BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company.	DOCKET NO. 050045-EI
In re: 2005 comprehensive depreciation study by Florida Power & Light Company.	DOCKET NO. 050188-EI ORDER NO. PSC-05-0845-PHO-EI ISSUED: August 18, 2005

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on August 10, 2005, in Tallahassee, Florida, before Chairman Braulio L. Baez, as Prehearing Officer.

APPEARANCES:

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<u>On behalf of Florida Power & Light Company (FPL).</u>

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<u>On behalf of the Citizens of the State of Florida (OPC).</u>

MICHAEL B. TWOMEY, ESQUIRE, P. O. Box 5256, Tallahassee, Florida 32314-5256
<u>On behalf of AARP (AARP).</u>

ATTORNEY GENERAL CHARLIE CRIST, CHRISTOPHER M. KISE, SOLICITOR GENERAL, and JACK SHREVE, SPECIAL COUNSEL, Office of the Attorney General, PL01, The Capital, Tallahassee, Florida 32399-1050
<u>On behalf of the State of Florida (AG).</u>

ALAN R. JENKINS, ESQUIRE, McKenna Long & Aldridge LLP, 303 Peachtree Street, Suite 5300, Atlanta, Georgia 30308
On behalf of the Commercial Group (CG).

MAJOR CRAIG PAULSON, AFCESA/ULT, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, Florida 32403
On behalf of Federal Executive Agencies (FEA).

JOHN W. MCWHIRTER, ESQUIRE, McWhirter, Reeves & Davidson, P. A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33602 and TIMOTHY J. PERRY, ESQUIRE, McWhirter Reeves & Davidson, P. A., 117 South Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

ROBERT SCHEFFEL WRIGHT, ESQUIRE, and JOHN T. LAVIA, III, ESQUIRE, Landers & Parsons, P. A., 310 West College Avenue, Tallahassee, Florida 32301
On behalf of the Florida Retail Federation (FRF).

GEORGE E. HUMPHREY, ESQUIRE, Andrews Kurth LLP, 600 Travis, Suite 4200, Houston, Texas 77002 and MARK F. SUNDBACK, ESQUIRE, KENNETH L. WISEMAN, ESQUIRE, JENNIFER L. SPINA, ESQUIRE, and GLORIA J. HALSTEAD, ESQUIRE, Andrews Kurth LLP, 1701 Pennsylvania Avenue, N. W., Washington, D. C. 20006
On behalf of the South Florida Hospital and Healthcare Association (SFHHA).

WM. COCHRAN KEATING, IV, ESQUIRE, KATHERINE E. FLEMING, ESQUIRE, and JEREMY SUSAC, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (STAFF).

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

II. CASE BACKGROUND

On March 17, 2005, Florida Power & Light Company (FPL) filed a depreciation study for the Commission's review that was assigned Docket No. 050188-EI. On March 22, 2005, FPL filed a petition for a permanent rate increase that was assigned Docket No. 0050045-EI. On May 9, 2005, the Commission consolidated these dockets. The consolidated dockets are set for a formal, administrative hearing before the Commission beginning August 22, 2005. The Office of Public Counsel, Office of the Attorney General, Florida Industrial Power Users Group, Florida Retail Federation, Commercial Group, AARP, Federal Executive Agencies, and the South Florida Hospital and Healthcare Association have intervened in this proceeding.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes. This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, Florida Administrative Code.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

1. Any parties intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

a) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.

b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.

c) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

d) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.

e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Commission Clerk and Administrative Service's confidential files.

V. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 80 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 80 words, it must be reduced to no more than 80 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 250 pages, and shall be filed at the same time.

VI. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to three minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VII. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, each witness whose name is preceded by an asterisk (*) has been excused from this hearing. The testimony of excused witnesses will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony shall be identified as shown in Section X of this Prehearing Order and be admitted into the record. Each witness whose name is preceded by a plus sign (+) will present direct and rebuttal testimony together.

Witness	Proffered By	Issues #
Direct		
Armando J. Olivera	FPL	81
Leonardo E. Green	FPL	2, 3, 58, 139
+Solomon L. Stamm	FPL	Direct - 1, 15, 20, 24, 34, 35, 36, 44, 45, 58, 59, 62, 66, 69, 79, 80, 89, 91, 95, 97, 101, 102, 103, 105, 141, 142, 143 Rebuttal - 1, 15, 16, 20, 22, 24, 35, 36, 44, 45, 58, 59, 62, 66, 79, 80, 84, 86, 89, 91, 94, 95, 97, 101, 102, 105, 141, 142, 144, 145, 146, 147, 149, 158, 159
*Michael E. Barrett	FPL	None
John H. Landon	FPL	7, 37, 38, 39, 40, 41, 42

Witness	Proffered By	Issues #
J. A. Stall	FPL	40, 91
+William L. Yeager	FPL	Direct – 16, 27, 39, 91, 138, 141, 144 Rebuttal - 27, 28, 91, 138, 141, 144
+C. Martin Mennes	FPL	Direct - 5, 6, 7, 66, 91 Rebuttal - 66
+Geisha J. Williams	FPL	Direct - 6, 7, 38, 91, 114 Rebuttal - 5, 6, 7, 38, 158, 159
+Marlene M. Santos	FPL	Direct - 7, 26, 37, 69, 71, 73, 91, 114 Rebuttal - 26, 70, 71, 73, 91
+Kathleen M. Slattery (Adopting the Direct Testimony of Robert H. Escoto)	FPL	Direct - 82, 83, 89, 90 Rebuttal - 83, 89, 90
K. Michael Davis (Direct and Supplemental Direct)	FPL	Direct – 8, 9, 11, 12, 13, 14, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 32, 34, 35, 36, 43, 44, 45, 51, 54, 56, 57, 58, 59, 66, 70, 79, 80, 81, 88, 91, 92, 93, 94, 96, 97, 99, 100, 101, 102, 103, 104, 105, 138, 141, 142, 143, 144, 145, 146, 147, 148, 149, 152, 153, 154, 155, 156, 157 Supplemental Direct - 14, 22, 36, 94, 102, 103, 138, 142, 145, 149
Steven P. Harris	FPL	76, 77
William E. Avera	FPL	48, 49, 50, 51
Moray P. Dewhurst	FPL	1, 42, 46, 47, 48, 49, 50, 51, 76, 77, 85, 138, 143
Rosemary Morley	FPL	4, 52, 58, 96, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 140, 150, 151, 152

Witness	Proffered By	Issues #
Donna DeRonne	OPC	29, 51, 70, 71, 79, 84, 85, 86, 95, 104, 105, 158, 159
David E. Dismukes	OPC	2, 3, 4, 37, 38, 39, 40, 41, 42, 48, 52, 58
Kimberly H. Dismukes	OPC	28, 53, 54, 58, 60, 61, 62, 63, 64, 73, 81
Hugh Larkin, Jr.	OPC	11, 15, 16, 20, 21, 23, 24, 25, 30, 31, 32, 33, 35, 36, 43, 44, 48, 138, 149
+Michael J. Majoros, Jr. (Direct and Surrebuttal)	OPC	Direct - 9, 10, 11, 12, 13, 14 Surrebuttal - 9, 10, 11, 12, 13, 14
Patricia W. Merchant	OPC	66, 76
Helmuth W. Schultz, III	OPC	82, 83, 89, 90
J. Randall Woolridge	OPC	46, 47, 49, 50, 51
Stephen A. Stewart	AARP	11, 48, 49, 66, 76, 94
James Selecky	CG	19, 37, 48, 49, 66, 76, 77, 105, 107, 108, 130, 135, 138, 149, 150
Teresa Civic and Jess Galura (Joint)	CG	28, 37, 42, 48, 135
Dennis W. Goins	FEA	108, 111
Matthew I. Kahal	FEA	47, 48, 49, 51
Sheree L. Brown	FRF	2, 3, 4, 23, 24, 26, 29, 32, 34, 35, 36, 44, 48, 49, 52, 58, 66, 69, 70, 76, 77, 79, 80, 81, 89, 91, 102, 103, 104, 105
Stephen J. Baron	SFHHA	107, 108, 110, 111, 112, 113, 114, 115, 127, 131, 135, 137
Richard A. Baudino	SFHHA	48, 49, 50, 51

Witness	Proffered By	Issues #
Lane Kollen	SFHHA	14, 15, 19, 30, 31, 32, 34, 35, 36, 42, 48, 50, 51, 58, 66, 70, 76, 77, 81, 88, 89, 91, 100, 102, 103, 105, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 156, 157, 160, 161
*Kathy L. Welch	STAFF	None
Carl S. Vinson, Jr. and Robert "Lynn" Fisher (Joint)	STAFF	4, 5, 6
Sidney W. Matlock	STAFF	48
Rebuttal		
Leonardo E. Green	FPL	3, 58, 139
John H. Landon	FPL	7, 38, 41, 42
Dennis Brandt	FPL	53, 55, 133
Nancy A. Swalwell	FPL	25, 95
William M. Stout	FPL	9, 11
K. Michael Davis	FPL	8, 9, 10, 11, 12, 13, 14, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 29, 30, 31, 32, 33, 34, 34A, 35, 36, 43, 44, 45, 51, 54, 56, 57, 58, 60, 61, 62, 63, 64, 66, 70, 71, 79, 80, 81, 88, 91, 92, 93, 94, 97, 99, 100, 101, 101A, 102, 103, 104, 105, 138, 141, 142, 143, 144, 145, 146, 147, 148, 149, 152, 155
Steven P. Harris	FPL	76, 77
William E. Avera	FPL	49, 50, 51, 63
Moray P. Dewhurst	FPL	1, 42, 46, 47, 48, 49, 50, 51, 76, 77, 85, 138

Witness	Proffered By	Issues #
Rosemary Morley	FPL	107, 108, 110, 111, 112, 113, 130, 131, 135, 150

VIII. BASIC POSITIONS

FPL: FPL does not take lightly the need to request a base rate increase at this time. It has been more than twenty years since FPL last found it necessary to seek an increase in its base rates. In fact, over the past twenty years FPL has not only avoided a base rate increase but has actually had three rate reductions substantially lowering base rates, despite having made massive capital investments to meet the needs of a customer base of more than 4.2 million customers, approximately 1.6 million or 61% more customers than were served in 1985. Such investments, totaling more than $18 billion, have included more than $3 billion in the construction of new generating capacity and more than $8 billion in the expansion of FPL's transmission and distribution system. During this same period of time, FPL was able to lower its retail base rates by 16%, while the Consumer Price Index increased by over 80%. These accomplishments are attributable to a number of efforts and factors, including a regulatory climate and framework that generally have been conducive to such cost-savings initiatives.

If not for FPL's cost-savings initiatives and efficiency improvements, FPL's base rates would have had to increase long before now. Instead, FPL's customers will have realized direct savings of almost $4 billion as of December 31, 2005, as a result of the two rate reductions and associated refunds implemented by the Company pursuant to two revenue sharing plans approved by the Commission that have been in place over the past six years. However, customer growth in Florida is expected to continue. In the face of such steady growth, and based on FPL's current financial projections, further productivity efficiencies and cost-savings initiatives alone will not be sufficient for the Company to continue to effectively and reliably meet the electric needs of existing and new customers at current base rates. Therefore, FPL requests increases in rates beginning January 1, 2006, coincident with the end of the current revenue-sharing plan approved by the Commission in Docket No. 001148-EI.

As presented in the testimony and exhibits of FPL's witnesses, the management and employees of FPL have worked diligently to enable the Company to avoid increases in its base rates despite escalating costs, significant growth in the number of customers served as well as per customer consumption, and increased reliability requirements and other customer expectations. FPL's accomplishments reflect the efforts of a strong management team and a quality-driven work force, efforts that have been facilitated through progressive and responsible regulation. Collectively, these efforts have succeeded in delaying as long as possible increases in FPL's retail base rates while keeping pace with Florida's rapid growth and demand for power. Although price increases routinely are seen in insurance, health care, and other sectors of the economy, the Company has managed its operations in a way that has resulted in significant actual price decreases and substantial customer savings. After twenty years, an increase in retail base rates now is necessary to ensure that FPL can continue to provide safe and reliable electric service at the levels its customers have come to expect and that are consistent with the Company's past record of superior performance. The testimony of FPL's witnesses demonstrates the success of the Company's efforts, and its very favorable position relative to other electric utilities.

The details of the rate base, operational and maintenance ("O&M") expenses, and other factors driving the need for rate relief are more fully reflected in the testimony and exhibits of FPL's Company witnesses as well as the minimum filing requirements ("MFRs") and schedules filed in this proceeding. The impact of adding new generating facilities alone will result in significant incremental revenue requirements in 2006, the first full year of operation for Martin Unit 8 and Manatee Unit 3, and in 2007 when Turkey Point Unit No. 5 is placed into service. The projected installed costs of these three units are $403.6 million, $483.2 million, and $580.3 million, respectively. Further, the Company's capital expenditures for its nuclear division between 2005 through 2007 are expected to exceed $780 million, including $520 million for nuclear reactor vessel head and steam generator replacements. Incremental additions to transmission and distribution ("T&D") plant in service between 2002 and 2006 are projected to increase by $2.4 billion. Indeed, FPL's total electric plant in service is projected to increase by over $5 billion from 2002 (the date FPL's base rates were last established) and 2006, the test year.

The projected period January 1, 2006 through December 31, 2006 serves as the test year on which FPL has calculated its revenue deficiency in this case. The test year in a rate case provides an appropriate period of utility operations that may be analyzed so the Commission can set reasonable rates for the period the new rates will be in effect. The period January 1, 2006 through December 31, 2006, adjusted for the addition of Turkey Point Unit 5 in 2007, best represents expected future operations. One of the major factors underlying the need for a change in base rates is the addition of needed generating resources. Martin Unit No. 8 and Manatee Unit No. 3, although determined to be the lowest cost resources to meet customers' needs (at a combined projected installed cost of approximately $887 million), will add substantial, incremental revenue requirements to the FPL system during their first full year of commercial operation in 2006. Additionally, more than $210 million in new plant associated with essential upgrades to FPL's nuclear units will have been placed in service during 2004 and 2005. Using the projected twelve-month period ending December 31, 2006 as the test year will reflect the first full year of service for these new capital additions and will provide a more accurate representation of these and other increasing costs for the purposes of setting rates effective January 1, 2006.

Despite the continuing efforts on the part of FPL's management and employees to control and reduce expenses, maintaining adequate and reliable service will require substantial additional investment. The Company has added significant generating resources to its system since 1985 without the need for any retail base rate increases and despite having implemented $600 million in annual base rate reductions in recent years. However, to meet the needs of its customers, from 2002 to 2007 the Company is adding generation resources at a much faster rate, due in part to the incremental reserve margin requirements approved by the Commission in Order No. PSC-99-2507-S-EU, issued December 22, 1999.[1] The Company cannot continue to absorb future capacity additions under its current rate structure without incremental revenues to cover the associated capital and non-fuel O&M requirements, even though such additions are determined to be the low cost resource options.

From 1986 through 2007, FPL has added or will have added approximately 8,000 MW of generation. During the first seventeen years of this period (1986 – 2002), FPL added 4,000 of those 8,000 MW, representing an average of only 235 MW per year. Customer demand grew at a higher rate during this time, but the Company was able to meet incremental load requirements through productivity, reliability and capacity improvements in its existing generating fleet (resulting in real savings to customers), and through purchased power, the costs of which were immediately reflected incrementally in Fuel and Capacity Clause factors. FPL will not be able to continue meeting such a large portion of its incremental load requirements through such measures. FPL will add nearly 4,000 MW of low cost generating capacity during the five-year period following 2002, the year in which base rates were last set. This represents an average addition of nearly 800 MW per year, or more than three times the rate of the prior seventeen years. FPL cannot continue to add such significant generating capacity at existing base rate levels--rates that are lower today than they were in 1985.

FPL is facing other substantial capital requirements as well. Significant investment will be required to maintain FPL's nuclear units, ensuring the continued operation of these important, base-load generating units and the provision of low-cost energy through the end of their current operating licenses, and preserving the option to extend such operations into the future. Specifically, by the end of 2007 FPL will have incurred more than $520 million in capital expenditures in connection with the steam generator and reactor vessel head replacements. More than $210 million of that amount is expected to be placed in service during 2004 and 2005. In addition, significant investments in new T&D infrastructure will be required for FPL to continue to meet its obligation to serve at the high degree of reliability customers expect. Excluding storm restoration

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[1] Pursuant to the stipulation approved by the Commission in Order No. PSC-99-2507-S-EU, FPL increased its reserve margin planning criterion from fifteen to twenty percent, effective the summer of 2004.

expenditures associated with Hurricanes Charley, Frances, and Jeanne, annual T&D capital expenditures are anticipated to be on the order of approximately $700 million, which by comparison is similar in magnitude to the investment required to add a new power plant each and every year.

For years, FPL has been either reducing or holding the line on O&M expenditures despite steady growth in demand and the number of customers served, and while achieving and maintaining high levels of service reliability. Like most companies, FPL is facing external cost pressures in a number of areas, particularly from the health care and insurance sectors. These factors began to manifest themselves in 2001 and were reflected in FPL's forecasted non-fuel O&M projections during its last rate case. Actual non-fuel O&M expenditures for 2002 were generally on target and were over $143 million higher than 2001, representing the first significant increase in non-fuel O&M in over 10 years. It is anticipated that there will be continued upward pressure on O&M over the next several years due to the cumulative effects of inflation, customer growth and operational requirements.

The extraordinary 2004 storm season required expenditures that depleted FPL's entire storm damage reserve and taking it negative by approximately $533 million (jurisdictional). But even with the recovery of the deficit through the surcharge that has been approved by the Commission in Docket No. 041291-EI, at current accrual levels the storm damage reserve balance will not reach adequate levels for many years, if ever. FPL projects the need to increase the annual accrual to the Storm Damage Reserve by approximately $100 million in order to rebuild and maintain a reasonable reserve to respond to upcoming and future storm seasons. FPL's request for relief in this docket also asks the Commission to take into account the outcome of Docket No. 041291-EI. Thus, FPL's base rates established as a result of this docket should reflect the effects of the Commission's decision in Docket No. 041291-EI, including capitalization of a portion of the storm costs.

