BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION

DOCKET NO. 050045-EI
FLORIDA POWER & LIGHT COMPANY

MARCH 22, 2005

IN RE: PETITION FOR RATE INCREASE BY
FLORIDA POWER & LIGHT COMPANY

TESTIMONY & EXHIBITS OF:

ROSEMARY MORLEY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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Q. Please state your name and business address.

A. My name is Rosemary Morley. My business address is 9250 West 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 Company) as a Rate Development Manager in the Rates & Tariffs department.

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

A. I am responsible for developing electric rates at both the retail and wholesale levels. At the retail level, I am responsible for developing the appropriate rate design for all electric rates and charges. I am also responsible for proposing and administering the tariff language needed to implement those rates and charges.

Q. Please describe your educational background and professional experience.

A. I hold a bachelor's degree in economics from the University of Maryland and a master's degree in economics from Northwestern University. I am currently pursuing a doctorate in business administration from Nova Southeastern University. Since joining FPL in 1983 I have held a variety of positions in the forecasting, planning, and regulatory areas. I joined the Rates and Tariff Department in 1987 as a Senior Cost of Service Analyst and was subsequently promoted to Supervisor of Cost of Service. I have held the position of Rate Development Manager since 1996.

Q. Are you sponsoring an exhibit in this case?

A. Yes. I am sponsoring an exhibit consisting of ten documents which are attached to my direct testimony. They are as follows:

- Document No. RM-1, Summary of Sponsored MFRs and 2007 Turkey Point Unit 5 Adjustment Schedules
- Document No. RM-2, FPL's Base Rates Versus Inflation
- Document No. RM-3, Summary of Current Rate Structures
- Document No. RM-4, Cost of Service Methodology by Component
- Document No. RM-5, Trends in Relative Load Contributions
- Document No. RM-6, Resulting Parity Indices
- Document No. RM-7, Summary of Proposed Rate Structures
- Document No. RM-8, Cost of New Installations – Street Lights
- Document No. RM-9, Sample Bill Calculations
- Document No. RM-10, Impact on Base Rates

Q. Are you sponsoring or co-sponsoring any MFRs in this case?

A. Yes. The MFRs I am sponsoring or co-sponsoring are listed on Document No. RM-1.

Q. Are you sponsoring or co-sponsoring any 2007 Turkey Point Unit 5 Adjustment schedules or any of FPL's 2007 Forecast schedules in this case?

A. Yes. The 2007 Turkey Point Unit 5 Adjustment and FPL's 2007 Forecast schedules I am sponsoring or co-sponsoring are listed in Document No. RM-1.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address six general areas. First, I discuss the forecast of base revenues from the sale of electricity. Second, my testimony addresses the load research and loss factors which are inputs into the jurisdictional separation factors and cost of service study. Third, I describe the methodology supporting FPL's jurisdictional separation factors. Fourth, I discuss the cost of service study. Next, I address FPL's proposed target revenues by rate class. Lastly, I present the proposed rate design for achieving the target revenues by rate class.

Q. When did FPL last propose an increase in its retail base rates?

A. FPL has not proposed an increase in its retail base rates since Docket No. 830465-EI (the 830465-EI case) was initiated in November 1983. As a result of the 830465-EI case, FPL's base rates were increased in 1985. No increase in base rates has occurred since that time. Indeed, FPL has reduced its retail base rates three times since 1985. In January 1990, base rates were reduced by $38 million as a result of a review of the Company's earnings following a reduction in the corporate income tax rate. In April 1999, base rates were reduced by $350 million as a result of a settlement agreement.

Then in April 2002, a second settlement agreement reduced base rates by another $250 million. As a result of these reductions, FPL's current retail base rates are 16% lower than they were in 1985 while consumer prices as measured by the Consumer Price Index have increased over 80% during the same period (Document No. RM-2). In addition, both the 1999 and 2002 settlement agreements provided for annual revenue rebates to customers based on prescribed revenue thresholds. In total, the 1999 and 2002 rate agreements are estimated to result in almost $4 billion in customer savings by the end of 2005.

OVERVIEW OF BASE REVENUES AND RATE STRUCTURES

Q. Please provide an overview of adjusted jurisdictional revenues.

A. Adjusted jurisdictional revenues are incorporated into the separation factors and cost of service study. MFR C-5 outlines the various revenue components comprising adjusted jurisdictional revenues including base revenues from the sale of electricity and miscellaneous revenues. My testimony specifically addresses the development of the forecast of base revenues from the sales of electricity.

Q. What is meant by base revenues from the sale of electricity?

A. Base revenues from the sale of electricity represent FPL's billed revenues from the sale of electricity, exclusive of revenues generated from adjustment clauses.

Q. How are base revenues from the sale of electricity determined?

A. Base revenues from the sale of electricity are determined by applying the applicable tariff charges, excluding the cost recovery adjustment clause factors, to the appropriate billing determinants. As described in Document No. RM-3, FPL has more than 30 retail rate schedules, each with its own set of tariff charges and billing determinants.

Q. What is meant by billing determinants?

A. Billing determinants are the parameters used for billing customers. Billing determinants reflect the rate structure established for a given rate schedule. As such, customer, demand, and energy charges are each associated with their own set of billing determinants. Customer determinants are expressed in terms of the number of accounts billed by month. Demand determinants are expressed in terms of kilowatts (kW), while energy determinants are expressed in terms of kilowatt-hours (kWh). Some rate schedules are limited to customer and energy billing determinants. For example, customers in the small general service rate schedule (GS-1) are charged a customer charge and a cents/kWh energy charge. GS-1 customers represent the smallest of commercial/industrial electric customers, those with maximum demands below 21 kW and their rate does not include a demand charge. Larger commercial/industrial customers, on the other hand, are charged on the basis of their demand, i.e., their maximum electric usage in a given time period, and energy. Thus, the rate structure for the general service demand (GSD-1) rate schedule includes a customer charge, a cents/kWh energy charge, and a $/kW demand charge.

Q. What are the current rate structures for the major rate schedules?

A. Document No. RM-3 provides a narrative explanation of the current rate structures of FPL's major rate schedules.

FORECAST OF BASE REVENUES

Q. What were the major inputs used to produce the forecast of retail base revenues from the sale of electricity for 2006?

A. The major inputs in the process were the customer and energy (kWh) sales forecasts by revenue class produced by Dr. Green.

Q. What is the difference between revenue classes and rate schedules?

A. Revenue classes represent general categories of customers used for financial reporting purposes. There are six retail revenue classes: residential, commercial, industrial, street and highway lighting, railroads, and other. The railroads revenue class is the only class specific to a particular rate schedule; the Metropolitan Transit Service (MET) rate schedule and the railroads revenue class are synonymous. In all other cases, revenue classes are a combination of different rate schedules. In order to provide the level of detail required in the MFR-E Schedules, the forecasts of sales and customers by revenue class were converted into forecasts of sales and customers by rate schedule.

Q. Please describe how the customer and sales forecasts by rate schedule were produced.

A. First, specific sales and customer forecasts were developed for certain rate schedules. For example, the Sports Field Service (OS-2) and

Commercial/Industrial Load Control (CILC) rate schedules are closed to new customers. Therefore, the forecasted number of customers under those rate schedules is based on their June 2004 values. The kWh sales forecast for the closed rate schedules was based on the most recent actual kWh sales data escalated by the projected change in use per customer from Dr. Green's forecast by revenue class.

Second, the forecast for the number of customers and kWh sales for the remaining rate schedules was developed based on the historical relationship between customers and sales by rate schedule and customers and sales by revenue class. Historical percentages were applied to the forecast of customers and sales by revenue class. The result was a forecast of sales and customers by retail rate schedule for the year 2006.

Q. **How was the forecast of sales and customers by rate schedule used to develop the retail base revenue forecast?**

A. As needed, additional derivations were made to complete the forecast of customer and energy billing determinants by rate schedule. For example, the kWh sales for RS-1 were segmented to reflect the inverted rates described in Document No. RM-3. Likewise, for time-of-use rate schedules, total sales were segmented between on-peak and off-peak sales based on historical patterns. In addition, for demand-metered rate schedules, billing demands were developed based on the historical relationship between billing demand and billed sales by rate schedule.

Once all billing determinants were forecasted, the retail base revenue forecast was developed by applying the currently-approved base tariff charges to the forecasted billing determinants. The result was a monthly forecast of retail base revenue by rate schedule for the year 2006.

Q. **Which MFRs provide detail on the retail base revenue forecast described above?**

A. The currently-approved base tariff charges are shown on MFR A-3. MFR E-15 provides a description of how the projected billing determinants were developed. The results of applying the base tariff charges to the projected billing determinants are provided in MFR E-13c. Additional detail on the base revenue forecast for the lighting rate schedules is given in MFR E-13d.

LOAD RESEARCH AND LOSS FACTORS

Q. **Has the Commission reviewed and approved the company's load research?**

A. Yes. Florida Administrative Code Rule 25-6.0437 requires that investor-owned utilities serving at least 50,000 retail customers submit a load research sampling plan every three years to the Commission for review and approval. FPL's most recent sampling plan was approved in December 2002 in Docket No. 020920-EI. In addition, the rule requires that utilities submit a complete load research study every three years. FPL's most recent complete load research study was filed with the Commission in April 2004.

Q. Why is load research a necessary input into the jurisdictional separation factors and cost of service study?

A. Load research provides information on usage characteristics needed to allocate costs between customer groups. For jurisdictional separation purposes, the load research provides a basis for allocating costs between retail and wholesale customers. For a retail cost of service study, the load research provides information needed to allocate costs among the retail rate classes.

Q. Can you summarize the information provided by the load research study?

A. The load research study provides information on each rate class's contribution to the system peak (CP), as well as its class or group non-coincident peak (GNCP), and its customer non-coincident peak (NCP). The contribution to the system peak represents the rate class usage at the time of the system peak. By contrast, the class or group non-coincident peak represents a rate class's maximum demand as a class. The customer non-coincident peak demands are the sum of the individual customer peaks regardless of when they occur. Load research data on all of the above are developed on a monthly basis for each wholesale and retail rate class. The cost of service study, in turn, is performed at the retail rate class level. In total, FPL has twenty retail rate classes.

Q. Are these rate classes the same as the rate schedules discussed under the retail revenue forecast?

A. Not always. In some cases, load research combines certain rate schedules into a single rate class. Consistent with their treatment in the 830465-EI case, time-of-use rate schedules are combined with their non-time-of-use counterparts. For example, residential non-time-of-use, RS-1, and residential time-of-use, RS(T)-1 are combined together. The grouping of customers within load research is consistent with Florida Administrative Code Rule 25-6.0437.

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

A. Load research information by rate class is developed by sampling, modeling, or 100% metering with interval recording meters. Sampling is performed for the following rate classes: RS(T)-1, GS(T)-1, GSD(T)-1, GSLD(T)-1. FPL's sampling plan for these rate classes was approved in Docket No. 020920-EI. The Ratio Extrapolation technique was the methodology utilized to expand the historical load research data for sampled rate classes. This methodology estimates the total rate class demand by applying the ratio of demand to billed energy for each interval times the total population billed energy. The sampling results for these rate classes are filed every three years with the Commission. The most recent sampling results were filed with the Commission in April 2004.

The following retail rate classes are 100% metered with interval recording metering: CILC-1D, CILC-1G, CILC-1T, CS(T)-1, CS(T)-2, GSLD(T)-2,

GSLD(T)-3, MET, SST-1T, SST-1D1, SST-1D2, and SST-1D3. The Ratio Extrapolation technique is used for the CILC-1D, CILC-1G, CS(T)-1, GSLD(T)-2 rate classes. As needed, the Mean Per Unit Extrapolation technique was the methodology utilized to expand the historical load research data for the other census rate classes.

The usage characteristics of the lighting rate classes are modeled based on the estimated number of burn hours. According to this modeling, SL-1 and OL-1 lights are on an average of 48% of all hours in a year. On the other hand, the Traffic Lights SL-2 rate class was modeled by assuming a 100% load factor.

Prior to 2002, the Sports Field Service (OS-2) rate class was also modeled. Since that time, interval recording meters have been installed on a random sample of OS-2 accounts. The rate class's load research for 2002 and 2003 was developed by using these sample points and the previously described Ratio Extrapolation technique.

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

A. MFR E-11 Attachments 2, 3, and 4, respectively, provide the monthly load research data for the years 2001, 2002, and 2003. The load research data for these years has been previously used in adjustment clause filings. The historical load research information provided the basis for the projected 2006 load research data shown in MFR E-11, Attachment 1.

Q. Please describe how the projected 2006 load research data were developed.

A. The historical load research data were combined with the sales forecast by rate class to develop the coincident and non-coincident demand figures for the projected test year 2006. Load research data for the years 2001 through 2003 were used. Monthly ratios of each rate class's coincident peak, non-coincident group peak, and customer non-coincident peaks to actual kWh sales were developed for each of the three years of historical load research data.

Projected 2006 monthly ratios were then developed based on the average of the three years of historical ratios. The projected ratios were then combined with the sales forecast by rate class to derive the coincident peak, non-coincident group peak, and customer non-coincident peak demands for each class. As appropriate, adjustments were made where rate class-specific factors (e.g., migration of large customers from rate classes) were significant. Adjustments were also made to account for historical load control events.

Q. Has the ratio method of developing projected load research information just described been utilized previously?

A. Yes. The forecasted load research data in FPL's MFR filings in FPSC Docket Nos. 900038-EI and 001148-EI, utilized this methodology.

Q. How was the sales forecast by load research rate class developed?

A. The sales forecast by rate schedule developed for the retail base revenue forecast was aggregated into the load research rate classes. Thus, the energy billing determinants reported in MFR E-13c are consistent with the projected load research data.

Q. **Are the forecasted load research data consistent with the system load forecast?**

A. Yes. The forecasted load research data are consistent with the forecast of system monthly peak demands for 2006 presented in MFR E-18 and with the forecast of system sales for 2006 presented in MFR F-8.

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

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

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

A. The load research data are utilized in developing the allocation factors shown in MFR E-10. The load-related allocation factors are based on the load research data with adjustments for losses as needed.

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

A. Dr. Green forecasts system-wide energy losses and company use. I convert these system-wide estimates into loss adjustment factors by voltage level and by rate class. MFRs E-19a, E-19b and E-19c provide the details of this process. When these loss factors are applied to the corresponding rate class voltage levels for the twelve monthly coincident peaks, the resulting value is termed the 12 CP adjusted for losses. Load data by rate class adjusted for losses is summarized in MFR E-9.

JURISDICTIONAL SEPARATION FACTORS

Q. What are separation factors?

A. Separation factors estimate the jurisdictional/non-jurisdictional division of cost responsibility between retail and wholesale customers. The separation factors are expressed as figures between zero and one with the former indicating 0% retail responsibility and the latter indicating 100% retail responsibility. Separation factors are developed at the level of detail needed for cost allocation purposes.

Q. What types of transactions are considered wholesale jurisdictional?

A. Sales of electricity at the wholesale level are considered wholesale jurisdictional. This includes requirement power sales to other utilities, which are firm, long term sales, as well as opportunity sales. Transmission service between utilities also falls under wholesale jurisdiction.

Q. What is the significance of these different types of power sales in developing separation factors?

A. The FPSC has historically made a distinction between separated versus non-separated wholesale power sales. As outlined in Docket No. 970001-EI, Order No. PSC-97-0262-FOF-EI, wholesale sales that are non-firm or less than one year in duration are treated as non-separated sales because a utility does not commit long-term capacity to such wholesale customers.

Q. What are separated wholesale sales?

A. The FPSC has historically required utilities to separate and treat as 100% wholesale jurisdictional firm sales of more than one year which commit production capacity to wholesale customers. Wholesale requirements sales meet this definition; therefore, the revenues and loads associated with these transactions are assigned a separation factor of .0000, which indicates 0% retail cost responsibility. FPL's wholesale requirement sales for the 2006 test period include the Florida Keys Electric Cooperative (FKEC) and City Electric System of Key West power sales contracts, the Metro-Dade Solid Waste Management (MDSW) contract, and the Florida Municipal Power Authority (FMPA) power sales contract.

Q. How are costs separated between wholesale and retail loads?

A. Separation factors are developed consistent with the cost methodology specified in MFR E-1. MFR E-10, Attachment 1, outlines the specific methodology used to develop the separation factors by each component of cost.

Q. How are the separation factors incorporated into the cost of service study?

A. The separation factors are used to compute the jurisdictional rate base and net operating income, which are reported on MFR B-6 and C-4 respectively. Jurisdictional rate base and net operating income, in turn, are allocated to the retail rate classes in the cost of service study.

COST OF SERVICE METHODOLOGY

Q. Please provide an overview of a cost of service study.

A. A cost of service study 1) functionalizes, 2) classifies, and 3) allocates the various components of rate base and net operating income. Functionalization refers to the assignment of costs into one (or more) of the major functions of an electric utility, e.g., production, transmission, distribution, and customer service. Classification refers to the categorization by cost driver, that is, the determination of whether a cost is driven by demand, energy, customer, or lighting-related factors, or a combination thereof. Finally, each component is allocated among the rate classes. The method of allocating a cost should be consistent with its functionalization and classification. Simply put, a cost classified as demand-related should not be allocated on the basis of kWh of energy and vice versa. On the other hand, a demand-related cost attributable to the distribution function may utilize a different allocation methodology than that utilized for a demand-related cost attributable to the production function.

Q. What role does the cost of service study play in supporting the Company's proposed changes to its retail base rates?

A. The cost of service study serves as a guide in determining the target revenues by rate class. In addition, the cost of service study is among the inputs used in determining the specific charges for each rate schedule.

Q. Please explain the treatment of production plant in FPL's cost of service methodology.

A. Consistent with Commission policy, FPL's cost of service study utilizes a 12 CP and $1/13^{th}$ methodology for production plant. The 12 CP and $1/13^{th}$ methodology recognizes that the decision to add generating capacity is driven by peak demands on the system. This methodology classifies $12/13^{th}$, or 92%, of costs on the basis of coincident peak demand and $1/13^{th}$, or

8%, of costs on the basis of energy. That portion classified on demand is allocated to the individual rate classes based on their 12 CP contributions, adjusted for losses, while the portion allocated on energy is allocated based on the kWh sales, adjusted for losses. All generating units under the 12 CP and 1/13th methodology are treated consistently, based on their function (i.e. production), their classification (92% demand and 8% energy) and their allocation (contribution to the system peak and kWh of energy).

