Good afternoon.

11 Q Have you been sworn?

12 A Yes, I have.

13 Q Would you please state your name and your
14 business address.

15 A Marlene M. Santos, 9250 West Flagler Street,
16 Miami, Florida 33174.

17 Q And by whom are you employed and in what
18 capacity?

19 A By Florida Power & Light as vice president of
20 customer service.

21 Q Have you prepared and caused to be filed 24
22 pages of prefiled direct testimony in this proceeding on
23 March 15, 2016?

24 A Yes, I have.

25 Q And on August 16, 2016, FPL filed an errata

1 sheet for your direct testimony. Beyond the filed
2 errata, do you have any further changes or revisions to
3 your direct testimony?

4 A No, I don't.

5 Q If I asked you the same questions contained in
6 your prefiled direct testimony, would your answers be
7 the same?

8 A Yes.

9 Q Madam Chair, I would ask that the prefiled
10 direct testimony of Ms. Santos be inserted into the
11 record as though read.

12 CHAIRMAN BROWN: We will move Ms. Santos'
13 prefiled testimony into the record as though read.

14 MR. REUBEN: Thank you.

15 (Prefiled testimony inserted into the record
16 as though read.)

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ERRATA SHEET

WITNESS: MARLENE M. SANTOS – DIRECT TESTIMONY AND EXHIBITS

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
6	7	Change “97,000” to “94,000”
MMS-1, Page 1	10 (not numbered)	Add new row to bottom of “Co-Sponsor” table as shown below:

C-15	Historic Test Subsequent Year Adjustment	INDUSTRY ASSOCIATION DUES
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I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is Marlene M. Santos. My business address is 9250 W. Flagler Street, Miami, Florida 33174.

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 Vice President of Customer Service.

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

A. As Vice President of Customer Service for FPL, I have responsibility for developing and implementing programs and services that enhance the level of customer service provided to FPL’s customers.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor’s Degree in Finance and a Master’s Degree in Business Administration from the University of Miami. I have been Vice President of Customer Service since January 2005. Since joining FPL in 1981, I have held numerous positions of increasing responsibility in several functional areas, including Finance, Marketing, and Customer Service, and have participated in various special projects as assistant to FPL’s President. I joined Customer Service in 1990 and have served as Manager of Marketing, Manager of Commercial Services, Director of Revenue Recovery, and Director of Customer Care.

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

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

- 3 • MMS-1 MFRs Sponsored and Co-sponsored by Marlene M.
4 Santos
- 5 • MMS-2 FPL Customer Service Awards and Recognition
- 6 • MMS-3 2015 Customer Care Center Satisfaction Research
- 7 • MMS-4 2015 Field Organization Satisfaction Research
- 8 • MMS-5 Florida Public Service Commission Logged Complaints

9 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements**
10 **(“MFRs”) in this case?**

11 A. Yes. Exhibit MMS-1 contains a listing of the MFR schedules that I am
12 sponsoring or co-sponsoring.

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

14 A. The purpose of my testimony is to describe how FPL provides outstanding
15 service to our customers while maintaining low cost and efficient operations.

16 **Q. Please summarize your testimony.**

17 A. FPL is very proud of its employees’ many efforts to provide outstanding
18 service to its customers. We have worked hard to control costs and ensure
19 that our operations continue to improve through investments that allow us to
20 serve our customers’ needs efficiently.

21

22 FPL continues to be recognized nationally with several awards for outstanding
23 customer satisfaction and providing superior customer service. For example,

1 in 2015, FPL was honored as a “Utility Customer Champion” after ranking
2 first in the southeast region and second nationally for residential customers,
3 and fourth in the southeast and tenth nationally for business customers. This
4 recognition is for outstanding performance among the nation’s leading
5 utilities, according to a survey of utility customers conducted by Market
6 Strategies International, a leading nationwide research firm. As I address in
7 more detail throughout my testimony, we have also received a number of
8 additional awards from other leading industry associations, further validating
9 the high level of FPL’s customer service. A summary of recent customer
10 service industry awards and recognition is attached to my testimony as Exhibit
11 MMS-2.

12
13 Our outstanding customer service is achieved through continuous process
14 improvement in our operations. For example, FPL designs its customer care
15 centers to ensure customer inquiries are answered promptly and accurately.
16 We have developed a nationally-recognized Interactive Voice Response
17 (“IVR”) system that provides customers with the option to complete their
18 interaction in a fully-automated manner for many general inquiries. At the
19 same time, the field operations group provides face-to-face services to both
20 residential and business customers and has been recognized nationally for
21 providing excellent customer service. FPL also is investing in a multi-year
22 plan to transform the digital customer experience utilizing a mobile-first
23 approach to keep pace with our customers’ expectations. Our focus on

1 continuous improvement is also evident in both our high customer satisfaction
2 and our nearly 80 percent improvement in FPSC logged complaints over the
3 last decade, as demonstrated in Exhibits MMS-3, MMS-4 and MMS-5.

4

5 We are particularly mindful of the low-income customers we serve, and FPL
6 employees work closely with social services agencies to assist customers in
7 need. In 2015, we coordinated nearly 97,000 assistance payments received
8 from numerous agencies, crediting low-income customers' electric bills by
9 approximately \$24 million. FPL's many efforts to assist its most vulnerable
10 customers have received industry recognition as well.