To address FERC transmission independence issues, the Commission issued Order No. PSC-01-2489-FOF-EI in Docket 001148-EI, directing investor-owned utilities operating in peninsular Florida to file a proposed Independent System Operator structure, a form of RTO. FPL estimates that annual incremental costs associated with participation in an RTO will average approximately $100 million. To remain positioned to meet the implementation requirements for an RTO, FPL must be assured that these significant costs will be recovered.

Though only a partial listing of incremental costs the Company will face over the next few years, the estimated revenue requirement impacts of the major factors described above are substantial. The Company's jurisdictional 13-month average rate base for the period ended December 31, 2006 is projected to be $12.4 billion. FPL's jurisdictional net operating income for the same period is projected to be

$783 million using the Company's rates currently in effect. The resulting adjusted jurisdictional rate of return on average rate base is projected to be 6.31%, while the return on common equity is projected to be 8.47% for the test year. In this case, the Company requests that it be allowed an overall rate of return of 8.22%, which equals FPL's total cost of capital, including a range of return on common equity of 11.30% to 13.30%, with a midpoint of 12.30%. This range and midpoint include a performance incentive of 50 basis points in recognition of the Company's superior overall performance and to encourage continued performance achievements. The total resulting base revenue deficiency in 2006 is $384,580,000. However, this amount assumes certain adjustments between base rates and FPL's Fuel and Capacity Clauses, resulting in a net shift of $45,618,000 from base rates to the Capacity Clause as described below. These and other figures included the Company's Petition for a Rate Increase and filing do not include the effects of the Commission's decision in Docket No. 041291-EI and the review of FPL's updated depreciation study in this consolidated proceeding. The impacts on rate base, total operating expenses, and net operating income are summarized in FPL's positions on issues 36, 102, and 103, respectively.

In connection with its request, FPL proposes certain Company adjustments to the 2006 test year net operating income ("NOI"). The proposed Company adjustments are described by Mr. Davis in his testimony and summarized on page 3 of MFR C-2, Document No. KMD-3. Three of those adjustments relate to the Fuel and Capacity Clauses. Specifically, FPL proposes: (1) to transfer its 2006 projected incremental power plant security costs from Capacity Clause recovery to base rate recovery; (2) to transfer to the Capacity Clause certain St. Johns River Power Park ("SJRPP") capacity costs and certain capacity revenues that are currently embedded in base rates; and (3) to transfer its 2006 projected incremental hedging costs from Fuel Clause recovery to base rate recovery. The NOI impact of these transfers, respectively, are a $6,682,000 reduction to NOI, $34,980,000 increase to NOI, and a $134,000 reduction to NOI, as reflected in MFR C-2. The net impact of these three adjustments is to transfer the recovery of costs from base rates to the Capacity Clause that, if the adjustments were not made and the costs were recovered instead through base rates, would reduce FPL's test year NOI by $28,164,000, yielding an additional $45,618,000 of test year revenue requirements to the requested revenue increase of $384,580,000 referenced above and set forth in Mr. Davis' Document No. KMD-4. The specific dollar amounts related to these adjustments for which FPL is requesting base rate recovery are: $11,032,121 for incremental security, as reflected in MFR C-43, and $496,485 are incremental hedging costs as reflected in MFR C-42. The specific dollar amount related to the SJRPP adjustment for which FPL is requesting Capacity Clause recovery is $56,945,592, as explained in FPSC Order No. PSC-94-1092-FOF-EI. The adjustments relating to security and hedging costs would be such that FPL thereafter would seek to recover through the Capacity Clause only incremental power plant security costs that exceed $11,032,121 in a calendar year, and through the Fuel Clause, only incremental hedging costs that exceed $496,485 in a calendar year.

The depreciation rates used in FPL's 2006 test year are the result of a depreciation study that was filed in March 2005 pursuant to Order No. PSC-02-1103-PAA-EI and Rule 25-6.0436, F.A.C. Consistent with Commission Rules and longstanding practice, FPL filed its update to the depreciation study on July 1, 2005. FPL's request for relief in this docket asks the Commission to take into account the effect of the updated depreciation study. Thus, the base rates established as a result of this docket should reflect the depreciation rates contained in the updated FPL deprecation study.

FPL's request includes a performance incentive of 50 basis points based on its impressive record of providing safe and reliable electric service. FPL's performance levels generally have been and are well above industry averages and in many cases have been among the highest in the industry. At the same time, FPL has avoided an increase in base rates for more than twenty years by successfully managing costs and achieving operational efficiencies. A performance incentive serves to support and encourage FPL management's long-term efforts to continue improvement in quality of service and efficiency of operations, and sends an appropriate signal to public utilities in the state of Florida that superior performance will be recognized and rewarded. Such an approach is consistent with the Commission's authority and also its past policy and practice. In setting rates, the Commission may "give consideration, among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public." Section 366.041(1), F.S., 2004. In consideration of such factors, a 50 basis point performance incentive added to the Company's midpoint and authorized range is appropriate.

2007 Limited Scope Adjustment

FPL also requests an additional base rate increase in 2007 upon commercial operation of Turkey Point Unit 5 in 2007, for which the Commission recently made an affirmative determination of need in Order No. PSC-04-0609-FOF-EI, issued June 18, 2004, in Docket No. 040206-EI. Pursuant to the Commission's authority made explicit in Section 366.076, Florida Statutes, as well as Rule 25-6.0425, Florida Administrative Code, FPL is requesting approval of a limited scope adjustment to begin 30 days following the commercial in-service date of Turkey Point Unit 5, projected for June 2007, to allow FPL to generate incremental annual revenue requirements in the amount of $122,757,000.

FPL proposes to base the amount of the adjustment on the annualized incremental revenue requirements for Turkey Point Unit 5 of $122,757,000; the expected impact in 2007 due to only a partial year of commercial operations is

$66,096,000, based on an in-service date of June 1, 2007. This adjustment is a conservative proxy for the full increase in revenue requirements that FPL expects for 2007 and beyond because it does not take into account increases in other costs of service. However, FPL is prepared to accept this partial measure of additional rate relief in the interest of administrative efficiency, limiting the necessary regulatory review to the relatively narrow issue of Turkey Point Unit 5's revenue requirements. This will avoid burdening customers and the Commission, as well as FPL, with the time and expense of a full 2007 revenue requirements proceeding. Further, such limited review is consistent with the Commission's authority under Section 366.076, Florida Statutes, and Rule 25-6.0425, Florida Administrative Code, as well as past Commission action in proceedings that addressed the additional costs associated with power plants scheduled to be placed in service shortly after the effective date of new rates.

In addition, FPL's proposal addresses the timing issue associated with the differing dates on which the AFUDC will stop accruing for Turkey Point Unit 5 and on which customers' bills will reflect the foregoing adjustment. Upon the placement of Turkey Point Unit 5 into commercial service, the AFUDC accruals will cease. Because the application of the new tariff will not be applied to meter readings until 30 days after this date, and taking into account the cycle billing process, FPL will under-recover costs otherwise charged as AFUDC. FPL proposes to recover the resulting under-recovered dollar amount through the Fuel 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 No. 12348, in Docket No. 820097-EU.

Gross Receipts Tax, New Rate Schedules, Service Charges, and Other Adjustments

In connection with its request for an increase in rates, FPL also is requesting to consolidate the entire recovery of gross receipts tax into the separately stated line item on customers' bills. Further the Company is requesting the approval of certain changes to existing rate schedules, the adoption of three new rate schedules, the replacement of one and the closure and eventual termination of another existing rate schedule, changes in existing service charges, and other adjustments outlined below.

Because FPL is the only investor-owned electric utility that has not increased its base rates since the gross receipts tax was increased in 1992, it is the only such utility that continues to have a portion of its gross receipts tax embedded in base rates. FPL is proposing that it remove from base rates the remaining embedded portion of the gross receipts tax and add that amount to the separate line item charge for the collection of gross receipts taxes, thus eliminating a source of billing confusion and bringing its approach into alignment with other investor-owned electric utilities in Florida.

FPL is proposing certain changes to existing rate schedules. For example, FPL proposes to raise the inversion point on the RS-1 rate schedule from 750 kWh to 1,000 kWh, reflecting generally the increase in electric use per customer since the 750 kWh inversion point was established in 1977. The energy charges would be 3.481 cents for the first 1000 kWh and 4.481 cents for all additional kWh. FPL also proposes to simplify current rate structures by establishing a single set of energy and demand charges for rate schedules GSD-1, GSLD-1, GSLD-2, CS-1 and CS-2, eliminating the 10 kW exemption for the GSD-1, GSDT-1 and CILC1-G rate schedules, and establishing customer charges based on each class's customer unit costs. Further, FPL is proposing certain adjustments, including increasing pole and conductor charges, to rate schedules SL-1 and OL-1 to better match the cost of such services.

In connection with its request for base rate increase, FPL also proposes the adoption of three new optional rates, including two time-of-use ("TOU") rates available to commercial/industrial customers with at least 21 kW of billing demand. A High Load Factor TOU rate will provide a cost-based rate that is attractive to higher load factor customers while also providing a time-differentiated price signal. A Seasonal Demand TOU rate will provide a time-differentiated rate with a narrower on-peak window than that specified under the standard TOU rates. The third rate proposed by FPL is a 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. These proposed new optional rates and their intended application and effect are described in more detail by Ms. Morley in her testimony. Tariff sheets applicable to these three new rates are included in Attachment No. 1 of MFR E-14.

FPL also proposes to close the existing Premium Lighting rate schedule PL-1, and replace it with a Decorative Lighting rate schedule, SL-3. SL-3 is very similar to PL-1, with the most notable exception being the use of generic rather than specific project estimates to reduce the time and resources required to administer this schedule. In addition, FPL is proposing to close rate schedule WIES-1 to new delivery points effective January 1, 2006, and to transfer existing customers to other rate schedules by January 1, 2007. The schedule has failed to produce the aggregate threshold energy usage set forth in tariff sheet 8.120.

FPL's filing proposes to alter certain existing charges and fees for miscellaneous services such as connects/disconnects, reconnects after non-payment, field collections on past due accounts, late payment fees and returned check charges. FPL's proposal to revise these fees is based on an updated cost of service study, relevant sections of the Florida Statutes governing returned check fees, and/or the amount of such charges of other Florida utilities as approved by the Commission.

FPL's proposed rates and rate design also include measures that will address the differences between the rates of return ("ROR") achieved for the various rate classes. Ideally, the revenue for each individual rate class would be set at a level that results in a rate of return index of 100%, i.e., the ROR for each rate class would be equivalent to the overall ROR for the Company. However, that is currently not the case. The RORs for some rate classes are higher than the overall ROR for the Company, while the RORs for other rate classes are much lower than the overall ROR. This proceeding provides an opportunity to effect a substantial reduction in those differences. The increase should be allocated as shown in MFR E-8 of FPL's filing. The proposed revenue increase allocation moves all rate classes closer to parity while limiting the base rate increase to any individual rate class to 25%. The use of the rule-of-thumb which limits increases to any rate class to no more than 150% of the system average should be rejected in this case. The use of the rule-of-thumb would allow extreme disparity in the parities by rate class to perpetuate and would unfairly burden rate classes which are above parity.

Conclusion

As a provider of retail electric service to residents of Florida, FPL is obligated by statute to provide such service in a reasonable, "sufficient, adequate, and efficient" manner. Section 366.03, F.S., 2004. In return, FPL's shareholders must be provided the opportunity to earn a reasonable and adequate return on their investment. Without the revenue increase requested, the obligations to each constituency are impaired. If FPL is rendered unable to meet its obligations to its customers, and shareholders are denied a fair return on their investment, both stakeholder groups will suffer. FPL's ability to continue meeting customer needs with adequate, reliable service would be impaired, eventually resulting in potentially higher costs of electricity, while the shareholders will suffer from an inadequate and confiscatory return on investment and will seek investment alternatives, ultimately raising the cost of capital to FPL and its customers.

Absent the requested rate relief in 2006, the Company's filing projects that it will earn a return on equity of 8.47 % in 2006 and 7.77 % in 2007. These rates of return are below the midpoint recommended by FPL's witnesses and are insufficient to support the needs of the Company and its customers. For these and other reasons detailed in the testimony and exhibits of FPL's witnesses, FPL is respectfully requesting an increase in rates, charges, and adjustment factors that will produce an increase in total annual revenues of $430,198,000 beginning January 1, 2006 (consisting of a base rate increase in the amount of $384,580,000 and a net shift from base rates to the Capacity Clause of $45,618,000), and $122,757,000 beginning 30 days following the commercial in-service date of Turkey Point Unit No. 5 projected for June 2007. FPL has requested that, in setting FPL's new base rates, the Commission take into account the impacts of FPL's July 1, 2005 updated depreciation study and the results of the Commission's decision in Docket No. 041291-EI on FPL's storm cost recovery petition. The requested increases will provide FPL with a reasonable opportunity to earn a fair rate of return on the Company's investment in property used and useful in serving the public, including a range of return on the Company's common equity capital of 11.30% to 13.30%, with a midpoint of 12.30%.

OPC: Agreements with FPL over the past six years have resulted in base rate reductions totaling $600 million per year for customers of FPL. Even with these base rate reductions, FPL has maintained high rates of return. It is now up to the Commission to determine new fair and reasonable rates for the customers of FPL. Analysis of the company's MFR's and responses to discovery requests show that the Commission should reduce FPL's rates by approximately $679 million per year in this proceeding. This is so because in its case the company has understated revenues, overstated expenses and rate base, requested an unreasonably high return on equity (including a return on equity "bonus"), and failed to return its large depreciation surplus to customers over a reasonable length of time.

Test year revenues should be adjusted to reflect updated population projections. FPL's adjustment to reduce 2006 revenues on account of the 2004 hurricane season should be rejected as inconsistent with recent data and because similar adjustments have been wrong in the past. The Commission should also not allow FPL to change its treatment of gas margin revenues from sales of gas in its regulated service area. Such revenues should continue to benefit utility customers as they have in the past.

Expenses have been vastly overstated by FPL. Inclusion of $104 million in the 2006 test year for GridFlorida should be rejected because implementation of GridFlorida on January 1, 2006, is highly improbable and at odds with FPL's position that the costs of GridFlorida exceed its benefits. FPL's requested storm damage accrual is unnecessarily high and gives insufficient recognition to other methods of recovering extraordinary costs other than through base rates. FPL overallocates affiliate management fees to utility customers; adjustments should be made to use factors better reflecting relative benefit, and more up to date factors should be used to allocate costs to fast growing affiliates. FPL's projection for higher uncollectible expense should be rejected. No expenses related to image building should be allowed. Projected expenses peaking in the test year should be normalized. FPL's projected payroll expense which assumes all authorized position will be filled positions is unrealistic and inconsistent with past history. Payroll expense and other associated expenses should be reduced to reflect a normal level of unfilled positions. Further, incentive compensation should be split 50/50 between the company and customers, while long term incentive compensation designed to increase shareholder value should be paid by shareholders. Similarly, director and officer liability insurance, which has risen dramatically since settlement of a shareholder derivative suit, is a responsibility of stockholders. Charitable donations should also be a responsibility of stockholders; customers should not be required to make donations to charities selected by FPL through higher electric rates.

The Company's proposed rate of return is excessive due to an inflated long-term debt cost rate and an overstated equity cost rate. FPL's long-term debt cost rate of 5.89% includes four proforma financings at interest rates well above current market yields. The company's capital structure contains a common equity ratio which is higher than other operating electric utility companies and is much higher than the common equity ratios of publicly-held electric companies. FPL's requested return on equity of 11.8% is unreasonably high due to (1) an upwardly-biased expected growth rate in the company's DCF equity cost rate, (2) the use of forecasted interest rates that are well in excess of the current long-term market yields, (3) excessive risk premium estimates in his various risk premium approaches, and (4) the lack of a financial risk adjustment as well as an inappropriate flotation cost adjustment.

A PSC mandated bonus of approximately $50 million per year from the customers of FPL to FPL is unwarranted. Other Commissions generally do not give bonuses for past performance, and FPL has already been rewarded through incentive regulation in effect during past years. FPL also can not claim full credit for declining average cost per customer in the past. The plethora of clauses in effect in Florida protect the company from increased average cost. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past.

The Commission should require FPL to return its large depreciation surplus to customers over a more reasonable length of time than proposed by the company. In the past, and even in this case, FPL has requested action from the Commission to quickly recover depreciation reserve deficits. Intergenerational inequity has been cited by the company in support of such requests. The same logic and principles apply to past overrecoveries of depreciation expense, just as they do to past underrecoveries. Customers in the past have quickly funded depreciation reserve deficits, and depreciation reserve overrecoveries should likewise be flowed back quickly to customers.

Actual rate base amounts to date are considerably less than the amount projected by the company for the same time period; adjustments should be made to the rate base projected for 2006 to take into consideration actual experience. In a similar vein, projections for Manatee Unit 3 and Martin Unit 8 exceeded actual costs, and an adjustment should be made for this. Projected CWIP is not plant in use and serving customers; customers should not be required to pay a return on such plant as proposed by FPL. FPL's request for a return on $136 million of plant held for future use is unrealistic and is more than twice the actual amount experienced in recent years. The Commission correctly deducts from working capital overrecoveries from adjustment clauses and should not change its practice as requested by FPL.

The Commission should not approve FPL's request for an additional base rate increase in 2007 on a account of FPL's projected in-service date of the Turkey Point Unit 5. Ratemaking principles require an examination of all expenses, revenues, and rate base effects in setting rates. In effect, FPL's request asks the Commission to ignore all impacts except capital costs, operating expenses and tax impacts for Turkey Point Unit 5 using a fiscal year ending May 31, 2008. This ignores important offsetting impacts, including increased revenues reflecting strong customer growth and growing usage per customer. In addition to ignoring offsetting impacts, projections into 2007 and 2008 are far too uncertain for ratemaking.

AARP: AARP's basic position is that Florida Power & Light Company is not entitled to any rate increase, but, rather, should have its rates reduced by the annual revenue reduction being advocated by the Office of Public Counsel.