The 12 CP and 1/13th methodology has a significant history of regulatory acceptance in Florida. Indeed, with the exception of one generating unit, the 12 CP and 1/13th methodology was approved for allocating production plant approved in the 830465-EI case.

Q. **Please explain the exception to the 12 CP and 1/13th methodology approved in the 830465-EI case.**

A. The previously approved methodology incorporated a special treatment for the St. Lucie #2 nuclear generating unit. In the 830465-EI case, instead of using the 12 CP and 1/13th methodology, the portion of the St. Lucie #2 unit classified on energy was based on the residual cost of the unit above that of a peaking unit. Thus, in the 830465-EI case, approximately 25% of the St. Lucie #2 unit was classified on the basis of demand, and approximately 75% of the unit was classified on the basis of energy. At that time, St. Lucie Unit 2 had only recently gone into service, and it represented a substantial percentage of FPL's total production plant in rate base. Today, St. Lucie Unit 2 has been in service for approximately 21 years, and its remaining contribution to total production plant is much smaller. The special exception made for St. Lucie Unit 2 should no longer apply, so FPL is not proposing a cost of service study reflecting the St. Lucie Unit 2 exception. Instead, a 12 CP and $1/13^{th}$ methodology has been used for all production plant.

Q. How does FPL's cost of service methodology treat transmission plant?

A. With the exception of transmission pull-offs (which are required to connect transmission voltage customers to the grid), transmission plant has also been classified on the basis of 12 CP and $1/13^{th}$. That portion of transmission plant classified on demand has likewise been allocated to the individual rate classes based on their 12 CP contributions, adjusted for losses, while the portion allocated on energy is allocated based on the kWh sales, adjusted for losses. This mirrors the treatment of transmission plant approved in the 830465-EI case.

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

A. Unlike production and transmission plant which serve all of FPL's retail classes, distribution plant is often specific to particular rate classes. Metering costs, for example, are not relevant to lighting classes, such as SL-1 and OL-1, which are unmetered. Likewise, the cost of secondary lines is not incurred in providing service to transmission-level customers. As a result, the distribution function is actually a mix of a number of distinct sub-functions, each with its own allocation methodology. Substations and primary voltage lines are allocated on the basis of the non-coincident group peaks of customers served from the distribution system. Secondary voltage lines are allocated on the basis of the non-coincident group peaks of customers served from secondary voltages. Transformers are allocated on the basis of the non-coincident customer peaks of customers served from secondary voltages.

Metering equipment is classified on a customer basis and is allocated on the basis of meter costs weighted by the number of metered accounts. In addition, service drops (or their equivalent) are classified on a customer basis. Thus, transmission voltage customers are allocated the cost of transmission pull-offs, primary voltage customers are allocated the cost of primary pull-offs, and secondary voltage customers are allocated the cost of service drops.

Lastly, costs specifically dedicated to lighting customers, including fixtures, poles, and conductors, are directly assigned to those rate classes. FPL's methodology for treating distribution plant just described is consistent with that approved in the 830465-EI case.

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

A. Yes. Document No. RM–4 provides detail on the methodology used in the cost of service study. This document is intended to provide additional detail on MFR E-10, Attachment 1, which discusses the cost methodology utilized in the separation factors and cost of service study. Document No. RM-4 provides the cost of service treatment for each component of rate base and net operating income.

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

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

COST OF SERVICE RESULTS

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

A. The cost of service study produces a calculation of rates of return (ROR) by rate class. RORs are based on net operating income divided by rate base. The system average ROR represents the jurisdictional adjusted net operating income divided by the jurisdictional adjusted rate base. Having allocated the various components of jurisdictional adjusted rate base and jurisdictional adjusted net operating income across the retail rate classes, RORs can then be computed on a rate class level. RORs on a system and rate class level are reported in MFR E-1.

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

A. A measure of how a rate class's ROR compares to the system average can be computed by dividing the class ROR by the system ROR. The resulting figure is referred to as the parity index. Thus, a rate class with a parity index of 100% would be earning the same ROR as the system average. A rate class with a parity index less than 100% would be earning an ROR less than the system average ROR, while the opposite would be true for a rate class with an index above 100%. A rate class with a parity index of 100% is said to be at parity, a state which implies that the rate class ROR is consistent with the system average ROR.

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

A. FPL's cost of service shows a system average earned ROR of 6.31% for the 2006 test year. This is consistent with the retail ROR reported in MFR A-1. The cost of service study indicates that the parity indices vary by rate class with some class indices well above 100% and others well below 100%.

Q. **Are there any specific trends in cost or load characteristics which may have had an impact on the parity indices by rate class?**

A. As shown in Document No. RM-5, there has been a decline in the contribution to system peak attributable to the residential rate class, RS-1, in comparison with the rate class' increasing share of total kWh of energy since the 830465-EI case. All things held equal, this trend suggests declines in the RS-1 share of demand-related costs, increases in the RS-1 share of energy-related costs, and increases in the RS-1 share of base revenues, which for the most part are a function of kWh of energy. On balance, the trend is consistent with increases in the RS-1 parity index.

By contrast, the Large General Service Demand rate class, GSLD-1, has experienced relatively faster increases in its contribution to the peak than in its share of total kWh of energy since the 830465-EI case. This suggests that the GSLD-1 rate class is accounting for an increasing share of demand-related costs. This trend is also consistent with the decline in the GSLD-1 parity index evident since the 830465-EI case.

Q. Are there other specific factors contributing to the disparities in rates of return?

A. Yes. The implementation of the 1999 reduction in base rates resulted in higher percentage reductions in base revenues for the larger commercial/industrial rate classes. In addition, FPL's current rate classes in some cases consist of a very limited number of customers. For example, four retail rate classes for which FPL has estimated an ROR have fewer than ten customers forecasted for test year 2006, while seven have fewer than twenty. Customer migration and individual variations in load usage can be expected to have a larger impact on those rate classes with a limited number of customers.

Q. What other results are produced in a cost of service study?

A. A cost of service study also calculates revenue requirements by rate class. Revenue requirements consist of a return on rate base plus income taxes and expenses. Thus, revenue requirements represent the level of revenues required to earn a particular ROR. In this filing, three sets of revenue requirements by rate class have been developed. One set of revenue requirements, shown in MFR E-6a, incorporates each rate class's individual or class ROR. The second set of revenue requirements, also presented in MFR E-6a, is based on the system average earned ROR. The third set of revenue requirements, shown in MFR E-6b, is based on the required average system ROR. The revenue requirements based on the required system ROR represents the cost which would be recovered, if all rate classes had a parity index of 100% and if FPL were earning the required ROR supported in MFR A-1. Revenue requirements when divided by the appropriate billing determinants are referred to as unit costs. Thus, the cost of service provides estimates of the demand, energy and customer unit costs of each rate class. The revenue requirements and unit costs at the required ROR serve as a guide in designing rates.

TARGET REVENUES BY RATE CLASS

Q. What is meant by the target revenues by rate class?

A. The target revenues by rate class represent FPL's proposed level of revenues by rate class designed, in total, to achieve the required ROR for the test year presented in MFR A-1.

Q. How are target revenues by rate class determined?

A. In a rate case proceeding in which an adjustment in rates is proposed, the cost of service serves as a guide in evaluating any proposed changes in the level of revenues by rate class. More specifically, the allocation of any revenue increase should be assessed in terms of its impact on the parity between rate classes.

Q. Has the FPSC recognized other factors in evaluating the target revenues by rate class besides the cost of service?

A. Yes. In past circumstances, the FPSC has found it appropriate to use a rule-of-thumb that limits increases to individual rate classes to no more than

150% of the system average increase and to restrict any rate class from receiving a decrease.

Q. Is FPL offering any proposals to improve parity at this time?

A. Yes. FPL proposes to move all rate classes closer to parity. Specifically, FPL proposes using +/- 10% of parity as a goal in determining the target revenues by rate class. In other words, if a rate class is earning in excess of 110% of parity the goal is to move that class to a parity index of no more than 110%. Conversely, if a rate class is earning less than 90% of parity the goal is the move that class to a parity index of at least 90%. In addition, no rate class would receive a decrease under our proposal.

Q. Why isn't FPL proposing to limit rate increases to 150% of the average increase?

A. If a utility has been involved in a rate proceeding every few years, then significant progress toward parity may be achievable even while limiting rate increases to 150% of the system average. In FPL's case, however, limiting rate increases to 150% of the system average increase would allow what are, in some cases, extreme subsidies among rate classes to continue. Document No. RM-6 outlines the disparities among rate classes which would be tolerated if rate increases were limited to 150% of the system average. Overall, limiting rate increases to 150% of the system average would result in only six out of twenty rate classes having a parity index within +/- 10% of parity.

Q. Does FPL's approach to parity recognize any factors other than the cost of service in determining target revenues by rate class?

A. Yes. The objective of achieving +/- 10% of parity for all rate classes is tempered in two respects. First, there are some rate classes that are earning below the system average return to such an extreme extent that moving them to within +/- 10% of parity would require base rate increases in excess of 50%. This is the case with FPL's OL-1 rate class which has a parity index of -21%. FPL is proposing to limit the base revenue increase to any rate class to 25% or less. The rate classes affected by this proposed cap are OL-1, OS-2, SL-1 and SST1-D.

Second, in the case of distribution voltage demand metered commercial/industrial customers, the +/- 10% guideline is applied to a group of rate classes rather than to an individual rate class due to the potential for migration among classes. Commercial/industrial customers may migrate among the GSD and GSLD rate classes (or between the CS-1 and CS-2 rate classes) depending on their maximum kW during any twelve month period. Moreover, the GSD, GSLD and CS rate classes have historically shared a very similar rate structure. In light of this, a level of target revenues has been established for distribution voltage demand metered commercial/industrial customers as a group. At the same time, FPL's proposed target revenues result in significant improvements in the parities of each of the distribution voltage demand metered commercial/industrial rate classes.

Q. What impact would FPL's target revenues by rate class have on parity?

A. As shown in Document No. RM-6, under FPL's proposed target revenues by rate class the parity of all rate classes is improved. In addition under FPL's proposal, the number of rate classes within +/- 10% of parity is increased from 3 to 11.

Q. How does FPL propose to achieve these target revenues by rate class?

A. FPL proposes to use a three-prong approach that includes: 1) changes to existing rates, 2) the addition of three new optional rates, and 3) revisions to service charges. In the remainder of my testimony, I will outline each element of FPL's proposal in detail.

PROPOSED CHANGES TO EXISTING RATES

Q. Please explain why FPL is proposing changes to its existing rates.

A. FPL is proposing to change its existing rates in order to support the target revenues by rate class outlined above. The changes to existing rates outlined below are consistent with the objectives of providing rates that are cost-based and understandable, and that send appropriate price signals to customers.

Q. Please describe in general terms the methodology you used in developing the proposed changes to FPL's existing rates.

A. Generally speaking, the inputs I relied on include the target revenues by rate class presented in MFR E-8, the unit costs at the required ROR presented in MFR E-6b, and the projected revenues and billing determinants by rate schedule presented in MFR E-13c. As appropriate, I have used the unit costs in MFR E-6b as a starting point and then made adjustments to achieve the target revenue by rate class outlined above. In addition, I have adjusted every rate class's base rates to remove the embedded gross receipts tax.

Q. **Please explain the adjustment to remove the embedded gross receipts tax.**

A. This adjustment is being made to make FPL's rates more understandable. FPL is the only electric investor-owned utility (IOU) in Florida that has not increased base rates since the gross receipts tax was increased in 1992. Consequently, FPL is the only electric IOU with a portion of its gross receipts tax embedded in base rates and the remaining portion shown as a line item on the customer's electric bill. This is a frequent source of confusion in explaining the rates to customers.

Q. **Do the jurisdictional adjusted revenues incorporated into the separation study and cost of service study reflect the removal of the gross receipts tax embedded in base rates?**

A. Yes. The gross receipts tax embedded in base rates has been removed from the jurisdictional adjusted base revenues.

Q. **What specific details are available outlining how other changes FPL is proposing to its existing rates were developed?**

A. Attachment No. 2 of MFR E-14 provides workpapers outlining the derivation of the proposed changes to FPL's existing rates. In addition, Document No. RM-7 provides a narrative explanation of the proposed rate structures, much the same way as Document No. RM-3 outlines the current rate structures.

Q. **What are the most significant revisions FPL is proposing to its current rate structures?**

A. In terms of the major rate schedules, FPL is proposing to restructure its residential rate RS-1 and its demand-metered commercial/industrial rate schedules.

Q. **How is FPL proposing to change its residential rate schedule, RS-1?**

A. FPL is proposing to raise the inversion point on the RS-1 rate from 750 kWh to 1,000 kWh. This change is appropriate given the increase in use per customer that has taken place since the 750 kWh inversion point was established in 1977. In raising the inversion point, an energy charge of 3. 481 cents is proposed for the first 1000 kWh and an energy charge of 4. 481 cents is proposed for all additional kWh. The one cent delta between the energy charges is consistent with the delta which existed in FPL's RS-1 rate schedule prior to the 2002 rate settlement agreement. The proposed customer charge of $7.00 approximates the customer unit cost presented in MFR E-6b.

Q. **How is FPL proposing to change its demand-metered rates for commercial/industrial customers?**

A. Currently, GSD-1, GSLD-1, GSLD-2, CS-1 and CS-2 all share the same base demand charge while the energy charges for these classes vary inversely with the class's kW threshold. This rate structure was approved in the 830465-EI case. In that case, the Commission found it appropriate to set the demand charges for the GSD-1, GSLD-1, GSLD-2, CS-1, and CS-2 classes at the same level rather than vary those charges with each class's demand unit cost. Moreover, the standard demand charge approved by the Commission was generally below the classes' demand unit costs. Consequently, the energy charges approved for these schedules were designed to recover any demand costs not recovered through the demand charge. The Commission's decision in approving this rate structure relied, in part, on the fact that the coincident peak contributions of these classes tends to be more highly correlated with their kWh sales than with their billing kW. Thus, the recovery of a portion of demand costs through the energy charges was deemed appropriate.

The cost of service study in this filing suggests that there is little basis for charging GSD-1, GSLD-1, GSLD-2, CS-1 and CS-2 customers the same demand charge while charging a lower energy charge based on the rate schedule's kW threshold. In light of this, and with the objective of simplifying the rates where appropriate, a single set of energy and demand charges is proposed for GSD-1, GSLD-1, GSLD-2, CS-1 and CS-2. In addition, the 10 kW exemption for GSD-1 customers would be eliminated under FPL's proposal. FPL is the only electric IOU in Florida that grants customers a kW exemption in its demand-metered rates. In the 830465 case, the Commission acknowledged the goal of eliminating the exemption. Lastly, the customer charges proposed for these classes approximate the class's customer unit costs presented in MFR E-6b with adjustments for their earned rates of return.

Q. How is FPL proposing to change its lighting rate classes?

A. FPL's current lighting rate classes include SL-1, OL-1 and SL-2. Excluding SL-2, these rates are substantially below parity. Thus, the 25% cap on the proposed revenue increase applies to SL-1 and OL-1.

Q. How does FPL propose to recover its target revenue from the lighting rate classes?

A. Document No. RM-8 provides the estimated cost of installing and maintaining new street lighting fixtures, poles and conductors. These figures suggest that the cost of installing and maintaining new poles and conductors substantially exceeds their charges under the current tariff. Accordingly, the target revenue increases for SL-1 and OL-1 are achieved primarily through increases in the pole and conductor charges with other adjustments as needed to achieve the classes' target revenues. In addition, the base energy charges for SL-1 and OL-1 are based on the energy unit cost in MFR E-6b.

Q. Which MFRs provide additional information on the proposed changes to existing rates you have outlined?

A. The impact the proposed rate changes would have on typical bills is presented in MFR A-2. MFR A-3 provides a summary of the proposed rate changes. The applicable proposed tariff sheets are presented in Attachment No. 1 of MFR E-14. The revenue impact from the proposed changes to existing rates is taken into account in calculating the revenues shown in MFR E-12, E-13a, E-13c, and E-13d and the parity indices under proposed rates are shown in MFR E-8.

NEW OPTIONAL RATES

Q. Is FPL proposing new optional rates for its commercial/industrial customers in this filing?

A. Yes. FPL is offering three new rate options to help commercial/industrial customers manage their electric bills. Two new offerings are time-of-use (TOU) rates. They are the High Load Factor TOU rate and the Seasonal Demand TOU rider. While many commercial/industrial customers have elected to take advantage of FPL's existing TOU offerings, the High Load Factor TOU rate and Seasonal Demand TOU rider will provide expanded opportunities for customers seeking a time-of-use alternative. The third new offering is an optional rate for small commercial customers with relatively constant electric usage.

Q. Please describe the optional High Load Factor TOU rate.

A. FPL's objective in offering the optional High Load Factor TOU rate is to provide a rate that is attractive to higher load factor customers while also providing a time-differentiated price signal. The optional High Load Factor TOU rate will be available to commercial/industrial customers with at least 21 kW of billing demand. Likely participants include manufacturers, grocery stores and hospitals. The standard time-of-use hours will apply under this rate.

The optional High Load Factor rate is cost-based. Distribution demand-related costs are recovered through a maximum charge equivalent to ½ of the unit cost for distribution plant. To adequately recover production and transmission demand-related costs, the on-peak demand charge includes the on-peak unit cost for production and transmission plant along with ½ of the on-peak unit cost for demand-related distribution plant. Both demand charges are based on the average combined unit costs of rate classes GSD(T)-1, GSLD(T)-1 and GSLD(T)-2. The off-peak energy charge is set at the average system energy component from the cost of service study. Derivation of the on-peak energy charge is the result of a break even calculation with the otherwise applicable rate with a 70% load factor. As a result, the demand charges under the optional High Load Factor TOU rates are higher than those under the otherwise applicable TOU rates while the energy charges are lower. Thus, only customers with a relatively high load factor are likely to elect the optional High Load Factor TOU rate.

Q. Please explain the optional Seasonal Demand TOU rider.

A. FPL's objective in offering the optional Seasonal Demand TOU rider is to provide a time-differentiated rate with a narrower on-peak window than that specified under the standard TOU rates. The optional Seasonal Demand TOU rider will be available to commercial/industrial customers with at least 21 kW of billing demand. Customers who typically experience lower usage during the summer months are likely to take advantage of the optional Seasonal Demand TOU rider. Likely participants include customers involved in the agricultural and educational sectors.