11

12 My testimony also demonstrates that the outstanding performance in
13 Customer Service has been achieved while keeping our operating and
14 maintenance ("O&M") expenses below the Florida Public Service
15 Commission ("FPSC" or the "Commission") benchmark. FPL's Customer
16 Service costs are reasonable and necessary and support FPL's mission to
17 continue providing outstanding service, while keeping FPL's typical bills low,
18 for great customer value. As described by FPL witness Cohen, FPL's typical
19 residential bills are lower than they were 10 years ago in 2006, approximately
20 20 percent lower than the Florida average, and about 30 percent lower than the
21 national average.

22

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II. OVERVIEW OF CUSTOMER SERVICE

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Q. Please provide an overview of the Customer Service organization.

A. FPL's Customer Service organization is responsible for developing and executing policies, processes and systems related to contacts with our customers. This includes customer care centers; customer service field operations, which is responsible for account management for large commercial/industrial and governmental customers and other field-related activities; complaint resolution; billing and payment processes; smart meter network operations; development and implementation of FPL's Demand Side Management programs; and credit and collections activities.

Q. Has FPL been recognized for providing outstanding performance in the area of Customer Service?

A. Yes. FPL is recognized as an industry leader in terms of customer service performance.

FPL was awarded the ServiceOne Award in 2013 for the tenth consecutive year, an unprecedented achievement in our industry. The award is presented by PA Consulting Group, a leading management, systems and technology consulting firm with worldwide operations in more than 35 countries. The ServiceOne Award recognizes utilities that provide exceptional service to their customers as determined by a set of 26 objective measures of excellence in customer service developed by a panel of industry experts. The year 2013

1 was the last year PA Consulting offered this benchmarking program. FPL
2 continues to access and utilize other industry data to benchmark its
3 performance, identify opportunities, and help ensure FPL remains cost-
4 competitive.

5
6 FPL has also received several awards specific to the different functional areas
7 of the Customer Service organization. For instance, as I discuss later, the field
8 operations group has been recognized within the electric utility industry, and
9 the call centers have distinguished themselves relative to not only the electric
10 utility industry, but also other industries.

11 **Q. In addition to the Customer Service recognition above, has FPL received**
12 **recognition for overall outstanding customer satisfaction?**

13 A. Yes. FPL has been recognized for outstanding customer satisfaction in
14 national surveys whose components include customer service, reliability,
15 communications, price, corporate citizenship and others.

16
17 As I mentioned previously, FPL was honored in 2015 as a “Utility Customer
18 Champion” after ranking first in the southeast region and second nationally
19 for residential customers, and fourth in the southeast and tenth nationally for
20 business customers, according to a survey of utility customers conducted by
21 Market Strategies International, a leading nationwide research firm.

22

1 FPL's customer satisfaction for both residential and business customers is
2 among the highest in the region based on the average of the scores from JD
3 Power's 2015 Electric Utility Residential Customer Satisfaction Survey and
4 its 2016 Electric Utility Business Customer Satisfaction Survey. J.D. Power
5 and Associates is a global marketing information services that conducts
6 surveys of customer satisfaction, product quality, and buyer behavior for
7 various industries. The regional comparison of the JD Power customer
8 satisfaction study is shown on FPL witness Dewhurst Exhibit MD-3.

9

10 III. CUSTOMER CARE CENTERS

11

12 **Q. Please describe the operation of the customer care centers.**

13 A. Our customer care centers are designed and are continuously enhanced using
14 state-of-the-art technology with the objective of ensuring that all customer
15 inquiries are answered promptly and accurately. There are several locations
16 and numerous remote agents that are configured to act as one virtual contact
17 center that handles inbound and outbound calls, as well as emails, letters and
18 faxes.

19 **Q. How do FPL's customer care centers compare with other call centers in
20 the industry?**

21 A. In February 2016, FPL's customer care center was certified as a Center of
22 Excellence by BenchmarkPortal, the global leader in call center
23 benchmarking, certification, training and consulting. The recognition is one

1 of the most prestigious awards in the customer service industry. It is awarded
2 only to select call centers that rank among the top 10 percent of the centers
3 surveyed. Participating centers are judged against a balanced scorecard of
4 metrics for efficiency and effectiveness.

5
6 In 2015, BenchmarkPortal also ranked FPL for the third year in a row as
7 having one of the top call centers in North America. The ranking is the result
8 of the 2015 Top 100 Call Center Contest. FPL earned third place in the “large
9 centers” category. The competition compares the performance of call centers
10 throughout North America by evaluating their key metrics against industry
11 peers and ranks them based on efficiency and effectiveness.

12
13 FPL also received the Southeastern Electric Exchange (“SEE”) Excellence
14 Award in 2014 for its Customer Experience Solution (“CES”). The SEE
15 Industry Excellence Awards program recognizes member companies for
16 successfully implementing projects that demonstrate innovation, improvement
17 and technical complexity. The CES was developed to provide a
18 comprehensive view of our customers’ experience by integrating customer
19 service, reliability performance, smart grid data and other pertinent customer
20 information into a single dashboard. The tool provides our customer service
21 representatives with a greater understanding of customer needs and
22 experiences, giving a more personalized response to their inquiries.

