

ORIGINAL

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NO. _____-EI
FLORIDA POWER & LIGHT COMPANY**

**IN RE: FLORIDA POWER & LIGHT COMPANY'S PETITION FOR
ISSUANCE OF A STORM RECOVERY FINANCING ORDER**

CMP _____

COM _____

CTR _____

ECR _____

GCL _____

OPC _____

RCA _____

SCR _____

SGA _____

SEC _____

OTH _____

JANUARY 13, 2006

DIRECT TESTIMONY & EXHIBITS OF:

ROSEMARY MORLEY

DOCUMENT NUMBER-DATE

00369 JAN 13 8

FPSC-COMMISSION CLERK

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF ROSEMARY MORLEY

DOCKET NO. _____

JANUARY 13, 2006

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 the 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 received a doctorate in business administration from Nova Southeastern University.

1 Since joining FPL in 1983 I have held a variety of positions in the forecasting,
2 planning, and regulatory areas. I joined the Rates and Tariff Department in
3 1987 as a Senior Cost of Service Analyst and was subsequently promoted to
4 Supervisor of Cost of Service. I have held the position of Rate Development
5 Manager since 1996.

6 **Q. Are you sponsoring an exhibit in this case?**

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

- 9 • Document No. RM-1, Jurisdictional Separation of Estimated 2005
10 Storm Costs
- 11 • Document No. RM-2, Jurisdictional Separation of Expected Future
12 Storm Costs
- 13 • Document No. RM-3, Allocation of 2004 Storm Costs by Rate Class
- 14 • Document No. RM-4, Allocation of Estimated 2005 Storm Costs by
15 Rate Class
- 16 • Document No. RM-5, Allocation of Expected Future Storm Costs by
17 Rate Class
- 18 • Document No. RM-6, Allocation of the Storm Charge by Rate Class
- 19 • Document No. RM-7, Proposed Storm Charge by Rate Class
- 20 • Document No. RM-8, Estimated Storm Surcharge Using Traditional
21 Recovery Method
- 22 • Document No. RM-9, Comparison between Proposed Storm Charge
23 and Traditional Storm Surcharge by Rate Class

- 1 • Document No. RM-10, Sample Bill Calculations
- 2 • Document No. RM-11, Proposed Tariff Sheets
- 3 • Document No. RM-12, 2005 Storm Season Revenue Calculation

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

5 A. The purpose of my testimony is to support the calculation of FPL's proposed
6 Storm Charge. The proposed Storm Charge is independent of and incremental
7 to FPL's retail base rates. The proposed Storm Charge is an energy charge by
8 rate class that under Section 366.8260, Florida Statutes, would be required to
9 be paid by all customers receiving transmission or distribution service from
10 FPL or its successors or assignees under Commission-approved rate schedules
11 or under special contracts. The Storm Charge consists of two distinct
12 components:

- 13 ➤ Storm Bond Repayment Charge – a component which covers the cost
14 associated with repayment of principal and interest on storm recovery
15 bonds and ongoing costs, including (but not limited to), servicing fees,
16 trustee fees, administrative fees and rating agency fees. These ongoing
17 costs are further discussed in Mr. Dewhurst's testimony.
- 18 ➤ Storm Bond Tax Charge – a component which covers the income taxes
19 associated with the collection of the Storm Bond Repayment Charge.

20

21 As discussed in FPL Witness Dewhurst's testimony, FPL selected the
22 proposed Storm Charge as the recommended method of recovering storm
23 costs and replenishing the Reserve after considering other alternatives. A

1 criterion in this selection process was the estimated rate impact on retail
2 customers. FPL's recommended method mitigates rate impacts in several
3 ways. First, the proposed Storm Charge does not result in any significant
4 change in the electric bills of the major classes of retail customers. Indeed,
5 most customers will see a small decrease in their bills. Second, adopting
6 FPL's proposed Storm Charge would avoid a significant and immediate
7 increase to customer bills that would otherwise result from the more
8 traditional surcharge recovery method. In fact, initial rates under the more
9 traditional storm surcharge method on average would be more than four times
10 the level of the proposed Storm Charge. Third, over the long run the proposed
11 Storm Charge can be expected to result in less volatile charges than would be
12 the case under the more traditional recovery method. Perhaps most
13 significantly, adopting FPL's proposed Storm Charge will give customers the
14 benefit of a funded Reserve during the peak of the 2006 storm season. The
15 same cannot be said for traditional methods of recovery, which in the past
16 have required extended periods of abnormally low storm activity to build the
17 Reserve to a level comparable to what would be accomplished in one instance
18 through the proposed financing.

19 **Q. What is the scope of your testimony?**

20 A. My testimony is principally devoted to outlining the steps followed in
21 calculating the proposed Storm Charge by rate class, beginning with the
22 separation of storm costs between the retail and wholesale jurisdictions and
23 culminating with the determination of tariff charges by rate class. While the

1 final Storm Charges by rate class will not be calculated until after the final
2 terms of an issuance of storm-recovery bonds have been established, my
3 testimony outlines the methodology that will be used in developing the
4 proposed Storm Charge. Barring significant changes in the terms of an
5 issuance of storm-recovery bonds, the results presented in my testimony,
6 including the proposed Storm Charges, should closely approximate the final
7 figures.

8

9 My testimony addresses the following subject areas:

- 10 • The separation of storm costs between the retail and wholesale
11 jurisdictions;
- 12 • The allocation of the storm costs among the various rate classes;
- 13 • The calculation of the proposed Storm Charge and its components, the
14 Storm Bond Repayment Charge and the Storm Bond Tax Charge, by rate
15 class;
- 16 • The true-up methodology for adjusting the components of the Storm
17 Charge by rate class;
- 18 • The impact of the Storm Charge on retail customers and how this impact
19 compares with the more traditional recovery method; and
- 20 • The tariff revisions needed to implement the Storm Charge.

1 SEPARATION OF COSTS BETWEEN JURISDICTIONS

2 **Q. Does the calculation of the Storm Charge require a separation of costs**
3 **between the retail and wholesale jurisdictions?**

4 A. Yes. Section 366.8260, Florida Statutes, provides for recovery of the retail
5 portion of storm costs through the issuance of storm-recovery bonds. In this
6 case, FPL seeks to use the proceeds from the proposed storm recovery
7 financing to recover the following storm costs from its retail customers: 1) the
8 jurisdictional portion of unrecovered costs from the 2004 storm season as of
9 July 31, 2006, 2) the jurisdictional portion of 2005 storm restoration costs
10 resulting from Hurricanes Dennis, Katrina, Rita, and Wilma, and 3) the
11 replenishment of the Reserve up to a proposed level. Therefore, the
12 calculation of the Storm Charge requires a separation of these costs.

13 **Q. Was the separation of 2004 storm restoration costs between the retail and**
14 **wholesale jurisdictions previously addressed?**

15 A. Yes. The 2004 storm season depleted the Company's Reserve. The
16 jurisdictional separation of the resulting Reserve deficiency was addressed in
17 Docket 041291-EI. In that docket, the Commission approved the recovery of
18 \$442 million in adjusted jurisdictional 2004 storm costs through the current
19 Storm Restoration Surcharge. Based on the currently approved Storm
20 Restoration Surcharge, FPL Witness Davis estimates that there will be \$213.3
21 million in unrecovered jurisdictional 2004 storm costs as of July 31, 2006.

1 **Q. Have you separated the 2005 storm restoration costs resulting from**
2 **Hurricanes Dennis, Katrina, Rita and Wilma between the retail and**
3 **wholesale jurisdictions?**

4 A. Yes. I separated the 2005 storm restoration costs resulting from Hurricanes
5 Dennis, Katrina, Rita and Wilma between the retail and wholesale
6 jurisdictions based on an analysis of the costs incurred. The system-wide
7 2005 storm costs from those four storms are estimated to be \$816 million
8 based on the estimates provided in Ms. Williams's testimony and including
9 the adjustments proposed by Mr. Davis. Document No. RM-1 shows the
10 breakdown of the 2005 storm costs by functional area. The jurisdictional
11 separation factor associated with each functional area is also provided. Based
12 on a weighted composite of each of these factors, the jurisdictional separation
13 factor associated with the 2005 storm season is 99.921%. Consequently, the
14 jurisdictional storm costs associated with the 2005 storm season is estimated
15 as \$815.4 million.

16 **Q. Was the replenishment of the storm fund separated between the retail**
17 **and wholesale jurisdictions?**

18 A. The \$650 million Reserve balance is intended as the appropriate jurisdictional
19 amount and, therefore, no separation factor was applied. Because \$650
20 million represents the proposed jurisdictional reserve amount, the solvency
21 analysis performed by Mr. Harris assumes that only the jurisdictional portion
22 of future storm costs will be charged against that reserve level.

1 **Q. How were the jurisdictional factors you just described incorporated into**
2 **the development of the Storm Charge?**

3 A. The jurisdictional factors just described were used as inputs in determining the
4 storm costs FPL seeks to finance through the issuance of storm recovery
5 bonds. As shown in Mr. Dewhurst's testimony, the costs to be financed
6 include the 2004 jurisdictionalized unrecovered storm recovery costs, the
7 2005 jurisdictionalized unrecovered storm recovery costs, and the proposed
8 jurisdictionalized Reserve amount of \$650 million.

9 **Q. Does FPL also need to jurisdictionalize the expected costs from future**
10 **storms to analyze the impact of the Storm Charge?**

11 A. Yes. As previously mentioned, Mr. Harris performed a solvency analysis of
12 the performance of the Reserve over time. One input needed for this analysis
13 was the retail share of expected annual storm losses.

14 **Q. Have you separated the expected cost of future storms between the retail**
15 **and wholesale jurisdictions?**

16 A. Yes. The expected annual cost of future storm losses as determined by Mr.
17 Harris has been jurisdictionalized based on a functional analysis of costs. The
18 expected annual cost of future storm losses calculated by Mr. Harris is
19 composed of a number of distinct elements, including windstorm damage to
20 transmission and distribution assets, insurance deductibles for damage to other
21 assets, and storm staging costs. As shown in Document No. RM-2, each of
22 these elements was assigned to a functional area based on the nature of the
23 cost. A weighted jurisdictional separation factor was then calculated based on

1 the individual separation factors associated with each functional area. Based
2 on this methodology, the retail share of annual expected future storm costs
3 was estimated at \$73.4 million.

4

5

ALLOCATION BY RATE CLASS

6 **Q. How does FPL propose to allocate the costs recoverable under the Storm**
7 **Charge to the rate classes?**

8 A. FPL proposes to allocate the costs recoverable under the Storm Charge
9 consistent with the manner in which equivalent costs were treated in the cost
10 of service study filed in Docket Nos. 050045-EI and 050188-EI (“the last filed
11 cost of service study”). To the extent that the Storm Charge recovers costs
12 associated with Distribution Plant in Service, i.e., the distribution function,
13 these costs should be allocated consistent with the treatment of distribution
14 costs in the last filed cost of service study. Likewise, to the extent that the
15 Storm Charge recovers costs associated with Transmission Plant in Service,
16 i.e., the transmission function, these costs should be allocated consistent with
17 the allocation of transmission costs in the last filed cost of service study, and
18 so forth. Thus, the allocation of costs recoverable under the Storm Charge
19 requires a functional analysis of costs.