Under the standard TOU rates, an eight to nine hour on-peak window is in effect year round. Many customers interested in a time-differentiated rate may not be able to plan around such a large on-peak window year round. As an alternative, the on-peak period under the optional Seasonal Demand TOU rider is limited to 3PM-6PM weekdays (excluding holidays) in June through September. Customers under the optional Seasonal Demand TOU rider may elect to receive service under either a time differentiated or non-time differentiated rate during January through May and October through December.

The optional Seasonal Demand TOU rider is designed to reflect FPL's cost of service study. Within the cost of service study, each rate class is allocated production and transmission demand costs based on their contribution to the peak. In this allocation all twelve months of coincident peak contributions are considered. At the same time, the relative contributions to the peak from a rate class tend to vary based on its monthly coincident factors. As shown in MFR E-11, the highest coincident factors for commercial/industrial customers frequently occur during the summer months. Reflecting this, the demand charge under the optional Seasonal Demand TOU rider is higher in the summer months than it is in other months of the year. During the 3PM-6PM on-peak period a demand charge of $6.40 is proposed based on the higher coincidence factor commercial/industrial customers typically experience in June through September. Likewise, a demand charge of $5.51 is proposed during all other months in order to make the optional Seasonal Demand TOU rider revenue-neutral with the otherwise applicable commercial/industrial rate.

Q. **What is the third optional rate FPL is proposing?**

A. FPL is proposing the General Service Constant Use rate for small commercial customers with a relatively constant, high load factor usage which sets them apart from other GS-1 customers. Customers within the telecommunications and cable television industries are among those that might qualify for this optional rate. Consistent with an assumption of constant electric usage, the energy charge under this rate is derived from the demand and energy unit costs under the traffic signal rate class, SL-2. To help ensure that application of the rate is limited to customers with the intended load characteristics, energy charges will be assessed on the basis of a ratcheted kWh. Specifically, a customer's monthly billed kWh will be based on their maximum kWh per service day over the last 23 months.

Q. **Has FPL taken into account the customer migration likely to occur as a result of the optional High Load Factor TOU rate, optional Seasonal Demand TOU rider, and General Service Constant Use rate?**

A. Yes. The customer migration anticipated under these rates is presented in MFR E-13c. Only customers who would save relative to the otherwise applicable proposed rate schedule are projected to migrate to one of the optional rates. The revenue impact from this migration is taken into account in calculating the revenues under proposed rates shown in MFR E-13c and the ROR under proposed rates are shown in MFR E-8.

Q. **Has FPL developed tariff sheets for its proposed optional rates?**

A. Yes. The tariff sheets applicable to the optional High Load Factor TOU rate, the optional Seasonal Demand TOU rider and the General Service

Constant Use rate are presented in Attachment No. 1 of MFR E-14. The same attachment also provides the tariff sheets for FPL's existing rate schedules which are proposed to be revised as a result of this filing.

Q. How will taking service under one of these optional rates affect a customer's electric bill?

A. Because they are optional rates, it is unlikely that a customer will elect either the optional High Load Factor TOU rate, the optional Seasonal Demand TOU rider, or the General Service Constant Use rate unless it is in their benefit to do so. While individual circumstances may vary significantly from customer to customer, I provide illustrative bill calculations for each of these three optional rates in Document No. RM-9.

Q. Are there any other tariff modifications FPL is proposing?

A. Yes. FPL is proposing to close its current Premium Lighting rate schedule, PL-1, and replace it with a Decorative Lighting rate schedule, SL-3. The charges under the SL-3 rate schedule will be identical to those offered under the current PL-1 rate schedule with two exceptions. Under the current PL-1 rate schedule, customers have the option of paying for facilities in a lump-sum, over ten years, or over 20 years. The vast majority of customers have elected the 20 year option. Accordingly, the lump-sum and ten-year payment options are eliminated under the SL-3 rate schedule. Second, under the PL-1 rate schedule, facilities charges are based on work order estimates. In order to streamline the process, facilities charges under the SL-3 rate schedule will be based on generic project cost estimates. This will reduce the time and resources required to administer this rate schedule.

In addition, FPL is proposing to close the Wireless Internet Electric Service (WIES-1) Rate to new delivery points effective January 1, 2006. As stated in tariff sheet 8.120, FPL may petition to withdraw this rate schedule and transfer any existing customers to the otherwise applicable rate schedule if the total energy usage under this rates schedule has not reached 360,000 kWh by June 30, 2004. There are presently only 18,240 kWh served under this rate schedule. Accordingly, FPL is proposing to close the WIES-1 rate schedule effective January 1, 2006 and to transfer existing customers to other rate schedules by January 1, 2007. In lieu of the WIES-1 rate schedule, the unmetered GS-1 rate and General Service Constant Use rate will be available. Both the unmetered GS-1 rate and General Service Constant Use rate offer significant savings relative to the otherwise applicable standard rate.

SERVICE CHARGES

Q. What types of miscellaneous services are provided under FPL's tariff?

A. FPL's tariff outlines specific charges for initial connects on new premises, connects/disconnects on existing premises, reconnects after non-payment, and field collections on past due accounts. The tariff additionally provides for late payment fees and returned check charges. Charges for the reimbursement of unauthorized or fraudulent use of electricity and temporary construction accounts are also included in the tariff.

Q. Has FPL performed a cost study estimating the cost of providing miscellaneous services?

A. Yes. As co-sponsored by Mrs. Santos and Ms. Williams, MFR E-7 provides estimates on the current cost of initial connects on new premises, connects/disconnects on existing premises, reconnects after non-payment, and field collections on past due accounts. In many cases, the current cost of providing a service exceeds its currently-approved tariff charge.

Q. Is FPL proposing to adjust the level of these service charges?

A. Yes. FPL is proposing to adjust the charges for initial connects on new premises, connects/disconnects on existing premises, reconnects after non-payment, and field collections on past due accounts to reflect the cost of performing these transactions.

Q. Is FPL proposing any other changes to its service charges?

A. Yes. FPL is proposing to modify its returned payment charge to reflect the governing Florida Statutes. FPL currently charges $23.24 per returned payment. Section 68.065, Florida Statutes, however, specifies a tiered fee structure based on the returned payment amount. Consistent with Section 68.065, FPL's proposed return payment charge is as follows:

$25 if the payment amount does not exceed $50

$30 if the payment amount exceeds $50 but does not exceed $300

$40 if the payment amount exceeds $300 or 5% of the payment amount, whichever is greater

In addition, FPL is proposing to add a $5 minimum payment under the late payment charge. As described in MFR E-7, this late payment minimum is similar to those already approved for certain electric utilities in Florida and for gas and water utilities.

Q. **Has the revenue impact from adjusting service charges been taken into account in calculating the revenue increase needed to meet the target revenues by rate class for the test year?**

A. Yes. As show in MFR E-8 the increase in service charge revenues is taken into account in calculating the revenue increase needed to meet the target revenue by rate class. In effect, the increase in service charge revenues helps offset the needed increase in revenues from the sale of electricity proposed for each rate class.

2007 TURKEY POINT UNIT 5 ADJUSTMENT

Q. **How is FPL proposing to recover the costs associated with Turkey Point Unit 5?**

A. FPL is seeking an adjustment to reflect the annualized costs associated with Turkey Point Unit 5 which is scheduled to be placed into service in June 2007. Schedule A-1, which is sponsored by Mr. Davis, shows the proposed 2007 annualized revenue increase to recover these costs. Schedule E-13a shows the recovery of the proposed annualized revenue increase by rate class.

Q. **How will FPL recover the proposed 2007 revenue increase from its customers?**

A. The costs associated with Turkey Point Unit 5 are jurisdictionalized in Schedules B-6 and C-4 consistent with the previously described separation factor methodology. As shown in Schedule E-14 the jurisdictional cost associated with the Turkey Point Unit 5 was allocated to the retail rate classes by individual cost components. The allocation of each cost component was consistent with the methodology outlined in MFR E-10. Each rate class's allocated costs was then divided by its test year kWh sales. The base rate increase for Turkey Point Unit 5 was then derived by adjusting each rate class's cents per kWh factor for the estimated increase in retail kWh sales in 2007. The recovery of these costs on an energy basis is consistent with the recovery of 1985 costs approved in the 830465-EI case.

Q. What other schedules are you sponsoring that provide additional information on the 2007 Turkey Point Unit 5 adjustment?

A. The tariff sheets outlining the proposed 2007 rates are presented in Schedule E-14 along with the associated rate calculations. Typical bill calculations with the proposed 2007 increase are provided in Schedule A-2. Schedule A-3 summarizes the rates proposed for 2007.

Q. Please describe these schedules.

A The revenue increase associated with the costs for Turkey Point Unit 5 as allocated to the rate classes in Schedule E-14, Attachment No. 2 is used to determine an adjustment to each rate class' base energy charge(s). The Schedule A-2 applies the proposed charges against typical usage characteristics and provides the increase for such typical usage characteristics. Schedule A-3 provides a summary of the charges affected by the Turkey Point Unit 5 Adjustment. The proposed tariff sheets for each rate schedule incorporating the adjustment for Turkey Point Unit 5 are shown in Schedule E-14, Attachment No. 1.

Q. **When would the tariffs become effective?**

A FPL proposes to implement the tariffs 30 days after Turkey Point Unit 5's commercial in-service date. This proposed implementation date will ensure that the new rates are not billed for consumption taken before Turkey Point Unit 5's commercial in-service date.

Q. **How will the proposed tariff implementation date affect the recovery of the cost of Turkey Point Unit 5?**

A Until the plant is placed in commercial service, it continues to accrue AFUDC. However, upon placement into commercial service, the accruals cease. Since the application of the new tariff will not be applied to meter readings until 30 days after this date, coupled with the cycle billing process, FPL will underrecover costs otherwise charged as AFUDC. FPL proposes to recover the resulting underrecovered dollar amount through the fuel recovery clause by including that amount as part of the fuel cost for the true-up calculations in a future fuel clause proceeding. This proposal is consistent with the Commission's decision in Order 12348 in Docket No. 820097-EU.

CONCLUSIONS

Q. **What impact will FPL's rate proposal have on the major rate classes?**

A. MFR E-8 summarizes the proposed base revenue changes by rate class for the 2006 test year. In the case of RS-1, the total change in base revenues, including revenues from electric service, unbilled revenues and service charges, is approximately 8.8% of current base revenues and 4% of total revenues including adjustment factors. For commercial/industrial customers in the GSD-1, GSLD-1, GSLD-2, CS-1 and CS-2 rate classes, the total change in base revenue is approximately 14.2% of current base revenue and 5.1% of total revenues. Other rate classes will see varying increases depending on the rate of return (parity) for their respective rate classes although in no case is the increase greater than 25% of a class's current base revenues.

In addition, MFR A-2 presents the typical bill impacts for 2006 and 2007 for the major rate schedules. The typical bill calculations in this MFR are based on the changes to base rates and certain clause factors that include the effects of Company proposed adjustments. Specifically, the transfer of certain capacity costs and revenues from base rates to the Capacity Clause and the transfer of incremental security costs from the Capacity Clause to base rates are taken into account in MFR A-2. For a 1,000 kWh RS-1 customer, the typical bill increases 3.0% in 2006. For large commercial customers, such as those served under the GSLD-1 or GSLD-2 schedules, the increase for 2006 ranges between 6-8% depending on the customer's load characteristics. In 2007 the 1,000 kWh RS-1 bill increases an additional 1.3% while large commercial customers would see incremental increases of 1-1.4%.

Q. If the requested base rate relief is granted, how will FPL's base rates compare to previous levels?

A. A typical 1,000 kWh residential base bill will be $41.81 in 2006. Even with the requested increases, however, FPL's base rates would remain lower than they were in January 1999, prior to the first of two significant base rate reductions, and lower than they were in 1985, the last time FPL's base rates were increased. This is illustrated in Document No. RM-10.

Q. Please summarize your testimony.

A. I have provided background on FPL's current rate structures and forecasted retail base revenues. I have also described the load research data which is one of the inputs into the separation factors and cost of service study. In addition, my testimony explains and supports FPL's cost of service study. The cost of service study indicates the RS-1 and GS-1 rate classes are above parity while some of the larger commercial/industrial rate classes, particularly GSLD-1 and GSLD-2, are below parity. Relatively larger rate increases are needed for those rate classes currently below parity. I have outlined a proposal that improves the parity of all rate classes. Many rate classes are moved to within +/-10% of parity while no rate class receives an increase of more than 25%.

This filing represents the first time in over 20 years that FPL has sought an increase in base rates. Because base rate cases have traditionally been used as vehicles for improving the parity among rate classes, this filing represents a significant opportunity to address the parity issue. FPL has proposed revenues by rate class which would substantially improve the parity of all rate classes. A comprehensive rate restructuring has also been proposed that expands the number of rate options available to customers while better aligning the charges under FPL's existing rates with their true costs.

In conclusion, the Commission should approve FPL's rate proposals presented in my testimony because they are reasonable, cost-based and send the appropriate price signals to customers.

Q. Does this conclude your direct testimony?

A. Yes.

SUMMARY OF SPONSORED MFRs AND SCHEDULES

SPONSOR

	Period	Title
A-2	Projected Test Year	Full Revenue Requirements Bill Comparison - Typical Monthly Bills
A-3	Projected Test Year	Summary of Tariffs
C-5	Projected Test Year	Operating Revenues Detail
E-1	Projected Test Year	Cost of Service Studies
E-2	Projected Test Year	Explanation of Variations from Cost of Service Study Approved in Company's Last Rate Case
E-3a	Projected Test Year	Cost of Service Study - Allocation of Rate Base Components to Rate Schedule
E-3b	Projected Test Year	Cost of Service Study - Allocation of Expense Components to Rate Schedule
E-4a	Projected Test Year	Cost of Service Study - Functionalization and Classification of Rate Base
E-4b	Projected Test Year	Cost of Service Study - Functionalization and Classification of Expenses
E-5	Projected Test Year	Source and Amount of Revenues - at Present and Proposed Rates
E-6a	Projected Test Year	Cost of Service Study - Unit Costs, Present Rates
E-6b	Projected Test Year	Cost of Service Study - Unit Costs, Proposed Rates
E-8	Projected Test Year	Company-Proposed Allocation of the Rate Increase by Rate Class
E-10	Projected Test Year	Cost of Service Study - Development of Allocation Factors
E-13a	Projected Test Year	Revenue from Sale of Electricity by Rate Schedule
E-13c	Projected Test Year	Base Revenue by Rate Schedule - Calculations
E-13d	Projected Test Year	Revenue by Rate Schedule - Lighting Schedule Calculation
E-14	Projected Test Year	Proposed Tariff Sheets and Support for Charges
E-17	Historical Test Year	Load Research Data

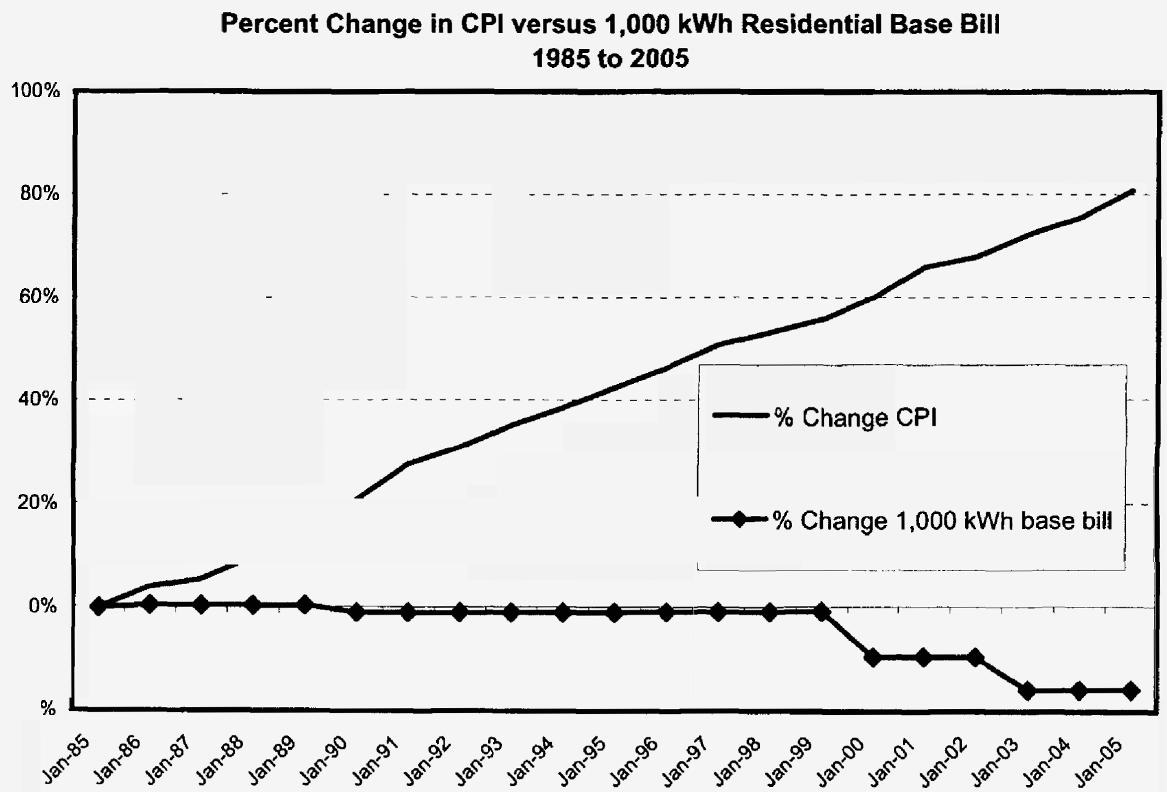
SUMMARY OF SPONSORED MFRs AND SCHEDULES

	Period	Title
CO-SPONSOR		
B-2	Projected Test Year	Rate Base Adjustments
B-2	Prior Year	Rate Base Adjustments
B-2	Historical Test Year	Rate Base Adjustments
B-6	Projected Test Year	Jurisdictional Separation Factors - Rate Base
B-6	Historical Test Year	Jurisdictional Separation Factors - Rate Base
C-4	Projected Test Year	Jurisdictional Separation Factors - Net Operating Income
C-4	Historical Test Year	Jurisdictional Separation Factors - Net Operating Income
E-7	Projected Test Year	Development of Service Charges
E-9	Projected Test Year	Cost of Service - Load Data
E-11	Projected Test Year	Development of Coincident and Non Coincident Demands for Cost Study
E-12	Projected Test Year	Adjustment to Test Year Revenue
E-13b	Projected Test Year	Revenues by Rate Schedule - Service Charges (Account 451)
E-15	Projected Test Year	Projected Billing Determinants - Derivation
E-16	Projected Test Year	Customers by Voltage Level
E-16	Prior Year	Customers by Voltage Level
E-19a	Projected Test Year	Demand and Energy Losses
E-19b	Projected Test Year	Energy Losses
E-19c	Projected Test Year	Demand Losses
F-5	Projected Test Year	Forecasting Models