23

1 **Q. Please describe FPL's IVR system.**

2 A. FPL continues to invest in its IVR system to enhance existing, and develop
3 new, applications that allow customers to easily conduct business through
4 self-service without the need to speak to a representative. Capabilities have
5 been created that provide interactive customer applications for connecting and
6 disconnecting service; power outage reporting; billing inquiries; bill payment;
7 payment extensions; reconnection of service; requesting duplicate bills; and
8 obtaining general information on many other services we provide.

9
10 Future enhancements will include speech recognition – allowing customers to
11 speak their request rather than pressing buttons on the phone. This is
12 important as the number of customers conducting business via mobile phones
13 continues to grow. A speech recognition-enabled IVR will provide much
14 greater flexibility, presenting customers with more options. Customers will be
15 able to simply say what they want and complete their interactions much faster.
16 In 2015, business conducted through FPL's IVR self-service telephone
17 applications totaled nearly 14 million transactions. These transactions account
18 for almost 70 percent of all phone calls received by FPL.

19
20 FPL's IVR achieved top 10 performance in the 2013 E Source Review of
21 North American Electric and Gas Company IVRs. The study is based on an
22 assessment of 96 utility IVRs. Reviewers searched for and rated 10 key
23 features that residential customers want and expect to find on a utility IVR.

1 The final score for each IVR is a combination of two factors based on
2 functionality and usability. The E Source Review is typically performed
3 every two years. At the time that this testimony was prepared, 2015 results
4 were not available.

5 **Q. Does FPL measure customer satisfaction for customers who contact the**
6 **customer care centers?**

7 A. Yes. Ongoing surveys are performed to measure overall satisfaction with the
8 way calls are handled.

9 **Q. Please describe the results of these surveys.**

10 A. The surveys are conducted using a random selection process and are
11 performed on an ongoing basis. The surveys measure overall satisfaction with
12 the call, the ease of contacting FPL, satisfaction with the representative, and
13 satisfaction with the IVR. Customers score their overall satisfaction using a
14 seven point scale. Seven indicates the highest satisfaction rating and one
15 indicates the lowest satisfaction rating. In 2015, residential customers rated
16 their satisfaction a six or seven 85 percent of the time or higher across the four
17 measures, and business customers rated their satisfaction a six or seven 81
18 percent of the time or higher. These scores demonstrate FPL's strong
19 performance in these measures. Additionally, a key design of the surveys is to
20 provide a means of identifying improvement opportunities. FPL continuously
21 monitors the results of the surveys in order to identify those areas of concern
22 where we can proactively take action. FPL's residential and business
23 customer care center satisfaction research results are attached to my testimony

1 as Exhibit MMS-3.

2

3

IV. CUSTOMER SERVICE FIELD OPERATIONS

4

5 **Q. Please describe how FPL provides service through its field operations**
6 **group.**

7 A. FPL provides services to customers through its field force of residential,
8 small/medium business, governmental, and commercial/industrial
9 representatives. This group of employees is dedicated to serving individual
10 customers at their home or place of business. These services include on-site
11 personalized analysis of business or home energy use, high bill investigations,
12 or investigation of any other concerns that a customer may have about their
13 account. Recognizing that our larger commercial/industrial and governmental
14 customers have a broader range of needs, FPL representatives provide a
15 personalized level of service to these customers. A dedicated account
16 manager serves as a single point of contact for all energy-related and customer
17 service issues for these large, complex energy users. A dedicated account
18 team supports the efforts of the account manager in the areas of reliability,
19 new construction, new energy technology, billing, energy efficiency, and
20 innovative solutions.

21 **Q. Does FPL measure customer satisfaction for customers who interact with**
22 **the field organization?**

23 A. Yes. Similar to how we conduct surveys with customers that contact our care

1 centers, ongoing surveys are performed to measure satisfaction of residential
2 and business customers with the way field services are handled. Customers
3 score their overall satisfaction using a seven point scale. Seven indicates the
4 highest satisfaction rating, and one indicates the lowest satisfaction rating.
5 Survey results for business and residential customers have been exceptional.
6 For example, in 2015, business customers rated their satisfaction with the
7 account manager as a six or seven 99 percent of the time for governmental
8 customers and 97 percent of the time for major accounts customers. FPL's
9 field organization satisfaction research results are attached to my testimony as
10 Exhibit MMS-4.

11 **Q. Has FPL been recognized for outstanding performance in the area of**
12 **Customer Service field operations?**

13 A. Yes. Our business account management team has been recognized nationally
14 for its performance. FPL received the Edison Electric Institute ("EEI") 2015
15 National Key Accounts Executive Award for Outstanding Customer Service.
16 The award recognizes National Key Accounts executives who provide multi-
17 site organizations with customer service and assistance that goes above and
18 beyond expectations.

19
20 In 2014, FPL received the EEI National Key Accounts Award for outstanding
21 Customer Service. The award recognizes utility companies that have
22 developed and/or maintained exceptional National Key Accounts programs
23 based on quality customer service.