20 **Q. How was this functional analysis performed?**

21 A. Because each vintage of storm costs contributes to the total costs recoverable
22 under the Storm Charge, a functional analysis was performed on 2004 storm
23 costs, 2005 storm costs and future storm costs, respectively. In each case,

1 costs were categorized by function (e.g., distribution, transmission,
2 production, and general) and then allocated by rate class based on the
3 methodology used for each function in the last filed cost of service study.

4 **Q. How were the 2004 storm costs allocated by rate class?**

5 A. In Docket 041291-EI the Commission approved a functional breakdown of the
6 2004 storm costs based on the categorization of costs by FPL business unit
7 (i.e., Power Systems - Distribution, Power Systems - Transmission and
8 Other). This previously-approved cost functionalization was used as the
9 starting point in allocating 2004 storm costs by rate class. The method of
10 allocating each function was then determined based on the last filed cost of
11 service study. The load data used in developing the allocation factors was also
12 based on the last filed cost of service study which utilized projected 2006 test
13 year data. Document No. RM-3 shows the resulting allocation factors by rate
14 class for the 2004 storm costs.

15 **Q. How were the 2005 storm costs resulting from Hurricanes Dennis,
16 Katrina, Rita and Wilma allocated by rate class?**

17 A. Consistent with the approach used in Docket No. 041291-EI, the 2005 storm
18 costs resulting from Hurricanes Dennis, Katrina, Rita and Wilma were first
19 identified by FPL business unit and then assigned to an appropriate cost
20 function. Each functional category of estimated 2005 storm costs was then
21 allocated based on the allocation of equivalent costs in the last filed cost of
22 service study. As was the case with 2004 storm costs, the load data
23 supporting these allocation factors was based on 2006 test year data.

1 Document No. RM-4 provides the supporting documentation for this
2 allocation.

3 **Q. How was the expected cost of future storms allocated by rate class?**

4 A. As previously discussed, the expected annual cost of future storm losses
5 calculated by FPL Witness Harris was categorized by cost function. Based on
6 this functional breakdown, the appropriate allocation method was determined
7 consistent with the last filed cost of service study and using the same 2006 test
8 year load data described earlier. The resulting allocation factors by rate class
9 are presented in Document No. RM-5.

10 **Q. How were allocation factors associated with the 2004 storm costs, 2005**
11 **storm costs and future storm costs used in allocating the costs recoverable**
12 **under the Storm Charge?**

13 A. Composite allocation factors were developed based on how each vintage of
14 storm costs contributes to the total costs recoverable under the Storm Charge.
15 Weights were assigned to the 2004 storm costs, 2005 storm costs and future
16 storm costs based on the amount financed through storm bonds.

17 **Q. Have you calculated the allocation factors for costs recoverable under the**
18 **Storm Charge using these weights?**

19 A. Yes. Document No. RM-6, page 1 of 2 provides the weights that should be
20 assigned to the 2004 storm season, the 2005 storm season and future storm
21 seasons, respectively, in allocating the Storm Charge costs. The resulting
22 allocation factors are provided in Document No. RM-6, page 2 of 2.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

THE CALCULATION OF THE STORM CHARGE

Q. Having described the allocation factors for costs recoverable under the Storm Charge please discuss the actual calculation of charges by rate class.

A. The allocation factors described above were applied to the Storm Charge revenue requirements presented in Mr. Davis's testimony. Separate calculations were performed for the Storm Bond Repayment Charge and Storm Bond Tax Charge.

Q. Please describe the calculation of the Storm Bond Repayment Charge by rate class.

A. A four-step process was used to develop the Storm Bond Repayment Charge by rate class. First, the allocation factors by rate class were applied to the year one Storm Bond Repayment Charge revenue requirements presented in Document No. KMD-1, which is attached to Mr. Davis' testimony. Second, the allocated Storm Bond Repayment Charge costs in year one were divided by each rate class's 2006 test year sales. Third, an adjustment was made for the difference between the 2006 test year retail sales and the forecasted August 2006-July 2007 retail sales to reflect the fact that the Storm Bond Repayment Charge will not be implemented until the bond issuance date. With this adjustment the proposed charges are aligned with the sales forecast sponsored by FPL Witness Green. Fourth, an adjustment was made to reflect the percent of billed revenues which will not be collected due to write-offs.

1 The resulting Storm Bond Repayment Charges by rate class are presented in
2 Document No. RM-7, page 1 of 3.

3 **Q. Is an adjustment for write-offs typically made in computing other base**
4 **and clause charges?**

5 A. No. The cost of write-offs is normally recovered as a base rate expense.
6 However, in this case, it is important that a specific adjustment for write-offs
7 be made. As discussed in FPL Witness Olson's testimony, the right to
8 impose, collect and adjust the Storm Bond Repayment Charge will be sold to
9 the Special Purpose Entity (SPE), and such right, including the payment
10 stream from the Storm Bond Repayment Charge, will be pledged by the SPE
11 to the payment of the storm recovery bonds. Therefore, the Storm Bond
12 Repayment Charge should reflect the actual revenues likely to be collected,
13 taking into account expected write-offs.

14 **Q. How was the Storm Bond Tax Charge by rate class determined?**

15 A. A similar process was used to develop each rate class's Storm Bond Tax
16 Charge. The allocation factors by rate class were applied to the year one
17 Storm Bond Tax Charge revenue requirements presented in Document No.
18 KMD-1, which is attached to Mr. Davis' testimony. The resulting costs by
19 rate class were then divided by each rate class's 2006 test year sales. An
20 adjustment was then made for the difference between the 2006 test year retail
21 sales and the forecasted August 2006-July 2007 retail sales to reflect the fact
22 that the proposed charges will not be implemented until the bond issuance
23 date. Because the Storm Bond Tax Charge, like the Storm Bond Repayment

1 Charge, is a non-bypassable charge, an adjustment was also made to reflect
2 the percent of billed revenues which will not be collected due to write-offs.
3 The resulting Storm Bond Tax Charges by rate class are presented in
4 Document No. RM-7, page 2 of 3.

5 **Q. How was the total Storm Charge by rate class determined?**

6 A. The Storm Charge is simply the sum of each rate class's Storm Bond
7 Repayment Charge and Storm Bond Tax Charge. Document No. RM-7, page
8 3 of 3 summarizes this calculation by rate class.

9 **Q. Will each rate class's Storm Charge remain fixed over time?**

10 A. No. Each rate class's Storm Charge will be subject to periodic adjustments to
11 the Storm Bond Repayment Charges and Storm Bond Tax Charges.

12 **Q. How will the periodic adjustments to the Storm Bond Repayment
13 Charges and the Storm Bond Tax Charges be determined?**

14 A. A formula-based true-up process will be used to make periodic adjustments to
15 the component charges of the Storm Charge. As described in Mr. Davis's
16 testimony, in any given period, differences between the estimated and actual
17 amounts of Storm Bond Repayment collections and costs will result in an
18 adjustment to the Storm Bond Repayment Charge.

19 **Q. Can you describe how this formula-based true-up process will work?**

20 A. Yes. Every six months a new estimated average retail Storm Bond Repayment
21 Charge will be calculated using the Storm Charge True-Up Mechanism Form
22 Mr. Davis presents in Document No. KMD-8. This new estimated average
23 retail Storm Bond Repayment Charge will take into account the total Storm

1 Bond Repayment costs for the forecasted period, prior period adjustments, and
2 the forecasted kWh sales of all retail rate classes. This figure will be
3 compared with the average retail Storm Bond Repayment Charge currently in
4 place based on actual revenue and load data. To the extent that the new
5 estimated average retail Storm Bond Repayment Charge and current average
6 retail Storm Bond Repayment Charge differ, proportional adjustments will be
7 made to each rate class's individual charges. The specific formula is as
8 follows:

9

$$\begin{aligned} & \text{Storm Bond Repayment Charge for Rate Class } i, \text{ in period } j = \\ & (\text{Est. Average Retail Storm Bond Repayment Charge in period } j / \\ & \text{Average Retail Storm Bond Repayment Charge in period } j - 1) \\ & * \text{ Storm Bond Repayment Charge for Rate Class } i, \text{ in period } j-1 \end{aligned}$$

14

15 **Q. How will the true-up process work in terms of the Storm Bond Tax**
16 **Charge?**

17 A. As part of the true-up process, a new average retail Storm Bond Tax Charge
18 will also be calculated. To the extent that the new estimated average retail
19 Storm Bond Tax Charge and current average retail Storm Bond Tax Charge
20 differ, proportional adjustments will be made to each rate class's individual
21 charges.

22 **Q. Would the same formula-based mechanism be used in the event of an**
23 **under-recovery of storm-bond financing costs?**

1 A. Yes.

2 **Q. What is the expected trend in the Storm Charge over time?**

3 A. While it is impossible to know the results of the true-up process in advance,
4 the storm bonds have been structured to produce stable charges over time. The
5 projected revenue requirements under the Storm Charge vary inversely with
6 expected load growth. Consequently, each rate class's Storm Charge should
7 be relatively constant over time barring unexpected load and cost variations.

8

9 **COMPARISON OF STORM CHARGE TO TRADITIONAL RECOVERY**

10 **Q. What is the traditional method of recovering storm costs and replenishing**
11 **the Reserve with which FPL's primary recommendation is being**
12 **compared?**

13 A. As discussed in Mr. Dewhurst's testimony, an alternative and more traditional
14 method of recovering storm costs and replenishing the Reserve would be a
15 series of storm surcharges to recover the deficit balance in the Reserve and
16 replenish the Reserve to a proposed level. More specifically, the traditional
17 method of storm recovery addressed in this filing is a series of three storm
18 surcharges: the current Storm Restoration Surcharge for 2004 storm costs, a
19 storm surcharge for the deficit balance resulting from the 2005 storm season
20 and a storm surcharge to collect \$650 million to help replenish the Reserve
21 over a three-year period.

22 **Q. Have you calculated the storm surcharges that would result from this**
23 **traditional recovery method?**

1 A. Yes. Using the revenue requirements shown in Document No. KMD-1 of Mr.
2 Davis' testimony and the same allocation methods discussed earlier in my
3 testimony, I calculated the costs by rate class and resulting surcharges for the
4 recovery of 2005 storm costs. The details on this calculation are presented in
5 Document No. RM-8, pages 1 of 3. A similar process was used to develop a
6 surcharge for the replenishment of the Reserve based on the revenue
7 requirements presented in Document No. KMD-1 of Mr. Davis' testimony.
8 The resulting surcharges for Reserve replenishment by rate class are provided
9 in Document No. RM-8, page 2 of 3. Lastly, the storm surcharges for the
10 2005 season and for replenishment are combined with the current 2004 Storm
11 Restoration Surcharge. Document No. RM-8, page 3 of 3 shows the
12 cumulative storm surcharges by rate class.

13 **Q. Would these traditional storm surcharges be revised annually as part of**
14 **an intermediate true-up process?**

15 A. No. In Order No. PSC-05-0937-FOF-EI the Commission rejected the use of
16 an intermediate or annual true-up process for the current Storm Restoration
17 Surcharge. Per the approved tariff, the Company will discontinue billing the
18 current Storm Restoration Surcharge once the 2004 storm deficiency is
19 recovered. A similar process could be used for the surcharges associated with
20 the 2005 storm season and the Reserve replenishment whereby each charge
21 terminates once the approved level of costs has been recovered. In addition,
22 as proposed in Mr. Davis' testimony, differences between the actual and
23 estimated storm recovery costs would be charged to the Reserve.