SUMMARY OF SPONSORED 2007 TURKEY POINT UNIT 5 ADJUSTMENT SCHEDULES AND FPL's 2007 FORECAST

	Period	Title
SPONSOR		
A-2	2007 Turkey Point Unit 5 Adjustment	Full Revenue Requirements Bill Comparison - Typical Monthly Bills
A-3	2007 Turkey Point Unit 5 Adjustment	Summary of Tariffs
E-13a	2007 Turkey Point Unit 5 Adjustment	Revenue from Sale of Electricity by Rate Schedule
E-14	2007 Turkey Point Unit 5 Adjustment	Proposed Tariff Sheets and Support for Charges
CO-SPONSOR		
B-2	FPL's 2007 Forecast	Rate Base Adjustments
B-6	2007 Turkey Point Unit 5 Adjustment	Jurisdictional Separation Factors - Rate Base
C-4	2007 Turkey Point Unit 5 Adjustment	Jurisdictional Separation Factors - Net Operating Income

Change in 1,000 kWh Residential Base Bill compared to Change in the Consumer Price Index (CPI) 1985 to 2005				
	Jan., 1985	Jan., 2005	Net Change	Percent Change
FPL Residential Base Bill for 1,000 kWh	$47.86	$40.22	($7.64)	-16.0%
Consumer Price Index (CPI)	105.5	190.7	85.2	80.8%



Docket No. 050045-EI
R. Morley Exhibit No. ___
Document No. RM-2, Page 2 of 2
FPL's Base Rates versus Inflation

SUMMARY OF CURRENT RATE STRUCTURES

FOR MAJOR RATE SCHEDULES

RATE SCHEDULE	DESCRIPTION
RS-1	Residential Service
GS-1	General Service – Non Demand (0-20 kW)
GSD-1	General Service Demand (21-499 kW)
GSLD-1	General Service Large Demand (500-1,999 kW)
GSLD-2	General Service Large Demand (2,000 kW+)
GSLD-3	General Service Large Demand – Transmission (2,000 kW+)
CS-1	Curtailable Service (500-1999 kW)
CS-2	Curtailable Service (2,000 kW +)
CS-3	Curtailable Service – Transmission (2,000 kW+)
RST-1	Residential Service – Time of Use
GST-1	General Service – Non Demand – Time of Use (0-20kW)
GSDT-1	General Service Demand – Time of Use (21-499 kW)
GSLDT-1	General Service Large Demand – Time of Use (500-1,999 kW)
GSLDT-2	General Service Large Demand – Time of Use (2,000 kW+)
GSLDT-3	General Service Large Demand – Time of Use (2,000 kW+)
CST-1	Curtailable Service – Time of Use (500-1,999 kW)
CST-2	Curtailable Service – Time of Use (2,000 kW +)
CST-3	Curtailable Service – Time of Use (2,000 kW +)

CILC-1	Commercial/Industrial Load Control Program
CDR	Commercial/Industrial Demand Reduction Rider
SST-1	Standby and Supplemental Service
ISST-1	Interruptible Standby and Supplemental Service
MET	Metropolitan Transit Service
OS-2	Sports Field Service
SL-1	Street Lighting
OL-1	Outdoor Lighting
PL-1	Premium Lighting
SL-2	Traffic Signal Service

<u>RS-1</u>

The residential rate schedule RS-1 has a customer charge and an inverted or increasing energy charge. RS-1 customers are charged a higher cents/kWh energy charge for all kWh above 750.

<u>GS-1</u>

Rate schedule GS-1 includes an energy charge and a customer charge.

<u>GSD-1</u>

The rate structure for general service demand customers (GSD-1) includes demand, energy, and customer charges. However, the first 10kW of usage is exempt from the demand charge.

GSLD-1, GSLD-2, GSLD-3

The rate structures for general service large demand customers (GSLD-1, GSLD-2, GSLD-3) include demand, energy, and customer charges. There are separate rate schedules for customers with demands between 500 kW and 1,999 kW, for customers with demands above 2,000 kW, and for customers above 2,000 kW served directly from the transmission system. There are no exemptions on billing demand charges for any of the GSLD rate schedules.

CS-1, CS-2, CS-3

Curtailable customers are given a credit for each kW of curtailable load. The curtailable rate otherwise mirrors the rate structure of the otherwise applicable general service large demand rate schedule.

Time-of-Use (TOU)

Separate TOU rate schedules have been established for residential, general service, general service demand, general service large demand, and curtailable customers. The current TOU options for these customers generally reflect the otherwise applicable rate structures, with the addition of providing time-differentiated charges. Separate energy charges are applicable to the on-peak and off-peak periods. In addition, the demand charges are applicable only in the on-peak period. All of FPL's TOU rates share the same on-peak and off-peak rating periods, as shown below.

RATING PERIODS:

On-Peak:

November 1 through March 31: Mondays through Fridays during the hours from 6 a.m. to 10 a.m. and 6 p.m. to 10 p.m. excluding Thanksgiving Day, Christmas Day, and New Year's Day. April 1 through October 31: Mondays through Fridays during the hours from 12 noon to 9 p.m. excluding Memorial Day, Independence Day, and Labor Day.

Off-Peak:

All other hours.

CILC-1

Commercial/industrial load control (CILC-1) rates are designed to provide applicable customers with lower rates in exchange for allowing the Company to interrupt the customers' load during periods of capacity constraint. There are three separate CILC-1 rate schedules, (CILC-1G) is applicable to customers with demands between 200-499 kW, (CILC-1D) serves customers with demands of 500 kW and above, and (CILC-1T) applies to customers served directly from the transmission system. Each rate schedule includes a customer charge, an on-peak firm demand, an on-peak interruptible demand, and an energy charge. In addition, customers served from the distribution system are also charged a maximum demand based on their highest demand, regardless of time of day, over the last 24 months. Under the CILC-1G rate schedule, the first 10 KW of demand is exempt from all demand charges.

CDR Rider

Non-firm service is also offered under the Commercial/Industrial Demand Reduction (CDR) rider. Under this rider, customers are billed under their otherwise applicable tariff, but receive a credit per kW of controllable load. These customers are also charged an adder to their customer charge to recover the cost of load control equipment.

SST-1

Standby rates are applicable to customers whose electric service requirements are supplied or supplemented from the customer's generation equipment at that point of service. Consistent with the requirements found in the tariffs of the other Florida IOUs, a customer is required to take service under one of the standby rate schedules if the customer's total generation capacity is more than 20% of the customer's total electrical load and the customer's generator(s) is (are) not for emergency purposes only. The terms and conditions under FPL's standby tariffs were established in Docket No. 850673-EU. This docket, undertaken as a generic investigation of standby rates for electric utilities, outlined the rate structure appropriate for standby service, including the use of daily demand charges and reservation demand charges. As a result, FPL's standby tariff incorporates a daily demand charge based on the daily maximum on-peak demand and a reservation demand charge. Standby customers are charged the greater of the sum of the daily demand charges or the reservation demand charge times the maximum on-peak standby demand actually registered during the month, plus the reservation demand charge times the difference between the contract standby demand and the maximum on-peak standby demand actually registered during the month. These demand charges vary by rate schedule. FPL has four separate standby rate schedules; (SST-D1) serves customers with demands below 500 kW; (SST-D2) is applicable to customers with demands between 500 kW and 1,999 kW; (SST-D3) applies to customers with demands of 2,000 kW and above; and (SST-T) is utilized by customers served directly from the transmission system. In addition, standby customers served from the distribution system are charged a distribution demand charge (which also varies by rate schedule) based on their contract standby demand. Finally, each of the standby rate schedules incorporates its own set of customer and energy charges.

ISST

Interruptible standby rates are applicable to customers whose electric service requirements are supplied or supplemented from the customer's generation equipment at that point of service and receive electric service from FPL on an interruptible basis. The nature of and characteristics of interruptible standby service are the same as otherwise described above for SST except that all, or a portion, of standby and/or supplemental load has been included in an Interruptible Standby and Supplemental Service Agreement and is not served on a firm basis. FPL has two separate rate schedules for interruptible standby service: ISST-1(T) for service at transmission voltage 69kV and above; and ISST-1(D) for interruptible standby service at distribution voltage below 69kV. The ISST-1(T) and ISST-1(D) have voltage differentiated customer charges, base energy charges, as well as firm and interruptible reservation and daily demand charges. A distribution demand charge is applied to the maximum demand of ISST-1(D).

MET

Electric service to the Metropolitan Dade County Electric Transit System is provided under the MET rate schedule. The rate structure for MET includes customer, energy and demand charges. The demand charge is based on the electric transit system's group coincident peaks.

OS-2

Sports field service is provided under the OS-2 rate schedule. The rate schedule has been closed to new customers since 1982. The rate schedule includes a customer and an energy charge.

SL-1, OL-1 and PL-1

Street lighting (SL-1) and outdoor lighting (OL-1) customers are assessed a bundled monthly charge which includes fixture, maintenance, and non-fuel energy components. These monthly charges vary by wattage level, type of fixture and level of service provided. Customers owning their own lighting facilities may receive either energy only or energy and relamping service. The charges for all other SL-1 and OL-1 customers are based on the cost of Company-owned fixtures. SL-1 and OL-1 customers are also charged a flat monthly fee for any poles, down-guys or conductors dedicated to lighting service.

Where FPL installs special decorative lighting facilities at the customer's option, service is provided under the Premium Lighting (PL-1) rate schedule. Under PL-1, customers are charged based on the actual project costs incurred in installing lighting facilities. Customers may elect to pay for facilities in a lump-sum, over 10 years, or over 20 years. A Present Value Requirement Requirements (PVRR) multiplier applied to the total work order cost of the project determines the lump-sum amount. The monthly carrying charges under the 10 year and 20 year payment options are derived from the PVRR multiplier applied to the total work order cost and levelized over the appropriate payment period.

<u>SL-2</u>

Unmetered service to traffic signal systems is provided under the SL-2 rate schedule. The rate schedule includes an energy charge.

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
BALANCE SHEET - ASSETS			
PLANT IN SERVICE			
INTANGIBLE -			
BAL001000	PIS - INTANGIBLE	Total Labor	LABOR_TOT
PRODUCTION -			
STEAM:			
BAL001100	PIS - STEAM	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL001800	PIS - STEAM - ACQ ADJ SCHERER PLANT 4	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
NUCLEAR:			
BAL001200	PIS - NUCL - TURKEY PT	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL001220	PIS - NUCL - ST LUCIE 1	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL001250	PIS - NUCL - ST LUCIE COMMON	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL001270	PIS - NUCL - ST LUCIE 2	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
OTHER PRODUCTION:			
BAL001300	PIS - OTHER PRODUCTION	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
TRANSMISSION -			
BAL001400	PIS - TRANSMISSION	12CP & 1/13 adjusted for transmission pulloffs for retail customers	**Compound Allocator -** FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
DISTRIBUTION -			
BAL001510	PIS - DIST - ACCT 360 - LAND & LAND RIGHTS	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
BAL001511	PIS - DIST - ACCT 361 - STRUCT & IMPROV	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
BAL001512	PIS - DIST - ACCT 362 - STATION EQUIP	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
BAL001514	PIS - DIST - ACCT 364 - POLES, TOWERS & FIXTURES	Poles, towers and fixtures classified as demand and functionalized between primary and secondary, adjusted for distribution pulloffs for primary and secondary customers.	Compound Allocator - FPL302 - Primary Customers Pull-offs (0.3%) FPL104 - Distribution GCP Demand (91.8%) FPL105 - Secondary GCP Demand (7.9%)
BAL001515	PIS - DIST - ACCT 365 - OVERHEAD CONDUCT & DEVIC	Overhead conductors and devices classified as demand and functionalized between primary and secondary, adjusted for distribution pulloffs for primary and secondary customers.	Compound Allocator - FPL302 - Primary Customers Pull-offs (0.2%) FPL104 - Distribution GCP Demand (78.8%) FPL105 - Secondary GCP Demand (21.0%)
BAL001516	PIS - DIST - ACCT 366 - UNDERGROUND CONDUIT	Underground conduit classified as demand and functionalized between primary and secondary.	Compound Allocator - FPL104 - Distribution GCP Demand (93.9%) FPL105 - Secondary GCP Demand (6.1%)
BAL001517	PIS - DIST - ACCT 367 - UNDERGROUND CONDUCT & DEVIC	Underground conductors and devices classified as demand and functionalized between primary and secondary.	Compound Allocator - FPL104 - Distribution GCP Demand (88.1%) FPL105 - Secondary GCP Demand (11.9%)
BAL001518	PIS - DIST - ACCT 368 - LINE TRANSFORMERS	Line transformers, capacitors and network protectors classified as demand and functionalized between primary and secondary.	Compound Allocator - FPL104 - Distribution GCP Demand (10.9%) FPL109 - Secondary Customer NCP Demand (89.1%)
BAL001519	PIS - DIST - ACCT 369 - SERVICES	Average number of secondary voltage level customers for retail only, excluding lighting services.	FPL303 - Average Secondary Customers
BAL001520	PIS - DIST - ACCT 370 - METERS	Average number of meters for the rate class multiplied by the average meter unit cost, excluding lighting services.	FPL325 - Meter Costs
BAL001521	PIS - DIST - ACCT 371 - INSTALLS ON CUST PREMISES	100% assignment to Outdoor Lighting.	FPL509 - Outdoor Lighting
BAL001523	PIS - DIST - ACCT 373 - STREET LIGHTING & SIGNAL EQUIP	The number of lighting fixtures for the Street Lighting classes only.	FPL508 - Street Lights
GENERAL -			
BAL001600	PIS - GENERAL PLT - TRANSPORTATION EQUIP	Total Labor	LABOR_TOT
BAL001710	PIS - GENERAL PLT - STRUCTURES	Total Labor	LABOR_TOT
BAL001720	PIS - GENERAL PLT - OTHER	Total Labor	LABOR_TOT

ACCUMULATED PROVISION FOR DEPRECIATION

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
INTANGIBLE -			
BAL008000	ACC DEP - INTANGIBLE	Total Labor	LABOR_TOT
BAL008075	ACC DEP - INTANG - ITC INTEREST SYNCH	Total Labor	LABOR_TOT
BAL008090	ACC DEP - INTANG - UNASSIGNED BOTTOM LINE	Plant in Service - Production, Transmission, and Distribution.	PLT_PTD
PRODUCTION -			
STEAM:			
BAL008100	ACC DEP - STEAM	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL008155	ACC DEP - FOSSIL DECOMMISSIONING	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL009180	ACC DEP - STEAM - AMORT ELECTRIC PLT ACQ ADJ	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
NUCLEAR:			
BAL008200	ACC DEP - NUCL - TURKEY POINT	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL008220	ACC DEP - NUCL - ST LUCIE 1	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL008250	ACC DEP - NUCL - ST LUCIE COM	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL008270	ACC DEP - NUCL - ST LUCIE 2	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
OTHER PRODUCTION:			
BAL008300	ACC DEP - OTHER PRODUCTION	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
BAL008350	ACC DEP - OTHER PROD - DISMANTLEMENT	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)

COST OF SERVICE STUDY

COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
TRANSMISSION -			
BAL008400	ACC DEP - TRANSMISSION	12CP & 1/13 adjusted for transmission pulloffs for retail customers	<u>Compound Allocator -</u> FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)
DISTRIBUTION -			
BAL008511	ACC DEP - DIST - ACCT 361 - STRUCT & IMPROV	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
BAL008512	ACC DEP - DIST - ACCT 362 - STATION EQUIP	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
BAL008514	ACC DEP - DIST - ACCT 364 - POLES, TOWERS & FIXTURES	Poles, towers and fixtures classified as demand and functionalized between primary and secondary, adjusted for distribution pulloffs for primary and secondary customers.	<u>Compound Allocator -</u> FPL302 - Primary Customers Pull-offs (0.3%) FPL104 - Distribution GCP Demand (91.8%) FPL105 - Secondary GCP Demand (7.9%)
BAL008515	ACC DEP - DIST - ACCT 365 - OVERHEAD CONDUCT & DEVIC	Overhead conductors and devices classified as demand and functionalized between primary and secondary, adjusted for distribution pulloffs for primary and secondary customers.	<u>Compound Allocator -</u> FPL302 - Primary Customers Pull-offs (0.2%) FPL104 - Distribution GCP Demand (78.8%) FPL105 - Secondary GCP Demand (21.0%)
BAL008516	ACC DEP - DIST - ACCT 366 - UNDERGROUND CONDUIT	Underground conduit classified as demand and functionalized between primary and secondary.	<u>Compound Allocator -</u> FPL104 - Distribution GCP Demand (93.9%) FPL105 - Secondary GCP Demand (6.1%)
BAL008517	ACC DEP - DIST - ACCT 367 - UNDERGROUND CONDUCT & DEVIC	Underground conductors and devices classified as demand and functionalized between primary and secondary.	<u>Compound Allocator -</u> FPL104 - Distribution GCP Demand (88.1%) FPL105 - Secondary GCP Demand (11.9%)
BAL008518	ACC DEP - DIST - ACCT 368 - LINE TRANSFORMERS	Line transformers, capacitors and network protectors classified as demand and functionalized between primary and secondary.	<u>Compound Allocator -</u> FPL104 - Distribution GCP Demand (10.9%) FPL109 - Secondary Customer NCP Demand (89.1%)
BAL008519	ACC DEP - DIST - ACCT 369 - SERVICES	Average number of secondary voltage level customers for retail only, excluding lighting services.	FPL303 - Average Secondary Customers
BAL008520	ACC DEP - DIST - ACCT 370 - METERS	Average number of meters for the rate class multiplied by the average meter unit cost, excluding lighting services.	FPL325 - Meter Costs
BAL008521	ACC DEP - DIST - ACCT 371 - INSTALLS ON CUST PREMISES	100% assignment to Outdoor Lighting.	FPL509 - Outdoor Lighting
BAL008523	ACC DEP - DIST - ACCT 373 - STREET LIGHTING & SIGNAL EQUIP	The number of lighting fixtures for the Street Lighting classes only.	FPL508 - Street Lights
GENERAL -			
BAL008600	ACC DEP - GEN PLT - TRANSP EQUIP	Total Labor	LABOR_TOT
BAL008710	ACC DEP - GEN PLT - STRUCTURES	Total Labor	LABOR_TOT