1 In addition, FPL earned first place in the national 2014 E Source Gap and
2 Priority Benchmark survey of large business customers in recognition of their
3 satisfaction with the utility and the value provided by account representatives.
4 This survey is based on responses from more than 1,000 U.S. utility large
5 business customers. E Source provides independent research, advisory and
6 information services to utilities, major energy users, and other key players in
7 the retail energy marketplace. FPL received high scores in all categories,
8 including satisfaction with the utility and with their account representative.

9

10 V. DIGITAL EXPERIENCE

11

12 **Q. How is FPL improving the customer experience through the digital**
13 **channel?**

14 A. The Company understands that customers want an easy-to-use,
15 straightforward digital experience. With the rapid transformation of
16 technology, devices and new channels, customer expectations are increasing
17 at an accelerated rate. Based on research performed in 2013, FPL's customers
18 found FPL's online self-service offerings outdated and hard to use. In
19 response to this feedback, in 2014 FPL invested in a multi-year plan to
20 transform the digital customer experience utilizing a mobile-first approach, as
21 nearly half of FPL's customers visit FPL.com from mobile devices and
22 tablets. The goal is to ensure the best experience for each customer's device
23 using responsive design for mobile, tablet and desktop. It also includes

1 personalized communication, which means delivering the right experience and
2 message based on customers' channel preference.

3

4 FPL already is seeing positive results from the initial digital experience
5 improvements. The online registration process on FPL.com is the gateway to
6 self-service. Online customer registrations increased by 122 percent in 2015.
7 With FPL's new responsive, mobile-first approach, the number of customers
8 registering their accounts on mobile and tablet devices also increased by over
9 600 percent in 2015.

10

11 FPL.com received a Top 10 ranking in the E Source 2015 Review of 102
12 North American Electric and Gas Company Residential Websites. In
13 addition, the 2015 Market Strategies International syndicated customer
14 satisfaction survey ranked FPL as the No. 1 large utility in the South region,
15 and in the top three nationwide for engaged customer relationships with our
16 digitally-enabled customers.

17 **Q. Please elaborate on the services that FPL provides to its customers over**
18 **the Internet.**

19 A. Customers can use FPL.com to complete most of the transactions available
20 through the IVR, such as updating account information; making billing
21 inquiries; requesting payment extensions; reporting power outages; checking
22 the status of an outage; reporting street light outages; viewing bills; paying

1 bills; ordering duplicate bills; enrolling in email billing and budget billing;
2 and connecting, disconnecting or transferring service.

3
4 Customers also can use FPL.com to manage their energy use by either taking
5 an Online Home Energy Survey or viewing the Energy Dashboard. The
6 Energy Dashboard on FPL.com enables customers with smart meters to
7 monitor their energy use by the hour, day and month, dramatically expanding
8 their ability to manage their energy use. In 2015, customers accessed the
9 Energy Dashboard more than 3.5 million times. FPL continues to enhance
10 dashboard features and improve functionality. Recent enhancements include
11 providing FPL customers with a time-of-use rate feature allowing them to see
12 their energy usage during peak and off-peak hours; a Spanish language
13 version of the content pages on FPL.com; and a customer preference center,
14 where customers can choose their preferences among options for receiving
15 automated FPL communications.

16
17 Business customers with smart meters have access to a secure, online
18 Business Energy Dashboard. In addition to providing a view of energy use by
19 the hour, day and month, energy use can be evaluated in some cases in 15-
20 minute intervals. With the Business Energy Dashboard, customers can
21 forecast and budget energy use; understand variables affecting their bill; easily
22 identify savings associated with efficiency upgrades and equipment
23 improvements; understand how temperature and humidity affect energy use

1 and bills; and group accounts to better understand and manage energy use
2 across sites. Recent enhancements to the Business Energy Dashboard include
3 tutorial videos for business customers and a more accurate bill projection
4 calculation tool.

5 **Q. Please describe how FPL's social media program has evolved to keep**
6 **pace with customers' changing expectations.**

7 A. The use of social media for customer interactions has achieved mainstream
8 status and has expanded exponentially over the past two years. With the rise
9 in social media usage in recent years, FPL has seen a small portion of its
10 customer base contacting us for account-related service through these
11 channels. In late 2014, FPL standardized social media technology across the
12 Company, allowing FPL to improve the level of service provided to customers
13 through social media. Beyond offering customers a personalized service
14 experience, social media allows FPL to communicate with its customers about
15 programs and services that can benefit them. FPL has more than 103,000
16 followers on its Facebook and Twitter pages. FPL uses these channels to
17 inform customers about reliability updates in their area and changes that could
18 impact their bill. FPL also publishes a monthly "Ask the Energy Expert" blog
19 that addresses common energy efficiency questions and provides tips on how
20 to save money.

21
22 In the event of an emergency or major storm, FPL has built a social media
23 rapid response team responsible for proactively distributing (or "posting")

1 information so it reaches as many stakeholders as possible, engages with
2 customers who have questions, and analyzes social media conversations to
3 make sure the messages are received. When an event like a major storm
4 occurs, social media activity may become a central point of communication
5 throughout the progression of the event.

6

7 FPL's social media program has been recognized in the industry. In 2014, E
8 Source conducted a survey of 57 utility companies, and FPL's social media
9 program ranked number four for having exceptionally engaging content and
10 good customer communication and customer service.