AG: FPL's base rates and charges should be reduced by an aggregate of at least $679 million per year, and FPL's request for a base rate increase should be denied in its entirety. The Attorney General submits that the Commission should reduce FPL's retail base rates by at least $679 million per year, based upon the analyses of FPL's Minimum Filing Requirements ("MFRs"), FPL's testimony and exhibits, discovery responses submitted by FPL in these cases, and as explained by the testimony and exhibits of the witnesses for the Consumers in these cases.

The Attorney General's position is based on FPL's MFRs, testimony, exhibits, and discovery responses, and is summarized here as follows:

1. FPL's requested rate of return on equity ("ROE") is grossly excessive relative to the risks that FPL actually bears in its Florida operations. Significantly, more than 64% of FPL's total operating expenses is recovered through pass-through surcharges and tax adders, for which FPL bears effectively zero risk. An ROE of 11.8% as requested by FPC, after-tax, is more than two and one-half times the current rate paid on Certificates of Deposit and long-term U.S. Treasury bonds, and would provide an unwarranted return to FPL's investors relative to the minimal risks that they bear.

2. FPL's request for $104 million of additional revenues for its selected 2006 Test Year for alleged expenses associated with the GridFlorida Regional Transmission Organization ("GridFlorida") is speculative and, even by FPL's own admission, is almost double the expenses that FPL (speculatively) claims it will incur in the Test Year. Accordingly, the entire amount of $104 million ($102.6 million jurisdictional) per year should be disallowed.

3. FPL has understated its customer growth, relative to actual experience so far in 2005. Adjusting for this forecasting error, the Commission should reduce FPL's requested rate increase by $34 million per year.

4. FPL has accumulated aggregate depreciation reserves of approximately $2.4 billion since its last depreciation study in 1997. To provide fair treatment to the customers who have paid in the monies that created this surplus and to provide treatment for customers in this depreciation surplus situation that is consistent and symmetric with the treatment afforded FPL and other utilities in depreciation deficit situations, the Commission should amortize at least a substantial amount of this surplus over 4 to 10 years. The result of this adjustment, together with corrections in FPL's depreciation expenses, will reduce FPL's retail base rates by approximately $264 million per year.

5. FPL's request for a five-fold increase in its annual accrual to its Storm Damage Reserve is excessive, particularly in light of the Commission's recent decisions authorizing special storm cost surcharges in Docket No. 041291-EI, and also particularly in light of the newly available tools created by Senate Bill 1366, commonly known as the "Securitization Legislation," enacted by the Florida Legislature and signed into law by Governor Bush.

6. FPL has improperly included Construction Work in Progress ("CWIP") in rate base, even though such inclusion is not necessary to satisfy the Commission's financial integrity.

7. FPL's revenue requirements for the 2006 test year should be reduced by numerous other adjustments, including but not limited to the following:

   a. FPL has overstated the number of employees for the Test Year. Correcting this overstatement reduces FPL's Test Year revenue requirement by $16.2 million.

   b. The portion of FPL's projected incentive compensation that does not require actual cash outlay should be removed from the Test Year revenue requirement, which will thus be reduced by $17 million.

   c. FPL has overstated its bad debt expense. Correcting for this overstatement reduces FPL's Test Year revenue requirement by $3 million.

   d. FPL has overstated costs associated with an anticipated increase in postage rates. Correcting for this overstatement reduces FPL's Test Year revenue requirement by $1.32 million.

   e. FPL has inappropriately requested deferral of out-of-Test-Year rate case expenses into the Test Year and inclusion of the unamortized balance in rate base.

Properly eliminating rate case expenses reduces the Test Year revenue requirement by $5.001 million.

f. FPL has not adjusted its accruals to its Last Core Nuclear Reserve and its Nuclear End-of-Life Materials and Supplies Inventory to reflect the extension of the license lives of its nuclear plants. The Commission should suspend accruals to these reserves until FPL justifies the proper levels of such accruals, with the result that Test Year revenue requirements will be reduced by $7.597 million.

g. FPL's request to recover $1.538 million per year in charitable contributions should be disallowed.

h. FPL has understated its regulatory liability for nuclear maintenance reserves. Correction of this error reduces the Test Year revenue requirements by $7.2 million.

Finally, with regard to FPL's request for approval of new future rates to take effect when Turkey Point Unit 5 comes in-service, the AG agrees with the Citizens of the State of Florida that proper ratemaking for any given time period (test year) requires thorough examination of all factors, including, without limitation, revenues, sales, capital costs, rate base costs, and operating costs, as those factors exist in that time period, as well as full consideration of all relevant regulatory policies and principles. FPL's request is thus inappropriate and premature. FPL may, of course, if it deems it necessary to ensure that its rates are fair, just, and reasonable, file a complete rate case for a future test period in which Turkey Point Unit 5 will be in-service, which will give the AG and other affected consumers and the Commission a full opportunity to examine all relevant factors and thus allow the Commission to set fair, just, and reasonable rates accordingly.

CG: Based on its experience with electric utility providers across the country, the Commercial Group has found FPL's service to be adequate but not superior to that of other providers to the extent that FPL deserves an ROE incentive adder. One of the significant ways to evaluate the service provided by any provider is to compare its rates versus other providers. An independent analysis by the Edison Electric Institute and the Commercial Group's own experience show that FPL's commercial rates are already relatively higher than many comparable utilities and should not be increased further. The quality of service FPL provides to members of the Commercial Group also is not superior nor do FPL's rate schedules offerings fit well the load profiles of its large commercial customers. That being said, the Commercial Group applauds FPL for its proposed High Load Factor rate schedule, although the load factors break-even points for the schedule should be lowered from 70% to 65% or less in order to make it useful to commercial customers.

FEA: A. As stated in the Joint Complaint and Petition and Request for a Decrease in Rates previously filed in conjunction with other interveners, the FEA believes a rate decrease is in order. The FEA's position is based in part on the positions that the $100 million requested for the GridFlorida RTO is unreasonable, unsubstantiated and imprudent; the approximately $50 million requested as an ROE performance incentive is not justified; the $120 million requested for the storm reserve is highly over inflated; a large portion of the depreciation reserve should be credited to customers; and the requested ROE is over inflated.

B. With regard to the ROE, if the Commission provides a bonus for service quality (performance incentive), then a reasonable rate of return would be 9.0 to 10.0 percent, with a midpoint value of 9.5 percent. If the service quality bonus is denied, then the fair return on equity is 9.0 to 9.5 percent. With a 9.5 percent return on equity, the overall rate of return is 6.74 percent, based on the company's projected future test year capital structure. This includes a cost of long-term debt of 5.65 percent. With respect to the service quality adjustment, FP&L's relatively high retail rates (compared to those of the benchmark utilities) weakens the case for the proposed 0.5 percent performance bonus. The correct flotation expense is 0.1%. The correct cost of long term debt is no more than 6.0%, the embedded cost of long term debt is 5.65%.

C. FPL's proposed 12CP and 1/13th allocation/classification methodology should be approved.

D. The Commission rule of thumb should be followed and no rate should be increased by more than 150 percent of the average system increase.

E. The energy charges in FP&L's proposed CILC rates should be reduced by the appropriate energy-related unit cost of gas turbine production capacity assigned to CILC-1G, CILC-1D, and CILC-1T customers.

FIPUG: The evidence in this case supports reducing, not increasing, FPL's rates. FIPUG will argue that the rate of return sought by FPL is excessive. Further, the amount sought to restore the storm reserve and to administer GridFlorida are unjustified. In addition, to be fair to ratepayers, the Commission should order FPL's depreciation reserve surplus to be reduced fairly rapidly. Finally, in the event the Commission should grant a rate increase, no customer class should be required to pay more than 1.5 times the system average increase.

FRF: FPL's base rates and charges should be reduced by an aggregate of at least $679 million per year, and FPL's request for a base rate increase should be denied in its entirety. The Citizens of the State of Florida, the Florida Retail Federation, AARP, the Federal Executive Agencies, the South Florida Hospital and Healthcare Association, and the Florida Industrial Power Users Group have petitioned the Commission to reduce FPL's retail base rates by at least $679 million per year, based upon their analyses of FPL's Minimum Filing Requirements ("MFRs"), FPL's testimony and exhibits, discovery responses submitted by FPL in these cases, and as explained by the testimony and exhibits of the 18 witnesses for the Consumer Petitioners in these cases.

The Consumers' positions are based on a careful and thorough analysis of FPL's MFRs, testimony, exhibits, and discovery responses, and are summarized here as follows:

1. FPL's requested rate of return on equity ("ROE") is grossly excessive relative to the risks that FPL actually bears in its Florida operations. Significantly, more than 64% of FPL's total operating expenses is recovered through pass-through surcharges and tax adders, for which FPL bears effectively zero risk. An ROE of 8.8%, after-tax, is more than double the current rate paid on Certificates of Deposit and long-term U.S. Treasury bonds, and will provide a fair, reasonable, and generous return to FPL's investors relative to the minimal risks that they bear.

2. FPL's request for $104 million of additional revenues for its selected 2006 Test Year for alleged expenses associated with the GridFlorida Regional Transmission Organization ("GridFlorida") is speculative and, even by FPL's own admission, is almost double the expenses that FPL (speculatively) claims it will incur in the Test Year. Accordingly, the entire amount of $104 million ($102.6 million jurisdictional) per year should be disallowed.

3. FPL has understated its customer growth, relative to actual experience so far in 2005. Adjusting for this forecasting error, the Commission should reduce FPL's requested rate increase by at least $34 million per year.

4. FPL has accumulated aggregate depreciation reserves of approximately $2.4 billion since its last depreciation study in 1997. To provide fair treatment to the customers who have paid in the monies that created this surplus and to provide treatment for customers in this depreciation surplus situation that is consistent and symmetric with the treatment afforded FPL and other utilities in depreciation deficit situations, the Commission should amortize at least a substantial amount of this surplus over 4 to 10 years. The result of this adjustment, together with corrections in FPL's depreciation expenses, will reduce FPL's retail base rates by approximately $264 million per year.

5. FPL's request for a five-fold increase in its annual accrual to its Storm Damage Reserve is excessive, particularly in light of the Commission's recent decisions authorizing special storm cost surcharges in Docket No. 041291-EI, <u>In Re: Petition for Authority to Recover Prudently Incurred Storm Restoration Costs Related to 2004 Storm Season That Exceed Storm Reserve Balance, by Florida Power & Light Company</u>, and Docket No. 041272-EI, <u>In Re: Petition for</u>

Approval of Storm Cost Recovery Clause for Recovery of Extraordinary Expenditures Related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc., and also particularly in light of the newly available tools created by Senate Bill 1366, commonly known as the "Securitization Legislation," enacted by the Florida Legislature and signed into law by Governor Bush. FPL's annual accrual to the storm damage reserve should be limited to $20 million and the requested increase in base rates should be reduced by $99.5 million.

6. FPL has improperly included Construction Work in Progress ("CWIP") in rate base, even though such inclusion is not necessary to satisfy the Commission's financial integrity. Properly removing CWIP from rate base reduces FPL's Test Year revenue requirement by $69.585 million.

7. FPL's revenue requirements for the 2006 test year should be reduced by numerous other adjustments, including but not limited to the following:

a. FPL has overstated the number of employees for the Test Year. Correcting this overstatement reduces FPL's Test Year revenue requirement by $16.2 million.

b. The portion of FPL's projected incentive compensation that does not require actual cash outlay should be removed from the Test Year revenue requirement, which will thus be reduced by $17 million.

c. FPL has overstated its bad debt expense. Correcting for this overstatement reduces FPL's Test Year revenue requirement by $3 million.

d. FPL has overstated costs associated with an anticipated increase in postage rates. Correcting for this overstatement reduces FPL's Test Year revenue requirement by $1.32 million.

e. FPL has inappropriately requested deferral of out-of-Test-Year rate case expenses into the Test Year and inclusion of the unamortized balance in rate base. Properly eliminating rate case expenses reduces the Test Year revenue requirement by $5.001 million.

f. FPL has not adjusted its accruals to its Last Core Nuclear Reserve and its Nuclear End-of-Life Materials and Supplies Inventory to reflect the extension of the license lives of its nuclear plants. The Commission should suspend accruals to these reserves until FPL justifies the proper levels of such accruals, with the result that Test Year revenue requirements will be reduced by $7.597 million.

g. FPL's request to recover $1.538 million per year in charitable contributions should be disallowed.

h. FPL has understated its regulatory liability for nuclear maintenance reserves. Correction of this error reduces the Test Year revenue requirements by $7.2 million.

Finally, with regard to FPL's request for approval of new future rates to take effect when Turkey Point Unit 5 comes in-service, the FRF agrees with the Citizens of the State of Florida that proper ratemaking for any given time period (test year) requires thorough examination of all factors, including, without limitation, revenues, sales, capital costs, rate base costs, and operating costs, as those factors exist in that time period, as well as full consideration of all relevant regulatory policies and principles. FPL's request is thus inappropriate and premature. FPL may, of course, if it deems it necessary to ensure that its rates are fair, just, and reasonable, file a complete rate case for a future test period in which Turkey Point Unit 5 will be in-service, which will give the FRF and other affected consumers and the Commission a full opportunity to examine all relevant factors and thus allow the Commission to set fair, just, and reasonable rates accordingly.

SFHHA: FPL's proposed base revenue increase of $384.6 million for the 2006 test year, net of various clause adjustments, is excessive and should be reduced. Instead of an increase, FPL's base rates should be reduced by at least $224.7 million based upon the following recommendations by SFHHA. FPL should:

1. Reduce O&M expense to set storm damage expense at a reasonable level. ($45.7 million).

2. Reduce O&M expense to remove speculative GridFlorida costs. ($102.5 million).

3. Reduce O&M expense to reflect productivity improvements. ($60.3 million jurisdictional).

4. Reduce the requested return on equity to remove the proposed 50 basis points return on equity performance incentive reward. ($50.2 million jurisdictional).

5. Reduce the required return on common equity to reflect recommendation of Hospitals' witness Mr. Baudino. ($311.3 million jurisdictional).

6. Establish a reasonable capital structure for FPL as a standalone utility in the computation of the rate of return. ($39.3 million jurisdictional).

In addition, the Commission should reject FPL's proposed additional rate increase for Turkey Point 5, based on projections of 2007-2008. FPL's proposed increases for Turkey Point 5 are based on speculative projections that are some four years beyond FPL's historic data.

A. FPL's Proposed Allocation of Its Requested Base Rate Revenue Increase of $384.6 Million Will Produce "Rate Shock."

FPL's proposed increases to some rate schedules will produce "rate shock." Some rate schedules proposed by FPL are substantially in excess of 1.5 times the average retail base rate increase requested by FPL and will receive increases of as much as 21%. In consideration of the impact and the potential for "rate shock" with such large increases, no rate schedule should receive an increase greater than the "1.5 times" cap applied to the average base rate increase, excluding adjustment clauses.

FPL bases its proposed rate schedule increases on the results of its 12 CP and 1/13th average demand cost of service study and an objective to bring each rate schedule to within +/- 10% of the system average rate of return. SFHHA recommends an improved allocation of the base rate revenue increase, if any, given to FPL based on alternative cost of service analyses, as well as the application of a "1.5 times average increase cap" approach. As an alternative, SFHHA offers an approach that focuses on the key summer and winter peaks that drive FPL's generation resource decisions. It is the growth in the summer and winter peak demands that will require FPL to obtain almost 6000 mW of additional generating capacity over the next ten years.

A more efficient cost of service study for FPL is a method based on a summer/winter average CP methodology, coupled with consideration of a "minimum distribution system" approach to the classification of secondary distribution facilities. The parity results using this corrected cost of service study support an equal percentage increase to rate schedules, which should be adopted by the Commission.

Customers should, through the cost of service and rate design process, be provided price signals reflecting the "cost" of their decisions to use and cause the construction of additional scarce generation resources during the summer and winter peak periods. FPL's use of a 12 CP cost allocation methodology does not adequately reflect FPL's planning decisions. As a result, FPL will overbuild capacity, customers will receive the wrong message about the actual cost of their consumption patterns, resources will be misallocated, and pollution may be increased by virtue of running additional generation.

B. FPL's Proposal to Recover the Fixed Costs Associated with Turkey Point 5 on a kWh Basis

Because the fixed costs associated with Turkey Point 5 are demand related, they should be recovered by increasing the kW billing demand charge (or charges) of rate schedules that include a demand charge as part of the rate instead of being recovered on a kWh basis, within rate schedules.

C. FPL's Proposal to Offer a High Load Factor Time of Use Rate ("HLFT") Should Be Adopted by the Commission

FPL's proposal to offer a high load factor time of use rate (HLFT) should be adopted by the Commission. The methodology used by FPL to develop this rate, which is directly tied to the underlying costs for serving general service customers, is reasonable. In the event that the Commission adjusts the revenue increases proposed by FPL for general service rates, either because of a reduction in the overall FPL revenue requirement increase or an alternative allocation of the approved increase, the proposed HLFT rate should be adjusted accordingly.

D. Return on Equity for Florida Power and Light Company

SFHHA concludes that 8.70% constitutes a fair return on equity for FPL's investors. The currently low bond yields suggest lower return on equity requirements by the investing public. Additionally, the change in tax policy enacted by Congress in 2003 reduced federal taxation and caused after-tax dividends to become more valuable to investors. FPL's current bond ratings of Aa3/A are higher than the average utility bond rating of BBB. This indicates that FPL is a lower risk company than the average regulated utility company.

For purposes of estimating the cost of equity for FPL in this case, it is important to note that FPL's cost of equity would be lower than the FPL Group as a whole. This is because the more risky and highly leveraged unregulated operations of FPL Energy increase the risk and the required rate of return of the FPL Group. Florida ratepayers should not have to support the higher cost of capital associated with the FPL Group's unregulated operations. The fair rate of return granted to FPL by the Florida Public Service Commission should only consider the lower risk regulated electric operations of the Company.

