

BY MR. MCGLOTHLIN:

8 Q Good morning, sir.

9 A Good morning.

10 Q Let me first refer you to Page 29 of your rebuttal
11 testimony.

12 A Okay.

13 Q IN response to the first question on that page you
14 say that FPL estimates that approximately \$58 million of
15 capital additions, \$12.2 million of removal costs,
16 \$36.4 million in retirements and \$21.7 million in contributions
17 in aid of construction would be recorded in March 2005.

18 At the time you prepared this rebuttal testimony you
19 were anticipating an accounting transaction to be done in
20 March. Can you tell me whether the, the actual March entries
21 differed materially from these estimates?

22 A The entries as recorded in March are consistent with
23 these amounts. They've been recorded in our general ledger.
24 They have not been recorded down in the subledger for property
25 at this point. That will, that will take some additional time.

1 Q But for our purposes, these values that were
2 estimates at the time remain accurate?

3 A Yes.

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7 Q Mr. Davis, I want to backtrack for just a moment. I
8 have a question about the capital cost component of the manner
9 in which the company is accounting for the restoration costs.
10 With respect to the differences between the manner in which the
11 company has proposed to proceed, which is to charge all capital
12 costs to the storm damage reserve on the one hand and the
13 approach described by Mr. Majoros, which is to quantify the
14 normal investment and place that in the plant accounts and then
15 charge only the increment of extraordinary O&M to the storm
16 damage costs, is it true that the company has the ability to
17 make those adjustments if the Commission decided that the
18 Majoros approach is to be used?

19 A Yes, I believe we have the ability to make them. I
20 think I cited the amounts in my rebuttal testimony, and, in
21 fact, we talked about those earlier, that is the 58 million of
22 capital costs and the 12.2 million of cost of removal.

23 Q As a matter of fact, not only does the company have
24 the ability, but in implementing its preferred method of
25 charging 100 percent of capital costs to the storm damage

1 reserve, the methodology for doing that entails quantifying the
2 normal account plant amount which is later the subject of an
3 additional entry called CIAC to accomplish the charge to the
4 storm damage reserve, is that correct?

5 A That is correct. We record the gross plant at the
6 new cost, the 58 million. We would use the equivalent. It is
7 really not contributions in aid of construction, but it is
8 literally the equivalent of it. It is a credit. An offset, if
9 you will, to the 58 million. That would reduce that back to, I
10 believe it is 36 million of property that was estimated would
11 be the cost of the property retired as a result of the
12 hurricane. And that is done so that we have the information
13 available to the tax assessors throughout the state because
14 they are going to tax us on the higher value.

15 Q So the implementation of what I will call the
16 incremental methodology as it relates to capital costs does not
17 involve any additional administrative steps that the company
18 would have to undertake that it hasn't already performed in
19 terms of quantifying those values?

20 A I'm going to give you a yes and a no answer, and I
21 don't mean to obscure. It depends on how it is implemented.
22 If it is implemented in the manner that we are doing the
23 accounting today, which is to go to our work management systems
24 and estimate what the costs of those would have been had we
25 done it on normal time and at a normal pace and so forth, yes.

1 There would not be any incremental effort. I am already doing
2 it. And, in fact, I am already recording it. I would have
3 fewer entries to make.

4 On the other hand, if as a consequence of being
5 required to do that, I were expected to account for the time of
6 the linemen in the field, so I have a lineman out there who is
7 working, his sole focus right now is on restoring power, he
8 could care less about what job he is charging his job to. He
9 is focused on restoring power quickly and safely.

10 If I require him to split his time so that he keeps
11 track of the time that he spent working on a retirement, the
12 time he spends putting in a new pole, then I would say it is
13 extremely burdensome and would slow down the restoration
14 process. So the answer really gets down to a degree of
15 precision.