11

12 VI. ECONOMIC ASSISTANCE FOR LOW-INCOME CUSTOMERS

13

14 **Q. Please discuss the energy affordability initiatives for payment assistance.**

15 A. FPL's ASSIST program helps eligible customers by facilitating emergency
16 payment assistance, including the Low Income Home Energy Assistance
17 Program (LIHEAP), through state and community action agencies and
18 nonprofits, as well as social service and faith-based organizations. The
19 program includes a network of nearly 850 partners in Florida who determine if
20 customers are eligible for assistance. The program also helps disburse the
21 assistance funds.

22

23 FPL has sponsored the FPL Care To Share® Program since 1994. This

1 program combines donations from customers, NextEra Energy employees and
2 NextEra Energy shareholders, and has provided an average of \$1.4 million
3 annually over the past 10 years to customers in need. The funds are
4 administered similarly to LIHEAP funds, through partner agencies that
5 receive funds from FPL and handle the complete intake and qualification
6 process.

7

8 FPL employees work closely with the agencies to assist low-income
9 customers while resources are allocated and secured for them. In 2015, low-
10 income customers received nearly 94,000 assistance payments from numerous
11 agencies, representing over \$24 million credited toward their electric bills.

12 **Q. What other initiatives has FPL worked on to increase payment assistance**
13 **to customers?**

14 A. FPL leads several other initiatives with a focus on growing available energy
15 assistance resources, including identification of new funding sources. FPL
16 was a co-founder of the Coalition for Affordable Energy for All, in
17 partnership with Entergy, TXU Energy, Atmos Energy, Arizona Public
18 Service, Tucson Electric Power, Centerpoint Energy, and other utilities.
19 These partners work together to influence congressional funding and the
20 methodology for administering the federal LIHEAP Program. Costs for such
21 efforts are recorded below the line and thus not included in this base rate
22 request.

23

1 To ensure that customers in need are aware of the availability of assistance
2 funds, we provide customers with the contact information of local social
3 services agencies that partner with FPL's ASSIST program. We provide a
4 specific agency name and phone number to customers in need on FPL's
5 website based on the customer's ZIP code. Our Customer Care
6 representatives also have access to information at the ZIP code level, and offer
7 the same information to callers when appropriate.

8
9 FPL's many efforts to assist its most vulnerable customers were recognized in
10 2013 with the National Fuel Funds Network Corporate Excellence Award,
11 which recognizes outstanding corporate achievement in supporting low-
12 income customers.

13

14 VII. COMPLAINT RESOLUTION

15

16 **Q. How does FPL handle customer complaints?**

17 A. FPL's goal is to ensure that every customer is satisfied with the handling of
18 their inquiry. While it is not realistic to expect 100 percent satisfaction, we
19 have developed a process that is designed to maximize the opportunity to
20 successfully address customers' concerns. Customers who contact the care
21 center and want their inquiry escalated are offered the option of speaking with
22 a care center account supervisor. Account supervisors are a group of
23 employees with more experience and broader authority who are dedicated to

1 resolving customer issues quickly and efficiently. They are able to resolve the
2 majority of calls directly. However, if the call requires follow-up with a
3 department outside of the care center, the customer is provided the department
4 name to which their matter is being referred, as well as a timeframe in which
5 the appropriate representative will contact the customer for resolution.
6 Additionally, the customer is given the care center account supervisor's name
7 and telephone number in the event they need further assistance. A ticket for
8 follow-up is then created, and the matter is monitored for completion in a
9 timely manner.

10

11 In the event that a customer complaint is not resolved, the customer may
12 choose to contact the FPSC. As part of our complaint handling process, FPL
13 participates in the Transfer-Connect and Email processes established by the
14 FPSC to help resolve disputes between regulated companies and their
15 customers as quickly, effectively, and inexpensively as possible. These
16 processes involve transferring the customer call or email directly from the
17 FPSC to a specialized group of FPL customer advocates for expedited
18 handling, if the customer agrees.

19 **Q. How has the number of FPL customer contacts with the FPSC changed in**
20 **recent years?**

21 A. When looking at the complaints that are recorded as "logged" in the FPSC
22 Consumer Activity Report, FPL has shown a reduction in complaints of nearly
23 80 percent per 1,000 customers over the last decade. FPL recorded 0.03

1 complaints per 1,000 customers in 2015, compared to 0.16 complaints per
2 1,000 customers in 2006. Attached to my testimony is Exhibit MMS-5,
3 Florida Public Service Commission Logged Complaints, which is a summary
4 of logged complaint data per 1,000 customers for FPL from 2006 through
5 2015 and for the five Florida investor-owned utilities for 2015. The data
6 shows that in 2015, FPL had the second lowest level of logged complaints
7 when compared to the other utilities. Logged complaints related to electric
8 service, which are a subset of the total logged complaints described above, are
9 addressed in more detail in the direct testimony of FPL witness Miranda.

10

11

VIII. CUSTOMER SERVICE O&M EXPENSE

12

13 **Q. Please provide an overview of Customer Service's O&M expenses.**

14 **A.** Customer Service O&M is driven by several key activities including billing,
15 payment processing, customer care, credit and collections, and various field
16 and support activities to serve our customers. In addition to these activities,
17 uncollectible expense is a cost driver for Customer Service O&M.