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
BAL008720	ACC DEP - GEN PLT - OTHER	Total Labor	LABOR_TOT
FUTURE USE PROPERTY			
BAL005100	PLT FUTURE USE - STEAM	Total Plant In Service - Production Steam	P_PLT_STEAM
BAL005200	PLT FUTURE USE - NUCLEAR	Total Plant In Service - Production Nuclear	P_PLT_NUC
BAL005300	PLT FUTURE USE - OTHER PRODUCTION	Total Plant In Service - Other Production	P_PLT_OTH
BAL005400	PLT FUTURE USE - TRANSMISSION	Total Plant In Service - Transmission	T_PLT_TOT
BAL005500	PLT FUTURE USE - DISTRIBUTION	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
BAL005700	PLT FUTURE USE - GENERAL	Total Plant In Service - General	PLT_GENERAL
CWIP			
INTANGIBLE -			
BAL007000	CWIP - INTANGIBLE	Total Labor	LABOR_TOT
PRODUCTION -			
STEAM:			
BAL007100	CWIP - STEAM	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
NUCLEAR:			
BAL007200	CWIP - NUCLEAR	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
OTHER PRODUCTION:			
BAL007300	CWIP - OTHER PRODUCTION	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
TRANSMISSION -			
BAL007400	CWIP - TRANSMISSION	12CP & 1/13 adjusted for transmission pulloffs for retail customers	**Compound Allocator -** FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)
DISTRIBUTION -			
BAL007500	CWIP - DISTRIBUTION	Total Distribution Plant excluding meters and transformers.	D_PLTEXMTRTX

COSS ID	Description	COSS Methodology	Allocator
GENERAL -			
BAL007600	CWIP - GENERAL PLANT	Total Labor	LABOR_TOT
NUCLEAR FUEL			
BAL020100	NUCLEAR FUEL IN PROCESS	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
BAL020200	NUCLEAR FUEL MATERIALS & ASSEMBLIES	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
BAL020300	NUCLEAR FUEL ASSEMBLIES IN REACTOR	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
BAL020400	SPENT NUCLEAR FUEL	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
BAL020500	ACCUM PROV FOR AMORT OF NUCLEAR FUEL ASSEMBLIES	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
BAL020600	NUCLEAR FUEL UNDER CAPITAL LEASES	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
WORKING CAPITAL (ASSETS)			
CURRENT AND ACCRUED -			
BAL244000	ACCUM PROVISION FR UNCOLLECTIBLE ACCTS	The 12 month actual Uncollectibles.	FPL205 - Uncollectibles
BAL251000	FUEL STOCK	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
BAL254100	PLANT MATERIALS & OPERATING SUPPLIES	Total Plant In Service - Gross	PLT_GROSS
BAL275000	MISC CURR & ACCR ASSETS - DERIVATIVES	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
ALL OTHER		Total O&M Expenses	OM_TOT
DEFERRED DEBITS -			
BAL382302	OTH REG ASSETS - NUCL ASSEM URANIUM ENRICH	Total Plant In Service - Production Nuclear	P_PLT_NUC
BAL386190	MISC DEFD DEB - DEFD PENSION DEBIT	Total Labor	LABOR_TOT
BAL386415	MISC DEFD DEB - SJRPP	Total Plant In Service - Production Steam	P_PLT_STEAM
ALL OTHER		Total O&M Expenses	OM_TOT

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator

BALANCE SHEET - LIABILITIES

PROPRIETARY CAPITAL
LONG-TERM DEBT
OTHER NONCURRENT LIABILITIES

COSS ID	Description	COSS Methodology	Allocator
BAL628200	ACCUM PROV INJURIES & DAMAGES - WORKERS COMPENSATION	Total Labor	LABOR_TOT
BAL628370	ACCUM PROV PEN/BENFS - POST RETIREMENT BENEFITS	Total Labor	LABOR_TOT
BAL628411	ACC MISC OPER PROV - NUCLEAR MAINT RESERVE	MWH Sales, adjusted for losses	FPL201 - MWH Sales
BAL628430	ACC MISC OPER PROV - DEFD COMPENSATION	Total Labor	LABOR_TOT
ALL OTHER		Total O&M Expenses	OM_TOT

WORKING CAPITAL (LIABILITIES)
CURRENT AND ACCRUED LIABILITIES -

COSS ID	Description	COSS Methodology	Allocator
BAL736205	TAXES ACCRUED - CITY & COUNTY REAL & PERSONAL PROPERTY	Total Plant In Service - Net	PLT_NET
BAL742720	MISC CURR & ACC LIAB - NUCL ASS D&D - CURRENT	Total Plant In Service - Production Nuclear	P_PLT_NUC
BAL742800	MISC CURR & ACC LIAB - POLE ATTACHMENT RENTALS	Poles, towers and fixtures classified as demand and functionalized between primary and secondary, adjusted for distribution pulloffs for primary and secondary customers.	**Compound Allocator -** FPL302 - Primary Customers Pull-offs (0.3%) FPL104 - Distribution GCP Demand (91.8%) FPL105 - Secondary GCP Demand (7.9%)
BAL744000	MISC CURR & ACC LIAB - DERIVATIVES LIABILITY	MWH Sales, adjusted for losses	FPL201 - MWH Sales
ALL OTHER		Total O&M Expenses	OM_TOT

DEFERRED CREDITS -

COSS ID	Description	COSS Methodology	Allocator
BAL853250	OTHER DEFD CREDITS - DEFD SJRPP INTEREST	Total Plant In Service - Production Steam	P_PLT_STEAM
BAL854401	OTHER REG LIAB - NUCLEAR AMORTIZATION	Total Plant In Service - Production Nuclear	P_PLT_NUC
ALL OTHER		Total O&M Expenses	OM_TOT

COST OF SERVICE STUDY

COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator

INCOME STATEMENT

OPERATING REVENUES

SALES OF ELECTRICITY -

COSS ID	Description	COSS Methodology	Allocator
INC040000	RETAIL SALES - BASE REVENUES	Retail Base Revenues.	FPL401 - Base Revenues
INC040350	GROSS RECEIPTS TAX REVENUES	Retail Base Revenues.	FPL401 - Base Revenues
INC040420	CILC INCENTIVES OFFSET	Incentive revenue offset dollars, collected through ECCR, for each of the CILC and ISST customers.	FPL402 - LOAD CONTROL INCENTIVE OFFSET
INC056920	OTHER ELECTRIC REVS - UNBILLED REVENUES - FPSC	Retail Base Revenues.	FPL401 - Base Revenues

OTHER OPERATING REVENUES -

COSS ID	Description	COSS Methodology	Allocator
INC050400	FIELD COLLECTION LATE PAYMENT CHARGES	Projected field collections charge (account 450.400) and late payment charge (account 450.500) by rate class.	FPL311 - MISC SERV REVS - FIELD COLLECTION - LATE PAYMENT
INC051010	MISC SERVICE REVS - INITIAL CONNECTION	Projected initial service charge (account 451.000) by rate class.	FPL312 - MISC SERV REVS - INITIAL CONNECTION
INC051020	MISC SERVICE REVS - RECONNECT AFTER NON PAYMENT	Projected reconnect charge (account 451.000) by rate class.	FPL313 - MISC SERV REVS - RECONNECTION
INC051030	MISC SERVICE REVS - CONNECT / DISCONNECT	Projected connection service charge (account 451.000) by rate class.	FPL314 - MISC SERV REVS - CONNECTION OF EXISTING ACCOUNT
INC051040	MISC SERVICE REVS - RETURNED CUSTOMER CHECKS	Projected returned check charges by rate class.	FPL315 - Misc Serv Revs - Returned Check Charges
INC051050	MISC SERVICE REVS - CURRENT DIVERSION PENALTY	Projected current diversion charges (account 451.000) by rate class.	FPL316 - MISC SERV REVS - CURRENT DIVERSION
INC051060	MISC SERVICE REVS - OTHER BILLINGS	Miscellaneous Service Revenues	MISC_SVC_REV
INC051100	MISC SERVICE REVS - OTH REIMBURSEMENTS	Total Distribution Plant In Service	D_PLT_TOT
INC054000	RENT FROM ELECT PROP - GENERAL	Telephone and cable TV rental income allocated based on "Account 364 - Poles, Towers & Fixtures". Other rental income is allocated based on "Gross Plant".	**Compound Allocator -** FPL104 - Distribution GCP Demand (56.6%) FPL101 - Average 12CP Demand (28.1%) FPL105 - Secondary GCP Demand (5.0%) FPL109 - Secondary Customer NCP Demand (3.2%) FPL201 - MWH Sales (2.9%) Other Allocators (4.2%)
INC056130	OTHER ELECTRIC REVS - TRANSMISSION	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC056700	OTHER ELECTRIC REVS - MISC	Total O&M Expenses	OM_TOT

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
OPERATION AND MAINTENANCE EXPENSES			
POWER PRODUCTION EXPENSES -			
STEAM POWER GENERATION:			
INC100000	STEAM POWER - OPERATION SUPERVISION & ENGINEERING	Classified between demand and energy on the basis of the relative proportions of labor costs contained in accounts 501 thru 507.	**Compound Allocator -** FPL101 - Average 12CP Demand (94.4%) FPL201 - MWH Sales (5.6%)
INC101110	STEAM POWER - FUEL - OIL, GAS & COAL	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
INC101210	STEAM POWER - FUEL - NON RECOVERABLE OIL	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
INC102000	STEAM POWER - STEAM EXP	Labor amount in account 502 is classified as demand. The remainder in account 502 is classified as energy.	**Compound Allocator -** FPL101 - Average 12CP Demand (52.7%) FPL201 - MWH Sales (47.3%)
INC105000	STEAM POWER - ELECTRIC EXP	Labor amount in account 505 is classified as demand. The remainder in account 505 is classified as energy.	**Compound Allocator -** FPL101 - Average 12CP Demand (79.7%) FPL201 - MWH Sales (20.3%)
INC106000	STEAM POWER - MISC STEAM POWER EXP	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC106310	STEAM POWER - MISC - ADDITIONAL SECURITY	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC107000	STEAM POWER - RENTS	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC110000	STEAM POWER - MAINT SUPERVISION & ENGINEERING	Classified between demand and energy on the basis of the relative proportions of labor costs contained in accounts 511 thru 514.	**Compound Allocator -** FPL101 - Average 12CP Demand (2.9%) FPL201 - MWH Sales (97.1%)
INC111000	STEAM POWER - MAINTENANCE OF STRUCTURES	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC112000	STEAM POWER - MAINT OF BOILER PLANT	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
INC113000	STEAM POWER - MAINT OF ELECTRIC PLANT	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
INC114000	STEAM POWER - MAINT OF MISCELLANEOUS STEAM PLT	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
NUCLEAR POWER GENERATION:			
INC117000	NUCL POWER - OPERATION SUPERVISION & ENGINEERING	Classified between demand and energy on the basis of the relative proportions of labor costs contained in accounts 518 thru 525.	**Compound Allocator -** FPL101 - Average 12CP Demand (99.5%) FPL201 - MWH Sales (0.5%)
INC118160	NUCL POWER - NUC FUEL EXP - ADDITIONAL SECURITY	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
INC118210	NUCL POWER - NUC FUEL EXP - NON RECOVERABLE FUEL EXP	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
INC119000	NUCL POWER - COOLANTS AND WATER	Labor amount in account 519 is classified as demand. The remainder in account 519 is classified as energy.	**Compound Allocator -** FPL101 - Average 12CP Demand (31.3%) FPL201 - MWH Sales (68.7%)

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
INC120000	NUCL POWER - STEAM EXP	Labor amount in account 520 is classified as demand. The remainder in account 520 is classified as energy.	**Compound Allocator -** FPL101 - Average 12CP Demand (71.0%) FPL201 - MWH Sales (29.0%)
INC123000	NUCL POWER - ELECTRIC EXP	Labor amount in account 523 is classified as demand. The remainder in account 523 is classified as energy.	**Compound Allocator -** FPL101 - Average 12CP Demand (0.0%) FPL201 - MWH Sales (100.0%)
INC124000	NUCL POWER - MISC NUCLEAR POWER EXP	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC128000	NUCL POWER - MAINT SUPERVISION & ENGINEERING	Classified between demand and energy on the basis of the relative proportions of labor costs contained in accounts 529 thru 532.	**Compound Allocator -** FPL101 - Average 12CP Demand (0.1%) FPL201 - MWH Sales (99.9%)
INC129000	NUCL POWER - MAINT OF STRUCTURES	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC130000	NUCL POWER - MAINT OF REACTOR PLANT	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
INC131000	NUCL POWER - MAINTENANCE OF ELECTRIC PLANT	MWH Sales, adjusted for losses	FPL201 - MWH Sales
INC132000	NUCL POWER - MAINT OF MISC NUCLEAR PLANT	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
OTHER POWER GENERATION:			
INC146000	OTH POWER - OPERATION SUPERVISION & ENGINEERING	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC147200	OTH POWER - FUEL -NON RECOVERABLE ANNUAL EMISSIONS FEE	MWH Sales, adjusted for losses.	FPL201 - MWH Sales
INC148000	OTH POWER - GENERATION EXP	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC149000	OTH POWER - MISC OTHER POWER GENERATION EXP	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC151000	OTH POWER - MAINT SUPERVISION & ENGINEERING	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC152000	OTH POWER - MAINT OF STRUCTURES	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC153000	OTH POWER - MAINT GENERATING & ELECTRIC PLANT	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC154000	OTH POWER - MAINT MISC OTHER POWER GENERATION	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
OTHER POWER SUPPLY:			
INC156000	OTH POWER - SYSTEM CONTROL AND LOAD DISPATCHING	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand
INC157000	OTH POWER - OTHER EXP	Average 12 CP Demands, adjusted for losses.	FPL101 - Average 12CP Demand

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

		M	
TRANSMISSION EXPENSES -			
INC260010	TRANS EXP - OPERATION SUPERVISION & ENGINEERING	12CP & /`3 adjusted for transmission pulloffs for retail customers	**Compound Allocator -** FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)
INC261000	TRANS E P LOAD DISPATCHING	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC262000	TRANS EXP STATION EXP	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC265000	TRANS EXP - TRANSMISSION OF ELECTRICITY BY OTHERS	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC265200	TRANS :) P - TRANSMISSION OF ELECTRICITY - RTO	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC266000	TRANS :) P - MISC TRANS EXP	12CP & 1/13 adjusted for transmission pulloffs for retail customers	**Compound Allocator -** FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)
INC268010	TRANS EXP - MAINT SUPERVISION & ENGINEERING	12CP & 1/13 adjusted for transmission pulloffs for retail customers	**Compound Allocator -** FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)
INC270000	TRANS EXP - MAINT OF STATION EQUIP	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC271000	TRANS EXP - MAINT OF OVERHEAD LINES	12CP & 1/13 adjusted for transmission pulloffs for retail customers	**Compound Allocator -** FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)
INC272000	TRANS :XP - MAINT OF UNDERGROUND LINES	12CP & 1/13 adjusted for transmission pulloffs for retail customers	**Compound Allocator -** FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)
INC273000	TRANS EXP - MAINT OF MISC TRANS PLANT	12CP & 1/13 adjusted for transmission pulloffs for retail customers	**Compound Allocator -** FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)