FPL's recommended 11.8% return on equity is grossly overstated. Moreover, FPL's recommendation of the adoption of a 50 basis point "incentive" adder further inflates its recommended return on equity to 12.30%. The Commission should reject FPL's inappropriate recommendation for an adder. Such an adder merely inflates the investor required return on equity and harms ratepayers by unjustly increasing rates. If FPL operates efficiently and reduces costs below test period levels, it will receive an "incentive adjustment" because the Company and its shareholders will be able to keep all such cost reductions.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

IX. ISSUES AND POSITIONS

TEST YEAR AND FORECASTING

ISSUE 1: **CATEGORY 1 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 2: **Are FPL's forecasts of customer growth, kWh by revenue class, and system KW for the 2006 projected test year appropriate?**

POSITIONS:

FPL: Yes. FPL's forecast of customer growth, energy sales, and peak demand are appropriate. FPL uses proven econometric models and relies on reasonable assumptions in developing the forecasts. (Green)

OPC: No. The Commission should use the updated population projections provided by the Demographic Estimating Conference released in March 2005 for modeling purposes to reflect more contemporaneous information. In addition, the Company's proposed price adjustment for its proposed storm damage surcharge should be removed in estimating the net energy for load (NEL) per customer. This adjustment has a short-term impact and is being recovered through the storm surcharge. Adjustments should also be made to utilize a different industrial sales model specification to generate empirical results that are more consistent with both economic theory and past sales trends. Specifically, the industrial customer model should be changed to reflect that the dependent variable (industrial customers) is a function of housing starts and that industrial customers lagged by one period. The total revenue impact of the recommended adjustments is an increase for 2006 of $38,550,538. The proposed forecasted customer, NEL/customer, and total NEL are as shown on Schedule DED-1. These adjustment totals include the impact of the hurricane adjustment addressed in Issue 3. (D. Dismukes).

AARP: Agree with OPC.

AG: No. FPL has understated its customer growth and sales revenue.

CG: Agree with the Florida Retail Federation ("FRF").

FEA: No position.

FIPUG: No position.

FRF: No. FPL has understated its customer growth and sales revenue. To correct this error, FPL's revenue requirement should be reduced by at least $34 million per year.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 3: **Is the company's forecast adjustment to its growth and sales projections associated with the 2004 hurricanes appropriate and if not, what adjustments are appropriate to the test year?**

POSITIONS:

FPL: Yes. Based on the historical data regarding the impact of a major storm (Hurricane Andrew) on customer growth, FPL properly made an adjustment to customer growth to account for the impact of the 2004 Hurricanes. No additional adjustments were made to sales projections. (Green)

OPC: No. The Company's proposed "out-of-model" customer forecast adjustment associated with the 2004 hurricanes should be rejected for two reasons. The first is that even if the Company's adjustment is accepted as accurate, it is inappropriate to use a short-term negative growth trend for projecting normal test year customer growth that will be maintained over a longer period of time. Second, the Company's hurricane related adjustment has been based on subjective factors that do not have a very strong empirical foundation. The Company's last experience in making an out-of-model correction was not very accurate. (D. Dismukes).

AARP: Agree with OPC.

AG: No. FPL's revenue requirement should be reduced as set forth by OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: No position.

FRF: No. FPL's revenue requirement should be reduced by between $34 million and $38 million per year.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 4: Are FPL's forecasts of billing determinants by rate class for the 2006 projected test year appropriate?

POSITIONS:

FPL: Yes. FPL has properly forecasted the billing determinants by rate class for the projected test year. The billing determinants by rate class are consistent with the sales and customer forecast by revenue class and reflect the particular billing determinants specified in each rate schedule. (Morley)

OPC: The forecasts should be adjusted for updated population forecasts. In addition, the specification for the industrial customer model should be changed to one where the dependent variable (industrial customers) is a function of housing starts and industrial customers lagged by one period. (D. Dismukes).

AARP: Agree with OPC.

AG: No. The forecasts should be updated to reflect updated population forecasts and actual customer experience.

CG: Agree with the FRF.

FEA: No position.

FIPUG: No position.

FRF: No. The forecasts should be updated to reflect updated population forecasts and actual customer experience.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

QUALITY OF SERVICE

ISSUE 5: **Is FPL's pole inspection, repair, and replacement program sufficient for the purpose of providing reasonable transmission and distribution system protection?**

POSITIONS:

FPL: Yes. For distribution, FPL's pole inspection program consists of three major initiatives: (1) the "targeted" pole inspection program; (2) pole inspections performed as part of FPL's thermovision program; and (3) pole inspections performed as part of daily construction, maintenance and restoration work. Results indicate that these initiatives are effective. In 2004, FPL's pole related outages accounted for 0.2% of total outages and 1% of SAIDI. Also, during the back-to-back 2004 hurricanes, FPL had to replace only 1% of its poles. Finally, SAIFI for transmission poles is zero for the last four years. (Mennes, Williams)

OPC: FPL may not be completing sufficient numbers of its specific pole inspections throughout its territory to identify the condition of deteriorated poles in a timely manner. (Vinson, Fisher).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with OPC.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 6: **Is FPL's vegetation management program sufficient for the purpose of providing reasonable transmission and distribution system protection?**

POSITIONS:

FPL: Yes. For distribution, while there has been a relatively small increase in vegetation related outages during 2000-2003 (there was a decrease in 2004), overall reliability actually improved during this period. Also, in 2006, FPL has requested an increase in its O&M expenses associated with increased lateral tree trimming. For transmission, vegetation related outages have substantially decreased approximately 80% from 1998 to 2004. (Mennes, Williams)

OPC: Vegetation-related outages increased during the period 2000 through 2003. Though a reduction occurred last year, the number of vegetation-related outages remained above the 1999 outage level in 2004. (Vinson, Fisher).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with the OPC.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 7: Is the quality and reliability of electric service provided by FPL adequate?

POSITIONS:

FPL: Yes. FPL has delivered excellent transmission and distribution reliability and outstanding customer service. Overall distribution reliability, as measured by SAIDI has been, on average, better than the EEI national average by 45% over the last 5 years and 51% over the last 3 years. Transmission has been cited for its excellence in a recent NERC Audit and accounts for only approximately 5% of FPL's overall SAIDI. Customer Service has consistently ranked among the highest electric utilities of similar size in national benchmarking studies of operational effectiveness and efficiency. (Mennes, Landon, Santos, Williams)

OPC: Overall, the quality and reliability of electric service provided by FPL is adequate.

AARP: Agree with OPC.

AG: The quality and reliability of electric service provided by FPL is neither superior nor outstanding and does not warrant any additional compensation, in any form, to FPL.

CG: No position on the ultimate issue, but in the CG's experience, FPL's electric service has been adequate.

FEA: No position.

FIPUG: No position.

FRF: The quality and reliability of electric service provided by FPL is adequate, but only average. The quality and reliability of electric service provided by FPL is neither superior nor outstanding.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

DEPRECIATION STUDY

ISSUE 8: **Is FPL's $329.75 million accrued unassigned discretionary balance allocation appropriate based upon the approved settlement agreement in Order No. PSC-02-0502-AS-EI?**

POSITIONS:

FPL: Yes. FPL's updated depreciation study, dated July 1, 2005, appropriately allocates the unassigned discretionary balance to the Nuclear function. (Davis)

OPC: Yes.

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 9: **Has FPL correctly calculated net salvage ratios? If not, what method should be used, and what impact does this have?**

POSITIONS:

FPL: Yes. They have been calculated consistent with the Commission's rules and practice on depreciation, and are designed to recover a reasonable estimate of the cost of removal for the assets in question. (Davis, Stout)

OPC: No, it has not correctly calculated net salvage ratios. The amount of net salvage included in FPL's request far exceeds actual experience because FPL's cost of removal factors have incorporated high levels of future inflation. The net present value of FPL's future net salvage estimates should be used. (Majoros).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 10: **What are the amounts of FPL's reserve deficiencies and reserve surpluses?**

POSITIONS:

FPL: The appropriate reserve deficiencies and surpluses are those included in FPL's depreciation study filed on July 1, 2005. (Davis)

OPC: FPL's March 17, 2005 depreciation study calculated a reserve surplus of approximately $1.6 billion after allocating the $329.75 million accrued unassigned discretionary balance. Citizens calculate the reserve surplus at $2.4 billion using corrected lives and net salvage ratios. (Majoros).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 11: What are the appropriate recovery/amortization schedules for any depreciation reserve excess or surplus?

POSITIONS:

FPL: Consistent with the Commission's rules and practice and with generally accepted accounting principles, the theoretical reserve surplus calculated in FPL's July 1, 2005, depreciation study should be eliminated through reductions in depreciation expense over the remaining lives of the affected assets via appropriate prospective adjustments to the depreciation rates and amortization schedules approved by the Commission. (Davis, Stout)

OPC: Consistent with the treatment of depreciation reserve deficits, the Commission should amortize the surplus. OPC recommends amortization over a ten year period if the Commission agrees with the major adjustments proposed by OPC. However, if the Commission does not adopt the major adjustments recommended by OPC and therefore allows rates materially higher than proposed by OPC, the Commission should follow its past policy and amortize the surplus over a shorter period of time. (Majoros, Larkin).

AARP: The depreciation reserve surplus found to exist by the Commission should be flowed back to the benefit of the customers over five years.

AG: Agree with OPC.

CG: No position.

FEA: Agree with AARP.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 12: **What are the appropriate depreciation rates and recovery/amortization schedules?**

POSITIONS:

FPL: The appropriate depreciation rates and recovery/amortization schedules are those incorporated into the updated Depreciation Study that FPL filed on July 1, 2005. (Davis)

OPC: OPC recommended depreciation rates based on FPL's original March 17, 2005 depreciation study are shown in exhibit MJM-10. These include specific changes to average service lives and survivor curves for accounts 350.2, 352, 357, 358, 359, 361, 366.6, 366.7, 369.7, and 397.8 described on pages 18-22 of the prefiled testimony of Michael J. Majoros, Jr., and use of net present value for net salvage. (Majoros).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 13: **CATEGORY 1 STIPULATION** – See Section XI, Proposed Stipulations

ISSUE 14: **CATEGORY 1 STIPULATION** - See Section XI, Proposed Stipulations

RATE BASE

ISSUE 15: **Should any adjustments be made to the company's projected plant balances for differences between budgeted and actual amounts?**

POSITIONS:

FPL: No. FPL has reasonably forecast plant balances. Selective adjustments to reasonable forecasts to reflect differences between actual and forecast amounts for specific components would be inappropriate. (Stamm)

OPC: Yes. Plant in service should be reduced to reflect the difference between actual plant compared to projected plant for October 2004 through the actual months available in 2005. This ratio should also be applied to the remaining balance of projected plant for 2005 and 2006. This results in a reduction to plant in service for the projected 2006 test year of $132,739,000 on a thirteen-month average basis. The jurisdictional amount is $131,636,000. (Larkin).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: Yes.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 16: **Should any adjustments be made to the projected construction costs of Manatee Unit 3 and Martin Unit 8?**

POSITIONS:

FPL: No. The difference between the most current projection of those units' total cost and the amount included in FPL's 2006 test year MFRs is minimal: less than 1%. Selective adjustments to reasonable forecasts to reflect differences between actual and forecast amounts for specific components would be inappropriate. (Stamm, Yeager)

OPC: Yes. To the extent that budgeted costs exceed the actual construction costs, the projected plant should be reduced accordingly. The adjustment is shown at pages 38-39 of the prefiled testimony of Hugh Larkin, Jr. (Larkin).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 17: **WITHDRAWN**

ISSUE 18: **Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause (ECRC) be included in rate base?**

POSITIONS:

FPL: No. FPL believes it is appropriate to continue recovering ECRC-eligible capitalized items through the ECRC. (Davis)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: Yes.

FRF: No position.

SFHHA: No position.

STAFF: No. The ECRC provides recovery of equipment costs, carrying charges, and periodic upgrades or changes due to environmental compliance activities that would otherwise have to be projected and included in the test year.

ISSUE 19: **Should any portion of capital and expense items requested in the storm docket be included in base rates?**

POSITIONS:

FPL: Yes. The Commission should authorize FPL to reflect in base rates the effects of the Commission's decision in Docket No. 041291-EI. (Davis)

OPC: No position.

AARP: No position.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Yes.

FRF: No position at this time pending further analysis.

SFHHA: No. Those costs are the subject of another proceeding.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 20: **Is FPL's requested level of Plant in Service in the amount of $23,394,793,000 ($23,591,644,000 system) for the projected test year appropriate?**

POSITIONS:

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

OPC: No. The appropriate level of Plant in Service is $23,175,452 on a jurisdictional basis. This reflects a $221,274,000 system reduction and $219,341,000 reduction on a jurisdictional basis. (Larkin).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC that the appropriate amount of Plant in Service is $23,175,452,000.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 21: **Should any adjustments be made to the company's projected accumulated provision for depreciation related to FPL's inclusion of dismantling costs for the Fort Myers Unit No. 3, Martin Unit No. 8 and Manatee Unit No. 3?**

POSITIONS:

FPL: No. The amount included in the Company's filing as shown in MFR B-2 Company Adjustment No. 35 on page 7 of 7 is appropriate. (Davis)

OPC: Yes. Adjustments are appropriate to remove dismantlement cost for the Fort Myers Unit 3, Martin Unit 8, and Manatee Unit 3 as the plant lives of many of FPL's units have been extended and the dismantlement cost of these units has been over recovered in prior years. The reduction to the reserve for these costs is $433,000 on a jurisdictional basis. A corresponding reduction to depreciation expense of $866,000 ($852,000 jurisdictional) should be made. (Larkin).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 22: **Is FPL's requested level of Accumulated Depreciation and Accumulated Amortization in the amount of $11,700,179,000 ($11,803,581,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

OPC: No. Accumulated depreciation should be reduced by $272,140,000 on a jurisdictional basis to reflect changes recommended by OPC witnesses Majoros, Larkin and DeRonne. The final amount is subject to the resolution of other issues.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No. Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 23: **Should any of the Company's 2006 projected construction work in progress (CWIP) balance be included in rate base?**

POSITIONS:

FPL: Yes. FPL should be permitted to include in rate base its projected 2006 level of CWIP that is not eligible to accrue AFUDC under Rule 25-6.0141, F.A.C. (Davis)

OPC: No. CWIP is plant that has not been completed and it is neither used nor useful in generating, transmitting, or delivering current service to ratepayers. CWIP should be excluded from rate base until such time as the cost of the project is considered reasonable and until it is providing service to customers. Further, it does not appear that FPL's times interest earned (TIE) ratio of about 7.0 as of March 2005 will be detrimentally affected to the point where CWIP would need to be included in rates in order to maintain a coverage ratio required by FPL's bond covenants. Finally, qualified construction projects outside of a rate proceeding are allowed to accrue allowance for funds used during construction (AFUDC), which provides for plant to be increased for the rate of return component incurred on CWIP. (Larkin).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 24: **Is FPL's requested level of Construction Work in Progress (CWIP) in the amount of $522,642,000 ($525,110,000 system) for the projected test year appropriate?**

POSITIONS:

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

OPC: No. The appropriate level of CWIP to include in rate base for the 2006 test year is zero. (Larkin).

AARP: Agree with OPC.

AG: No. FPL does not need CWIP in rate base to satisfy financial integrity criteria, and accordingly, all CWIP should be excluded from rate base.

CG: Agree with the FRF.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. FPL does not need CWIP in rate base to satisfy financial integrity criteria, and accordingly, all CWIP should be excluded from rate base.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 25: **Is FPL's requested level of Property Held for Future Use in the amount of \$135,593,000 (\$136,585,000 system) for the projected test year appropriate?**

POSITIONS:

FPL: Yes. FPL's requested level of PHFFU is appropriate and necessary to support customer growth and reliability. The forecast of PHFFU is based upon the Company's normal practice of acquiring property prior to construction. The amount of increase is driven by the rising cost of real estate in Florida, the increasing rate of acquisition, and the nature of property being acquired. (Swalwell)

OPC: No. Plant held for future use should be adjusted to a level which reflects what the company is actually experiencing. The average for the first four months of 2005 should be used as an appropriate on-going level. This results in a reduction of the 2006 13-month average balance by \$79,312,000 (\$78,735,481 jurisdictional). This leaves a balance of \$56,857,519. (Larkin).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No. Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 25A: Should an adjustment be made to test year rate base, pursuant to Rule 25-14.012(3), Florida Administrative Code, for the Unfunded Accumulated Postretirement Benefit (OPEB) Obligation?

POSITIONS:

FPL: No. While Rule 25-14.012 (3), Florida Administrative Code, for the Unfunded Accumulated Postretirement Benefit (OPEB) obligation states "[e]ach utility's unfunded accumulated postretirement benefit obligation shall be treated as a reduction to rate base in rate proceedings" the very next sentence states "[t]he amount that reduces rate base is limited to that portion of the liability associated with the cost methodology for postretirement benefits other than pensions." Rule 25-14.012 (2) requires that each utility account for its costs of benefits in the manner required by FAS 106. Since FPL's calculation of expense for postretirement benefits under FAS 106 includes amortization of unrecognized asset balances which reduce its expense, those unamortized asset balances need to be reflected in the calculation of the reduction to rate base in order to comply with the second sentence of the rule quoted above. (Davis)

OPC: Yes. FPL incorrectly reduced rate base by the amount of the accrued OPEB liability for 2006 of $292,438,901. It should have reduced rate base by the unfunded accumulated OPEB obligation for 2006 of $392,680,726. Accordingly, rate base should be reduced by the difference of $100,241,825.

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with OPC.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Yes. Rate base should be decreased by $100,241,825 to reflect the difference between the Unfunded Accumulated Postretirement Benefit Obligation and the accrued post-retirement liability included in the MFRs.