18

19

20

21

22

1 **Q. How do the Customer Accounts, Customer Service, and Sales functional**
2 **areas' O&M expenses for the 2017 Test Year compare to the**
3 **Commission's O&M benchmarks (MFR C-41, O&M Benchmark**
4 **Variance by Function)?**

5 A. The Customer Accounts, Customer Service, and Sales 2017 Test Year O&M
6 expenses are below the Commission's O&M benchmark thresholds for each
7 functional area.

8 **Q. How do the Customer Accounts, Customer Service, and Sales functional**
9 **areas' O&M expenses for the 2018 Subsequent Year compare to the**
10 **Commission's O&M benchmarks (MFR C-41, O&M Benchmark**
11 **Variance by Function)?**

12 A. The Customer Accounts, Customer Service, and Sales 2018 Subsequent Year
13 O&M expenses are below the Commission's O&M benchmark thresholds for
14 each functional area.

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

16 A. Yes.

1 BY MR. REUBEN:

2 Q Ms. Santos, do you have exhibits that were
3 identified as MMS-1 through MMS-5 attached to your
4 prefiled testimony?

5 A Yes.

6 Q Were those exhibits prepared under your
7 direction or supervision?

8 A Yes.

9 MR. REUBEN: Madam Chair, I would note that
10 these exhibits have been identified in staff's
11 exhibit list, comprehensive exhibit list, as
12 Exhibits 47 through 51.

13 CHAIRMAN BROWN: Yes, they have.

14 MR. REUBEN: Thank you.

15 BY MR. REUBEN:

16 Q Ms. Santos, have you prepared a summary of
17 your direct testimony?

18 A Yes, I have.

19 Q Would you please provide that summary to the
20 Commission.

21 A Yes.

22 Good afternoon, Commissioners. The purpose of
23 my testimony is to describe how FPL provides outstanding
24 service to our customers while maintaining low cost and
25 efficient operations.

1 We are very proud of our employees' many
2 efforts to provide outstanding service to our customers.
3 We have worked hard to control costs and ensure that our
4 operations continue to improve through investments that
5 allow us to serve our customers' needs efficiently.

6 As shown in my exhibit, MMS-2, we continue to
7 be recognized nationally with several awards for
8 outstanding customer satisfaction and providing superior
9 customer service.

10 For example, in 2015, we were honored as a
11 utility customer champion by Market Strategies
12 International. We ranked first in the southeast region,
13 and second nationally for residential customers, and
14 fourth in the southeast, and tenth nationally for
15 business customers.

16 These results were based on feedback for more
17 than 52,000 residential customers and nearly 12,000
18 business customers across the nation. Our outstanding
19 customer service is achieved through continuous process
20 improvement in our operations.

21 For example, we design our customer care
22 centers to ensure customer inquiries are answered
23 promptly and accurately. We have developed a
24 nationally-recognized interactive voice response system
25 that provides customers with the option to complete

1 their interaction in a fully-automated manner for many
2 general inquiries. In 2015, Benchmark Portal ranked FPL
3 for the third year in a row as having one of the top
4 call centers in North America.

5 Our field-operations group provides face-to-
6 face services to both residential and business
7 customers. Recognizing that our larger commercial,
8 industrial, and governmental customers have a broader
9 range of needs, our representatives provide a
10 personalized level of service to these customers.

11 A dedicated account manager serves as a single
12 point of contact for all energy-related and customer-
13 service issues for these large, complex energy users.
14 Our business-account management team has also been
15 recognized nationally for its performance.

16 For example, FPL earned first place in the
17 national 2014 E-source Gap and priority benchmark survey
18 for large-scale customers in recognition of their
19 satisfaction with the utility and the value provided by
20 account representatives. This survey is based on
21 responses for more than 1,000 U.S. utility large-
22 business customers.

23 We are particularly mindful of our low-income
24 customers. We continue to reach out into the
25 communities we serve to provide programs for them. For

1 example, in 2015, we coordinated nearly 94,000
2 assistance payments received from numerous agencies
3 representing over \$24 million toward low-income
4 customers' electric needs.

5 My testimony also demonstrates that the
6 outstanding performance in customer service has been
7 achieved while keeping our operating and maintenance
8 expenses below the Florida Public Service Commission
9 benchmark.

10 Our customer service costs are reasonable and
11 necessary, and supports FPL's mission to continue to
12 providing outstanding service while keeping typical
13 bills low for greater customer value.

14 This concludes the summary of my direct
15 testimony.

16 MR. REUBEN: Thank you, Ms. Santos.

17 Ms. Santos is available for cross
18 examination.

19 CHAIRMAN BROWN: Thank you.

20 And before we get into the cross examination,
21 I believe, Ms. Brownless, you have some -- some
22 hearing exhibits to go over.