COST OF SERVICE STUDY

COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
DISTRIBUTION EXPENSES -			
INC380000	DIST EXP - OPERATION SUPERVISION AND ENGINEERING	Total Distribution Plant In Service	D_PLT_TOT
INC381000	DIST EXP - LOAD DISPATCHING	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
INC382000	DIST EXP - SUBSTATION EXP	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
INC383000	DIST EXP - OVERHEAD LINE EXP	The overhead amount in plant acct 369 (Services) is divided by the total of the balances in plant accts 364 and 365 and the overhead amount in acct 369. This ratio is multiplied times the balance in acct 583 and is classified as services. The remainder is classified as demand (either primary or secondary based on the ratio of primary and secondary in plant accts 364 and 365).	<u>Compound Allocator -</u> FPL303 - Average Secondary Customers (8.2%) FPL104 - Distribution GCP Demand (77.5%) FPL105 - Secondary GCP Demand (14.3%)
INC384000	DIST EXP - UNDERGROUND LINE EXP	The underground amount in plant acct 369 (Services) is divided by the total of the balances in plant accts 366 and 367 and the underground amount in plant acct 369. This ratio is multiplied times the balance in acct 584 and is classified as services. The remainder is classified as demand (either primary or secondary based on the ratio of primary and secondary in plant accts 366 and 367).	<u>Compound Allocator -</u> FPL303 - Average Secondary Customers (18.1%) FPL104 - Distribution GCP Demand (74.0%) FPL105 - Secondary GCP Demand (7.9%)
INC385000	DIST EXP - STREET LIGHTING AND SIGNAL SYSTEM EXP	The number of lighting fixtures for the Street Lighting classes only	FPL508 - Street Lights
INC386000	DIST EXP - METER EXP	Average number of meters for the rate class multiplied by the average meter unit cost, excluding lighting services.	FPL325 - Meter Costs
INC387000	DIST EXP - CUSTOMER INSTALLATIONS EXP	Outdoor Lighting installation expenses classified as lighting. The remainder is classified as customer.	<u>Compound Allocator -</u> FPL509 - Outdoor Lighting (48.0%) FPL310 - Average Distribution Customers - Retail (52.0%)
INC388000	DIST EXP - MISCELLANEOUS DISTRIBUTION EXP	Total Distribution Plant In Service	D_PLT_TOT
INC389000	DIST EXP - RENTS	Total Distribution Plant In Service	D_PLT_TOT
INC390000	DIST EXP - MAINT SUPERVISION AND ENGINEERING	Total Distribution Plant In Service	D_PLT_TOT
INC391000	DIST EXP - MAINT OF STRUCTURES	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
INC392000	DIST EXP - MAINT OF STATION EQUIP	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
INC393000	DIST EXP - MAINT OF OVERHEAD LINES	The overhead amount in plant acct 369 (Services) is divided by the total of the balances in plant accts 364 and 365 and the overhead amount in acct 369. This ratio is multiplied times the balance in acct 593 and is classified as services. The remainder is classified as demand (either primary or secondary based on the ratio of primary and secondary in plant accts 364 and 365).	<u>Compound Allocator -</u> FPL303 - Average Secondary Customers (8.2%) FPL104 - Distribution GCP Demand (77.5%) FPL105 - Secondary GCP Demand (14.3%)
INC394000	DIST EXP - MAINT OF UNDERGROUND LINES	The underground amount in plant acct 369 (Services) is divided by the total of the balances in plant accts 366 and 367 and the underground amount in plant acct 369. This ratio is multiplied times the balance in acct 594 and is classified as services. The remainder is classified as demand (either primary or secondary based on the ratio of primary and secondary in plant accts 366 and 367).	<u>Compound Allocator -</u> FPL303 - Average Secondary Customers (18.1%) FPL104 - Distribution GCP Demand (74.0%) FPL105 - Secondary GCP Demand (7.9%)
INC395000	DIST EXP - MAINT OF LINE TRANSFORMERS	Line transformers, capacitors and network protectors classified as demand and functionalized between primary and secondary.	<u>Compound Allocator -</u> FPL104 - Distribution GCP Demand (10.9%) FPL109 - Secondary Customer NCP Demand (89.1%)
INC396000	DIST EXP - MAINT OF STREET LIGHTING & SIGNAL SYSTEMS	The number of lighting fixtures for the Street Lighting classes only.	FPL508 - Street Lights
INC397000	DIST EXP - MAINT OF METERS	Average number of meters for the rate class multiplied by the average meter unit cost, excluding lighting services.	FPL325 - Meter Costs
INC398000	DIST EXP - MAINT OF MISC DISTRIBUTION PLANT	Outdoor lights maintenance in acct 598 is assigned to outdoor lighting. The remainder is allocated based on distribution plant in service.	<u>Compound Allocator -</u> FPL509 - Outdoor Lighting (29.3%) Plant In Service - Distribution (70.7%)
CUSTOMER ACCOUNTS EXPENSES -			
INC401000	CUST ACCT EXP - SUPERVISION	Based on the allocation of Customers Account Expense accounts (INC402000, INC403000, INC404000 & INC405000).	CA ACCTS SUPER
INC402000	CUST ACCT EXP - METER READING EXP	Average number of customers multiplied by average meter and SSDR material unit cost. The non-metered rate classes are zero.	FPL330 - Meter and SSDR Material Costs
INC403000	CUST ACCT EXP - CUSTOMER RECORDS AND COLLECTION EXP	Average number of customers for retail rate classes only.	FPL356 - Average Customers
INC404000	CUST ACCT EXP - UNCOLLECTIBLE ACCTS	The 12 month actual Uncollectibles.	FPL205 - Uncollectibles
CUSTOMER SERVICE & INFORMATIONAL EXP -			
INC407000	CUST SERV & INFO - SUPERVISION	Average number of customers for retail rate classes only.	FPL356 - Average Customers
INC408000	CUST SERV & INFO - CUST ASSISTANCE EXP	Average number of customers for retail rate classes only.	FPL356 - Average Customers
INC409000	CUST SERV & INFO - INFO & INST ADV - GENERAL	Average number of customers for retail rate classes only.	FPL356 - Average Customers
INC410000	CUST SERV & INFO - MISC CUST SERVICE & INFO EXP	Average number of customers for retail rate classes only.	FPL356 - Average Customers

COST OF SERVICE STUDY

COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
SALES EXPENSES -			
INC411000	SUPERVISION-SALES EXP	Average number of customers for retail rate classes only.	FPL356 - Average Customers
INC516000	MISCELLANEOUS AND SELLING EXP	Average number of customers for retail rate classes only.	FPL356 - Average Customers
ADMINISTRATIVE AND GENERAL EXPENSES -			
INC520010	A&G EXP - SALARIES	Total Labor	LABOR_TOT
INC521000	A&G EXP - OFFICE SUPPLIES AND EXP	Total Labor	LABOR_TOT
INC522000	A&G EXP - ADMINISTRATIVE EXP TRANSFERRED CR.	Total Labor	LABOR_TOT
INC523000	A&G EXP - OUTSIDE SERVICES EMPLOYED	Total Labor	LABOR_TOT
INC524000	A&G EXP - PROPERTY INSURANCE	Total Plant In Service - Gross	PLT_GROSS
INC525000	A&G EXP - INJURIES AND DAMAGES	Total Labor	LABOR_TOT
INC526100	A&G EXP - EMP PENSIONS & BENEFITS	Total Labor	LABOR_TOT
INC526110	A&G EXP - EMP PENSIONS & BENEFITS - FUEL	Total Labor	LABOR_TOT
INC528010	A&G EXP - REGULATORY COMMISSION EXPENSE - FPSC	Total Labor	LABOR_TOT
INC530000	A&G EXP - MISC GENERAL EXP	Total Labor	LABOR_TOT
INC531000	A&G EXP - RENTS	Total Labor	LABOR_TOT
INC535000	A&G EXP - MAINT OF GENERAL PLANT	Total Plant In Service - General	PLT GENERAL
DEPRECIATION EXPENSES			
INTANGIBLE -			
INC603000	DEPR EXP - INTANGIBLE	Total Labor	LABOR_TOT
INC603001	DEPR EXP - INTANGIBLE - ASSET RETIR OBLIG	Total Labor	LABOR_TOT
PRODUCTION -			
STEAM:			
INC603010	DEPR EXP - STEAM	12CP & 1/13	<u>Compound Allocator -</u> FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC603011	DEPR EXP - FOSSIL DECOMMISSIONING	Total Plant In Service - Production Steam	P_PLT_STEAM

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
INC603980	DEPR EXP - AMORT OF ELECTRIC PLANT - ACQ ADJUSTMENT	12CP & 1/13	Compound Allocator - FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
NUCLEAR:			
INC603020	DEPR EXP - TURKEY POINT	12CP & 1/13	Compound Allocator - FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC603022	DEPR EXP - ST LUCIE 1	12CP & 1/13	Compound Allocator - FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC603024	DEPR EXP - ST LUCIE COMMON	12CP & 1/13	Compound Allocator - FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC603026	DEPR EXP - ST LUCIE 2	12CP & 1/13	Compound Allocator - FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
OTHER PRODUCTION:			
INC603030	DEPR EXP - OTHER PRODUCTION	12CP & 1/13	Compound Allocator - FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC603036	DEPR EXP - OTHER PRODUCTION - DISMANTLEMENT	12CP & 1/13	Compound Allocator - FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
TRANSMISSION -			
INC603041	DEPR EXP - TRANSMISSION	12CP & 1/13 adjusted for transmission pulloffs for retail customers	Compound Allocator - FPL301 - Transmission Customers Pull-offs (0.2%) FPL101 - Average 12CP Demand (12/13th of 99.8%) FPL201 - MWH Sales (1/13th of 99.8%)
DISTRIBUTION -			
INC603051	DEPR EXP - DIST - ACCT 361 - STRUCT & IMPROV	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
INC603052	DEPR EXP - DIST - ACCT 362 - STATION EQUIP	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand
INC603054	DEPR EXP - DIST - ACCT 364 - POLES, TOWERS & FIXTURES	Poles, towers and fixtures classified as demand and functionalized between primary and secondary, adjusted for distribution pulloffs for primary and secondary customers.	Compound Allocator - FPL302 - Primary Customers Pull-offs (0.3%) FPL104 - Distribution GCP Demand (91.8%) FPL105 - Secondary GCP Demand (7.9%)

COST OF SERVICE STUDY

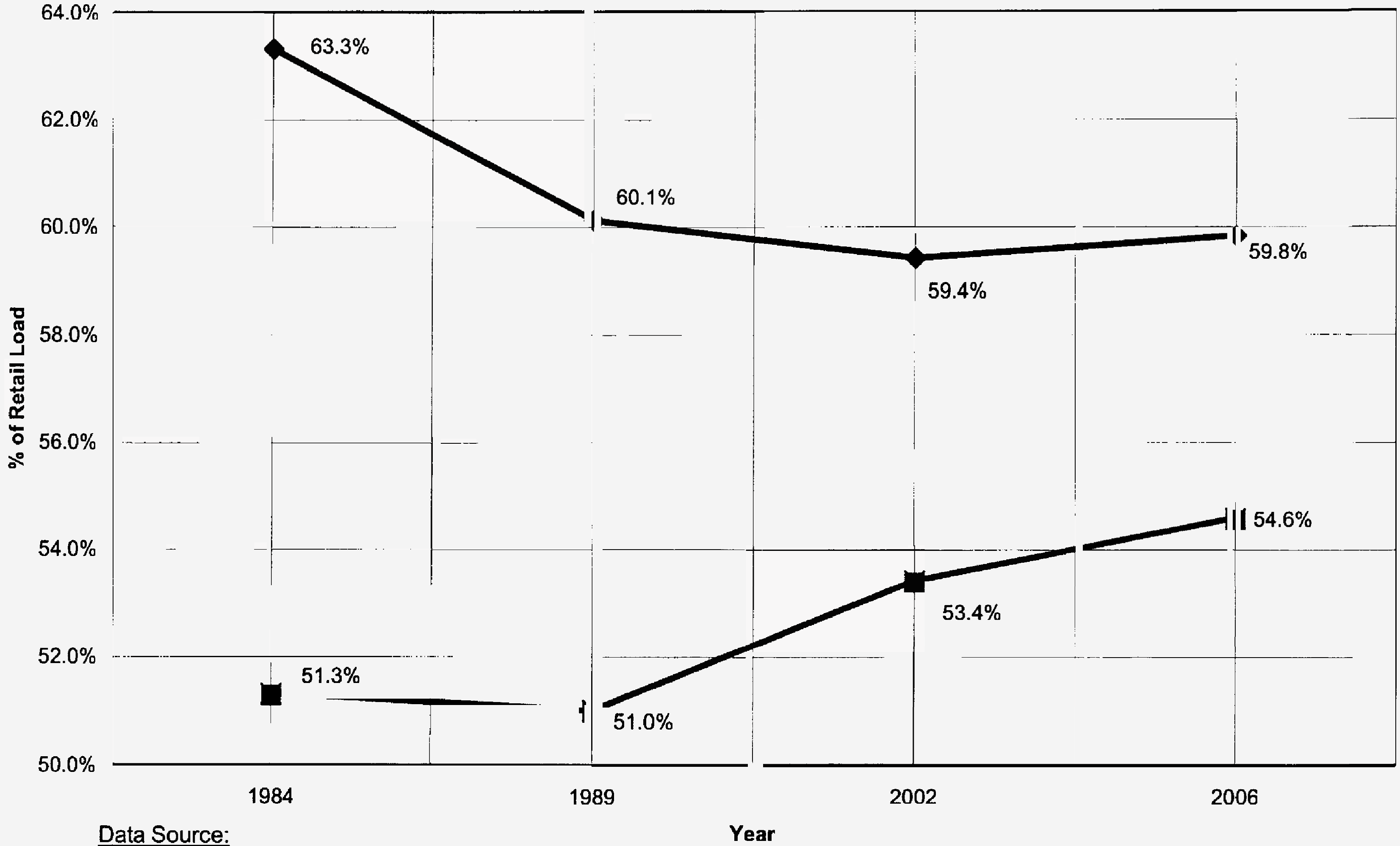
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
INC603055	DEPR EXP - DIST - ACCT 365 - OVERHEAD CONDUCT & DEVIC	Overhead conductors and devices classified as demand and functionalized between primary and secondary, adjusted for distribution pulloffs for primary and secondary customers.	**Compound Allocator -** FPL302 - Primary Customers Pull-offs (0.2%) FPL104 - Distribution GCP Demand (78.8%) FPL105 - Secondary GCP Demand (21.0%)
INC603056	DEPR EXP - DIST - ACCT 366 - UNDERGROUND CONDUIT	Underground conduit classified as demand and functionalized between primary and secondary.	**Compound Allocator -** FPL104 - Distribution GCP Demand (93.9%) FPL105 - Secondary GCP Demand (6.1%)
INC603057	DEPR EXP - DIST - ACCT 367 - UNDERGROUND CONDUCT & DEVIC	Underground conductors and devices classified as demand and functionalized between primary and secondary.	**Compound Allocator -** FPL104 - Distribution GCP Demand (88.1%) FPL105 - Secondary GCP Demand (11.9%)
INC603058	DEPR EXP - DIST - ACCT 368 - LINE TRANSFORMERS	Line transformers, capacitors and network protectors classified as demand and functionalized between primary and secondary.	**Compound Allocator -** FPL104 - Distribution GCP Demand (10.9%) FPL109 - Secondary Customer NCP Demand (89.1%)
INC603059	DEPR EXP - DIST - ACCT 369 - SERVICES	Average number of secondary voltage level customers for retail only, excluding lighting services.	FPL303 - Average Secondary Customers
INC603060	DEPR EXP - DIST - ACCT 37O - METERS	Average number of meters for the rate class multiplied by the average meter unit cost, excluding lighting services.	FPL325 - Meter Costs
INC603061	DEPR EXP - DIST - ACCT 371 - INSTALLS ON CUST PREMISES	100% assignment to Outdoor Lighting.	FPL509 - Outdoor Lighting
INC603063	DEPR EXP - DIST - ACCT 373 - STREET LIGHTING & SIGNAL EQUIP	The number of lighting fixtures for the Street Lighting classes only.	FPL508 - Street Lights
GENERAL -			
INC603091	DEPR EXP - GENERAL - STRUCTURES	Total Labor	LABOR_TOT
INC603093	DEPR EXP - GENERAL - OTHER	Total Labor	LABOR_TOT
NUCLEAR DECOMMISSIONING EXPENSE -			
INC603310	DEPR EXP - NUCL DECOM	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC603371	DEPR EXP - NUCL DECOM - ASSET RETIR OBLIG	12CP & 1/13	**Compound Allocator -** FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
AMORT OF PROPERTY LOSSES, UNRECOVERRED PLANT & REGULATORY STUDY COSTS			
INC605000	ACCRETION EXPENSE - ASSET RETIR OBLIG REGULATORY DEBIT	Total Labor	LABOR_TOT
INC607000	AMORT OF PROP LOSSES, UNRECOV PLT & REGUL STUDY COSTS	Adjusted Rate Base	RATE_BASE
INC607143	REGULATORY CREDIT - ASSET RETIR OBLIG	Total Labor	LABOR_TOT

COST OF SERVICE STUDY
COST OF SERVICE METHODOLOGY BY COMPONENT

COSS ID	Description	COSS Methodology	Allocator
INC607360	AMORTIZATION OF NUCLEAR RESERVE	12CP & 1/13	Compound Allocator - FPL101 - Average 12CP Demand (12/13th) FPL201 - MWH Sales (1/13th)
INC607365	AMORTIZATION OF DBT DEFERRED SECURITY	Total O&M Expenses	OM TOT
TAXES OTHER THAN INCOME TAXES			
INC608100	TAX OTHER THAN INC TAX - UTILITY OPERAT INCOME CLEARING	Total Plant In Service - Net	PLT_NET
INC608105	TAX OTHER TH INC TAX - REAL & PERS PROPERTY TAX	Total Plant In Service - Net	PLT_NET
INC608115	TAX OTHER TH INC TAX - FEDERAL UNEMPLOYMENT TAXES	Total Labor	LABOR TOT
INC608120	TAX OTHER TH INC TAX - STATE UNEMPLOYMENT TAXES	Total Labor	LABOR_TOT
INC608125	TAX OTHER TH INC TAX - FICA (SOCIAL SECURITY)	Total Labor	LABOR_TOT
INC608135	TAX OTHER TH INC TAX - REG ASSESS FEE - RETAIL BASE	Retail Base Revenues.	FPL401 - Base Revenues
INCOME TAXES			
INC609100	INCOME TAXES - UTILITY OPER INCOME - CURRENT FEDERAL	Pretax Book Income	PRETAX_INC
INC609110	INCOME TAXES - UTILITY OPER INCOME - CURRENT STATE	Pretax Book Income	PRETAX INC
PROVISION FOR DEFERRED INCOME TAXES			
INC610000	INCOME TAXES - DEFD FEDERAL	Pretax Book Income	PRETAX_INC
INC611000	INCOME TAXES - DEFD STATE	Pretax Book Income	PRETAX INC
INVESTMENT TAX CREDIT			
INC611450	AMORTIZATION OF INVESTMENT TAX CREDIT	Total Plant In Service - Net	PLT NET
GAINS (LOSSES) FROM DISPOSITIONS			
INC611600	GAIN FROM DISP OF UTILITY PLANT	GCP demand, adjusted for losses, for loads at Primary and Secondary voltage levels only.	FPL104 - Distribution GCP Demand

Trends in MWH vs 12 CP
For the RS-1 Rate Class

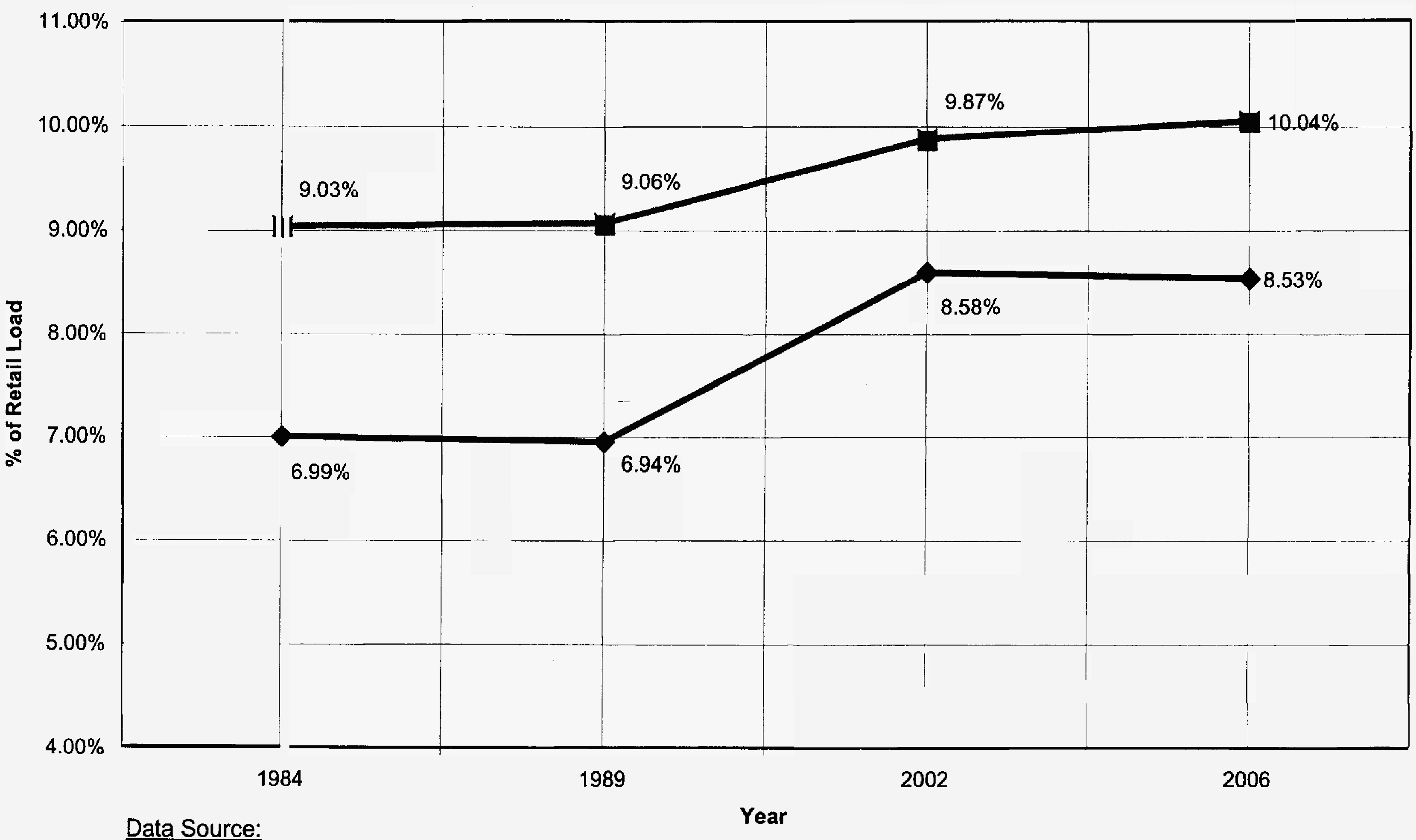


Data Source:
MFR E-9 in Docket No. 050045-EI for 2006 data.
MFR E-12 in Docket Nos. 001148-EI and 900038-EI for 2002 and 1989 data.
MFRs E-18a and E-18b in Docket No. 830465-EI for 1984 data.