1 **Q. How would the eventual recovery of the 2004 storm deficiency alter these**
2 **cumulative surcharges by rate class?**

3 A. The recovery of the 2004 storm deficiency would result in the termination of
4 the current Storm Restoration Surcharge. The cumulative storm surcharges
5 after the recovery of the 2004 storm deficiency are also shown on Document
6 No. RM-8, page 3 of 3.

7 **Q. How does the estimated rate impact under the alternative traditional**
8 **recovery mechanism compare with the proposed Storm Charge?**

9 A. The proposed Storm Charge significantly mitigates rate impacts to customers
10 as compared to the traditional storm surcharges. As Document No. RM-9,
11 page 1 of 3 shows, the initial traditional storm surcharges on average would be
12 more than four times the level of the proposed Storm Charge. Moreover, as
13 shown in Document No. RM-9, page 2 of 3, even after the termination of the
14 current Storm Restoration Surcharge, the traditional storm surcharges on
15 average would be more than three times as high as the proposed Storm
16 Charge.

17 **Q. Are the higher charges under the traditional storm surcharges offset by**
18 **some customer benefit not provided under the proposed Storm Charge?**

19 A. No, quite the contrary. Under the proposed Storm Charge customers receive
20 the benefit of a funded Reserve immediately. Thus, the Reserve would be
21 fully funded up to its proposed level near the peak of the 2006 storm season.
22 By contrast, under the traditional storm surcharges, there is little likelihood

1 that the Reserve would ever reach the \$650 million level given the average
2 expected annual storm costs discussed by Mr. Harris.

3 **Q. Is there any other way that the proposed Storm Charge significantly**
4 **mitigates rate impacts to customers relative to the traditional recovery**
5 **mechanism?**

6 A. Yes. The proposed Storm Charge significantly mitigates rate impacts to
7 customers relative to the traditional recovery mechanism by reducing rate
8 volatility.

9 **Q. Is reducing rate volatility a Commission-recognized method of mitigating**
10 **rate impacts?**

11 A. Yes. In numerous dockets, the Commission has used rate stability as one of
12 the criteria in assessing the rate impacts of proposed electric charges (Docket
13 No. 980002-EG, Order No. PSC-98-0403-FOF-EG; Docket No. 900001-EI,
14 ORDER No. 23906; Docket No. 010001-EI, Order No. PSC-01-1665-PAA-
15 EI). More specifically, the Commission has previously recognized that
16 avoiding or reducing the need for a special assessment in the case of a major
17 storm should be a component of a storm recovery policy (Docket No. 930405-
18 EI, Order No. PSC-95-0264-FOF-EI).

19 **Q. How does the rate volatility under the more traditional recovery**
20 **mechanism compare with that under the proposed Storm Charge?**

21 A. The more traditional recovery mechanism is likely to result in greater rate
22 volatility than would the proposed Storm Charge. As shown in Document No.
23 RM-9 page 3 of 3, the traditional recovery method results in a significant and

1 immediate rate increase and remains higher than the proposed Storm Charge
2 for three years. By contrast, the proposed Storm Charge is structured to
3 produce a levelized average retail rate of approximately .138 cents/kWh.
4 Thus, the proposed Storm Charge is likely to provide customers with far more
5 rate stability than would be the case under the traditional storm recovery
6 method. Moreover, a severe hurricane event in the future would further
7 exacerbate the rate volatility of the traditional storm recovery method relative
8 to the proposed Storm Charge.

9 **Q. Please explain.**

10 A. As discussed in Mr. Dewhurst's testimony, the lower the Reserve balance, the
11 more likely that storm losses will exceed the funds available in the Reserve
12 and therefore the greater the reliance on special assessments. Mr. Harris's
13 testimony shows that the Reserve balance under the proposed Storm Charge
14 consistently exceeds the Reserve level under the more traditional recovery
15 method. Therefore, special assessments would be needed sooner and in larger
16 amounts under the traditional surcharge approach.

17

18

TYPICAL BILL CALCULATIONS

19 **Q. Have you calculated the impact the Storm Charge would have on a**
20 **typical residential bill?**

21 A. Yes. As shown, in Document No. RM-10, page 1 of 6, the typical residential
22 1,000 kWh bill is currently \$108.61. This bill reflects the currently approved
23 Storm Restoration Surcharge of .165 cents/kWh for residential customers.

1 (Effective January 2006 the charge was reduced from .168 cents/kWh to .165
2 cents/kWh to reflect the removal of the gross receipts tax embedded in the
3 charge. The full gross receipts tax is now shown as a separate line item on the
4 customer's bill.) With the implementation of the proposed Storm Charge and
5 simultaneous termination of the current Storm Restoration Surcharge, the
6 typical 1,000 kWh bill would decrease by 0.1% or 8 cents per month. This
7 comparatively small impact is a result of the decrease in the proposed Storm
8 Charge relative to the current Storm Restoration Surcharge and the fact that
9 the Storm Charge accounts for less than 2% of a typical 1,000 kWh bill.

10 **Q. Have you calculated the impact the Storm Charge would have on the**
11 **typical bills of commercial customers?**

12 A. Yes. As shown, in Document No. RM-10, page 2 of 6, a small (50 kW)
13 commercial customer currently pays \$1,733.13 per month, including \$21.50
14 for the current Storm Restoration Surcharge. With the implementation of the
15 proposed Storm Charge and simultaneous termination of the current Storm
16 Restoration Surcharge, the small commercial customer's bill would decrease
17 by 0.24% or \$4.14 per month. Again, this total bill decrease is the result of a
18 decrease in the proposed Storm Charge relative to the current surcharge
19 combined with the relatively small portion of the bill accounted for by the
20 Storm Charge.

21 **Q. Have you calculated the impact the Storm Charge would have on the**
22 **typical bills of industrial customers?**

1 A. Yes. As shown in Document No. RM-10, page 3 of 6, a very large (10,000
2 kW) industrial customer currently pays \$428,061.89 per month, including
3 \$700.80 for the current Storm Restoration Surcharge. With the
4 implementation of the proposed Storm Charge and simultaneous termination
5 of the current Storm Restoration Surcharge, the industrial customer's bill
6 would increase by less than 0.1% or \$359.38 per month. This extremely small
7 increase reflects an increase in the proposed Storm Charge relative to the
8 current surcharge combined with the extremely small percentage of the
9 electric bill attributable to the Storm Charge. On average, for very large
10 industrial customers, the proposed Storm Charge represents only about 0.2%
11 of their total electric bill.

12 **Q. How do the bill impacts you have discussed compare with the more**
13 **traditional method of financing storm recovering costs?**

14 A. Relative to the proposed Storm Charges the more traditional storm surcharges
15 would result in significantly higher typical bills. Document No. RM-10, pages
16 1 thru 3, show the typical bills for residential, commercial and industrial
17 customers based on the traditional storm surcharge approach. Residential
18 customers would pay 5% more under the traditional storm surcharge approach
19 while the bills of commercial and large industrial customers would be 3.6%
20 and 0.7% higher respectively. Moreover, under the proposed Storm Charge
21 customers would have the benefit of a funded Reserve near the peak of the
22 2006 storm season. The same cannot be said of the traditional storm
23 surcharge approach.

1 Q. How would the eventual termination of the current 2004 Storm
2 Restoration Surcharge affect these bill comparisons?

3 A. Even with the eventual termination of the current 2004 Storm Restoration
4 Surcharge customers would still pay more under the traditional storm recovery
5 method. Document No. RM-10, pages 4 thru 6 shows the bill comparisons.

6

7

TARIFF SHEETS

8 Q. Have you developed the proposed tariff sheets needed to implement the
9 Storm Charge?

10 A. Yes. Proposed tariff sheet numbers 8.040 and 8.041, which are provided in
11 Document No. RM-11, have been developed to implement the Storm Charge.

12 Q. Does the proposed tariff language indicate that the Storm Charge is a
13 non-bypassable charge?

14 A. Yes. The following language is included to indicate the non-bypassable nature
15 of the charge:

16 The Storm Bond Repayment Charge and the Storm Bond Tax Charge,
17 which together comprise the Storm Charge, shall be paid by all
18 customers receiving transmission or distribution service from the
19 Company or its successors or assignees under Commission-approved
20 rate schedules or under special contracts, even if the customer elects to
21 purchase electricity from alternative electric suppliers following a
22 fundamental change in regulation of public utilities in this state.

1 **Q. Are there any tariff provisions specific to the Storm Bond Repayment**
2 **Charge?**

3 A. Yes. The following language is included on tariff sheet 8.041 indicating the
4 ownership of the charge:

5 As approved by the Commission, a Special Purpose Entity (SPE) has
6 been created and is the owner of all rights to the Storm Bond
7 Repayment Charge. The Company shall act as the SPE's collection
8 agent or servicer for the Storm Bond Repayment Charge.

9 **Q. What effective date is FPL requesting for the Storm Charge?**

10 A. FPL proposes to implement the Storm Charge and its components, the Storm
11 Bond Repayment Charge and the Storm Bond Tax Charge, on the first meter
12 reading day after the issuance of the storm recovery bonds. As discussed in
13 Mr. Dewhurst's testimony, the Company recommends an issuance date no
14 later than August 1, 2006. The charges will remain in effect until the Storm
15 Bonds have been paid in full or legally discharged and the other financing
16 costs, including the tax liabilities associated with such charges, have been paid
17 in full or fully recovered.

18 **Q. Will the electric bills of customers explicitly reflect that a portion of the**
19 **charges represent the Storm Charge approved by the Commission?**

20 A. Yes. A statement to that effect will be made on the bill. In addition, all
21 electric bills will state that the SPE is the owner of all rights to the Storm
22 Bond Repayment Charge and that the Company is acting as a collection agent
23 or servicer for the SPE. The customer's applicable Storm Bond Repayment

1 Charge and Storm Bond Tax Charge will be included in the total non-fuel
2 energy charge shown on the electric bill.

3 **Q. Is the Company requesting Commission-approval for the tariff sheets**
4 **attached in Document No. RM-11?**

5 A. Not at this time. As I mentioned previously, the final Storm Charges will not
6 be calculated until after the final terms of an issuance of storm-recovery bonds
7 have been established. Once the final Storm Charges are calculated, the tariff
8 sheets shown in Document No. RM-11 will be revised and submitted for
9 administrative approval.

10 **Q. Thereafter, would the Storm Charge tariff sheets be revised periodically?**

11 A. Yes. The formula-based true-up mechanism described earlier would result in
12 revisions to the charges listed on tariff sheet number 8.040. FPL would seek
13 administrative approval of any revisions to these tariffs sheets resulting from
14 the formula-based true-up mechanism.

15 **Q. Would implementing the proposed Storm Charge require any other tariff**
16 **revisions?**

17 A. Yes. FPL proposes to terminate the current Storm Restoration Surcharge
18 concurrent with the effective date of the Storm Charge.

19 **Q. What tariff revisions would be required if the Commission approves the**
20 **Company's alternative recommendation instead of the proposed Storm**
21 **Charge?**

22 A. If the Commission approves the Company's alternative recommendation,
23 tariff revisions would be required to reflect storm surcharges to recover the

1 deficit balance in the Reserve and replenish the Reserve to a proposed level.
2 Specifically, the Company would propose continuing the current Storm
3 Restoration Surcharge for the 2004 storm costs while adding two new
4 surcharges for the 2005 storm costs and the Reserve replenishment
5 respectively. If the Commission approves the Company's alternative
6 recommendation, FPL would file revised tariff sheets for administrative
7 approval prior to a proposed June 15, 2006 implementation date.