23 MS. BROWNLESS: Yes, ma'am. Thank you so
24 much.

25 CHAIRMAN BROWN: You're welcome.

1

EXAMINATION

2 BY MS. BROWNLESS:

3 Q Good afternoon, Ms. Santos.

4 A Good afternoon.

5 Q Ms. Santos, have you had a chance to review
6 Staff Exhibit 579?

7 A Yes, I have.

8 Q And to look at the exhibits that have been
9 identified there that are associated with your name?

10 A Yes, I have.

11 Q Okay. And with regard to those exhibits, did
12 you prepare those exhibits in whole or in part?

13 A Yes.

14 Q And are they true and correct to the best of
15 your knowledge and belief?

16 A Yes.

17 Q And would your answers, regarding those
18 exhibits or the information on those exhibits, be the
19 same today as it was when you prepared them?

20 A Yes.

21 Q Okay. Do the non-confidential portions of
22 those exhibits appear on the CD that you were provided?

23 A No.

24 Q The non-confidential --

25 A Oh, non-confidential. I'm sorry. I thought

1 you said "confidential."

2 Q No, ma'am.

3 A Yes.

4 MS. BROWNLESS: Thank you very much. We have
5 no further questions.

6 CHAIRMAN BROWN: Thank you.

7 Office of Public Counsel.

8 MR. SAYLER: Thank you, Madam Chair.

9 EXAMINATION

10 BY MR. SAYLER:

11 Q Good afternoon, Ms. Santos. How are you
12 today?

13 A Good afternoon.

14 Q As I understand it, you were FPL's witness in
15 the last rate case; is that correct?

16 A Yes. For customer service, uh-huh.

17 Q For customer service. And you've been with
18 the customer service division since 2005; is that right?

19 A I've been in that division before 2005. I've
20 had this position since 2005.

21 Q All right. And you've been through more
22 than one rate case before this Commission; is that
23 correct?

24 A That's correct.

25 Q All right. If you would, turn to Page 4 of

1 **your testimony.**

2 CHAIRMAN BROWN: Mr. Sayler, could you please
3 speak up for me?

4 MR. SAYLER: Yes, ma'am.

5 CHAIRMAN BROWN: Thank you.

6 MR. SAYLER: I'm trying something new, trying
7 to do my cross electronically.

8 CHAIRMAN BROWN: Good luck with that.

9 (Laughter.)

10 MR. SAYLER: We will see if it succeeds, so...

11 BY MR. SAYLER:

12 Q Again, would you please turn to Page 4 of your
13 testimony?

14 A I'm there.

15 Q On Lines 16 through 20 begins the summary of
16 your testimony; is that correct?

17 A Yes.

18 Q And on Line 7, you state: FPL is very proud
19 of its customer service employees or efforts; is that
20 correct?

21 A On 17, yes, FPL is very proud of its
22 employees' many efforts to provide outstanding service
23 to its customers.

24 Q And also, as part of your testimony, how your
25 employees -- or "we," meaning FPL -- "We have worked

1 hard to control costs"; is that correct?

2 A Yes.

3 Q All right. And some of those costs would be
4 the O & M costs related to employee costs in your
5 division; is that correct?

6 A That's correct.

7 Q All right. And then, also, on 18 and 19, you
8 testify: FPL has worked hard to ensure operations
9 continue to improve through investments.

10 Do you see that?

11 A Yes.

12 Q What kind of investments has FP&L made to make
13 those improvements to customer service?

14 A Mostly system investments. So, for example,
15 our interactive voice response system that I spoke
16 about -- so, we've done a lot in the area of automation.
17 We've also done investments in electronic communications
18 to our customers, those types of things.

19 Q All right. When you started or when you
20 became the manager in 2005, how many employees did you
21 have?

22 A I became the vice president of customer
23 service in 2005.

24 Q My apologies.

25 When -- how many employees were under you at

1 that time --

2 A At that time --

3 Q -- per your response?

4 A -- I believe we had about 2300, subject to
5 check, more or less.

6 Q And how many do you have today?

7 A About 1,300. So, about 1,000 less.

8 Q And what were the reasons for the large
9 differential? It appears that you've downsized by about
10 a thousand employees.

11 A That is correct. So, we've done a whole lot
12 in the area of automation; so, everything from smart
13 meters to new processes that we've put in place in our
14 interactive voice response system, which today
15 handles about 70 percent of the calls in an automated
16 fashion, moving customers -- I mean, those types of
17 things --

18 Q All right.

19 A -- to improve the operation.

20 Q And those investments have enabled FP&L to
21 replace those employees, correct?

22 A What do you mean by replacing?

23 Q Re-assign them, lay them off, allow them to
24 retire, things of that nature. You don't need 2300
25 employees now, right?

1 A Right. I told you that I have about 1,300
2 right now.

3 Q **Right. And how many employees did you have at**
4 **the end of the last rate case?**

5 A I don't remember that exact number.

6 Q **All right. And do you know how many customer-**
7 **service employees, if any, were laid off after the last**
8 **rate case?**

9 A I don't -- I don't know that number.

10 Q **Were any laid off?**

11 A I would think so because we've been reducing
12 ever since that time.

13 Q **Do you think --**

14 A But I don't know. I don't have the -- I don't
15 remember exactly what level we were in the last -- last
16 rate case.

