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REVISED PAGE NOS. 6 & 7

TO REBUTTAL TESTIMONY OF JEFFRY POLLOCK

Q **IS THERE ANY INEQUITY IN THE FACT THAT THE PROJECT WOULD BE COMPLETELY WRITTEN OFF BY OCTOBER, 1989, ACCORDING TO FPL'S ANALYSIS?**

A Yes. The costs of the Transmission Project would be completely borne by past and present ratepayers despite the fact that the transmission lines will provide continuing benefits for many years to come. By contrast, the often stated justification for normalizing income tax expense is to preserve inter-generational equity; that is, to ensure that the costs of a project are spread over its useful life and thereby avoid subsidization of present ratepayers by future ratepayers. Just the opposite is true with respect to the Oil Backout Project: unless the accelerated depreciation is reversed, present ratepayers will have subsidized future ratepayers.

Q **WHAT IS THE SECOND FLAW WITH FPL'S APPLICATION OF THE PRIMARY PURPOSE TEST?**

A As discussed in my direct testimony at Pages 20 through 24, FPL has made the erroneous assumption that each and every kilowatthour of coal-by-wire energy economically displaces oil-fired generation. This assumption is unwarranted because of the operational realities of the UPS Agreements and the substantial decline in oil prices relative to coal. In fact, for other purposes, FPL assumes that it would have to schedule at a minimum between 15% and 25% of its unit capacity entitlement in its Rate of Return model. Because base energy is typically the most expensive coal-by-wire purchased, it is unlikely that these minimum purchases would always be more economical than oil-fired generation, as FPL assumes.

**Q ON PAGE 14 OF HIS TESTIMONY, MR. WATERS LABELS AS UNTRUE FIPUG'S CONTENTION THAT THE PROJECT HAS FAILED TO MEET ITS PRINCIPAL PURPOSES DUE TO LOWER THAN PROJECTED OIL PRICES AND THAT THE COMMISSION RELIED ON FPL'S FORECAST TO QUALIFY THE PROJECT. IS MR. WATERS CORRECT?**

A As to Mr. Waters' contention that the Commission relied on several forecasts, not all of which were prepared by FPL, he is technically correct. This is, however, a small point because it was FPL who chose the specific forecasts prepared by others to be included in its presentation.

With respect to his first contention, Mr. Waters would claim the Project to be a success because, according to his measurement, it resulted in significant fuel cost savings. Mr. Waters' notion of success is analogous to a sports team continuing to pay top dollar for a high draft choice even though his performance fails to live up to the management's extraordinary expectations. What he overlooks is the reality that a significant portion of the projected $3.5 billion of net fuel savings--which the Commission deemed to be conservative--have failed to materialize. It was the extraordinary nature of the projected net savings which, in my opinion, swayed the Commission to adopt the OBCRF and to recover the costs of the Project and of the UPS Agreements on an equal cents per kilowatthour