8 **Q. As addressed by Mr. Dewhurst, part of the Company's primary**
9 **recommendation is that the Commission approve a surcharge to begin**
10 **recovery of 2005 storm costs in the event of a delay in the issuance of**
11 **storm recovery bonds. If needed, what tariff revisions would be required**
12 **to implement this surcharge?**

13 **A.** A new tariff would be proposed and submitted for administrative approval.
14 The new surcharge would essentially be the same as the traditional surcharge
15 for 2005 storm costs previously discussed. The surcharge would be
16 discontinued when the storm recovery bonds are issued. As addressed by Mr.
17 Dewhurst, any amounts recovered under the surcharge beginning August 15
18 would reduce the amount of the bond issuance and would be reflected in the
19 proposed Storm Charge.

20

21

REVENUE CALCULATION

22 **Q. Have you performed any revenue calculations using Dr. Green's estimate**
23 **of net energy for load not achieved due to the 2005 Hurricanes?**

1 A. Yes. I have adjusted Dr. Green's estimate of net energy for load not achieved
2 due to the 2005 Hurricanes for line losses to obtain an estimate of megawatt-
3 hour sales not achieved. By applying the average system base cents/kWh to
4 this figure an estimate of base revenues not achieved due to the 2005
5 Hurricanes was obtained. Document No. RM-12 presents this calculation.

6

7

CONCLUSION

8 **Q. Please summarize your testimony.**

9 A. I have provided support for the separation of storm costs by jurisdiction, for
10 the allocation of these costs by rate class, and for the calculation of the Storm
11 Charge and its components by rate class. I have also discussed how the
12 typical bill impact from the Storm Charge compares with the traditional
13 method of recovering such costs from customers and demonstrated that the
14 proposed Storm Charge significantly mitigates rates impacts relative to the
15 traditional recovery method. Lastly, I have outlined the tariff revisions
16 needed to implement the Storm Charge.

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

18 A. Yes.

Docket No. _____
R. Morley, Exhibit No. _____
Document No. RM-1, Page 1 of 2
Separation Of 2005 Storm Costs

Jurisdictional Separation of 2005 Storm Costs

Costs from Dennis, Katrina, Rita and Wilma:

	<u>(\$000)</u>	<u>Share</u>
Nuclear Plant	\$ 17,938.3	2.198%
Production Plant (excluding Nuclear)	\$ 14,966.3	1.834%
Transmission Plant	\$ 10,458.6	1.282%
Distribution Plant	\$ 729,441.2	89.391%
General Plant	\$ 32,482.8	3.981%
Customer Service	\$ 10,729.0	1.315%
Total	\$ 816,016.2	100.000%

Jurisdictional Separation of 2005 Storm Costs

<u>Costs from Dennis, Katrina, Rita and Wilma:</u>	<u>weights</u>	<u>Individual Jurisdictional Factors</u>	<u>Weighted Jurisdictional Factor</u>
Nuclear Plant	2.198%	99.558%	2.189%
Production Plant (excluding Nuclear)	1.834%	98.421%	1.805%
Transmission Plant	1.282%	98.622%	1.264%
Distribution Plant	89.391%	99.997%	89.388%
General Plant	3.981%	99.503%	3.961%
Customer Service	1.315%	100.000%	1.315%
	100.000%		99.921%
Jurisdictional Costs (\$000)			\$815,372

Source: Based on actual 2004 Adjusted Jurisdictional Factors used in Docket 050045-EI

Jurisdictional Separation of Expected Future Storm Costs

Expected Annual Future Storm Costs per S. Harris:

	<u>\$ millions</u>	<u>Share</u>	<u>Function</u>
T&D Hurricane Peril	63.2	85.753%	Weighted T&D Plant
Distribution Assets - Winter Storms	1.2	1.628%	Distribution
Storm Staging Costs	3.5	4.749%	Distribution
Non-T&D Hurricane Peril	5.8	7.870%	Gross Plant excluding T&D
Total	73.7	100.000%	

Jurisdictional Separation of Expected Future Storm Costs

Calculation of Weighted Plant Factors:

Calculation of Weighted T&D Plant

	<u>Plant In Service</u>	
	<u>(\$000)</u>	<u>%</u>
Transmission Plant	2,883,747	24.741%
Distribution Plant	8,772,186	75.259%
Total T&D	11,655,933	100.000%

Calculation of Gross Plant Excluding T&D

	<u>Plant In Service</u>	
	<u>(\$000)</u>	<u>%</u>
Nuclear Plant	3,919,203	33.660%
Steam Plant	2,951,981	25.353%
Other Production Plant	3,879,328	33.318%
General Plant	892,988	7.669%
Total Non-T&D	11,643,500	100.000%

Jurisdictional Separation of Expected Future Storm Costs

	<u>weights</u>	<u>Individual Jurisdictional Factors</u>	<u>Weighted Jurisdictional Factor</u>
Nuclear Plant	2.649%	99.590%	2.638%
Steam Plant	1.995%	98.439%	1.964%
Other Production Plant	2.622%	98.439%	2.581%
Transmission Plant	21.216%	98.685%	20.937%
Distribution Plant	70.914%	99.997%	70.912%
General Plant	0.604%	99.544%	0.601%
Intangible Plant	0.000%	99.544%	0.000%
Total	100.000%	99.295%	99.633%

Expected Annual Retail Storm Costs (\$ millions) \$73.4

Source: based on Jurisdictional Factors used in Docket No. 050045-EI
2006 Test Year

Allocation of 2004 Storm Costs by Rate Class

Rate Class	Distribution Factor	Non-Staging Costs	Staging Costs	Distribution Costs	Transmission Factor	Transmission Costs	Non T&D Factor	Non T&D Costs	Total Costs	Allocation Factor
CILC-1D	1.423%	\$ 9,507,099	\$ 1,720,958	\$ 11,228,056	2.215%	\$ 599,515	2.182%	\$ 1,611,974	\$ 13,439,546	1.510%
CILC-1G	0.129%	\$ 861,852	\$ 156,011	\$ 1,017,863	0.171%	\$ 46,283	0.169%	\$ 125,191	\$ 1,189,338	0.134%
CILC-1T	0.008%	\$ 53,448	\$ 9,675	\$ 63,123.30	1.063%	\$ 287,713	0.944%	\$ 697,632	\$ 1,048,468	0.118%
CS1	0.150%	\$ 1,002,154	\$ 181,408	\$ 1,183,562	0.194%	\$ 52,508	0.192%	\$ 141,508	\$ 1,377,578	0.155%
CS2	0.081%	\$ 541,163	\$ 97,960	\$ 639,123	0.092%	\$ 24,901	0.091%	\$ 67,145	\$ 731,169	0.082%
GS1	6.147%	\$ 41,068,261	\$ 7,434,102	\$ 48,502,362	5.939%	\$ 1,607,458	6.010%	\$ 4,441,171	\$ 54,550,992	6.129%
GSD1	16.115%	\$ 107,664,718	\$ 19,489,271	\$ 127,153,989	20.506%	\$ 5,550,184	20.322%	\$ 15,016,203	\$ 147,720,376	16.598%
GSLD1	6.424%	\$ 42,918,904	\$ 7,769,102	\$ 50,688,006	8.628%	\$ 2,335,267	8.504%	\$ 6,283,619	\$ 59,306,893	6.664%
GSLD2	0.898%	\$ 5,999,560	\$ 1,086,029	\$ 7,085,590	1.276%	\$ 345,364	1.256%	\$ 928,131	\$ 8,359,085	0.939%
GSLD3	0.001%	\$ 6,681	\$ 1,209	\$ 7,890.41	0.161%	\$ 43,576	0.132%	\$ 97,480	\$ 148,947	0.017%
MET	0.070%	\$ 467,672	\$ 84,657	\$ 552,329	0.096%	\$ 25,983	0.095%	\$ 70,077	\$ 648,389	0.073%
OL-1	1.028%	\$ 6,868,094	\$ 1,243,250	\$ 8,111,343	0.030%	\$ 8,120	0.065%	\$ 47,903	\$ 8,167,366	0.918%
OS-2	0.071%	\$ 474,353	\$ 85,866	\$ 560,219	0.017%	\$ 4,601	0.019%	\$ 13,852	\$ 578,673	0.065%
RS1	63.297%	\$ 422,888,838	\$ 76,550,567	\$ 499,439,405	59.297%	\$ 16,049,412	59.625%	\$ 44,058,319	\$ 559,547,136	62.870%
SL-1	4.113%	\$ 27,479,056	\$ 4,974,209	\$ 32,453,264	0.122%	\$ 33,021	0.273%	\$ 201,819	\$ 32,688,104	3.673%
SL-2	0.030%	\$ 200,431	\$ 36,282	\$ 236,712	0.046%	\$ 12,450	0.046%	\$ 33,941	\$ 283,104	0.032%
SST-TST	0.002%	\$ 13,362	\$ 2,419	\$ 15,780.82	0.141%	\$ 38,163	0.070%	\$ 51,496	\$ 105,440	0.012%
SST-DST	0.013%	\$ 86,853	\$ 15,722	\$ 102,575	0.007%	\$ 1,895	0.007%	\$ 5,165	\$ 109,635	0.012%
Total Retail	100.000%	\$ 668,102,498	\$ 120,938,697	\$ 789,041,195	100.000%	\$ 27,066,145	100.000%	\$ 73,892,660	\$ 890,000,000	100.000%

Calculation of Total Retail:

Total	\$ 668,102,498	\$ 120,938,697	\$ 789,041,195	\$27,066,145	\$73,892,660	\$890,000,000
-------	----------------	----------------	----------------	--------------	--------------	---------------

Note: Functionalization of costs based on Docket 041291-EI.

Allocation method based on Docket No. 050045-EI, MFR E-10.

Class allocation factors based on Docket No. 050045-EI, MFR E-3a.

Allocation of Estimated 2005 Storm Costs by Rate Class

Costs from Dennis, Katrina, Rita and Wilma:

	<u>(\$000)</u>	<u>Share</u>
Nuclear Plant	\$ 17,938.3	2.198%
Production Plant (excluding Nuclear)	\$ 14,966.3	1.834%
Transmission Plant	\$ 10,458.6	1.282%
Distribution Plant	\$ 729,441.2	89.391%
General Plant	\$ 32,482.8	3.981%
Customer Service	\$ 10,729.0	1.315%
Total	\$ 816,016.2	100.000%

Allocation of Estimated 2005 Storm Costs by Rate Class

Allocation Factors for the Cost of Dennis, Katrina, Rita and Wilma:

	weight	CILC-1D	CILC-1G	CILC-1T	CS1	CS2	GS1	GSD1	GSLD1	GSLD2	GSLD3	MET	OL-1	OS-2	RS1	SL-1	SL-2	SST-TST	SST-DST
Nuclear Plant	2.198%	0.049%	0.004%	0.021%	0.004%	0.002%	0.131%	0.452%	0.190%	0.028%	0.003%	0.002%	0.001%	0.000%	1.306%	0.003%	0.001%	0.002%	0.000%
Production Plant (excl Nuc)	1.834%	0.041%	0.003%	0.018%	0.004%	0.002%	0.109%	0.377%	0.159%	0.023%	0.002%	0.002%	0.001%	0.000%	1.090%	0.002%	0.001%	0.001%	0.000%
Transmission Plant	1.282%	0.028%	0.002%	0.014%	0.002%	0.001%	0.076%	0.263%	0.111%	0.016%	0.002%	0.001%	0.000%	0.000%	0.760%	0.002%	0.001%	0.002%	0.000%
Distribution Plant	89.391%	1.272%	0.115%	0.007%	0.134%	0.072%	5.495%	14.405%	5.742%	0.803%	0.001%	0.063%	0.919%	0.063%	56.582%	3.677%	0.027%	0.001%	0.012%
General Plant	3.981%	0.069%	0.006%	0.024%	0.006%	0.003%	0.268%	0.703%	0.272%	0.040%	0.003%	0.003%	0.019%	0.002%	2.477%	0.083%	0.002%	0.002%	0.000%
Customer Service	1.315%	0.001%	0.001%	0.000%	0.000%	0.000%	0.124%	0.092%	0.008%	0.000%	0.000%	0.000%	0.003%	0.001%	1.083%	0.002%	0.000%	0.000%	0.000%
	100.000%	1.460%	0.131%	0.084%	0.151%	0.080%	6.203%	16.292%	6.481%	0.910%	0.011%	0.071%	0.942%	0.066%	63.297%	3.767%	0.031%	0.008%	0.013%

Note: Allocation method based on Docket No. 050045-EI, MFR E-10.