12CP MWH

Docket No. 050045-EI
R. Morley Exhibit No.___
Document RM-5, Page 1 of 2
Trends in Relative Load Contributions

Trends in MWH vs 12 CP
for the GSLD-1 Rate Class



Data Source:
MFR E-9 in Docket No. 050045-EI for 2006 data.
MFR E-12 in Docket Nos. 001148-EI and 900038-EI for 2002 and 1989 data.
MFRs E-18a and E-18b in Docket No. 830465-EI for 1984 data.

12CP MWH

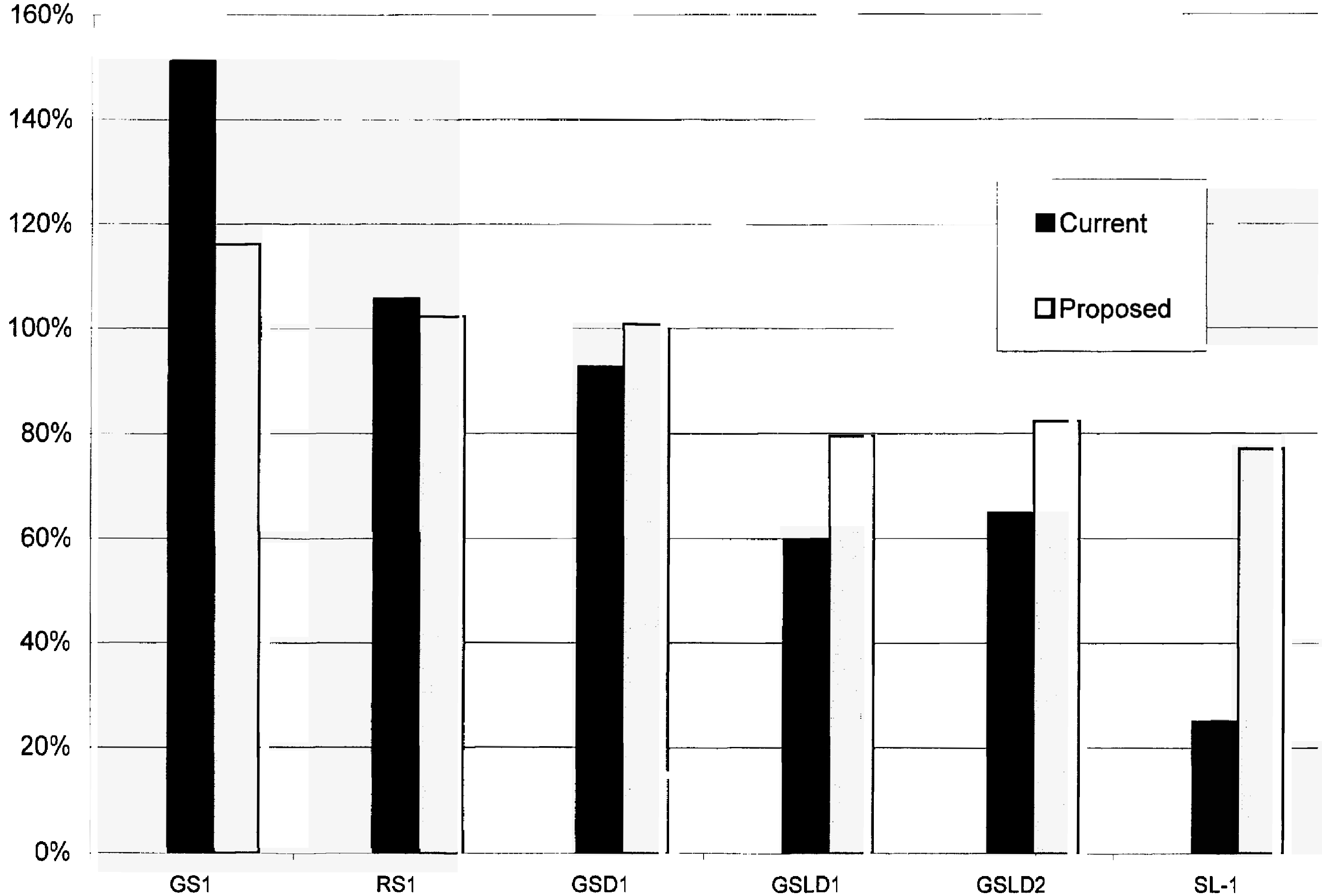
Docket No. 050045-EI
R. Morley Exhibit No.___
Document RM-5, Page 2 of 2
Trends in Relative Load Contributions

Resulting Parity Indices

	Current	FPL Proposed	Traditional Rules of Thumb (1)
CILC-1D	77%	90%	82%
CILC-1G	141%	110%	109%
CILC-1T	82%	92%	87%
CS1*	73%	96%	84%
CS2*	69%	90%	80%
GS1	151%	116%	116%
GSD1*	93%	101%	100%
GSLD1*	60%	80%	75%
GSLD2*	65%	82%	80%
GSLD3	85%	95%	100%
MET	64%	90%	79%
OL-1	-21%	33%	13%
OS-2	42%	75%	57%
RS1	106%	102%	104%
SL-1	25%	77%	54%
SL-2	252%	194%	194%
SST-TST	279%	212%	214%
SST1-DST	-53%	-21%	-26%
SST2-DST	91%	99%	100%
SST3-DST	112%	101%	100%
Total Retail	100%	100%	100%
# of classes w/in +/- 10% of parity	3	11	6
* CS-1, CS-2, GSD-1, GSLD-1 and GSLD-2 combined	82%	94%	92%

NOTE 1: Increases limited to 150% of the system average increase. Increase by rate class based on the change in total operating revenues, less the CILC offset.

PARITY OF MAJOR RATE CLASSES
Current and Proposed



Docket No. 050045-EI
R. Morley Exhibit ___
Document No. RM-6, Page 2 of 2
Resulting Parity Indices

SUMMARY OF PROPOSED RATE STRUCTURES
FOR MAJOR RATE SCHEDULES

RATE SCHEDULE	DESCRIPTION
RS-1	Residential Service
GS-1	General Service – Non Demand (0-20 kW)
GSD-1	General Service Demand (21-499 kW)
GSLD-1	General Service Large Demand (500-1,999 kW)
GSLD-2	General Service Large Demand (2,000 kW+)
GSLD-3	General Service Large Demand – Transmission (2,000 kW+)
CS-1	Curtailable Service (500-1999 kW)
CS-2	Curtailable Service (2,000 kW +)
CS-3	Curtailable Service – Transmission (2,000 kW+)
RST-1	Residential Service – Time of Use
GST-1	General Service – Non Demand – Time of Use (0-20kW)
GSDT-1	General Service Demand – Time of Use (21-499 kW)
GSLDT-1	General Service Large Demand – Time of Use (500-1,999 kW)
GSLDT-2	General Service Large Demand – Time of Use (2,000 kW+)
GSLDT-3	General Service Large Demand – Time of Use (2,000 kW+)
CST-1	Curtailable Service – Time of Use (500-1,999 kW)
CST-2	Curtailable Service – Time of Use (2,000 kW +)
CST-3	Curtailable Service – Time of Use (2,000 kW +)

CILC-1	Commercial/Industrial Load Control Program
CDR	Commercial/Industrial Demand Reduction Rider
SST-1	Standby and Supplemental Service
ISST-1	Interruptible Standby and Supplemental Service
MET	Metropolitan Transit Service
OS-2	Sports Field Service
SL-1	Street Lighting
OL-1	Outdoor Lighting
PL-1	Premium Lighting
SL-2	Traffic Signal Service

<u>RS-1</u>

FPL is proposing to raise the inversion point on the RS-1 rate from 750 kWh to 1,000 kWh. This change is appropriate given the increase in use per customer that has taken place since the 750 kWh inversion point was established in 1977. It is also consistent with the inversion point the Commission approved for Florida Progress in Docket No. 000824-EI. In raising the inversion point, an energy charge of 3.481 cents/kWh is proposed for the first 1000 kWh and an energy charge of 4.481 cents/kWh is proposed for all additional kWh. A customer charge of $7.00 approximates the customer unit cost presented in MFR E-6b.

<u>GS-1</u>

The proposed customer charge of $9.14 is derived from the customer unit costs provided in MFR E-6b. The proposed discount for unmetered service is based on the meter-related expenses included in the customer unit costs. An energy charge of 3.740 cents/kWh is proposed based on the rate class's target revenues.

<u>GSD-1, GSLD-1, GSLD-2</u>

A single set of energy and demand charges is proposed for GSD-1, GSLD-1, GSLD-2. The proposed energy charge of 1.502 cents/kWh is based on a weighted average of the current energy charges with a proportional increase to achieve the target revenue increase. The proposed demand charge remains at the current level of $5.81. In addition, the 10 kW exemption for GSD-1 customers would be eliminated under FPL's proposal. Lastly, the customer charges proposed for these rate schedules are developed using each class's customer unit costs presented in MFR E-6b as a guide. Customer charges of $150 and $350 respectively are proposed for the GSLD-1 and GSLD-2 rate schedules. A customer charge of $25 is proposed for GSD-1 based on the class's lower customer unit cost and higher class rate of return.

CS-1, CS-2

No change is proposed in the $1.58/kW credit for each kW of curtailable load. The curtailable rate schedules otherwise mirror the rate structures of the otherwise applicable general service large demand rate schedule.

RST-1

FPL is proposing a customer charge of $9.00 to reflect the additional cost of time-of-use metering. The on-peak energy charge was initially set based on the demand and energy unit costs provided in MFR E-6b. The off-peak energy charge was initially set based on the energy unit costs provided in MFR E-6b. Proportionate adjustments were made to both energy charges in order to provide for revenue neutrality with the otherwise applicable RS-1 rate schedule.

GST-1

FPL is proposing a customer charge of $14.75 to reflect the additional cost of time-of-use metering. The on-peak energy charge was initially set based on the demand and energy unit costs provided in MFR E-6b. The off-peak energy charge was initially set based on the energy unit costs provided in MFR E-6b. Proportionate adjustments were made to both energy charges in order to provide for revenue neutrality with the otherwise applicable GS-1.

GSDT-1, GSLDT-1, GSLDT-2, CST-1, and CST-2

Consistent with the current rate structures, the proposed demand charge for GSDT-1, GSLDT-1, GSLDT-2, CST-1 and CST-2 is the same demand charge proposed for the otherwise applicable non-TOU rate. The customer charges proposed for these rate schedules are also the same as their non-TOU equivalent, except in the case of GSDT-1 where a higher customer charge is proposed based on metering costs. The off-peak energy charge for GSDT-1, GSLDT-1, GSLDT-2, CST-1 and CST-2 is based on the average energy unit costs for these rate classes. Accordingly, the on-peak energy charge has been adjusted to achieve revenue neutrality with the otherwise applicable non-TOU rate. No changes are proposed for the curtailable credits available under the CST-1 and CST-2 rate schedules.

GSLD-3 and GSLDT-3

For GSLD-3, FPL is proposing a customer charge of $1,610 consistent with the customer unit cost at the class rate of return shown in MFR E-6a. The demand charge of $6.64/kW is based on the demand unit costs shown in MFR E-6b. Energy charges under this rate have been adjusted to achieve the target revenues for this rate class. Consistent with the current rate structures, the proposed demand charge for GSLDT-3 is the same demand charge proposed for the otherwise applicable non-TOU rate, GSLD-3. The customer charges proposed for GSLDT-3 is also the same as its non-TOU equivalent. The off-peak energy charge for GSLDT-3 is based on the energy unit costs for this class. Accordingly, the on-peak energy charge has been adjusted to achieve the target revenue increase.

CS-3 and CST-3

FPL did not forecast any customers under CS-3 or CST-3 for the 2006 test year. However, in the interests of maintaining these rates for future customers, FPL proposes to make the customer, demand, and energy charges under CS-3 identical to those offered under GSLD-3. The charges under CST-3 will likewise mirror those under GSLDT-3. No changes are proposed for the curtailable credits available under these rate schedules.

CILC-1G and CILC-1D

A single set of demand charges is proposed for the CILC-1G and CILC-1D rates. The load control on-peak kW charge of $1.71/kW is based on the classes' average transmission demand unit cost. The firm on-peak kW charge of $7.15/kW is based on the classes' average production and transmission demand unit cost. The maximum kW charge of $3.32/kW is based on the distribution demand revenue requirements divided by the sum of the maximum kW demands. All demand charges have been adjusted to reflect the removal of the 10 kW exemption for CILC-1G. The proposed energy charges are based on each rate classes' energy unit cost presented in MFR E-6b with adjustments to achieve the target revenues by rate class. The customer charges for CILC-1G and CILC-1D (of $212 and $279, respectively) are based on the customer unit cost for each class presented in MFR E-6b.

CILC-1T

The customer charge of $2,630 is proposed based on the customer unit costs in MFR E-6b. The load control on-peak kW charge of $1.63/kW is based on the classes' average transmission demand unit cost. The firm on-peak kW charge of $6.81/kW is based on the classes' average production and transmission demand unit cost. The proposed energy charge is based on the class energy unit cost presented in MFR E-6b with adjustments to achieve the class's target revenues.

CDR Rider

No changes are proposed for the credits available under the CDR rider. The revisions to the administrative adders are proposed based on the customer unit costs reported in MFR E-6b. Specifically, the proposed administrative adder by rate schedule is based on the difference between the customer unit costs under the applicable CILC rate schedule and that of the otherwise applicable tariff.

SST-D1, SST-D2, and SST-D3

The proposed charges for the SST-D1, SST-D2, SST-D3 rate schedules are based on the rate design originally approved by the Commission in Order No. 17159 in

Docket No. 850673-EU ("Standby Order"). Consistent with the Standby Order the reservation demand charge is based on an assumed 10% outage rate and the total system production and transmission demand revenue requirements divided by the system 12 CP adjusted for losses. The daily demand charge is based on the total system production and transmission demand revenue requirements divided by the system 12 CP adjusted for losses and divided by the number of on-peak days in an average month in 2006. The maximum demand charge is based on the otherwise applicable rate class's demand distribution revenue requirements divided by the class maximum billing kW with adjustments to achieve the target revenues by rate class. The energy charge is based on the system average unit energy costs adjusted for losses. The customer charge reflects the curtailable service rate schedule plus an additional $25 as an administrative adder.

<u>SST-1T</u>

The design of the SST-1T rate follows from the Standby Order while also considering the load characteristics of this rate class. The reservation demand charge is based on an outage rate consistent with the class's earned return and the class's production and transmission demand revenue requirements divided its 12 CP contribution. The daily demand charge is based on the class's production and transmission demand revenue requirements divided by its 12 CP contribution and divided by the number of on-peak days in an average month in 2006. The proposed energy charge is based on the rate class's energy unit cost. The customer charge is based on the customer unit cost in MFR E-6b.

<u>ISST-1</u>

FPL did not forecast any customers under ISST-1 for the 2006 test year. However, in the interests of maintaining these rates for future customers, FPL proposes firm and interruptible customer, demand, and energy charges under ISST-1 based on the applicable distribution or transmission levels of CILC or SST. The customer charges are based on CILC-1(D) and CILC-1(T) plus a $25 administrative adder. The distribution demand charge is from CILC-1(D). The firm standby reservation and daily demand charges are based on SST-1(D3) and SST-1(T). The interruptible reservation and daily demand charges are based on the transmission-only revenue requirements from SST-1(D3) or SST-1(T). The energy charges are from SST-1(D3) and SST-1(T).

<u>MET</u>

The proposed customer charge of $519 is based on the rate class's customer unit cost. The energy charge was initially set at the class's unit cost. No change was initially made to the demand charge. Proportional adjustments were then made to the energy and demand charges in order to achieve the target level of revenues.

OS-2

The current customer charge for this rate class is $8.37 while the customer unit shown in MFR E-6b is $168. To lessen the impact to smaller customers, a customer charge of $25 is proposed consistent with the charge proposed for GSD-1 customers. The energy charge under OS-2 has been adjusted to recover the target level of revenues.

SL-1, OL-1 and PL-1

Pole and conductor charges for SL-1 have been increased by an average of 75% and 78% respectively in order to more accurately reflect the costs of these facilities. Maintenance charges have also been revised based on current costs. The non-fuel energy charge is based on the unit costs reported in MFR E-6b.