ISSUE 26: **CATEGORY 2 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 27: **CATEGORY 2 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 28: **Should the Commission exclude from rate base the cost associated with FPL's $25 million purchase of a gas turbine from FPLE to be used for spare parts?**

POSITIONS:

FPL: No. FPL's purchase complied with Rule 25-6.1351, F.A.C. FPL purchased the unassembled turbine directly from General Electric under an advantageous FPL Group volume purchase agreement and reimbursed FPL Group Capital for costs incurred before the utility decided to purchase the turbine. The component parts have protected FPL's growing combustion turbine fleet from expensive extended outages. (Davis, Yeager)

OPC: Yes. FPL has not demonstrated that the inclusion of the turbine in rate base is reasonable and beneficial to ratepayers. The Company has not shown that the spare parts could not be purchased at a lower cost for use when needed, nor has it provided any analysis or studies which demonstrate that the assets did not exceed the going market price for a comparable use of the turbine. (K. Dismukes).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 29: **Should unamortized rate case expense be included in working capital?**

POSITIONS:

FPL: Yes. The 2006 unamortized rate case expense should be included in working capital and FPL should earn a return on these unrecovered expenses until they are fully recovered. This approach is consistently applied for all prepaid expenses and should be applied to the unamortized rate case expense. (Davis)

OPC: No. The costs associated with the current rate case should be expensed as incurred in 2005 and not deferred in 2006 or future periods. If FPL were to expense the cost in 2005, it would still earn a proforma rate of return of over 12.75%. This return exceeds the requested ROE of 11.8% prior to and 12.3% after the inclusion of its requested ROE bonus for past performance. Earnings realized by FPL in 2005 year to date are more than adequate to recover its rate case costs in the current period. (DeRonne).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No. Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 30: **Should the net overrecovery/underrecovery of fuel, capacity, conservation, environmental cost recovery clause and the storm damage surcharge recovery factor for the test year be included in the calculation of working capital allowance for FPL?**

POSITIONS:

FPL: No. Both overrecoveries and underrecoveries should be removed from rate base because both pay or earn a return through the appropriate cost recovery clause. (Davis)

OPC: Any clause net overrecoveries should be included as a reduction to working capital and underrecoveries should be excluded from working capital. Overrecoveries represent funds that the Company owes to customers that if excluded from working capital, customers would be providing the interest that the Company returned to them in the clause proceedings. FPL has not projected any clause overrecoveries in its projected test year, so as such, no adjustment is necessary. In the clause proceedings, underrecoveries are collected from customers a rate of return at the commercial paper rate. As such, there is no need to include the underrecovery in working capital for setting base rates. If clause underrecoveries are included in the base rate calculation, then the company would receive a double return on the amount of the underrecovery. FPL has appropriately removed its projected clause underrecoveries from working capital. (Larkin).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No. These amounts should not be included in rate base for base ratemaking purposes.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 31: Should derivative assets and derivative liabilities be included in working capital?

POSITIONS:

FPL: All balance sheet entries related to derivatives zero out except for the carrying cost of option premiums. The option premiums should be included in working capital. They are legitimate and necessary cash outlays made as part of FPL's Commission-approved hedging program. Option premiums are included in rate base exactly as is the cost of fuel inventory. When the fuel is burned, the cost of the options and the related fuel are expensed in tandem through the fuel clause. (Davis)

OPC: No. The non-hedged derivative assets and liabilities that result from the mark-to-market adjustments on the Company's balance sheet do not appear to result from cash transactions. Unless the Company can show that there is an outflow of dollars related to the derivatives, they should not be included in the working capital calculation. (Larkin).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No. Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No. The recovery of these costs should be addressed in the Company's fuel adjustment clause proceedings.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 32: **Should the payable to the nuclear decommissioning reserve fund and the St. Johns River Power Park (SJRPP) accelerated recovery credit be included in the working capital calculation?**

POSITIONS:

FPL: No. The Commission has previously determined that the nuclear decommissioning reserve should be excluded from rate base because it earns a return, and that related accounts should also be excluded from rate base including the nuclear decommissioning accounts payable. In addition, because FPL pays a return on the SJRPP liability through a clause, it does not meet the Commission's definition of a liability includable in working capital and should not be included in the calculation of working capital. (Davis)

OPC: Yes. The timing of the collection of funds from customers and the deposit into the nuclear decommission reserve fund represents a source of funds which can be used in the Company's operations and should be included as a reduction to working capital. The SJRPP accelerated recovery credit apparently represents a liability that is collected through the capacity clause and charged to ratepayers on a monthly basis. Unless the Company can show that the liability to SJRPP is not a source of funds to the Company, it should be included as a reduction to working capital. (Larkin).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: Yes.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 33: Should an adjustment be made to working capital associated with the gain on sale of emission allowances regulatory liability?

POSITIONS:

FPL: No. FPL pays a return on this regulatory liability through the environmental clause and hence it should not be included in the calculation of working capital. (Davis)

OPC: Yes. The emission allowances are flowed back to ratepayers through the fuel adjustment clause and the Company has the use of funds during the period that the funds are not flowed back to ratepayers. As such, an adjustment to decrease working capital is appropriate to reflect the regulatory liabilities which represent the timing differences associated with the emission allowances. (Larkin).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 34: **What is the appropriate level of balances in, and level of contribution to, balance sheet reserve accounts?**

POSITIONS:

FPL: The balances reflected in FPL's MFRs for Accounts 228.1, Property Insurance, 228.2 Injuries & Damages and 228.4 Nuclear Maintenance, End of Life M&S Inventory, Nuclear Last Core are reasonable. (Davis, Stamm)

OPC: No position.

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with the FRF.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: The storm damage reserve should include a Test year contribution of $20 million, with no balance in rate base, since this is a funded reserve. The Last Core Nuclear Fuel reserve should have a Test Year average balance of $20.203 million with no Test year contribution. The End-of-Life Materials and Supplies reserve should have a Test Year average balance of $8.961 million, with no Test Year contribution. The Nuclear Maintenance Reserve should have a Test Year average balance of $149.631 million. FRF has no position on the appropriate level of contributions to the Nuclear Maintenance Reserve and, if the Test Year accrual is changed from the $77.185 million assumed by the Company, the Test Year average balance of the reserve should be adjusted accordingly.

SFHHA: The appropriate target balance of the storm damage reserve account and fund is $0.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 34A: Should adjustments be made to rate base to reflect the adjustments shown in FPL witness Davis' Document No. KMD-10, to the extent such adjustments have not already been made in another issue?

POSITIONS:

FPL: No adjustment is appropriate. FPL's MFRs have been extensively reviewed in connection with the discovery and Staff auditing process. That review identified only thirteen corrections, summarized in Document KMD-10, that have a net impact on FPL's test year revenue requirements of only about $7.5 million (less than 2% of FPL's requested base rate increase is calculated). The small number and dollar impact of these corrections evidence the continued integrity of FPL's test year results for rate-setting purposes. (Davis)

OPC: Yes.

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with OPC.

FEA: No position.

FIPUG: No position.

FRF: FRF is still evaluating the various adjustments proposed by FPL in Exhibit KMD-10, and accordingly, FRF is unable to state a complete position on this issue at this time. At this time, FRF specifically disagrees with Adjustment Number 3 proposed by FPL to increase rate base associated with the nuclear maintenance reserves. FRF believes each proposed adjustment should be decided individually, based on the evidence presented in the hearing.

SFHHA: No position.

STAFF: Yes.

ISSUE 35: **Is FPL's requested level of Working Capital Allowance in the amount of $57,673,000 (61,428,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

OPC: No. FPL has understated the regulatory liabilities associated with last core nuclear fuel, end-of-life nuclear materials and supplies, and the nuclear maintenance reserve. The appropriate level of working capital is a negative $52,798,000. As addressed in the preceding issues, OPC recommends that working capital should be decreased by $110,471,000 on a jurisdictional basis. (Larkin).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. The Working Capital allowance should be reduced by $87.957 million to correct for an understatement of the regulatory liabilities associated with FPL's Nuclear maintenance reserves. In addition, the Working Capital allowance should be reduced by $6.438 million to eliminate unamortized rate case expenses in FPL's working capital allowance. Working Capital should be increased by $3.977 million to reflect adjustments to the annual accruals to the Last Core Nuclear Fuel and End-of-Life Materials and Supplies. The combined adjustments to the Working Capital allowance provide a reduction of $90.418 million .

SFHHA: No.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 36: **Is FPL's requested level of rate base in the amount of $12,410,522,000 ($12,511,188,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

FPL: FPL has reasonably forecast this amount, and it is consistent with the prior, subordinate rate base issues. However, FPL has calculated that including the impacts of FPL's July 1, 2005 updated depreciation study and the results of the Commission's decision in Docket No. 041291-EI on FPL's storm cost recovery petition would increase rate base by $34,485,000 ($34,156,000 system) for a total rate base of $12,445,007,000 ($12, 545,344,000). (Davis, Stamm)

OPC: No. The appropriate level of rate base is $11,751,473,000. This reflects a reduction to the Company's requested rate base of $659,049,000. (Larkin).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No. No position on total rate base at this time.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. No position at this time as to total rate base.

SFHHA: No.

STAFF: Staff has no position pending evidence adduced at hearing.

BENCHMARKING

ISSUE 37: How does FPL compare to other utilities in the provision of customer service in the areas of cost and quality of service?

POSITIONS:

FPL: FPL provides a superior level of customer service when compared to other utilities. FPL was recently awarded the ServiceOne Award by PA Consulting Group based on the application of 18 objective measures of customer care developed by a panel of industry experts. FPL was also the first electric utility in the nation to have its customer care centers certified as a Center of Excellence by Purdue University's Center for Customer Driven Quality. In 2000, FPL's Customer Care Centers also were recognized as the number one ranked care center in the META Group benchmarking study based on six operational effectiveness areas. Based on 2003 data, FPL's average speed of answer, call abandonment rate and cost per call were at least 50% better than the group average of the 30 electric and gas utility participants. Customer Service has achieved this performance while still reducing O&M expenses per customer between 1998 and 2004. (Santos, Landon)

OPC: FPL's prefiled testimony indicates that it has done relatively well. Their residential customer satisfaction is merely equal to the average for the Southern Region, however.

FPL has already been rewarded for this through incentive regulation in effect during the period of measurement. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

AARP: Agree with OPC.

AG: FPL's quality of service is average. FPL's cost of service is significantly higher for residential, commercial, and industrial customers than for most other investor-owned utilities in the Southeast and also higher than that of all but one of the other investor-owned utilities in Florida, and accordingly, FPL compares unfavorably to other utilities in cost of service.

CG: Higher cost. Similar, not superior service quality.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: FPL's quality of service is average. FPL's cost of service is significantly higher for residential, commercial, and industrial customers than for most other investor-owned utilities in the Southeast and also higher than that of all but one of the other investor-owned utilities in Florida, and accordingly, FPL compares unfavorably to other utilities in cost of service.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 38: How does the reliability of FPL's service compare to other utilities in the areas of cost and quality of service?

POSITIONS:

FPL: FPL provides a superior level of reliability compared to other utilities in the areas of cost and quality of service. FPL's distribution performance ranks among the industry leaders and is 50% better than the industry average. This excellent performance has been achieved while base rates have been reduced by more than 15% since 1998. (Williams, Landon)

OPC: FPL's prefiled testimony indicates that it has done relatively well. However, testimony by staff witness Sidney W. Matlock indicates that while FPL has shown improvements since 1998, the 1992 through 1997 indexes show an entirely different picture -- a significant decline in reliability. Overall, the current index values are practically the same as they were thirteen years ago. FPL has already been rewarded for the more recent performance through incentive regulation. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (Matlock, D. Dismukes).

AARP: Agree with OPC.

AG: FPL's quality of service is average. FPL, with average quality and reliability of service but significantly higher costs, compares unfavorably to other utilities relative to cost of service.

CG: Higher cost. Generally comparable quality of service.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: FPL's quality of service is average. FPL, with average quality and reliability of service but significantly higher costs, compares unfavorably to other utilities relative to cost of service.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 39: **How does the operational reliability and performance of FPL's Fossil Generation compare to other utilities in the areas of cost and quality of service?**

POSITIONS:

FPL: The operational reliability and performance of FPL's Fossil Generation is superior when compared to other utilities in the areas of cost and quality of service. FPL's Equivalent Availability Factor and Equivalent Forced Outage Rate have consistently and significantly exceeded the industry average. FPL's fossil plant net heat rate performance also has shown significant improvement between 1998 and 2004, while the industry average has remained relatively flat at above 10,000

BTU/kWh. This performance has been achieved while still reducing total non-fuel O&M expense for fossil units, as measured in cents/kWh, by 23% from 1998 to 2004. (Yeager, Landon)

OPC: FPL's prefiled testimony indicates that it has done relatively well. Their residential customer satisfaction is merely equal to the average for the Southern Region, however.

FPL has already been rewarded for this through incentive regulation in effect during the period of measurement. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 40: How does the operational reliability and performance of FPL's Nuclear Generation compare to other utilities in the areas of cost and quality of service?

POSITIONS:

FPL: The operational reliability and performance of FPL's Nuclear Generation is superior compared to other utilities in the areas of cost and quality of service. FPL's WANO index score, nuclear unit capability factor, nuclear forced loss rate, and historic O&M and capital expenditures all compare favorably to the industry average. (Landon, Stall)

OPC: FPL's prefiled testimony indicates that it has done relatively well. Their residential customer satisfaction is merely equal to the average for the Southern Region, however.

FPL has already been rewarded for this through incentive regulation in effect during the period of measurement. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 41: **How does FPL's performance in controlling O&M costs in general compare to other utilities?**

POSITIONS:

FPL: FPL's performance in controlling O&M costs compared to other utilities has been superior. FPL's non-fuel O&M expenses per customer were 41% lower than the benchmark group between 1998 and 2003. FPL's non-fuel O&M expenses per kWh were 22% lower than the benchmark groups over the same six-year period. (Landon)

OPC: FPL's prefiled testimony indicates that it has done relatively well. FPL has already been rewarded for this through incentive regulation in effect during the period of measurement. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 42: **What conclusions should the Commission draw from the benchmarking comparisons and analyses presented by FPL?**

POSITIONS:

FPL: The Company's overall performance in reliability, customer service, and O&M expenditures is superior relative to industry peers. Such performance has and continues to provide significant value to customers. Additionally, the benchmarking of FPL's financial performance indicates that FPL has been able to reduce or control costs while improving service quality. (Dewhurst, Landon)

OPC: FPL has done relatively well and has been rewarded for this through incentive regulation in effect during the period of measurement. Their residential customer satisfaction is merely equal to the average for the Southern Region, however. The Commission should also note that forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No position.

SFHHA: The Company has not justified the excessive increase in test year O&M expense compared to the historic year and compared to the Company's last base rate proceeding.

STAFF: Staff has no position pending evidence adduced at hearing.

COST OF CAPITAL

ISSUE 43: **Should debit accumulated deferred income taxes be included as a reduction to cost free capital?**

POSITIONS:

FPL: Yes. The Commission should continue to follow its long standing policy of treating the net amount of deferred income taxes (i.e., deferred income tax liabilities less deferred income tax assets) as a cost free source of capital. (Davis)

OPC: Any deferred tax balance that has been funded by rate payers should not be included as an offset to credit deferred income taxes in the capital structure. Accordingly, the debit deferred taxes related to the storm and nuclear decommissioning funds totaling $389,469,000 should be removed from the capital structure. Any other debit deferred taxes which are funded should also be removed from the capital structure. (Larkin).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 44: **What is the appropriate amount of accumulated deferred taxes to include in the capital structure?**

POSITIONS:

FPL: The appropriate amount of accumulated deferred taxes to include in the capital structure is $1,911,608,000 ($1,927,679,000 system) (Davis, Stamm)

OPC: Accumulated deferred income taxes of $2,301,077,000 should be included in the cost of capital. This issue is subject to the resolution of other issues. (Larkin).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: The accumulated deferred income tax balance included in the capital structure should be increased by $31.378 million to reflect the removal of the Account 190 accumulated deferred income taxes balance associated with the storm damage cost recovery clause.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 45: **What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?**

POSITIONS:

FPL: The appropriate amount of the unamortized investment tax credits to include in the capital structure is $49,328,000 ($49,742,000 system), with a cost rate 9.88%. (Davis, Stamm)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 46: What is the appropriate cost rate for short-term debt for the projected test year?

POSITIONS:

FPL: The appropriate cost rate for short-term debt is 8.73%, which includes both interest charges related to commercial paper borrowings based on the one month commercial paper forecast in the Blue Chip Financial Forecasts and fixed costs related to maintaining back-up credit facilities to support FPL's commercial paper program. (Dewhurst)

OPC: 8.73%, although this rate is abnormally high relative to short term interest rates due to fixed financing commitment fees and low projected balances of short-term debt. (Woolridge).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 47: What is the appropriate cost rate for long-term debt for the projected test year?

POSITIONS:

FPL: The appropriate cost rate for long-term debt is 5.89%, calculated by taking the weighted average cost rate of the Company's existing debt and projected debt offerings in 2005 and 2006. The projected debt issuances for 2005 and 2006 utilized rates from the Blue Chip Financial Forecasts. (Dewhurst)

OPC: FPL's projected first mortgage bond issues ranging from 6.8% to 7.2% during the period December 2005 through December 2006 are unrealistic and well in excess of current market interest rates. The yield on 30 year A-rated public utility bonds was 5.16% as of the end of May, 2005. The Commission should use 5.25% for the proforma bond issues, which would provide an overall long-term debt cost of 5.45% for FPL. (Woolridge).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: The correct cost of new long-term debt for 2005 and 2006 is no more than 6.0 percent, the embedded cost of long term debt is 5.65%.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 48: **In setting FPL's return on equity (ROE) for use in establishing FPL's revenue requirements and authorized range, should the Commission make an adjustment to reflect FPL's performance? If so, what should be the amount of the adjustment?**

POSITIONS:

FPL: Yes. Superior performance provides value to customers. Consistent with past Commission practice, a performance incentive is appropriate to acknowledge the Company's superior performance and its value to customers, encouraging continued strong performance and sending an appropriate signal to other companies that superior performance will be recognized and rewarded. FPL's return on equity and authorized range should be adjusted to reflect the addition of a 50 basis point performance incentive. (Dewhurst, Avera)

OPC: No adjustment should be made. Other Commissions generally do not give bonuses for past performance. FPL has already been rewarded through incentive regulation in effect during past years. For example, it received $113 million through revenue sharing mechanisms. FPL also can not claim full credit for declining average cost per customer in the past. The plethora of clauses in effect in Florida protect the company from increased average cost. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (Larkin, D. Dismukes).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No.

FEA: The burden is on the company to show that it deserves a performance factor and customer rate impacts and level of rates should be considered to obtain an end result that appropriately balances customer and shareholder interests if and when the company carries it's burden.

FIPUG: Agree with OPC.

FRF: No.

SFHHA: No. An adjustment for past performance is impermissible retroactive ratemaking. An adjustment for future performance is unmerited and unnecessary.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 49: What is the appropriate cost rate for common equity to use in establishing FPL's revenue requirement for the projected test year?