Class allocation factors based on Docket No. 050045-EI, MFR E-3a and E-3b.

Allocation of Expected Future Storm Costs by Rate Class

Expected Annual Future Storm Costs per S. Harris:

	<u>\$ Millions</u>	<u>Share</u>	<u>Function</u>
T&D Hurricane Peril	63.2	85.753%	Weighted T&D Plant
Distribution Assets - Winter Storm	1.2	1.628%	Distribution
Storm Staging Costs	3.5	4.749%	Distribution
Non-T&D Hurricane Peril	5.8	7.870%	Gross Plant excluding T&D
Total	73.7	100.000%	

Retail Plant in Service:

	<u>(\$000)</u>
	<u>Total Adjusted Retail</u>
Nuclear Plant	3,903,129
Steam Plant	2,905,900
Other Production Plant	3,818,770
Transmission Plant	2,845,825
Distribution Plant	8,771,913
General Plant	888,914
Intangible Plant	260,343
Total Gross Plant	23,394,794

Weighted Retail Factors:

	<u>(\$000)</u>	
	<u>Total Adjusted Retail</u>	<u>weights</u>
Transmission Plant	2,845,825	24.496%
Distribution Plant	8,771,913	75.504%
Total T&D	11,617,738	100.000%
Nuclear Plant	3,903,129	33.891%
Steam Plant	2,905,900	25.232%
Other Production Plant	3,818,770	33.159%
General Plant	888,914	7.718%
Total Non-T&D	11,516,713	100.000%

Note: Retail Plant in Service figures from Docket No. 050045-EI

Allocation of Expected Future Storm Costs by Rate Class

Future Retail Storm Costs by Function:

Nuclear Plant	2.667%
Steam Plant	1.986%
Other Production Plant	2.609%
Transmission Plant	21.006%
Distribution Plant	71.125%
General Plant	0.607%
Intangible	0.000%
	100.000%

Allocation of Expected Future Storm Costs by Rate Class

Allocation Factors by Rate Class:

	<u>weight</u>	CILC-ID	CILC-1G	CILC-1T	CS1	CS2	GS1	GSD1	GSLD1	GSLD2	GSLD3	MET	OL-1	OS-2	RS1	SL-1	SL-2	SST-TST	SST-DST
Nuclear Plant	2.667%	0.059%	0.005%	0.026%	0.005%	0.002%	0.159%	0.548%	0.231%	0.034%	0.004%	0.003%	0.001%	0.000%	1.584%	0.003%	0.001%	0.002%	0.000%
Steam Plant	1.986%	0.044%	0.003%	0.019%	0.004%	0.002%	0.118%	0.408%	0.172%	0.025%	0.003%	0.002%	0.001%	0.000%	1.180%	0.002%	0.001%	0.001%	0.000%
Other Production	2.609%	0.058%	0.004%	0.025%	0.005%	0.002%	0.155%	0.536%	0.226%	0.033%	0.004%	0.003%	0.001%	0.000%	1.550%	0.003%	0.001%	0.002%	0.000%
Transmission Plant	21.006%	0.465%	0.036%	0.223%	0.041%	0.019%	1.247%	4.307%	1.812%	0.268%	0.034%	0.020%	0.006%	0.004%	12.456%	0.026%	0.010%	0.030%	0.001%
Distribution Plant	71.125%	1.012%	0.092%	0.006%	0.107%	0.058%	4.372%	11.462%	4.569%	0.639%	0.001%	0.050%	0.731%	0.050%	45.020%	2.925%	0.022%	0.001%	0.010%
General Plant	0.607%	0.011%	0.001%	0.004%	0.001%	0.000%	0.041%	0.107%	0.041%	0.006%	0.000%	0.000%	0.003%	0.000%	0.378%	0.013%	0.000%	0.000%	0.000%
Intangible		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
	100.000%	1.649%	0.141%	0.303%	0.163%	0.084%	6.093%	17.368%	7.051%	1.005%	0.045%	0.078%	0.743%	0.055%	62.168%	2.972%	0.035%	0.036%	0.012%

Note: Class allocation method based on Docket No. 050045-EI, MFR E-10.

Class allocation factors based on Docket No. 050045-EI, MFR E-3a and E-10.

Docket No. _____
R. Morley, Exhibit No. _____
Document No. RM-6, Page 1 of 2
Allocation of Storm Charge

Allocation of the Storm Charge by Rate Class

Weights Used in Storm Charge:

	<u>\$ millions</u>	<u>weights</u>	<u>source</u>
Unrecovered 2004 Storm Costs	\$ 213	13%	KMD-3
Unrecovered 2005 Storm Costs	\$ 827	49%	KMD-4
Future Storm Costs	\$ 650	38%	Mr. Dewhurst's testimony
Total	\$ 1,690	100%	

Allocation of the Storm Charge by Rate Class

Factors By Rate Class:

	2004 Storm Costs			2005 Storm Costs			Future Storm Costs			Storm Charge
	factor	weight	wgt factor	factor	weight	wgt factor	factor	weight	wgt factor	Allocation Factor
CILC-1D	1.510%	13%	0.191%	1.460%	49%	0.714%	1.649%	38%	0.634%	1.539%
CILC-1G	0.134%	13%	0.017%	0.131%	49%	0.064%	0.141%	38%	0.054%	0.135%
CILC-1T	0.118%	13%	0.015%	0.084%	49%	0.041%	0.303%	38%	0.117%	0.172%
CS1	0.155%	13%	0.020%	0.151%	49%	0.074%	0.163%	38%	0.063%	0.156%
CS2	0.082%	13%	0.010%	0.080%	49%	0.039%	0.084%	38%	0.032%	0.082%
GS1	6.129%	13%	0.774%	6.203%	49%	3.035%	6.093%	38%	2.343%	6.151%
GSD1	16.598%	13%	2.095%	16.292%	49%	7.970%	17.368%	38%	6.679%	16.744%
GSLD1	6.664%	13%	0.841%	6.481%	49%	3.171%	7.051%	38%	2.711%	6.723%
GSLD2	0.939%	13%	0.119%	0.910%	49%	0.445%	1.005%	38%	0.387%	0.951%
GSLD3	0.017%	13%	0.002%	0.011%	49%	0.006%	0.045%	38%	0.017%	0.025%
MET	0.073%	13%	0.009%	0.071%	49%	0.035%	0.078%	38%	0.030%	0.074%
OL-1	0.918%	13%	0.116%	0.942%	49%	0.461%	0.743%	38%	0.286%	0.863%
OS-2	0.065%	13%	0.008%	0.066%	49%	0.032%	0.055%	38%	0.021%	0.062%
RS1	62.870%	13%	7.935%	63.297%	49%	30.966%	62.168%	38%	23.908%	62.809%
SL-1	3.673%	13%	0.464%	3.767%	49%	1.843%	2.972%	38%	1.143%	3.450%
SL-2	0.032%	13%	0.004%	0.031%	49%	0.015%	0.035%	38%	0.013%	0.033%
SST-TST	0.012%	13%	0.001%	0.008%	49%	0.004%	0.036%	38%	0.014%	0.019%
SST-DST	0.012%	13%	0.002%	0.013%	49%	0.006%	0.012%	38%	0.004%	0.012%
Total Retail	100.000%			100.000%			100.000%			100.000%

Docket No. _____
 R. Morley, Exhibit No. _____
 Document No. RM-6, Page 2 of 2
 Allocation of Storm Charge

Proposed Storm Bond Repayment Charge by Rate Class

	Allocation Factor	\$000	Test Year 2006 kWh	Sales Adjusted for 8/06-7/07 Load Growth	Uncollectibles	Storm Bond Repayment Charge
CILC-1D	1.539%	\$ 1,801	3,044,454,571	3,084,755,356	0.168%	0.058
CILC-1G	0.135%	\$ 158	229,644,938	232,684,849	0.168%	0.068
CILC-1T	0.172%	\$ 202	1,473,028,677	1,492,527,806	0.168%	0.014
CS1	0.156%	\$ 182	257,477,877	260,886,225	0.168%	0.070
CS2	0.082%	\$ 96	122,639,847	124,263,285	0.168%	0.077
GS1	6.151%	\$ 7,200	6,208,753,659	6,290,941,664	0.168%	0.114
GSD1	16.744%	\$ 19,598	23,587,545,893	23,899,784,620	0.168%	0.082
GSLD1	6.723%	\$ 7,869	10,644,267,135	10,785,169,984	0.168%	0.073
GSLD2	0.951%	\$ 1,113	1,665,286,802	1,687,330,936	0.168%	0.066
GSLD3	0.025%	\$ 29	184,927,875	187,375,847	0.168%	0.016
MET	0.074%	\$ 86	103,049,814	104,413,930	0.168%	0.083
OL-1	0.863%	\$ 1,010	110,111,724	111,569,321	0.168%	0.903
OS-2	0.062%	\$ 72	19,726,918	19,988,052	0.168%	0.361
RS1	62.809%	\$ 73,515	57,810,193,996	58,575,452,979	0.168%	0.125
SL-1	3.450%	\$ 4,038	432,430,431	438,154,703	0.168%	0.920
SL-2	0.033%	\$ 38	68,637,345	69,545,928	0.168%	0.055
SST-TST	0.019%	\$ 23	91,612,725	92,825,443	0.168%	0.024
SST-DST	0.012%	\$ 14	10,426,389	10,564,408	0.168%	0.136
Total Retail	100.000%	\$ 117,044	106,064,216,616	107,468,235,335	0.168%	0.109

Note: Uncollectibles % from Docket No. 050045-EI, MFR C-11

Docket No. _____
 R. Morley, Exhibit No. _____
 Document No. RM-7, Page 1 of 3
 Proposed Storm Charge