17 Q **Do you have a ballpark? What is a hundred?**
18 **50? 200?**

19 MR. REUBEN: I object. She's already --

20 A I really don't want to guess.

21 MR. REUBEN: It's been asked and answered.

22 CHAIRMAN BROWN: It was asked and answered.

23 MR. SAYLER: Yes, ma'am, it was. I was trying
24 to get a range if she recalled. I asked for an
25 exact number. She didn't know. I was trying to

1 see the range. And if she knew that, great; if
2 not, I was going to move on.

3 CHAIRMAN BROWN: Can you restate the question
4 about the range, then?

5 MR. SAYLER: Certainly.

6 BY MR. SAYLER:

7 Q Do you believe that there were more than a
8 hundred employees laid off after the rate case?

9 A So, the period that you're talking about would
10 be --

11 Q January 1st, 2013 -- after January 1st, 2013.

12 A So, definitely -- over a hundred --

13 Q Okay.

14 A -- for sure, yeah.

15 Q All right. And you've been with the company a
16 number of years. Is it typical that after a rate case
17 is brought to completion that there are reorganizations
18 and layoffs?

19 A Not necessarily.

20 MR. SAYLER: Thank you very much. No further
21 questions.

22 THE WITNESS: Okay. Thank you, Public
23 Counsel.

24 Mr. Moyle.

25 MR. MOYLE: Thank you, Madam Chair.

1

EXAMINATION

2 BY MR. MOYLE:

3 Q Good afternoon, Ms. Santos.

4 A Good afternoon, Mr. Moyle.

5 Q You were asked to -- by staff about some
6 discovery responses. And you said that -- I think you
7 said that the confidential portions were not part of
8 what you authenticated; is that right?

9 A That's correct because I don't believe that
10 those were in the exhibit.

11 Q Did you look to see whether they were or were
12 not?

13 A There might be some confusion. I know that
14 there were two documents that we -- that I felt were
15 confidential. And I need to maybe check with my counsel
16 to make sure that those were -- I know those -- I don't
17 think those were in the exhibits. So, I'm not sure if
18 it wasn't because they were confidential or there was --

19 MR. REUBEN: To --

20 CHAIRMAN BROWN: Mr. Reuben?

21 MR. REUBEN: To clarify, the two documents
22 referred to -- a motion for temporary protective
23 order was filed. Nobody asked to come and look
24 them at them. So, they were never filed and,
25 therefore, there is no RFCC.

1 So, we don't believe those documents are being
2 asked to be admitted by staff. And staff counsel
3 seems to be agreeing with that.

4 Staff, you agree.

5 MS. BROWNLESS: Yes, ma'am.

6 CHAIRMAN BROWN: Okay.

7 MR. MOYLE: Just for clarification, is that
8 the case on -- on every confidential document when
9 they, you know, put a witness up and say, hey, did
10 you authenticate this and it's confidential, that
11 none of them are coming in?

12 I just want to know because I haven't seen any
13 red folder. So, if something is coming in, I would
14 just like to know.

15 MR. REUBEN: The answer to that is no.
16 Individual witnesses will have documents that will
17 have been reviewed. There will have been RFCCs
18 filed, which will be a different situation than
19 what we're dealing with right now.

20 CHAIRMAN BROWN: Got it?

21 MR. MOYLE: I think so. But I guess, maybe,
22 staff, just tell me no confidential stuff is coming
23 in in these discs and I'm good.

24 MS. BROWNLESS: There are no confidential
25 materials associated with Witness Santos.

1 MR. MOYLE: So, I've got to ask this with
2 every witness, I assume.

3 I'll move on.

4 CHAIRMAN BROWN: She -- she can't really
5 control that.

6 MR. JERNIGAN: Yeah, I'm sorry to -- to
7 interrupt at this point, ma'am. I'm sorry. This
8 is Jern- -- however, 479, Question 2 is marked
9 confidential. And that is Ms. Santos' -- listed
10 under here on the witness. So, are we saying that
11 that question is not being produced?

12 MS. BROWNLESS: If -- if we can just go back
13 to exactly what the 479 is, 479 is the responses to
14 Office of Public Counsel's first request for
15 productions of documents, Nos. 1, 2, and 3. They
16 are MFR work papers, testimony and exhibit work
17 papers, MFR Excel files, formulas, and calculations
18 intact.

19 All of those documents contain -- contain --
20 there are portions of those documents that are
21 confidential. Each witness has reviewed their work
22 papers that they provided in response to OPC's
23 discovery requests.

24 To the extent that today we are asking them,
25 have you reviewed your responses in total to all of

1 those -- to the work papers they provided as part
2 of those very large composite exhibits -- so,
3 that's what we're asking them, and they will say
4 yes to both -- reviewing both the confidential and
5 non-confidential portions.

6 But for many witnesses, there is no
7 confidential part of the work papers. Their work
8 papers --

9 CHAIRMAN BROWN: Okay.

10 MS. BROWNLESS: -- doesn't contain anything
11 confidential.

12 CHAIRMAN BROWN: Okay.

13 Mr. Moyle, you can proceed.

14 (Transcript continues in sequence in Volume
15 7.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

IT IS FURTHER CERTIFIED that I
stenographically reported the said proceedings; that the
same has been transcribed under my direct supervision;
and that this transcript constitutes a true
transcription of my notes of said proceedings.

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

DATED THIS 24th day of August, 2016.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #EE866180
EXPIRES FEBRUARY 09, 2017