Pole and conductor charges under OL-1 have been increased by an average of 97% and 73% respectively based on the cost of these facilities. The guy-down charge has likewise been increased 78%. Maintenance charges have also been revised based on current costs. The non-fuel energy charge is based on the unit costs reported in MFR E-6b. Adjustment to the fixture charges have also been made consistent with the rate class's target revenues.

For PL-1, the Present Value Revenue Requirement (PVRR) multiplier has been updated for current economic assumptions, including the requested return on equity of 12.3%. Equivalent revisions have been made to the monthly facilities charges and early termination factors. The non-fuel energy charge is based on the unit costs reported in MFR E-6b for SL-1.

SL-2

The energy charge for SL-2 is designed to achieve the target revenues for that rate class.

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R. Morley Exhibit ___
Document No. RM-8, Page 1 of 1
Cost of New Installations - Street Lights

ESTIMATED COST OF NEW INSTALLATIONS
STREET LIGHT FIXTURES, POLES, AND CONDUCTORS
2006

LUMINAIRES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Watts	5,800	$5.51	$5.96	$6.36	$6.36	$5.53	$5.53	$7.42	$6.19	12%
100 Watts	9,500	$5.84	$6.21	$6.68	$6.69	$5.79	$5.79	N/A	$6.23	7%
150 Watts	16,000	$6.36	$6.74	$7.12	$7.12	$6.23	$6.23	N/A	$6.69	5%
200 Watts	22,000	$9.24	N/A	$9.70	$9.71	N/A	N/A	$8.85	$9.42	2%
400 Watts	50,000	$10.93	N/A	$11.69	$11.74	N/A	N/A	$11.30	$11.58	6%

POLES

Type	Current	20'	30'	35'	40'	45'	[illegible]	2006 Average	% Difference
Wood	$2.54	N/A	$17.94	$18.84	$19.72	$21.62	$24.46	$20.52	708%
Concrete OH	$3.49	N/A	$21.36	$22.18	$26.33	$27.27	$27.07	$24.84	612%
Concrete UG	$3.49	$11.21	$13.15	$14.01	$18.82	$19.79	$19.64	$16.10	361%
Fiberglass	$4.13	$7.82	N/A	N/A	N/A	N/A	N/A	$7.82	89%

CONDUCTORS

[illegible]	Current (per foot)	2006 (per foot)	% Difference
Conductors Not Under Paving	$0.0191	$0.1194	525%
Conductors Under Paving	$0.0466	$0.2807	502%

Bill Comparison - High Load Factor TOU Rate - HLFT

Annual Bill

ANNUAL BILL UNDER GSLDT-1 PRESENT RATES

Medium Commercial TOU Bill - GSLDT-1
5,597 On-Peak kW, 84% Load Factor, (3,437,040 kWh)

Customer Charge	$	38.12		$ 457.44
Demand Charge On-Peak	$	5.81	$/kW	$ 32,518.57
Energy On-Peak		2.142	¢/kWh	$ 19,869.19
Energy Off-Peak		0.651	¢/kWh	$ 16,336.45
Fuel On-Peak		4.250	¢/kWh	$ 39,423.00
Fuel Off-Peak		3.896	¢/kWh	$ 97,767.78
ECCR		0.124	¢/kWh	$ 4,261.93
ECRC		0.023	¢/kWh	$ 790.52
Storm Restoration Surcharge		0.147	¢/kWh	$ 5,052.45
CPRC	$	2.53	$/kW	$ 14,160.41
Subtotal (Total Bill)				$ 230,637.75
Gross Receipts Tax		1.0256	%	$ 2,365.42
Total Bill				$ 233,003.17

ANNUAL BILL UNDER GSLDT-1 PROPOSED RATES

Medium Commercial TOU Bill - GSLDT-1
5,597 On-Peak kW, 84% Load Factor, (3,437,040 kWh)

Customer Charge	$	150.00		$ 1,800.00
Demand Charge On-Peak	$	5.81	$/kW	$ 32,518.57
Energy On-Peak		4.020	¢/kWh	$ 37,289.52
Energy Off-Peak		0.503	¢/kWh	$ 12,622.48
Fuel On-Peak		4.250	¢/kWh	$ 39,423.00
Fuel Off-Peak		3.896	¢/kWh	$ 97,767.78
ECCR		0.124	¢/kWh	$ 4,261.93
ECRC		0.023	¢/kWh	$ 790.52
Storm Restoration Surcharge		0.147	¢/kWh	$ 5,052.45
CPRC	$	2.71	$/kW	$ 15,167.87
Subtotal (Total Bill)				$ 246,694.12
Subtotal (Base Bill)				$ 84,230.57
Gross Receipts Tax (Base)		2.5641	%	$ 2,159.76
Gross Receipts Tax (Clause)		1.0256	%	$ 1,666.23
Total Bill				$ 250,520.11

ANNUAL BILL UNDER HIGH LOAD FACTOR TOU RATE

Medium Commercial TOU Bill - HLFT
5,597 On-Peak kW, 5,639 Maximum kW, 84% Load Factor, (3,437,040 kWh)

Customer Charge	$	150.00		$ 1,800.00
On-Peak Demand Charge	$	8.22	$/kW	$ 46,007.34
Maximum Demand Charge	$	1.82	$/kW	$ 10,262.98
Energy On-Peak		0.834	¢/kWh	$ 7,736.18
Energy Off-Peak		0.504	¢/kWh	$ 12,647.58
Fuel On-Peak		4.250	¢/kWh	$ 39,423.00
Fuel Off-Peak		3.896	¢/kWh	$ 97,767.78
ECCR		0.124	¢/kWh	$ 4,261.93
ECRC		0.023	¢/kWh	$ 790.52
Storm Restoration Surcharge		0.147	¢/kWh	$ 5,052.45
CPRC	$	2.71	$/kW	$ 15,167.87
Subtotal (Total Bill)				$ 240,917.63
Subtotal (Base Bill)				$ 78,454.08
Gross Receipts Tax (Base)		2.5641	%	$ 2,011.64
Gross Receipts Tax (Clause)		1.0256	%	$ 1,666.23
Total Bill				$ 244,595.50

	GSLDT-1 Proposed	HLFT
Percentage Increase from Present Rates	7.5%	5.0%

Note: Clauses under proposed rates reflect adjustment factors, effective February 17, 2005, for the currently applicable rate schedule as modified to reflect the effects of Company-proposed adjustments.

Bill Comparison - Seasonal Demand TOU Rider - SDTR
Summer Bill - Total of months June, July, August and September

SUMMER BILL UNDER GSD-1 PRESENT RATES

Small Commercial Bill - GSD-1
154 Maximum kW (net of 10 kW exemption), (58,380 kWh)

Customer Charge	$	32.54		$ 130.16
Demand Charge	$	5.81	$/kW	$ 894.74
Non-Fuel Energy		1.369	¢/kWh	$ 799.22
Fuel		4.008	¢/kWh	$ 2,339.87
ECCR		0.130	¢/kWh	$ 75.89
ECRC		0.023	¢/kWh	$ 13.43
Storm Restoration Surcharge		0.161	¢/kWh	$ 93.99
CPRC	$	2.51	$/kW	$ 386.54
Subtotal (Total Bill)				$ 4,733.85
Gross Receipts Tax		1.0256	%	$ 48.55
Total Summer Bill				$ 4,782.40

SUMMER BILL UNDER GSD-1 PROPOSED RATES

Small Commercial Bill - GSD-1
194 Maximum kW, (58,380 kWh)

Customer Charge	$	25.00		$ 100.00
Demand Charge	$	5.81	$/kW	$ 1,127.14
Non-Fuel Energy		1.502	¢/kWh	$ 876.87
Fuel		4.008	¢/kWh	$ 2,339.87
ECCR		0.130	¢/kWh	$ 75.89
ECRC		0.023	¢/kWh	$ 13.43
Storm Restoration Surcharge		0.161	¢/kWh	$ 93.99
CPRC	$	2.69	$/kW	$ 414.26
Subtotal (Total Bill)				$ 5,041.45
Subtotal (Base Bill)				$ 2,104.01
Gross Receipts Tax (Base)		2.5641	%	$ 53.95
Gross Receipts Tax (Clause)		1.0256	%	$ 30.13
Total Summer Bill				$ 5,125.53
Percentage Increase from Present Rates				7.2%

SUMMER BILL UNDER SEASONAL DEMAND TOU RIDER

Small Commercial Bill - SDTR
185 Seasonal On-Peak kW, (58,380 kWh)

Customer Charge	$	25.00		$ 100.00
Demand Charge - Seasonal On-Peak	$	6.40	$/kW	$ 1,184.00
Non-Fuel Energy Seasonal On-Peak		4.192	¢/kWh	$ 293.67
Non-Fuel Energy Seasonal Off-Peak		1.145	¢/kWh	$ 588.24
Fuel		4.008	¢/kWh	$ 2,339.87
ECCR		0.130	¢/kWh	$ 75.89
ECRC		0.023	¢/kWh	$ 13.43
Storm Restoration Surcharge		0.161	¢/kWh	$ 93.99
CPRC	$	2.69	$/kW	$ 414.26
Subtotal (Total Bill)				$ 5,103.36
Subtotal (Base Bill)				$ 2,165.91
Gross Receipts Tax (Base)		2.5641	%	$ 55.54
Gross Receipts Tax (Clause)		1.0256	%	$ 30.13
Total Summer Bill				$ 5,189.03
Percentage Increase from Present Rates				8.5%

Note: Clauses under proposed rates reflect adjustment factors, effective February 17, 2005, for the currently applicable rate schedule as modified to reflect the effects of Company-proposed adjustments.

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Sample Bill Calculations

Bill Comparison - Seasonal Demand TOU Rider - SDTR

Winter Bill - Total of months January through May and October through December

WINTER BILL UNDER GSD-1 PRESENT RATES

Small Commercial Bill - GSD-1
530 Maximum kW (net of 10 kW exemption), (138,900 kWh)

Customer Charge	$	32.54		$	260.32
Demand Charge	$	5.81	$/kW	$	3,079.30
Non-Fuel Energy		1.369	¢/kWh	$	1,901.54
Fuel		4.008	¢/kWh	$	5,567.11
ECCR		0.130	¢/kWh	$	180.57
ECRC		0.023	¢/kWh	$	31.95
Storm Restoration Surcharge		0.161	¢/kWh	$	223.63
CPRC	$	2.51	$/kW	$	1,330.30
Subtotal (Total Bill)				$	12,574.72
Gross Receipts Tax		1.0256	%	$	128.97
Total Winter Bill				$	12,703.69

WINTER BILL UNDER GSD-1 PROPOSED RATES

Small Commercial Bill - GSD-1
610 Maximum kW, (138,900 kWh)

Customer Charge	$	25.00		$	200.00
Demand Charge	$	5.81	$/kW	$	3,544.10
Non-Fuel Energy		1.502	¢/kWh	$	2,086.28
Fuel		4.008	¢/kWh	$	5,567.11
ECCR		0.130	¢/kWh	$	180.57
ECRC		0.023	¢/kWh	$	31.95
Storm Restoration Surcharge		0.161	¢/kWh	$	223.63
CPRC	$	2.69	$/kW	$	1,425.70
Subtotal (Total Bill)				$	13,259.34
Subtotal (Base Bill)				$	5,830.38
Gross Receipts Tax (Base)		2.5641	%	$	149.50
Gross Receipts Tax (Clause)		1.0256	%	$	76.19
Total Winter Bill				$	13,485.03

WINTER BILL UNDER SEASONAL DEMAND TOU RIDER

Small Commercial Bill - SDTR
583 Non-Seasonal On-Peak kW, (138,900 kWh)

Customer Charge	$	25.00		$	200.00
Demand Charge - Non-Seasonal On-Peak	$	5.51	$/kW	$	3,212.33
Non-Fuel Energy Non-Seasonal		1.502	¢/kWh	$	2,086.28
Fuel		4.008	¢/kWh	$	5,567.11
ECCR		0.130	¢/kWh	$	180.57
ECRC		0.023	¢/kWh	$	31.95
Storm Restoration Surcharge		0.161	¢/kWh	$	223.63
CPRC	$	2.69	$/kW	$	1,425.70
Subtotal (Total Bill)				$	12,927.57
Subtotal (Base Bill)				$	5,498.61
Gross Receipts Tax (Base)		2.5641	%	$	140.99
Gross Receipts Tax (Clause)		1.0256	%	$	76.19
Total Winter Bill				$	13,144.75

Percentage Increase from Present Rates — GSD-1 Proposed Rates: **6.2%**; Seasonal Demand TOU Rider: **3.5%**

Note: Clauses under proposed rates reflect adjustment factors, effective February 17, 2005, for the currently applicable rate schedule as modified to reflect the effects of Company-proposed adjustments.

Bill Comparison - Seasonal Demand TOU Rider - SDTR
Annual Bill - January through December

ANNUAL BILL UNDER GSD-1 PRESENT RATES		ANNUAL BILL UNDER GSD-1 PROPOSED RATES			ANNUAL BILL UNDER SEASONAL DEMAND TOU RIDER		
Small Commercial Bill - GSD-1[a]		Small Commercial Bill - GSD-1[b]			Small Commercial Bill - SDTR[c]		
Customer Charge	$ 390.48	Customer Charge		$ 300.00	Customer Charge		$ 300.00
Demand Charge	$ 3,974.04	Demand Charge		$ 4,671.24	Demand Charges		$ 4,396.33
Non-Fuel Energy	$ 2,700.76	Non-Fuel Energy		$ 2,963.15	Non-Fuel Energy Charges		$ 2,968.19
Fuel	$ 7,906.98	Fuel		$ 7,906.98	Fuel		$ 7,906.98
ECCR	$ 256.46	ECCR		$ 256.46	ECCR		$ 256.46
ECRC	$ 45.37	ECRC		$ 45.37	ECRC		$ 45.37
Storm Restoration Surcharge	$ 317.62	Storm Restoration Surcharge		$ 317.62	Storm Restoration Surcharge		$ 317.62
CPRC	$ 1,716.84	CPRC		$ 1,839.96	CPRC		$ 1,839.96
Subtotal (Total Bill)	$ 17,308.56	Subtotal (Total Bill)		$ 18,300.79	Subtotal (Total Bill)		$ 18,030.92
Gross Receipts Tax	$ 177.52	Subtotal (Base Bill)		$ 7,934.39	Subtotal (Base Bill)		$ 7,664.52
Total Annual	$ 17,486.08	Gross Receipts Tax (Base)	2.5641	$ 203.45	Gross Receipts Tax (Base)	2.5641	$ 196.53
		Gross Receipts Tax (Clause)	1.0256	$ 106.32	Gross Receipts Tax (Clause)	1.0256	$ 106.32
		Total Annual Bill		$ 18,610.56	Total Annual Bill		$ 18,333.77
Percentage Increase from Present Rates				**6.4%**			**4.8%**

a. Based on 197,280 kWh Total Annual kWh, 684 kW Maximum Annual Demand (net of 10 kW exemption).
b. Based on 197,280 kWh Total Annual kWh, 804 kW Maximum Annual Demand.
c. Based on 197,280 kWh Total Annual kWh, 185 kW On-Peak Seasonal Demand, 583 kW On-Peak Non-Seasonal Demand..

Note: Clauses under proposed rates reflect adjustment factors, effective February 17, 2005, for the currently applicable rate schedule as modified to reflect the effects of Company-proposed adjustments.

1 **Bill Comparison - General Service Constant Usage - GSCU-1**

2 **Monthly Bill**

Line	MONTHLY BILL UNDER GS-1 PRESENT RATES			MONTHLY BILL UNDER GS-1 PROPOSED RATES			MONTHLY BILL UNDER GSCU-1 RATE		
6	Small Commercial Bill - GS-1			Small Commercial Bill - GS-1			Small Commercial Bill - GSCU-1		
7	(96 kWh - monthly)			(96 kWh - monthly)			(96 kWh - monthly)		
9									
10									
11	Customer Charge	$ 8.37	$ 8.37	Customer Charge	$ 9.14	$ 9.14	Customer Charge	$ 9.14	$ 9.14
13	Non-Fuel Energy	3.860 ¢/kWh	$ 3.71	Non-Fuel Energy	3.740 ¢/kWh	$ 3.59	Non-Fuel Energy	2.371 ¢/kWh	$ 2.28
14	Fuel	4.009 ¢/kWh	$ 3.85	Fuel	4.009 ¢/kWh	$ 3.85	Fuel	4.009 ¢/kWh	$ 3.85
15	ECCR	0.138 ¢/kWh	$ 0.13	ECCR	0.138 ¢/kWh	$ 0.13	ECCR	0.112 ¢/kWh	$ 0.11
16	ECRC	0.024 ¢/kWh	$ 0.02	ECRC	0.024 ¢/kWh	$ 0.02	ECRC	0.021 ¢/kWh	$ 0.02
17	Storm Restoration Surcharge	0.192 ¢/kWh	$ 0.18	Storm Restoration Surcharge	0.192 ¢/kWh	$ 0.18	Storm Restoration Surcharge	0.119 ¢/kWh	$ 0.11
18	CPRC	0.633 ¢/kWh	$ 0.61	CPRC	0.677 ¢/kWh	$ 0.65	CPRC	0.490 $/kW	$ 0.47
19	Subtotal (Total Bill)		$ 16.87	Subtotal (Total Bill)		$ 17.57	Subtotal (Total Bill)		$ 15.98
20	Gross Receipts Tax	1.0256 %	$ 0.17	Subtotal (Base Bill)		$ 12.73	Subtotal (Base Bill)		$ 11.42
21	Total Monthly Bill		$ 17.04	Gross Receipts Tax (Base)	2.5641 %	$ 0.33	Gross Receipts Tax (Base)	2.5641 %	$ 0.29
22				Gross Receipts Tax (Clause)	1.0256 %	$ 0.05	Gross Receipts Tax (Clause)	1.0256 %	$ 0.05
23				Total Monthly Bill		$ 17.95	Total Monthly Bill		$ 16.32
24									
25									
26									
27	**Percentage Increase from Present Rates**					5.3%			-4.3%

30 Note: Clauses under proposed rates reflect adjustment factors, effective February 17, 2005, for the currently applicable rate schedule
31 as modified to reflect the effects of Company-proposed adjustments.

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Sample Bill Calculations

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R. Morley Exhibit ___
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Impact on Base Rates