Proposed Storm Bond Repayment Tax Charge by Rate Class

	Allocation Factor	\$000	Test Year 2006 kWh	Sales Adjusted for 8/06-7/07 Load Growth	Uncollectibles	Storm Bond Tax Charge
CILC-1D	1.539%	\$ 475	3,044,454,571	3,084,755,356	0.168%	0.015
CILC-1G	0.135%	\$ 42	229,644,938	232,684,849	0.168%	0.018
CILC-1T	0.172%	\$ 53	1,473,028,677	1,492,527,806	0.168%	0.004
CS1	0.156%	\$ 48	257,477,877	260,886,225	0.168%	0.018
CS2	0.082%	\$ 25	122,639,847	124,263,285	0.168%	0.020
GS1	6.151%	\$ 1,899	6,208,753,659	6,290,941,664	0.168%	0.030
GSD1	16.744%	\$ 5,169	23,587,545,893	23,899,784,620	0.168%	0.022
GSLD1	6.723%	\$ 2,075	10,644,267,135	10,785,169,984	0.168%	0.019
GSLD2	0.951%	\$ 293	1,665,286,802	1,687,330,936	0.168%	0.017
GSLD3	0.025%	\$ 8	184,927,875	187,375,847	0.168%	0.004
MET	0.074%	\$ 23	103,049,814	104,413,930	0.168%	0.022
OL-1	0.863%	\$ 266	110,111,724	111,569,321	0.168%	0.238
OS-2	0.062%	\$ 19	19,726,918	19,988,052	0.168%	0.095
RS1	62.809%	\$ 19,388	57,810,193,996	58,575,452,979	0.168%	0.033
SL-1	3.450%	\$ 1,065	432,430,431	438,154,703	0.168%	0.243
SL-2	0.033%	\$ 10	68,637,345	69,545,928	0.168%	0.015
SST-TST	0.019%	\$ 6	91,612,725	92,825,443	0.168%	0.006
SST-DST	0.012%	\$ 4	10,426,389	10,564,408	0.168%	0.036
Total Retail	100.000%	\$ 30,868	106,064,216,616	107,468,235,335	0.168%	0.029

Proposed Storm Charge by Rate Class
cents/kWh:

	Storm Bond Repayment Charge	Storm Bond Tax Charge	Proposed Storm Charge
CILC-1D	0.058	0.015	0.073
CILC-1G	0.068	0.018	0.086
CILC-1T	0.014	0.004	0.018
CS1	0.070	0.018	0.088
CS2	0.077	0.020	0.097
GS1	0.114	0.030	0.144
GSD1	0.082	0.022	0.104
GSLD1	0.073	0.019	0.092
GSLD2	0.066	0.017	0.083
GSLD3	0.016	0.004	0.020
MET	0.083	0.022	0.105
OL-1	0.903	0.238	1.141
OS-2	0.361	0.095	0.456
RS1	0.125	0.033	0.158
SL-1	0.920	0.243	1.163
SL-2	0.055	0.015	0.070
SST-TST	0.024	0.006	0.030
SST-DST	0.136	0.036	0.172
Total Retail	0.109	0.029	0.138

Docket No. _____
 R. Morley, Exhibit No. _____
 Document No. RM-8, Page 1 of 3
 Traditional Surcharge

	2005 Storm Allocation Factor	Costs (\$000)	Sales Adjusted for 8/06-7/07 Load Growth	cents/ 2006 kWh
CILC-1D	1.460%	4,024	3,084,755,356	0.130
CILC-1G	0.131%	360	232,684,849	0.155
CILC-1T	0.084%	231	1,492,527,806	0.015
CS1	0.151%	416	260,886,225	0.159
CS2	0.080%	221	124,263,285	0.178
GS1	6.203%	17,095	6,290,941,664	0.272
GSD1	16.292%	44,899	23,899,784,620	0.188
GSLD1	6.481%	17,862	10,785,169,984	0.166
GSLD2	0.910%	2,509	1,687,330,936	0.149
GSLD3	0.011%	32	187,375,847	0.017
MET	0.071%	196	104,413,930	0.187
OL-1	0.942%	2,597	111,569,321	2.328
OS-2	0.066%	182	19,988,052	0.912
RS1	63.297%	174,444	58,575,452,979	0.298
SL-1	3.767%	10,383	438,154,703	2.370
SL-2	0.031%	86	69,545,928	0.124
SST-TST	0.008%	22	92,825,443	0.024
SST-DST (1,2,3)	0.013%	35	10,564,408	0.334
Total		275,595	107,468,235,335	0.256

Docket No. _____
 R. Morley, Exhibit No. _____
 Document No. RM-8, Page 2 of 3
 Traditional Surcharge

	Replenishment		Sales Adjusted for	cents/
	Allocation Factor	Costs (\$000)	8/06-7/07 Load Growth	2006 kWh
CILC-1D	1.649%	3,432	3,084,755,356	0.111
CILC-1G	0.141%	293	232,684,849	0.126
CILC-1T	0.303%	631	1,492,527,806	0.042
CS1	0.163%	338	260,886,225	0.130
CS2	0.084%	175	124,263,285	0.141
GS1	6.093%	12,679	6,290,941,664	0.202
GSD1	17.368%	36,144	23,899,784,620	0.151
GSLD1	7.051%	14,673	10,785,169,984	0.136
GSLD2	1.005%	2,092	1,687,330,936	0.124
GSLD3	0.045%	93	187,375,847	0.050
MET	0.078%	162	104,413,930	0.155
OL-1	0.743%	1,546	111,569,321	1.386
OS-2	0.055%	115	19,988,052	0.574
RS1	62.168%	129,375	58,575,452,979	0.221
SL-1	2.972%	6,186	438,154,703	1.412
SL-2	0.035%	73	69,545,928	0.105
SST-TST	0.036%	76	92,825,443	0.081
SST-DST (1,2,3)	0.012%	24	10,564,408	0.229
Total	100.000%	208,106	107,468,235,335	0.194

Docket No. _____
 R. Morley, Exhibit No. _____
 Document No. RM-8, Page 3 of 3
 Traditional Surcharge

Traditional Storm Surcharges (cents/kWh):

	-----Storm Costs-----			Cumulative Surcharges	Cumulative Surcharges w/o 2004 storm costs
	2004	2005	Replenishment		
CILC-1D	0.099	0.130	0.111	0.340	0.241
CILC-1G	0.100	0.155	0.126	0.381	0.281
CILC-1T	0.012	0.015	0.042	0.069	0.057
CS1	0.110	0.159	0.130	0.399	0.289
CS2	0.126	0.178	0.141	0.445	0.319
GS1	0.145	0.272	0.202	0.619	0.474
GSD1	0.128	0.188	0.151	0.467	0.339
GSLD1	0.123	0.166	0.136	0.425	0.302
GSLD2	0.122	0.149	0.124	0.395	0.273
GSLD3	0.014	0.017	0.050	0.081	0.067
MET	0.139	0.187	0.155	0.481	0.342
OL-1	0.148	2.328	1.386	3.862	3.714
OS-2	0.461	0.912	0.574	1.947	1.486
RS1	0.165	0.298	0.221	0.684	0.519
SL-1	0.160	2.370	1.412	3.942	3.782
SL-2	0.090	0.124	0.105	0.319	0.229
SST-TST	0.015	0.024	0.081	0.120	0.105
SST-DST (1,2,3)	0.256	0.334	0.229	0.819	0.563
Total	0.146	0.256	0.194	0.596	0.450

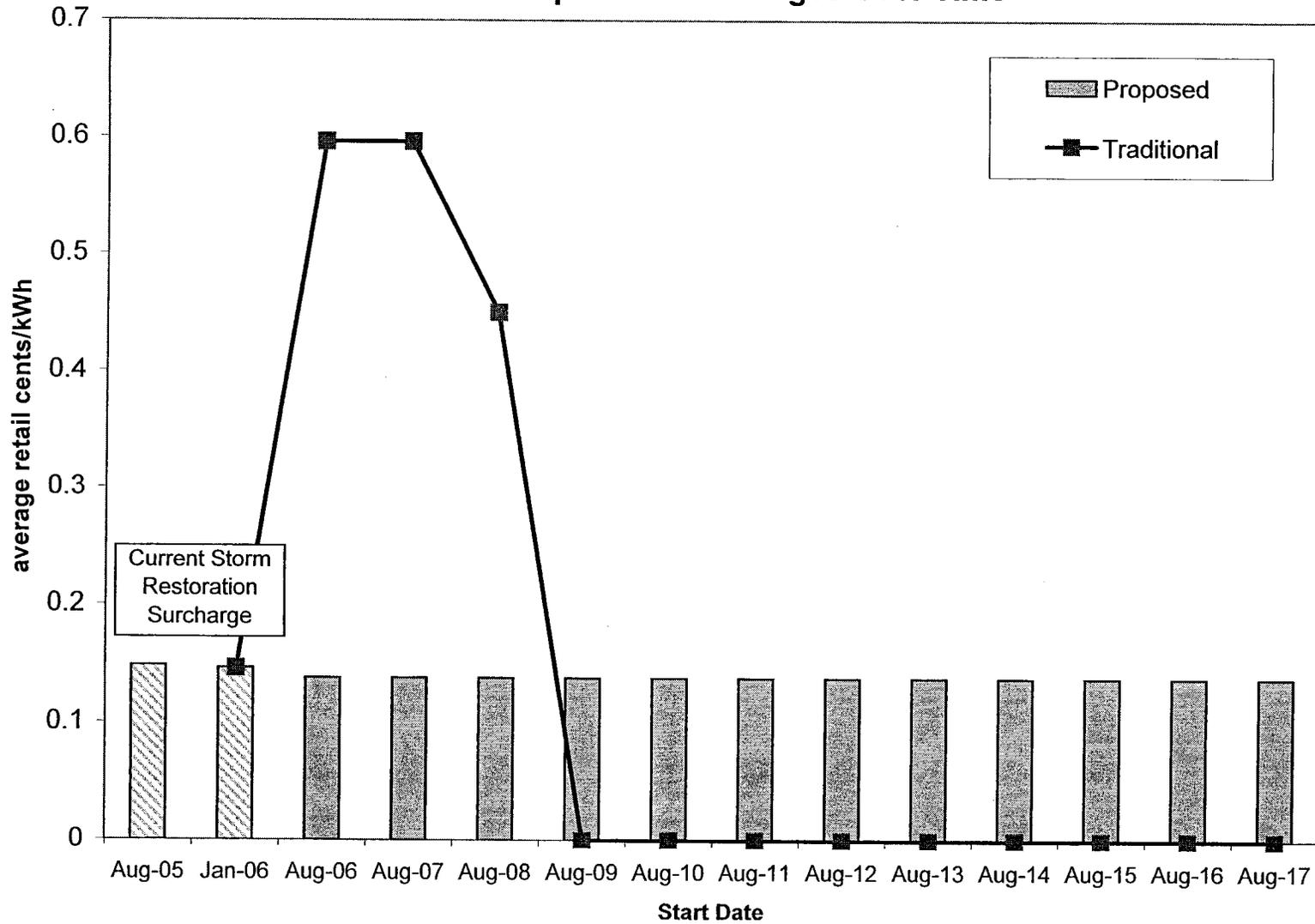
Proposed Storm Charge by Rate Class
cents/kWh:

	Proposed Storm Charge	Cumulative Trad. Storm Surcharge	Ratio
CILC-1D	0.073	0.340	466%
CILC-1G	0.086	0.381	443%
CILC-1T	0.018	0.069	383%
CS1	0.088	0.399	453%
CS2	0.097	0.445	459%
GS1	0.144	0.619	430%
GSD1	0.104	0.467	449%
GSLD1	0.092	0.425	462%
GSLD2	0.083	0.395	476%
GSLD3	0.020	0.081	405%
MET	0.105	0.481	458%
OL-1	1.141	3.862	338%
OS-2	0.456	1.947	427%
RS1	0.158	0.684	433%
SL-1	1.163	3.942	339%
SL-2	0.070	0.319	456%
SST-TST	0.030	0.120	400%
SST-DST	0.172	0.819	476%
Total Retail	0.138	0.596	432%

Proposed Storm Charge by Rate Class
 cents/kWh:

	Proposed Storm Charge	Cumulative Trad. Storm Surcharge less 2004 surcharge	Ratio
CILC-1D	0.073	0.241	330%
CILC-1G	0.086	0.281	327%
CILC-1T	0.018	0.057	317%
CS1	0.088	0.289	328%
CS2	0.097	0.319	329%
GS1	0.144	0.474	329%
GSD1	0.104	0.339	326%
GSLD1	0.092	0.302	328%
GSLD2	0.083	0.273	329%
GSLD3	0.020	0.067	335%
MET	0.105	0.342	326%
OL-1	1.141	3.714	326%
OS-2	0.456	1.486	326%
RS1	0.158	0.519	328%
SL-1	1.163	3.782	325%
SL-2	0.070	0.229	327%
SST-TST	0.030	0.105	350%
SST-DST	0.172	0.563	327%
Total Retail	0.138	0.450	326%

Comparison of Securitization Versus Surcharge Recovery Method Comparison of Charges Over Time



Sample Bill Calculations

Residential 1,000 kWh Bill:

		CURRENT		<u>% of Bill</u>	
Customer Charge		5.17		\$5.17	4.8%
Non-fuel Energy:	first 1,000 kWh	3.295 ¢/kWh		\$32.95	30.3%
	additional kWh	4.295 ¢/kWh		\$0.00	0.0%
Fuel	first 1,000 kWh	5.841 ¢/kWh		\$58.41	53.8%
	additional kWh	6.841 ¢/kWh		\$0.00	0.0%
ECCR		0.142 ¢/kWh		\$1.42	1.3%
ECRC		0.026 ¢/kWh		\$0.26	0.2%
CPRC		0.603 ¢/kWh		\$6.03	5.6%
Storm Restoration Surcharge*		0.165 ¢/kWh		\$1.65	1.5%
Subtotal				<u>\$105.89</u>	
Gross Receipts		2.5641 %		<u>\$2.72</u>	2.5%
Total				<u>\$108.61</u>	

* w.o GRT

		WITH PROPOSED STORM CHARGE		<u>% of Bill</u>	
Customer Charge		5.17		\$5.17	4.8%
Non-fuel Energy:	first 1,000 kWh	3.295 ¢/kWh		\$32.95	30.4%
	additional kWh	4.295 ¢/kWh		\$0.00	0.0%
Fuel	first 1,000 kWh	5.841 ¢/kWh		\$58.41	53.8%
	additional kWh	6.841 ¢/kWh		\$0.00	0.0%
ECCR		0.142 ¢/kWh		\$1.42	1.3%
ECRC		0.026 ¢/kWh		\$0.26	0.2%
CPRC		0.603 ¢/kWh		\$6.03	5.6%
Storm Charge		0.158 ¢/kWh		<u>\$1.58</u>	1.5%
Subtotal				<u>\$105.82</u>	
Gross Receipts		2.5641 %		<u>\$2.71</u>	2.5%
Total				<u>\$108.53</u>	
% change from current				-0.1%	
\$ change				-\$0.08	

		WITH TRADITIONAL RECOVERY METHOD INCLUDING CURRENT 2004 STORM SURCHARGE		<u>% of Bill</u>	
Customer Charge		5.17		\$5.17	4.5%
Non-fuel Energy:	first 1,000 kWh	3.295 ¢/kWh		\$32.95	28.9%
	additional kWh	4.295 ¢/kWh		\$0.00	0.0%
Fuel	first 1,000 kWh	5.841 ¢/kWh		\$58.41	51.3%
	additional kWh	6.841 ¢/kWh		\$0.00	0.0%
ECCR		0.142 ¢/kWh		\$1.42	1.2%
ECRC		0.026 ¢/kWh		\$0.26	0.2%
CPRC		0.603 ¢/kWh		\$6.03	5.3%
Traditional Storm Surcharges		0.684 ¢/kWh		<u>\$6.84</u>	6.0%
Subtotal				<u>\$111.08</u>	
Gross Receipts		2.5641 %		<u>\$2.85</u>	2.5%
Total				<u>\$113.93</u>	
% change from current				4.9%	
\$ change				\$5.32	
% diff. from proposed method				5.0%	
\$ diff. from proposed method				\$5.40	

Sample Bill Calculations

Small Commercial Customer (GSD-1):
50 kW, 46% load factor

CURRENT		<u>% of Bill</u>	
Customer Charge	32.05	32.05	1.8%
Demand Charge	4.94 /Kw	247.00	14.3%
Non-fuel Energy	1.348 ¢/kWh	226.46	13.1%
ECCR	0.129 ¢/kWh	21.67	1.3%
ECRC	0.024 ¢/kWh	4.03	0.2%
Storm Restoration Surcharge*	0.128 ¢/kWh	21.50	1.2%
CPRC	1.94 /kW	97.00	5.6%
Fuel	6.191 ¢/kWh	<u>1,040.09</u>	60.0%
Subtotal		<u>1,689.80</u>	
Gross Receipts	2.5641 %	<u>43.33</u>	2.5%
Total		<u>1,733.13</u>	

* w.o GRT

WITH PROPOSED STORM CHARGE		<u>% of Bill</u>	
Customer Charge	32.05	32.05	1.9%
Demand Charge	4.94 /Kw	247.00	14.3%
Non-fuel Energy	1.348 ¢/kWh	226.46	13.1%
ECCR	0.129 ¢/kWh	21.67	1.3%
ECRC	0.024 ¢/kWh	4.03	0.2%
Storm Charge	0.104 ¢/kWh	17.47	1.0%
CPRC	1.94 /kW	97.00	5.6%
Fuel	6.191 ¢/kWh	<u>1,040.09</u>	60.2%
Subtotal		<u>1,685.77</u>	
Gross Receipts	2.5641 %	<u>43.22</u>	2.5%
Total		<u>1,728.99</u>	
% change from current		-0.24%	
\$ change		-\$4.14	

WITH TRADITIONAL RECOVERY METHOD
INCLUDING CURRENT 2004 STORM SURCHARGE

		<u>% of Bill</u>	
Customer Charge	32.05	32.05	1.8%
Demand Charge	4.94 /Kw	247.00	13.8%
Non-fuel Energy	1.348 ¢/kWh	226.46	12.6%
ECCR	0.129 ¢/kWh	21.67	1.2%
ECRC	0.024 ¢/kWh	4.03	0.2%
Traditional Storm Surcharges	0.467 ¢/kWh	78.46	4.4%
CPRC	1.94 /kW	97.00	5.4%
Fuel	6.191 ¢/kWh	<u>1,040.09</u>	58.1%
Subtotal		<u>1,746.76</u>	
Gross Receipts	2.5641 %	<u>44.79</u>	2.5%
Total		<u>1,791.55</u>	
% change from current		3.4%	
\$ change		\$58.42	
% diff. from proposed method		3.6%	
\$ diff. from proposed method		\$62.56	

Sample Bill Calculations

Large Industrial Customer (CILC1-T)
10,000 kW, 80% load factor

		CURRENT		% of Bill
Customer Charge	2,930.41		2,930.41	0.7%
DC/LC On-pk kW	1.05 \$/KW		10,500.00	2.5%
Energy Charge/On-pk	0.487 ¢/kWh		7,679.02	1.8%
Energy Charge/Off-pk	0.487 ¢/kWh		20,761.78	4.9%
Fuel On-pk	6.291 ¢/kWh		99,196.49	23.2%
Fuel Off-pk	5.758 ¢/kWh		245,475.06	57.3%
ECCR	0.106 ¢/kWh		6,190.40	1.4%
ECRC	0.021 ¢/kWh		1,226.40	0.3%
Storm Restoration Surcharge*	0.012 ¢/kWh		700.80	0.2%
CPRC	2.27 \$/KW		<u>22,700.00</u>	5.3%
Subtotal			417,360.35	
Gross Receipts	2.5641 %		<u>10,701.54</u>	2.5%
Total			<u>428,061.89</u>	

* w.o GRT

WITH PROPOSED STORM CHARGE

				% of Bill
Customer Charge	2,930.41		2,930.41	0.7%
DC/LC On-pk kW	1.05 \$/KW		10,500.00	2.5%
Energy Charge/On-pk	0.487 ¢/kWh		7,679.02	1.8%
Energy Charge/Off-pk	0.487 ¢/kWh		20,761.78	4.8%
Fuel On-pk	6.291 ¢/kWh		99,196.49	23.2%
Fuel Off-pk	5.758 ¢/kWh		245,475.06	57.3%
ECCR	0.106 ¢/kWh		6,190.40	1.4%
ECRC	0.021 ¢/kWh		1,226.40	0.3%
Storm Charge	0.018 ¢/kWh		1,051.20	0.2%
CPRC	2.27 \$/KW		<u>22,700.00</u>	5.3%
Subtotal			417,710.75	
Gross Receipts	2.5641 %		<u>10,710.52</u>	2.5%
Total			<u>428,421.27</u>	
% change from current			0.08%	
\$ change			\$359.38	

WITH TRADITIONAL RECOVERY METHOD
INCLUDING CURRENT 2004 STORM SURCHARGE

				% of Bill
Customer Charge	2,930.41		2,930.41	0.7%
DC/LC On-pk kW	1.05 \$/KW		10,500.00	2.4%
Energy Charge/On-pk	0.487 ¢/kWh		7,679.02	1.8%
Energy Charge/Off-pk	0.487 ¢/kWh		20,761.78	4.8%
Fuel On-pk	6.291 ¢/kWh		99,196.49	23.0%
Fuel Off-pk	5.758 ¢/kWh		245,475.06	56.9%
ECCR	0.106 ¢/kWh		6,190.40	1.4%
ECRC	0.021 ¢/kWh		1,226.40	0.3%
Traditional Storm Surcharges	0.069 ¢/kWh		4,029.60	0.9%
CPRC	2.27 \$/KW		<u>22,700.00</u>	5.3%
Subtotal			420,689.15	
Gross Receipts	2.5641 %		<u>10,786.89</u>	2.5%
Total			<u>431,476.04</u>	
% change from current			0.8%	
\$ change			\$3,414.15	
% diff. from proposed method			0.7%	
\$ diff. from proposed method			\$3,054.77	

DC=Demand Charge
LC=Load Control Charge

Sample Bill Calculations

Residential 1,000 kWh Bill:

		CURRENT		<u>% of Bill</u>	
Customer Charge		5.17		\$5.17	4.8%
Non-fuel Energy:	first 1,000 kWh	3.295 ¢/kWh		\$32.95	30.3%
	additional kWh	4.295 ¢/kWh		\$0.00	0.0%
Fuel	first 1,000 kWh	5.841 ¢/kWh		\$58.41	53.8%
	additional kWh	6.841 ¢/kWh		\$0.00	0.0%
ECCR		0.142 ¢/kWh		\$1.42	1.3%
ECRC		0.026 ¢/kWh		\$0.26	0.2%
CPRC		0.603 ¢/kWh		\$6.03	5.6%
Storm Restoration Surcharge*		0.165 ¢/kWh		\$1.65	1.5%
Subtotal				<u>\$105.89</u>	
Gross Receipts		2.5641 %		<u>\$2.72</u>	2.5%
Total				<u>\$108.61</u>	

* w.o GRT

		WITH PROPOSED STORM CHARGE		<u>% of Bill</u>	
Customer Charge		5.17		\$5.17	4.8%
Non-fuel Energy:	first 1,000 kWh	3.295 ¢/kWh		\$32.95	30.4%
	additional kWh	4.295 ¢/kWh		\$0.00	0.0%
Fuel	first 1,000 kWh	5.841 ¢/kWh		\$58.41	53.8%
	additional kWh	6.841 ¢/kWh		\$0.00	0.0%
ECCR		0.142 ¢/kWh		\$1.42	1.3%
ECRC		0.026 ¢/kWh		\$0.26	0.2%
CPRC		0.603 ¢/kWh		\$6.03	5.6%
Storm Charge		0.158 ¢/kWh		<u>\$1.58</u>	1.5%
Subtotal				<u>\$105.82</u>	
Gross Receipts		2.5641 %		<u>\$2.71</u>	2.5%
Total				<u>\$108.53</u>	
% change from current				-0.1%	
\$ change				-\$0.08	

WITH TRADITIONAL RECOVERY METHOD
EXCLUDING CURRENT 2004 STORM SURCHARGE

				<u>% of Bill</u>	
Customer Charge		5.17		\$5.17	4.6%
Non-fuel Energy:	first 1,000 kWh	3.295 ¢/kWh		\$32.95	29.4%
	additional kWh	4.295 ¢/kWh		\$0.00	0.0%
Fuel	first 1,000 kWh	5.841 ¢/kWh		\$58.41	52.0%
	additional kWh	6.841 ¢/kWh		\$0.00	0.0%
ECCR		0.142 ¢/kWh		\$1.42	1.3%
ECRC		0.026 ¢/kWh		\$0.26	0.2%
CPRC		0.603 ¢/kWh		\$6.03	5.4%
Traditional Storm Surcharges		0.519 ¢/kWh		<u>\$5.19</u>	4.6%
Subtotal				<u>\$109.43</u>	
Gross Receipts		2.5641 %		<u>\$2.81</u>	2.5%
Total				<u>\$112.24</u>	
% change from current				3.3%	
\$ change				\$3.63	
% diff. from proposed method				3.4%	
\$ diff. from proposed method				\$3.71	

Sample Bill Calculations

Small Commercial Customer (GSD-1):
50 kW, 46% load factor

CURRENT			
			<u>% of Bill</u>
Customer Charge	32.05	32.05	1.8%
Demand Charge	4.94 /Kw	247.00	14.3%
Non-fuel Energy	1.348 ¢/kWh	226.46	13.1%
ECCR	0.129 ¢/kWh	21.67	1.3%
ECRC	0.024 ¢/kWh	4.03	0.2%
Storm Restoration Surcharge*	0.128 ¢/kWh	21.50	1.2%
CPRC	1.94 /kW	97.00	5.6%
Fuel	6.191 ¢/kWh	1,040.09	60.0%
Subtotal		1,689.80	
Gross Receipts	2.5641 %	43.33	2.5%
Total		1,733.13	

* w.o GRT

WITH PROPOSED STORM CHARGE			
			<u>% of Bill</u>
Customer Charge	32.05	32.05	1.9%
Demand Charge	4.94 /Kw	247.00	14.3%
Non-fuel Energy	1.348 ¢/kWh	226.46	13.1%
ECCR	0.129 ¢/kWh	21.67	1.3%
ECRC	0.024 ¢/kWh	4.03	0.2%
Storm Charge	0.104 ¢/kWh	17.47	1.0%
CPRC	1.94 /kW	97.00	5.6%
Fuel	6.191 ¢/kWh	1,040.09	60.2%
Subtotal		1,685.77	
Gross Receipts	2.5641 %	43.22	2.5%
Total		1,728.99	100.0%
% change from current		-0.24%	
\$ change		-\$4.14	

WITH TRADITIONAL RECOVERY METHOD
EXCLUDING CURRENT 2004 STORM SURCHARGE

			<u>% of Bill</u>
Customer Charge	32.05	32.05	1.8%
Demand Charge	4.94 /Kw	247.00	14.0%
Non-fuel Energy	1.348 ¢/kWh	226.46	12.8%
ECCR	0.129 ¢/kWh	21.67	1.2%
ECRC	0.024 ¢/kWh	4.03	0.2%
Traditional Storm Surcharges	0.339 ¢/kWh	56.95	3.2%
CPRC	1.94 /kW	97.00	5.5%
Fuel	6.191 ¢/kWh	1,040.09	58.8%
Subtotal		1,725.25	
Gross Receipts	2.5641 %	44.24	2.5%
Total		1,769.49	
% change from current		2.1%	
\$ change		\$36.36	
% diff. from proposed method		2.3%	
\$ diff. from proposed method		\$40.50	

Sample Bill Calculations

Large Industrial Customer (CILC1-T)
 10,000 kW, 80% load factor

		CURRENT		% of Bill
Customer Charge	2,930.41		2,930.41	0.7%
DC/LC On-pk kW	1.05 \$/KW		10,500.00	2.5%
Energy Charge/On-pk	0.487 ¢/kWh		7,679.02	1.8%
Energy Charge/Off-pk	0.487 ¢/kWh		20,761.78	4.9%
Fuel On-pk	6.291 ¢/kWh		99,196.49	23.2%
Fuel Off-pk	5.758 ¢/kWh		245,475.06	57.3%
ECCR	0.106 ¢/kWh		6,190.40	1.4%
ECRC	0.021 ¢/kWh		1,226.40	0.3%
Storm Restoration Surcharge*	0.012 ¢/kWh		700.80	0.2%
CPRC	2.27 \$/KW		22,700.00	5.3%
Subtotal			<u>417,360.35</u>	
Gross Receipts	2.5641 %		<u>10,701.54</u>	2.5%
Total			<u>428,061.89</u>	

* w.o GRT

WITH PROPOSED STORM CHARGE

				% of Bill
Customer Charge	2,930.41		2,930.41	0.7%
DC/LC On-pk kW	1.05 \$/KW		10,500.00	2.5%
Energy Charge/On-pk	0.487 ¢/kWh		7,679.02	1.8%
Energy Charge/Off-pk	0.487 ¢/kWh		20,761.78	4.8%
Fuel On-pk	6.291 ¢/kWh		99,196.49	23.2%
Fuel Off-pk	5.758 ¢/kWh		245,475.06	57.3%
ECCR	0.106 ¢/kWh		6,190.40	1.4%
ECRC	0.021 ¢/kWh		1,226.40	0.3%
Storm Charge	0.018 ¢/kWh		1,051.20	0.2%
CPRC	2.27 \$/KW		22,700.00	5.3%
Subtotal			<u>417,710.75</u>	
Gross Receipts	2.5641 %		<u>10,710.52</u>	2.5%
Total			<u>428,421.27</u>	
% change from current			0.1%	
\$ change			\$359.38	

WITH TRADITIONAL RECOVERY METHOD
 EXCLUDING CURRENT 2004 STORM SURCHARGE

				% of Bill
Customer Charge	2,930.41		2,930.41	0.7%
DC/LC On-pk kW	1.05 \$/KW		10,500.00	2.4%
Energy Charge/On-pk	0.487 ¢/kWh		7,679.02	1.8%
Energy Charge/Off-pk	0.487 ¢/kWh		20,761.78	4.8%
Fuel On-pk	6.291 ¢/kWh		99,196.49	23.0%
Fuel Off-pk	5.758 ¢/kWh		245,475.06	57.0%
ECCR	0.106 ¢/kWh		6,190.40	1.4%
ECRC	0.021 ¢/kWh		1,226.40	0.3%
Traditional Storm Surcharges	0.057 ¢/kWh		3,328.80	0.8%
CPRC	2.27 \$/KW		22,700.00	5.3%
Subtotal			<u>419,988.35</u>	
Gross Receipts	2.5641 %		<u>10,768.92</u>	2.5%
Total			<u>430,757.27</u>	
% change from current			0.6%	
\$ change			\$2,695.38	
% diff. from proposed method			0.5%	
\$ diff. from proposed method			\$2,336.00	

DC=Demand Charge
 LC=Load Control Charge

FLORIDA POWER & LIGHT COMPANY

Original Sheet No. 8.040

STORM CHARGE

The following charges are applied to the Monthly Rate of each rate schedule as indicated and are calculated in accordance with the formula approved by the Public Service Commission.

<u>Cents/kWh</u>			
<u>Rate Schedule</u>	<u>STORM BOND REPAYMENT CHARGE</u>	<u>STORM BOND TAX CHARGE</u>	<u>TOTAL STORM CHARGE</u>
RS-1, RST-1	0.125	0.033	0.158
GS-1, GST-1, WIES-1	0.114	0.030	0.144
GSD-1, GSDT-1, HLFT (21-499 KW)	0.082	0.022	0.104
GSLD-1, GSLDT-1, HLFT (500-1,999 KW)	0.073	0.019	0.092
CS-1, CST-1	0.070	0.018	0.088
GSLD-2, GSLDT-2, HLFT (2000+ KW)	0.066	0.017	0.083
CS-2, CST-2	0.077	0.020	0.097
GSLD-3, GSLDT-3, CS-3, CST-3	0.016	0.004	0.020
OS-2	0.361	0.095	0.456
MET	0.083	0.022	0.105
CILC-1(G)	0.068	0.018	0.086
CILC-1(D)	0.058	0.015	0.073
CILC-1(T)	0.014	0.004	0.018
SL-1, PL-1	0.920	0.243	1.163
OL-1	0.903	0.238	1.141
SL-2, GSCU-1	0.055	0.015	0.070
SST-1(T), ISST-1(T)	0.024	0.006	0.030
SST-1(D1), SST-1(D2) SST-1(D3), ISST-1(D)	0.136	0.036	0.172

(Continued on Sheet No. 8.041)

FLORIDA POWER & LIGHT COMPANY

Original Sheet No. 8.041

(Continued from Sheet No. 8.040)

The Storm Bond Repayment Charge and the Storm Bond Tax Charge, which together comprise the Storm Charge, shall be paid by all customers receiving transmission or distribution service from the Company or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from alternative electric suppliers following a fundamental change in regulation of public utilities in this state. The Storm Bond Repayment Charge and the Storm Bond Tax Charge shall be paid monthly from the effective date of this tariff until the Storm Bonds have been paid in full or legally discharged and the other financing costs, including the tax liabilities associated with such charges, have paid in full or fully recovered.

As approved by the Commission, a Special Purpose Entity (SPE) has been created and is the owner of all rights to the Storm Bond Repayment Charge. The Company shall act as the SPE's collection agent or servicer for the Storm Bond Repayment Charge.

Issued by: S. E. Romig, Director, Rates and Tariffs
Effective:

Docket No. _____
R. Morley, Exhibit No. _____
Document No. RM-12, Page 1 of 1
Revenue Calculation

Unrealized Net Energy for Load (NEL) in mWh	1,566,341	Document No. LEG-10
Adjustment for Line Losses	0.93169	
Average System Base cents/kWh	3.52	
Revenue Calculation (\$000)	\$ 51,354	