POSITIONS:

FPL: The appropriate cost rate for common equity is 12.3%, with an authorized range of 11.3% to 13.3%, which includes a 50 basis point performance incentive. (Dewhurst, Avera)

OPC: Analyses performed by Dr. Woolridge from a group of twenty-one electric utilities show CAPM and DCF equity cost rates of 7.39% and 8.8%, respectively. Giving primary weight to the DCF analysis results in a fair equity cost rate for FPL of 8.8%. This recommendation is especially fair because Dr. Woolridge made no explicit downward adjustment to account for the low financial risk resulting from FPL's equity-rich capitalization.

The company's request for an 11.8% return on equity is unreasonably high due to (1) an upwardly-biased expected growth rate in the company's DCF equity cost rate, (2) the use of forecasted interest rates that are well in excess of the current long-term market yields, (3) excessive risk premium estimates in his various risk premium approaches, and (4) the lack of a financial risk adjustment as well as an inappropriate flotation cost adjustment. (Woolridge).

AARP: Agree with OPC.

AG: 8.8%. Agree with OPC.

CG: No position at this time, except that Mr. Selecky's testimony provides evidence that FPL's proposed ROE is higher than recent ROE's other utilities have received.

FEA: FP&L's market required cost of equity is approximately 9.0 to 9.5 percent. The correct flotation expense cost to be used in determining the cost of equity is 0.1 percent.

FIPUG: Agree with OPC.

FRF: 8.8%. Agree with OPC.

SFHHA: 8.70%.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 50: What is the appropriate capital structure for FPL?

POSITIONS:

FPL: FPL's capital structure should remain at approximately 55.83% (on an adjusted basis). It will indicate to the capital markets the Commission's continued commitment to support the financial integrity of the Company and provide the financial flexibility and resilience needed to support the capital investment and construction demands in a region of high growth. (Dewhurst, Avera)

OPC: If the Commission uses FPL's proposed capital structure ratios, the Commission should note that the adjusted common equity ratio of 55.83% and actual common equity ratio of 61.92% is high by industry standards. This equity-rich capitalization provides FPL financial risk lower than other operating electric utilities and much lower than publicly held electric companies. This lower financial risk allows for a lower allowed return on equity for FPL. (Woolridge).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: The appropriate capital structure for FPL should reflect a reasonable level of common equity necessary to retain a single A bond rating. The Company's filing should be adjusted to reflect the following capital structure:

Component	Jurisdictional Company Adjusted Balances w/o S&P Adj. and CE At S&P Midpoint	Revised Capital Ratios
Long Term Debt	4,226,295	34.05%
Preferred Stock	-	0%
Customer Deposits	436,358	3.52%
Common Equity	5,719,261	46.08%
Short Term Debt	67,672	0.55%
Deferred Income Tax	1,911,608	15.40%
Investment Tax Credits	49,328	0.40%
Total	12,410,522	100.00%

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 51: **What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

FPL: 8.22%. The associated components, amounts and cost rates are reflected in FPL's MFR D-1a for the 2006 test year. (Avera, Davis, Dewhurst)

OPC: The appropriate fair rate of return is 5.97%. See schedule D, exhibit DD-1 for weighted average cost of capital. (DeRonne, Woolridge).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: 6.74 percent.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: 6.31%

STAFF: Staff has no position pending evidence adduced at hearing.

NET OPERATING INCOME

ISSUE 52: **Are FPL's estimated revenues for sales of electricity by rate class appropriate, if not what adjustments are should be made?**

POSITIONS:

FPL: Yes. FPL's estimated revenues are appropriate. FPL has accurately applied the appropriate tariffs to the billing determinants projected for the 2006 test year. The resulting estimated revenues from sales of electricity by rate class at present rates for the 2006 test year as filed in this docket are appropriate. (Morley)

OPC: No. As addressed in Issues 2 and 3, base revenues from retail sales should be increased by $38,551,000 for the 2006 test year. (D. Dismukes).

AARP: Agree with OPC.

AG: No. FPL's total estimated revenues are understated by at least $34 million. No position at this time as to class-specific adjustments.

CG: Agree with the FRF.

FEA: No position.

FIPUG: No position.

FRF: No. FPL's total estimated revenues are understated by at least $34 million. No position at this time as to class-specific adjustments.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 53: Should the Commission include gas margin revenue from FPL Energy Services in the test year?

POSITIONS:

FPL: No. The infrastructure that supports the sale of natural gas resides within FPL Energy Services. This activity is not related to the provision of electric service. (Brandt)

OPC: Yes. The Company has indicated that in 2006, the natural gas sales business of FPL will be transferred to FPLES. FPL has not demonstrated that the proposed change results in any changed operations to FPL or FPLES or explained what analysis, if any, was undertaken to support the proposed change. Further, the Company has not fully explained to the Commission the nature of the proposed transfer. Accordingly, it is appropriate to include gas margin revenue of $2,746,000 attributable to FPL's retail customers in the 2006 test year revenues. (K. Dismukes).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 54: Should the Commission include the administrative fee revenue associated with margin trading performed by FPL on behalf of FPL Energy Services?

POSITIONS:

FPL: No. FPL directly bills FPL Energy Services for this service. (Davis)

OPC: Yes. In 2006, FPL did not charge FPLES for counter swaps made by FPL on behalf of FPLES, as had been done in 2002 through 2005. To reflect an appropriate charge for this service, FPL's 2006 revenues should be increased by $78,000, which represents an administrative fee of 10% for performing this service on behalf of its affiliate. The adjustment was developed by annualizing the 2005 amount and multiplying by 10%. (K. Dismukes).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 55: **Should revenues be adjusted to include profits, if any, from the FPLES Connect Services program?**

POSITIONS:

FPL: No. The FPLES Connect Services program provides an opportunity for a new customer to access other desired services after the customer has requested electric service. This service is not related to the provision of electric service and FPL is fully reimbursed for the costs it incurs related to Connect Services. (Brandt)

OPC: Yes, revenues should be imputed to compensate FPL for the services that FPL's employees perform on behalf of FPLES related to the Connect Services program. The revenues should not be limited to any amount of profit received unless it can be shown that appropriate levels of corresponding expenses have been removed for rate setting purposes. The proper amount of revenues to include in the test year is subject to further development of the record.

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 56: **CATEGORY 2 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 57: **Has FPL made the appropriate adjustments to remove the revenues and related expenses and capital costs recoverable through the Retail Cost Recovery Clauses (Fuel, Capacity, Environmental and Conservation)?**

POSITIONS:

FPL: Yes. (Davis)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 58: **Is FPL's forecasted level of Total Operating Revenues in the amount of $3,888,233,000 ($3,913,736,000 system) for the projected test year appropriate?**

POSITIONS:

FPL: Yes. FPL's level of Total Operating Revenues in the amount of $3,888,233,000 for the projected test year appropriately reflects the estimated revenues for sales of electricity at current rates as well as other components of operating revenues. (Morley, Davis, Green, Stamm)

OPC: No. Test year revenues should be increased by $41,375,000 on a jurisdictional basis. Based on further development of the record, additional adjustments will be necessary to reflect the resolution of the preceding issues. (D. Dismukes)

AARP: Agree with OPC.

AG: No. FPL's forecasted level of Total Operating Revenues for the projected test year is understated by at least $34 million.

CG: Agree with the FRF.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. FPL's forecasted level of Total Operating Revenues for the projected test year is understated by at least $34 million.

SFHHA: There should be a reduction to FPL's projected test year quantification.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 59: **Should an adjustment be made to FPL's requested level of security expenses related to the increased threat of terrorist attacks since September 11, 2001?**

POSITIONS:

FPL: No. FPL has properly forecast these security expenses. (Davis, Stamm)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 60: **What are the appropriate management fee allocation factors for use by FPL for the test year?**

POSITIONS:

FPL: FPL's test year filing reflects the appropriate management fee allocation factors. (Davis)

OPC: There are four problems with the affiliate management fee (AMF) allocation factors used by FPL. First, the allocation factors are largely sized-based so that regardless of the benefits received from the services provided, the majority of the management fees are allocated to FPL, the largest company. Second, several of the management fee allocation factors used are stale because of added projects and acquisitions or other changes made to non-regulated affiliates, as well as the company's failure to provide adequate workpapers to support some of the factors used. Third, the Company was unable to provide the amount of costs charged to FPL from FPL Group for the projected test year making it very difficult to examine whether or not these charges are reasonable. Fourth, several affiliates are not allocated a management fee or charged any costs from FPL.

To overcome staleness, the Commission should update the allocation factors and bring them to a 2006 level for each affiliate based on installed megawatts. To address the problems associate with the sized-based nature of the allocation factor, the fact that several affiliates are not allocated any of the management fees, and the problems associated with the added projects and acquisitions of FPLE that may not be included in the factors, an additional 5% allocation factor should be added to the group of non-regulated affiliates. The Company's allocation methodology and the accounts to which allocation factors are applied and the reasoning for FPL's methodology are not always clear, nor adequately explained. To help offset staleness and other deficiencies in the allocation factors used for

Human Resources and Information Management, a composite allocation factor which consists of a 50% weighting of the factor used by the Company and a 50% weighting of the Massachusetts Formula allocation factor should be used. (K. Dismukes).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 61: What adjustments, if any, should be made to the management fees included in FPL's test year expenses?

POSITIONS:

FPL: No adjustment is necessary. (Davis)

OPC: Based on the adjustments recommended to the affiliate management fee allocation methodology addressed in Issue 60, AMF charges to FPL should be reduced by $14,309,779. (K. Dismukes).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 62: **Should an adjustment be made to allocate test year administrative and general expenses associated with the New England Division Seabrook substation assets purchased by FPL in 2004, and if so, how much?**

POSITIONS:

FPL: No adjustment is warranted. The New England Division ("FPL-NED") was budgeted as a separate entity and was not included as an allocated portion of the FPL budget. All applicable costs of FPL-NED were considered in the 2006 budget forecast but were not presented by FERC account for budget purposes. These expenses were treated as one line-item of $6.905 million charged to FERC account 562, Station Expense. Because FPL-NED receives a zero jurisdictional separation factor, FPL-NED is not included in the revenue requirements for this proceeding in any way. (Davis, Stamm)

OPC: Yes. The operation of the substation was treated as a division of FPL named the New England Division. While the assets, revenues and direct expenses were treated as non-jurisdictional by FPL for the 2006 test year, the Company failed to remove the station equipment maintenance and supervision expenses related to these assets. FPL also did not attribute any administrative and general expenses, property taxes or payroll taxes to this operating division. The recommended adjustment to properly reflect this allocation is a reduction to FPL expenses for 2006 of $2,571,061. FPL removed some of these expenses in its 2004 MFRs, but did not do the same for 2006. (K. Dismukes).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: Yes.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 63: **Should an adjustment be made to adjust test year O&M expense charges from FiberNet to FPL?**

POSITIONS:

FPL: No. The test year O&M expense charges by FiberNet to FPL are reasonable. (Davis, Avera)

OPC: Yes. The costs charged to FPL by FiberNet should be reduced. A large portion of the allocated costs to FPL are based on the return on the FiberNet assets used by FPL. The company's return on investment should be adjusted to be consistent with the cost of capital recommended by Dr. Woolridge of 8.56%. This change results in a reduction to charges to FPL for 2006 of $1,343,816. (K. Dismukes).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 64: **Should any other adjustments be made for the net operating income effects of FPL's transactions with affiliated companies?**

POSITIONS:

FPL: No. FPL's allocations and charges to and from affiliates are reasonable. (Davis)

OPC: Yes. For the Integrated Supply Chain Management Fee-Fossil Support, the Company did not provide workpapers to support the 2006 allocation. The allocation percentage should be updated to reflect projected capacity additions by both FPL and FPLE for projects added in 2005 and those expected to be added in 2006. The removal of plants no longer in service for these years should also be updated. Additionally, the cost pools for wind contract management should not be included in this allocation because FPL does not operate any wind projects.

Accordingly, the Integrated Supply Chain Management Fee to FPL should be reduced by $127,904.

Additionally, the Energy Management and Trading Service Fee charged to FPLE should be updated to include the MWs associated with plant additions and retirements through 2006. This results in a reduction to FPL expenses of $31,615.

Adjustments should also be made to the Integrated Supply Chain Service Fee and the Nuclear Service Fee charged to FPLE Seabrook. First, the Company's methodology failed to account for the upgrade to Seabrook planned for 2005 to add 71 MWs. Second, an error should be corrected to add 714 MWs in the Company's method for calculating the capacity for the St. Lucie nuclear plant. These adjustments reduce the charges to FPL by $15,406 for the Integrated Supply Fee and by $204,834 for the Nuclear Service Fee charged to FPLE Seabrook. (K. Dismukes).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 65: **WITHDRAWN**

ISSUE 66: **Is FPL's requested expense for the GridFlorida RTO in Account 565 in the amount of $102,632,000 ($104,000,000 system) for the 2006 projected test year appropriate?**

POSITIONS:

FPL: Yes. Pursuant to Order No. PSC-01-2489-FOF-EI issued December 20, 2001, FPL was ordered to file a modified GridFlorida structure that uses an independent system operator. FPL and the other GridFlorida companies remain on track for the implementation of GridFlorida as early as 2006. The cost estimates for GridFlorida are reasonable and in line with the actual experience of other RTOs/ISOs. Accordingly, it is appropriate to include the $102,632,000 ($104,000,000 system) of costs related to the Grid Florida RTO in the projected test year. (Davis, Mennes, Stamm)

OPC: No. The implementation of the GridFlorida RTO is unlikely in its present form and questionable as to whether it will be implemented at all. What costs might be incurred by FPL or the other GridFlorida Applicants at this time are unknown and any implementation date, if any, is too far in the future to make a reasonable estimate of prospective costs. Any GridFlorida costs included in the rate case should be disallowed as speculative and certainly not known and measurable. (Merchant).

AARP: Agree with OPC.

AG: No position.

CG: No.

FEA: Agree with OPC.

FIPUG: No.

FRF: No. These projected costs are speculative, particularly in light of ICF Resources' benefit-cost study that shows that the GridFlorida RTO is not cost-effective. Additionally, the expenses requested by FPL for the test year are almost double FPL's actual projected test year expenses. No GridFlorida expenses should be allowed in determining FPL's test year revenue requirement.

SFHHA: No. This expense is speculative at best and is not known and measurable.

STAFF: Staff believes that it is premature for the Commission to address FPL's GridFlorida costs in this rate case. Thus, the Commission should remove the estimated GridFlorida-related expenses of $102,632,000 ($104,000,000 system) from O&M Expenses for the 2006 test year.

ISSUE 67: **WITHDRAWN**

ISSUE 68: **WITHDRAWN**

ISSUE 69: **Is the amount of postage projected in the 2006 test year in Account 903, Customer Records and Collection Expenses, appropriate? If not, what are the appropriate system and jurisdictional adjustments?**

POSITIONS:

FPL: Yes. Although there has been updated information on the projected USPS rate increase, to our knowledge the actual increase has not been finalized and FPL used the best information available at the time to forecast postage expense. Postage is only one of a vast number of separate types of expenses that are reflected in FPL's test year O&M expense forecast. There is no rational basis to isolate postage expense based on a yet to be determined postage rate increase. Doing so would ignore the many other elements of FPL's revenue requirements. (Santos, Stamm)

OPC: No. The actual proposed postal rate increase is less than projected by FPL. The appropriate increase for postage expense should be $880,000, resulting in a reduction in jurisdictional test year revenue requirement of $1.32 million. (Brown).

AARP: Agree with OPC.

AG: No. FPL has overstated the amount of increase in postage expenses that will be incurred due to an increase in postage rates. The jurisdictional amount for test year postage expense should be reduced by $1.32 million.

CG: Agree with the FRF.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. FPL has overstated the amount of increase in postage expenses that will be incurred due to an increase in postage rates. The jurisdictional amount for test year postage expense should be reduced by $1.32 million.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 70: **Is FPL's level of Account 904 - Uncollectible Accounts expense in the amount of $14,569,000 ($14,569,000 system) for the 2006 projected test year appropriate?**

POSITIONS:

FPL: Yes. FPL's methodology for calculating bad debt expense is appropriate since it uses the latest relationship/experience between actual write-offs and lagged revenues to project the anticipated levels of write-off in 2006. This relationship takes into account the most current payment experiences and other economic factors that may place additional pressures on the customer's ability to pay. In addition, the projection for 2006 is net of $1.6 million in planned process improvements that will assist in partially mitigating the impact of rising bad debt. (Davis, Santos)

OPC: No. FPL has provided no explanation in its filing or any documents to support the reasonableness of its projected bad debt factor. In order to reflect the variability among years, it is appropriate to use a 3-year average of historical bad debt factors using the years 2001 to 2003. The 2004 year should be excluded to remove the impact of the delayed write-offs with the storms so that a normalized level can be reflected in base rates. The normal 3-year average results in a bad debt factor of 0.135% for a total test year expense of $11,688,000 and a reduction of $2,881,447 to the expense requested in the filing. (DeRonne).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. FPL has overstated uncollectible expense for the 2006 projected test year by $3 million.

SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 71: **Is FPL's level of Automatic Meter Reading pilot project expense for the test year appropriate, and if not, what adjustments should be made to plant in service, accumulated depreciation, depreciation expense and O&M expense?**

POSITIONS:

FPL: No adjustment is appropriate. The Automatic Meter Reading is not a pilot program. FPL intends to fully deploy AMR meters over the next five to eight years. The under budget condition of the first phase of the deployment of the AMR meters in 2004 does not justify an adjustment as these expenses will be incurred in 2005. (First Phase – approximately 50,000 meters). (Davis, Santos)

OPC: No. The costs associated with the initial pilot program for AMR far exceed the benefits included in the projected test year. The projected test year includes $15.4 million in plant in service, $1.6 million in accumulated depreciation, $1.1 million in depreciation expense and $1.6 million in O&M expense. Only $19,721 in cost savings were included in the test year and the project cost savings are projected to significantly increase in 2007, 2008 and beyond as the AMR program is fully implemented. Additionally, the actual implementation date has been delayed, with a $4.653 under-run in projected costs as of December 2004, which makes it questionable that the projected 2006 level of costs will actually be incurred in that period. To recognize that these projects have future benefits, the projected amount of plant in service should be transferred to CWIP to recover Allowance for Funds Used During Construction until such time as the system-wide deployment is implemented. To do otherwise would result in a mismatch in costs and benefits of the program. The plant in service AMR component for budget under-runs was incorporated in Citizen's position on Issue 15, so the remaining plant in service should be reduced by $10,747,000. Corresponding adjustments should also be made to reduce accumulated depreciation by $1,117,000, depreciation expense by $768,000 and O&M expense by $1.6 million. (DeRonne).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 72: **WITHDRAWN**

ISSUE 73: **Should an adjustment be made to remove image building or other inappropriate advertising expenses?**

POSITIONS:

FPL: No, the proposed adjustment to advertising expenses is not appropriate. The advertising at issue is utility related and informational, educational or related to consumer safety. (Santos)

OPC: Yes. The Commission has consistently allowed utilities to recover only the costs of advertising that is utility related and at the same time informational, educational, or related to consumer safety. Costs of advertising that is judged to be of a general image-building or promotional nature have consistently been disallowed. The Company's Schedule C-14 Advertising Expense in its MFRs shows total jurisdictional advertising expenses for 2006 of $1.994 million. However, in discovery FPL stated that Schedule C-14, as filed, was incorrect and that the total for Account 909 was actually $3.399 million. In discovery responses, the company only provided copies of customer newsletters and bill inserts. A review of these documents reflects that about 14% of the information relayed to customers, while useful, was not related to their electrical service. Based on the reasonable assumption that this trend would flow through to all areas of the Company's advertising, a 14% reduction to total advertising expenses should be approved. This results in a decrease to 2006 expenses of $475,860. (K. Dismukes).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 74: **WITHDRAWN**

ISSUE 75: **WITHDRAWN**

ISSUE 76: **Is $500,000,000 an appropriate reserve goal for Account 228.1, Accumulated Provision for Property Insurance – Storm Damage?**

POSITIONS:

FPL: Yes. A target reserve should be set such that it is large enough to withstand the storm damage from most but not all storm seasons. There is an almost one in four probability that total losses over five storm seasons will exceed $500 million. The expected balance of FPL's Storm Reserve at the end of five years ($367 million) would cover the costs of all single occurrence category 1 storms, most single occurrence category 3 storms, and only a few single occurrence category 4 storms, in a given year. (Dewhurst, Harris)

OPC: The Commission need not have a specific goal for the reserve, particularly in light of the recent legislation authorizing securitization.

AARP: Agree with OPC.

AG: No. Such a high storm reserve is not necessary, reasonable, or prudent in light of the general availability of surcharge type relief under the Commission's general statutes and under the recently enacted Securitization Legislation.

CG: Agree with the FRF.

FEA: Agree with OPC.

FIPUG: No position.

FRF: No. Such a high storm reserve is not necessary, reasonable, or prudent in light of the general availability of surcharge type relief under the Commission's general statutes and under the recently enacted Securitization Legislation.

SFHHA: No. This is an excessive target amount. An appropriate target reserve goal is $0.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 77: **Is FPL's requested $120,000,000 annual accrual for storm damage for the projected test year appropriate?**

POSITIONS:

FPL: Yes. With the 2004 depletion of the entire FPL storm reserve, the $120 million annual accrual will provide an appropriate level of funds to meet expected annual storm losses while rebuilding the storm reserve over a reasonable period of time, consistent with the Commission's policy of structuring the accrual and target reserve amounts to provide coverage for most but not all storm losses. (Dewhurst, Harris)

OPC: No. The annual storm accrual should be sufficient to cover the annual average cost of losses from moderate to extraordinary storm damage over time and provide for special assessments from catastrophic storms or years in which the storm reserve is depleted. As such, the annual storm accrual should be set using an amount less than the average storm damage for minimal to above average cost storms, but leaving the catastrophic storm damage to be recovered through a special assessment mechanism, consistent with the Commission's prior decisions. Less costly storm damage and storm staging costs of storms that do not land in the service territory that do not result in material damage should be considered normal recurring operating costs and should not flow through the storm reserve. Additionally, losses from nuclear accidents which are allowed to flow through the storm reserve, if incurred, have negligible risk and should not be included in the annual average expected losses. Further, the annual accrual in base rates should not be used to replenish the storm reserve that was depleted by the 2004 storm season. Securitization or another short-term recovery mechanism is a more appropriate method to replenish the reserve rather than recovery through the long-term base rate annual accrual.

The proper level of the annual accrual should be $35 million, which reflects a $14.8 million increase to current accrual level. This level reflects approximately 50% of the Company's Expected Annual Storm Losses after removing the staging costs and nuclear risk. This level also falls within the normalized range of non-catastrophic historical storm damages that have occurred since Hurricane Andrew and recognizes that restoration costs have increased above the level last authorized by the Commission. Accordingly, FPL's requested storm accrual expense of $120 million should be reduced by $85 million. (Merchant).

AARP: No. The annual accrual should be no greater than $40 million.

AG: No. Agree with OPC.

CG: No.

FEA: Agree with OPC.

FIPUG: No.

FRF: No. FPL's requested $120 million annual storm damage accrual is excessive, particularly in light of the Commission's decision in Docket No. 041291-EI and also in light of the recently enacted Securitization Legislation. FPL's storm damage accrual should remain at $20 million per year.

SFHHA: No. It includes an unnecessary and excessive amount to increase the projected storm damage reserve to $500 million.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 78: **WITHDRAWN**

ISSUE 79: **Should an adjustment be made to Account 928, Regulatory Commission Expense, for rate case expense for the projected test year and what is the appropriate amortization period?**

POSITIONS:

FPL: No. FPL has reasonably projected rate case expense for this proceeding. The projected expense is less than FPL projected for Docket No. 001148-EI, yet the scope and level of activity in this proceeding is greater because it involves a request by FPL to increase base rates. (Stamm, Davis)

OPC: Yes. The appropriate amount of rate case expense to include in base rates is zero and test year expenses should be decreased by $4,475,000. Citizen's analysis shows that not only does FPL not deserve any increase but instead its base rates should be decreased by $724,725,000. Even the Company's own Rate of Return Surveillance Report for April 2005 shows that it is earning a pro forma return on equity of 12.91%. Ratepayers should not be forced to fund an excessive level of rate case expense associate with a case that is so clearly imprudent and unreasonable. Further, the Commission should require the Company to expense the rate case costs in 2005 and not defer any amounts to 2006.

However, if the Commission disagrees with OPC that some level of rate case costs should be included in the test year, further adjustments to the Company's request are warranted. First, the Company has provided very little support for its requested $8.95 million in projected rate case costs. It has merely provided a list of the estimates by broad categories. The actual invoices supporting the actual costs incurred should be closely scrutinized. Additionally, Citizens are concerned that some of the rates being charge to FPL by its outside consultants and attorneys is excessive. Accordingly, OPC recommends that the project hourly costs associated with outside consultants and counsel retained by FPL should be shared 50/50 between ratepayers and shareholders. FPL is free to retain the level of experts it chooses; however, ratepayers should not be burdened with excessive or unreasonable rate case costs. Another adjustment is necessary to remove rate case costs of $550,000 from base rate O&M expenses. It is not reasonable to include test year expenses associated with rate case costs for setting new base rates.

Finally, if the Commission does determine that some level of rate case expense should be granted for recovery in base rates, the proper amortization period should be set at four years. It has been over 20 years since FPL's last fully litigated base rate case. To now assume that another base increase will occur in two year is not reflective of past history or reasonable. Further, a four-year amortization period is required by statute for water and wastewater rate increases and is reasonable time period to use in this case. (DeRonne).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: No position.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: Yes. FPL's requested rate case expenses should be disallowed, because they have been almost entirely incurred outside the test year, because FPL's rates since the 2002 Settlement was approved have included rate case expense, and because FPL has earned sufficient returns in the periods in which it has incurred rate case expenses, even without deferral of such expenses.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 80: **Is FPL's level of Account 928 - Regulatory Commission Expense in the amount of $7,741,000 ($7,741,000 system) appropriate for the 2006 projected test year?**

POSITIONS:

FPL: Yes. (Davis, Stamm)

OPC: Consistent with OPC's position on issue 79, rate case expense should be reduced by $4,475,000. No further increase to test year regulatory commission expense has been supported by the record or is appropriate.

AARP: Agree with OPC.

AG: Consistent with the AG's position on Issue 79, FPL's rate case expense should be reduced by $4.475 million. No other increases to test year Regulatory Commission Expense are supported by the record.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No position at this time, pending further analysis. Consistent with the FRF's position on Issue 79, FPL's rate case expense should be reduced by $4.475 million. No other increases to test year Regulatory Commission Expense are supported by the record.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 81: Is FPL's proposed recovery of charitable contributions in the amount of $1,538,000 ($1,545,000 system) for the 2006 test year appropriate?

POSITIONS:

FPL: Yes. FPL's commitment to the communities in which it serves is a cost of doing business and should be reflected base rates. (Davis, Olivera)

OPC: No. The Commission has consistently disallowed recovery of charitable contributions through rates stating that ratepayers should not have their choices of contribution to a charity usurped by the utility. Moreover, the Company has not demonstrated that there are any differences between the charitable contributions requested this current case and those requested in its last rate that were rejected by the Commission. Accordingly, charitable contributions of $1,548,000 should be removed from FPL's expenses. (K. Dismukes).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No.

SFHHA: No. Charitable contributions should not be included in the revenue requirement.

STAFF: No. FPL should make an adjustment to remove the $1,538,000 ($1,545,000 system) of charitable contributions from its test year expenses. The Commission has consistently, in the past, found it more appropriate for charitable contributions to be borne by the stockholders, rather than the ratepayer.

ISSUE 82: Is FPL's level of medical insurance expense in the amount of $79,612,000 for the test year appropriate, and if not, what adjustment should be made?

POSITIONS:

FPL: Yes, FPL's projected expense of $79.6 million is appropriate. FPL has been aggressive in managing health care costs, and its projected cost per employee is nearly 10% below Hewitt's utility industry benchmark. (Slattery)

OPC: No. Medical insurance should be reduced by $2,409,020 on a jurisdictional basis. This adjustment takes into consideration changes to the company's projection for employee numbers, changes in cost per employee assumptions, and inconsistencies in the Company filing. (Schultz).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 83: **Is FPL's level of pension credit expense in the amount of negative ($68,663,000) for the test year appropriate, and if not, what adjustment should be made?**

POSITIONS:

FPL: Yes. This amount was estimated from an actuarial calculation of the 2006 FPL Group plan costs and related obligations using consistent methodologies and reasonable, supportable assumptions. (Slattery)

OPC: No. Based on the February 2005 actuarial determination, the Company's pension credit for 2006 should be increased by $4,759,000 (reducing O&M expense) on a jurisdictional basis. (Schultz).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 84: **Is FPL's level of Nuclear Passport Replacement expense in the amount of $6,940,000 for the test year appropriate, and if not, what adjustment should be made?**

POSITIONS:

FPL: Yes. The Passport project is a legitimate business expense properly accounted for under generally accepted accounting principles in the test year. The Commission should not isolate a single item in one department's budget and adjust the test year expenses down based on it. (Stamm)

OPC: No. The Nuclear Passport Replacement Project is a large non-recurring project included in the 2006 test year for the Information Management (IM) Business Unit. Some of the reported benefits will be to optimize the nuclear maintenance activities and improve the workweek and outage planning and streamlining processes for the nuclear business unit. The test year includes an additional $6.5 million related to this project. These non-recurring costs should be amortized over 4 years for ratemaking purposes resulting in a decrease to test year expenses of $5,205,000. This will provide an annual expense for this project of $1,735,000. (DeRonne).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 85: Is FPL's level of Directors and Officers Liability insurance expense in the amount of $8,468,340 for the test year appropriate, and if not, what adjustment should be made?

POSITIONS:

FPL: Yes. D&O liability insurance is a necessary cost of doing business and as such should be reflected in FPL's base rates. By law a corporation must have directors and officers. The market for D&O insurance has changed significantly within the last few years moving from a period of abnormally low pricing to a period of higher prices. With each insurance renewal, FPL seeks the most competitive insurance pricing available. Adjusted for size and inflation, today's D&O rates are comparable to 1993 and well below those of 1987. (Dewhurst)

OPC: No. The purpose of D&O liability insurance is to protect the shareholders from the shareholders' own decisions. Shareholders elect the Board of Directors which appoints the officers of the Company. The covered officers and directors are compensated to provide quality leadership and to serve the Company with integrity. Ratepayers do not have input into who manages the Company, who serves on the Board of Directors, and certainly will not receive any compensation by insurance companies for losses incurred by shareholders for management or director mistakes or improprieties. As such, the costs associated with the protection of the shareholders' investment should be born by shareholders, not by the ratepayers. Accordingly, D&O liability insurance of $8,463,000 should be removed from test year expenses ($8,424,000 jurisdictional). (DeRonne).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 86: Is FPL's level of Executive Department contingencies expense in the amount of $1.7 million for the test year appropriate, and if not, what adjustment should be made?

POSITIONS:

FPL: Yes. It is routine in budgeting to include a contingency amount for unexpected events. FPL's test year contingency amount is consistent with the average budgeted contingency over the prior four years. Yet, in each of the years 2002, 2003 and 2004, FPL incurred actual, unexpected expenses in amounts that substantially exceeded the budgeted contingency. The contingency is forecast within the Executive function in order to ensure executive involvement in developing and setting the amount of the contingency, but it is available to support corporate activities in many other areas of the Company's operations as well. (Stamm)

OPC: No. In response to discovery, FPL stated that this expense was budgeted for unplanned corporate level expenses that may arise from time to time, and was based on management judgment and a need for a material level of contingency funds. FPL did not provide any further support or explanation. Given the lack of support or a reasonable description, the executive contingency expenses of $1.7 million should be removed from the projected test year. (DeRonne).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 87: **WITHDRAWN**

ISSUE 88: **Should the O&M expense items currently approved for recovery through the Environmental Cost Recovery Clause be included in base rates?**

POSITIONS:

FPL: No. FPL believes that these costs should continue to be recovered through the Environmental Cost Recovery Clause. (Davis)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: Yes.

FRF: No position.

SFHHA: No. These amounts should be recovered through the environmental cost recovery clause.

STAFF: No. The ECRC provides recovery of volatile O&M expenses due to environmental compliance activities that would otherwise have to be projected and included in the test year.

ISSUE 89: **Is FPL's level of salaries for the 2006 projected test appropriate? If not, what adjustments are necessary?**

POSITIONS:

FPL: Yes. The projected level of salaries for 2006 is appropriate and reasonable. The reasonableness is demonstrated in a number of ways, including comparison of FPL's salaries to market, comparison of growth of the costs to principal inflation indices, and comparison of FPL's salary cost and productivity measures to those of similar utilities. (Slattery)

OPC: No. Four types of adjustments are appropriate to payroll expense.

Employee Complement
FPL has requested salary levels to reflect 308 new positions but also a number in excess of the 230 vacancies existing at December 2004. To correct this unrealistic assumption, a reduction of 228 positions should be made, to reflect a total employee complement of 10,330 in 2006. This assumes that FPL will add 299 positions or 97% of the simple average increase in employees for 2002 through 2004. This results in a decrease to test year salaries of $8,563,751.

Overtime Projections
Overtime projections for 2006 are excessive compared to historical levels for 2001 to 2003. Gross overtime payroll should be reduced by $1.5 million, which will provide for an annual overtime salary level of $109,674,090. After netting for employment taxes, the net decrease to O&M Expenses should be $936,304 on a jurisdictional basis.

Incentive Compensation
The Company's requested test year incentive compensation or variable pay level is high and was not readily identifiable or quantifiable. Historically, the annual incentive compensation amount remained level for the last four years at approximately $36 million. However, the Company ignored that trend and increased the annual incentive compensation in 2006 by 20% to $43,297,600. This increase is not justified and two adjustments are appropriate. First, at a minimum the 2006 total annual incentive amount of $43,297,600 should be reduced by $7,189,830 to the four year average of $35,952,383. The O&M expense reduction on a jurisdictional basis is $4,619,385. Adjusting the 2006 incentive compensation to the four year average is appropriate and takes into consideration the fact that over the last four years the cost of this plan has

remained flat. Further, a 50/50 sharing of the incentive compensation for the remaining $35,952,383 is appropriate. Sharing this incentive pay expense recognizes that achieving performance goals contributes to the Company's success. Shareholders benefit from the higher rates of return on investment and ratepayers theoretically benefit from lower cost of service which should translate into lower rates. This sharing results in a reduction to O&M expense of $11,549,500 on a jurisdictional basis.

Long-term Incentive Compensation
FPL's long-term incentive compensation plan promotes the interests between the shareholders and its employees by encouraging and creating significant ownership of common stock of the Company by the officers and other salaried employees of the Company. Further, the stock option program allows individuals with key talents to receive a personal reward that is tied to FPL's stock price and shareholder interests. The information provided in support of this incentive program does not even mention benefits to customers such as customer service quality or reliability. It is clear that the purpose of the benefit package is to enhance shareholder value and because shareholders are the intended direct beneficiary, the shareholders should bear the associated costs. The Citizen's primary adjustment to long-term incentive compensation is that the entire $29,391,450 projected for 2006 should be removed.

However, if the Commission determines that some benefits and costs belong to the ratepayers, an alternative adjustment is proposed. The historical average from 2002 to 2004 was $16,130,200. The projected expense for 2006 for long-term incentive benefits increased to $29,717,000, or 84.2%. After adjusting for the excess based on the historical average, at least 50% of the remaining $16,130,200 should be disallowed as being shareholder related. Thus, on an alternative basis, O&M expenses should be reduced by $21,414,703 on a jurisdictional basis. (Schultz).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. FPL's level of salaries for the 2006 project test year is overstated by $16.2 million. In addition, FPL's incentive compensation should be reduced by $17 million associated with stock-based compensation.

SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 90: **Is FPL's level of employee benefits, including Other Post Retirement Benefits Expense, for the 2006 projected test year appropriate? If not, what adjustments are necessary?**

POSITIONS:

FPL: Yes. The level of requested employee benefits cost is fair and reasonable. The reasonableness of these costs is supported in testimony using the BENVAL study which demonstrates the comparative value of FPL's benefit plans as below average compared to a sample of 776 general and utility industry companies. The level of other post employment retirement benefit expense included in the 2006 projected test year has been, and should be, calculated in accordance with FAS 106. (Slattery, Davis)

OPC: No. Employee benefits should be reduced by $7,168,000, as recommended in Issues 82 and 83. (Schultz).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 91: **Are FPL's O&M Expenses of $1,591,191,000 ($1,609,486,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm, Stall, Yeager, Mennes, Williams, Santos)

OPC: No. Adjustments should be made as set forth in other issues.

AARP: Agree with OPC.

AG: No. Adjustments should be made as set forth in other issues.

CG: No.

FEA: No position.

FIPUG: Agree with OPC.

FRF: No. Adjustments should be made in accordance with the FRF's positions on the relevant preceding issues.

SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 92: **Is FPL's level of nuclear decommissioning expense in the amount of $78,202,000 ($78,524,000 system) for the test year appropriate, and if not, what adjustment should be made?**

POSITIONS:

FPL: Yes. The amount forecast in the test year is consistent with Order No. PSC-02-0055-PAA-EI. (Davis)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 93: **CATEGORY 2 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 94: **Is FPL's Depreciation and Amortization Expense of $924,323,000 ($931,710,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

OPC: No. Depreciation expense should be reduced by $12,083,000 on a jurisdictional basis to reflect changes in the depreciation rates recommended by OPC witness Majoros. Depreciation expense should also be reduced by $8,738,000 for the recommended adjustments to plant in service addressed by OPC witnesses Larkin and DeRonne as addressed in previous issues.

The Commission should amortize the depreciation reserve surplus over a ten year period if the Commission agrees with the major adjustments proposed by OPC. However, if the Commission does not adopt the major adjustments recommended by OPC and therefore allows rates materially higher than proposed by OPC, the Commission should follow its past policy and amortize the surplus over a shorter period of time.

The final amount of depreciation and amortization expense is subject to the resolution of other issues.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 95: **What is the appropriate amount of gain on sales and disposition of properties for the test year?**

POSITIONS:

FPL: $967,000 is the appropriate gain on sales for the 2006 test year as reflected in MFR C-1. (Stamm, Swalwell)

OPC: The appropriate amount of amortization of gain on sales for the test year included by FPL in its filing should be increased by $748,000, resulting in total amortization of gain on sales of $1,715,000. FPL's inclusion of $0 gain on sales and disposition of properties for 2005 and 2006 is inconsistent with the fact that several properties are currently offered for sale and inconsistent with the fact that the Company has regularly realized such gains. A three-year average of gains on sales and dispositions of property realized by FPL over the period 2002 through 2004, excluding the impacts of a gain on involuntary conversion received in 2003, should be used in projecting the gains for 2005 and 2006. A revised level of projected additional gains should be $3,738,000 for 2005 and 2006. Amortizing this additional gain over a five-year period results in a $748,000 increase in the annual amortization of gain on sales from that included in FPL's filing. (DeRonne)

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 96: **CATEGORY 1 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 97: **Is FPL's Taxes Other Than Income of $299,798,000 ($301,922,000 system) for the projected test year appropriate?**

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

OPC: No, adjustments are appropriate as set forth in other issues.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 98: **WITHDRAWN**

ISSUE 99: **CATEGORY 1 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 100: **What adjustments, if any, are appropriate to account for interest synchronization?**

POSITIONS:

FPL: This is a fall-out issue that applies only if other adjustments are made to FPL's test year projections, and no such adjustments are warranted. (Davis)

OPC: Adjustments are appropriate to reflect the adjusted balance of rate base and weighted cost of debt approved by the Commission. Based on the Citizen's adjusted rate base and cost of debt, income tax expense should be reduced by $2,584,000. The final amount is subject to the decisions in preceding issues.

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: Agree with OPC.

SFHHA: These adjustments are the result of other adjustments to the capital structure and cost of short term debt and long term debt.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 101: **Is FPL's Income Tax Expense of $291,326,000 ($289,545,000 system) which includes current and deferred income taxes and interest reconciliation for the projected test year appropriate?**

POSITIONS:

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

OPC: No. Adjustments are appropriate to reflect the adjustments to rate base and operating income recommended in preceding issues. Citizen's recommended increase to income tax expense is $234,283,000. The final amount is subject to the decisions in preceding issues.

AARP: Agree with OPC.

AG: No.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 101A: Should adjustments be made to net operating income to reflect the adjustments shown in FPL witness Davis' Document No. KMD-10, to the extent such adjustments have not already been made in another issue?

POSITIONS:

FPL: No adjustment is appropriate. FPL's MFRs have been extensively reviewed in connection with the discovery and Staff auditing process. That review identified only thirteen corrections, summarized in Document KMD-10, that have a net impact on FPL's test year revenue requirements of only about $7.5 million (less than 2% of FPL's requested base rate increase is calculated). The small number and dollar impact of these corrections evidence the continued integrity of FPL's test year results for rate-setting purposes. (Davis)

OPC: Yes, with two corrections. First, Item No. 11 should reflect an increase to test year revenues for amortization of a transfer of assets to an affiliate. The impact on the revenue requirement column should reflect a decrease of $166,000, not an increase as reflected on the schedule. Second, in Item No. 12, the description should reflect an increase to other miscellaneous other operating revenues. The impact in the revenue requirement column is correctly shown. As a result of these two changes, the total net decrease to the 2006 revenue requirement should be $7.421 instead of $7.089 million.

AARP: Agree with OPC.

AG: Agree with OPC.

CG: Agree with OPC.

FEA: No position.

FIPUG: No position.

FRF: FRF is still evaluating the various adjustments proposed by FPL in Exhibit KMD-10, and accordingly, FRF is unable to state a position on this issue at this time. FRF believes each proposed adjustment should be decided individually, based on the evidence presented in the hearing.

SFHHA: No position.

STAFF: Yes.

ISSUE 102: Is FPL's projected Total Operating Expenses of $3,105,671,000 ($3,131,695,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITIONS:

FPL: FPL has reasonably forecast this amount, and it is consistent with the prior, subordinate issues on Test Year Operating Expenses. However, FPL has calculated that including the impacts of FPL's July 1, 2005 updated depreciation study and the results of the Commission's decision in Docket No. 041291-EI on FPL's storm cost recovery petition would increase Total Operating Expenses by $41,274,000 ($42,191,000 system) to an amount of $3,146,945,000 ($3,173,886,000 system) for Total Operating Expenses. (Davis, Stamm)

OPC: No, adjustments should be made as set forth in other issues.

AARP: Agree with OPC.

AG: No. Adjustments should be made as set forth in other issues.

CG: No.

FEA: No position.

FIPUG: No.

FRF: No. Adjustments should be made consistent with the FRF's positions on other issues.

SFHHA: No.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 103: Is FPL's Net Operating Income (NOI) of $782,562,000 ($782,041,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITIONS:

FPL: This is a calculation based upon the decisions in preceding issues. FPL has reasonably forecast this amount, and it is consistent with the prior, subordinate

NOI issues. However, FPL has calculated that including the impacts of FPL's July 1, 2005 updated depreciation study and the results of the Commission's decision in Docket No. 041291-EI on FPL's storm cost recovery petition would decrease NOI by $41,274,000 ($42,191,000 system) to an amount of $741,288,000 ($739,850,000 system) for Net Operating Income). (Davis, Stamm)

OPC: No, adjustments should be made as set forth in other issues.

AARP: Agree with OPC.

AG: No. Adjustments should be made as set forth in other issues.

CG: No.

FEA: No position.

FIPUG: No.

FRF: No. Adjustments should be made consistent with the FRF's positions on other issues.

SFHHA: No.

STAFF: Staff has no position pending evidence adduced at hearing.

REVENUE REQUIREMENTS

ISSUE 104: What is the appropriate projected test year revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL?

POSITIONS:

FPL: The appropriate projected test year revenue expansion factor and net operating income multiplier is 1.61971. The elements and rates are shown on MFR C-44. (Davis)

OPC: The appropriate revenue expansion factor is 61.8120%. The appropriate net operating income multiplier is 1.617809. The Company's multiplier should be modified for two reasons. First, the bad debt rate should be adjusted from 0.168% to reflect a more appropriate rate of 0.135%, as addressed by Citizen's witness DeRonne. Second, the NOI multiplier should be revised to include the effective state income tax impact of from the manufacturers' deduction under the American Jobs Creation Act of 2004. FPL reflected the impact of the Act in its requested state and federal income tax expense and on the federal tax rate for the NOI multiplier but not on the state tax component for the multiplier. (DeRonne).

AARP: Agree with OPC.

AG: Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: Agree with OPC.

FRF: FPL's net operating income multiplier should be 1.61917, after adjusting to correct the bad debt factor. Additional adjustments may be required to reflect the manufacturers' deduction under the American Jobs Creation Act of 2004.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 105: Is FPL's requested annual operating revenue increase of $384,580,000 for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

OPC: No. Not only has FPL failed to demonstrate that it deserves a rate increase, but the adjustments that the Citizens recommend show that a base rate revenue decrease of $724,724,000 is appropriate. (DeRonne).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No.

FEA: Agree with OPC.

FIPUG: Agree with OPC.

FRF: No. Not only is FPL's requested annual increase in base rate operating revenues entirely unjustified, the Commission should reduce FPL's base rates by at least $679 million (comparable to the $384.58 million value stated in this issue) per year.

SFHHA: No. FPL's base operating revenues should be reduced by at least $224.7 million from present levels.

STAFF: Staff has no position pending evidence adduced at hearing.

COST OF SERVICE AND RATE DESIGN

ISSUE 106: Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

POSITIONS:

FPL: Yes. Separation factors were developed consistent with the cost methodology specified in the Commission-provided instructions of MFR E-1 and with the methodology used in the Company's clause adjustment filings and surveillance reports. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 107: What is the appropriate cost of service study to be used in designing FPL's rates?

POSITIONS:

FPL: The appropriate methodology to be used in designing rates is that filed by FPL in this proceeding. This cost of service methodology was the method approved by the Commission in FPL's previous rate case with one exception. The previously approved methodology incorporated a special treatment for the St. Lucie #2 nuclear generating unit which should no longer apply. (Morley)

OPC: No position.

AARP: Agree with FPL.

AG: No position.

CG: Distribution costs should be allocated on the basis of demand and customer.

FEA: CILC energy charge should reflect adjustments shown in direct testimony of FEA witness Dennis Goins.

FIPUG: Agree with SFHHA.

FRF: No position.

SFHHA: The appropriate methodology is a summer/winter CP method, with a minimum distribution system classification method.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 108: **How should a change in revenue requirements be allocated among the customer classes?**

POSITIONS:

FPL: The increase should be allocated as shown in MFR E-8. The proposed revenue increase allocation moves all rate classes closer to parity while limiting the base rate increase to any individual rate class to 25%. The use of the rule-of-thumb which limits increases to any rate class to no more than 150% of the system average should be rejected in this case. The use of the rule-of-thumb would allow extreme disparity in the parities by rate class to perpetuate and would unfairly burden rate classes which are above parity. (Morley)

OPC: No position.

AARP: Agree with FPL.

AG: No position.

CG: No rate class should receive an allocation of any rate increase that is greater than 150% of the system average.

FEA: No rate should receive an increase greater than 150% percent of the average system increase. The policy against rate shock and the policy of gradualism would be best served by limiting the rate increase of any class to 150% of the system average increase.

FIPUG: Agree with SFHHA.

FRF: This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

SFHHA: Each rate schedule should receive an equal percentage increase.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 109: What is the appropriate adjustment to account for the increase in unbilled revenue due to any recommended rate increase?

POSITIONS:

FPL: The appropriate adjustment to account for the increase in unbilled revenue is that shown in MFR E-13a. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 110: What are the appropriate demand charges?

POSITIONS:

FPL: The appropriate demand charges are those shown in MFR A-3, which are listed below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by FPL in other issues. (Morley)

PROPOSED DEMAND CHARGE BY RATE CLASS:

Rate Class	Proposed Demand Charge ($/kW)
GSD-1	$5.81 (all kW)
GSDT-1	$5.81 (on-peak)
GSLD-1	$5.81
GSLDT-1	$5.81 (on-peak)
CS-1	$5.81
CST-1	$5.81 (on-peak)
GSLD-2	$5.81
GSLDT-2	$5.81 (on-peak)
CS-2	$5.81
CST-2	$5.81 (on-peak)
GSLD-3	$6.64
GSLDT-3	$6.64 (on-peak)
CS-3	$6.64
CST-3	$6.64 (on-peak)
MET	$11.09

CILC-1	
	Maximum Demand \$3.32 (G) 200–499kW \$3.32 (D) above 500kW \$0.00 (T) transmission
	<u>Load Control On-Peak</u> \$1.71 (G) 200–499kW \$1.71 (D) above 500kW \$1.63 (T) transmission
	<u>Firm On-Peak</u> \$7.15 (G) 200–499kW \$7.15 (D) above 500kW \$6.81 (T) transmission
SST-1	<u>Contract Standby</u> \$2.21 (D1) \$3.00 (D2) \$2.21 (D3) \$0.00 (T)
	<u>Reservation</u> \$0.87 (D1) \$0.87 (D2) \$0.86 (D3) \$0.43 (T)
	<u>Daily On-Peak</u> \$0.41 (D1) \$0.41 (D2) \$0.41 (D3) \$0.39 (T)
ISST-1	<u>Distribution Demand</u> \$3.32 (Distribution) \$0.00 (Transmission)
	<u>Reservation Demand-Interruptible</u> \$0.20 (Distribution) \$0.20 (Transmission)
	<u>Reservation Demand-Firm</u> \$0.86 (Distribution)

		$0.43 (Transmission)
		<u>Supplemental Service</u> See applicable rate
		<u>Daily On-Peak Firm Standby</u> $0.41 (Distribution) $0.39 (Transmission)
		<u>Daily On-Peak Interruptible Standby</u> $0.09 (Distribution) $0.09 (Transmission)
	HLFT-1	$8.22 (on-peak) $1.82 (max demand)
	SDTR	$6.40 (Seasonal On-Peak) $5.51 (Option A: Non-Seasonal) $5.51 (Option B: Non-Seasonal On-peak)

(Morley)

<u>OPC:</u> No position.

<u>AARP:</u> Agree with FPL.

<u>AG:</u> No position.

<u>CG:</u> No position.

<u>FEA:</u> No position.

<u>FIPUG:</u> No position.

<u>FRF:</u> This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

<u>SFHHA:</u> No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

<u>STAFF:</u> Staff has no position pending evidence adduced at hearing.

<u>ISSUE 111:</u> What are the appropriate energy charges?

POSITIONS:

FPL: The appropriate energy charges are those shown in MFR A-3, which are listed below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by FPL in other issues. (Morley)

Rate Class	Proposed Energy Charge (¢ per kWh)
RS-1	3.481 (First 1,000kWh) 4.481 (all additional kWh)
RST-1	9.757 (on-peak) 1.287 (off-peak)
GS-1	3.740
GST-1	9.207 (on-peak) 1.336 (off-peak)
GSD-1	1.502
GSDT-1	4.020 (on-peak) 0.503 (off-peak)
GSLD-1	1.502
GSLDT-1	4.020 (on-peak) 0.503 (off-peak)
CS-1	1.502
CST-1	4.020 (on-peak) 0.503 (off-peak)
GSLD-2	1.502
GSLDT-2	4.020 (on-peak) 0.503 (off-peak)
CS-2	1.502
CST-2	4.020 (on-peak) 0.503 (off-peak)
GSLD-3	0.537

GSLDT-3	0.597 (on-peak) 0.482 (off-peak)
CS-3	0.537
CST-3	0.597 (on-peak) 0.482 (off-peak)
OS-2	6.908
MET	0.561
CILC-1	<u>On-Peak</u> 0.776 (G) 200–499kW 0.630 (D) above 500kW 0.540 (T) transmission <u>Off-Peak</u> 0.776 (G) 200–499kW 0.630 (D) above 500kW 0.540 (T) transmission
CDR	See applicable rate
SL-2	3.305
SST-1	<u>On-Peak</u> 0.501 (D1) 0.501 (D2) 0.499 (D3) 0.482 (T) <u>Off-Peak</u> 0.501 (D1) 0.501 (D2) 0.499 (D3) 0.482 (T)
ISST-1	<u>On-Peak</u> 0.630 (Distribution) 0.540 (Transmission) <u>Off-Peak</u> 0.630 (Distribution)

	0.540 (Transmission)
GSCU-1	2.371
HLFT-1	0.834 (on-peak) 0.504 (off-peak)
SDTR	4.192 (On-Peak: Seasonal Time of Use Rate) 1.145 (Off-Peak: Seasonal Time of Use Rate) 1.502 (Option A: Non-Seasonal Standard Rate) 4.020 (On-Peak Option B: Non-Seasonal Time of Use Rate) 0.503 (Off-Peak Option B: Non-Seasonal Time of Use Rate)

(Morley)

OPC: No position.

AARP: Agree with FPL.

AG: No position.

CG: No position.

FEA: The CILC rate should not include the fixed costs of energy-related gas turbine production capacity. FP&L's proposed CILC rates fail to properly take into account the customer investment in installed generating capacity to qualify for the CILC rate. CILC customers that installed generating capacity should not be required to pay for combustion turbine capacity used to meet peaking requirements.

FIPUG: No position.

FRF: This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 112: How should FPL's time-of-use rates be designed?

POSITIONS:

FPL: FPL's time-of-use rates should be designed based on the method outlined in Document RM-7 of Witness Morley's Direct Testimony and in MFR E-14, Attachment 2. The standard time-of-use rates should be based on the same rate structure approved for FPL in Docket No. 830465-EI and should incorporate time differentiated energy charges and a single time differentiated demand charge. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

STAFF: FPL should implement a rate structure for TOU customers consistent with the rate structure approved for Gulf Power Company (PSC Order No. 23573), Progress Energy (PSC Order No. PSC-92-1197-FOF-EI) , and Tampa Electric (PSC Order No. PSC-93-0165-FOF-EI), implementing a maximum demand charge to recover distribution related costs and an on-peak demand charge to recover transmission and production costs for demand metered customers, and setting the off-peak energy charge at the class's energy unit costs.

ISSUE 113: What are the appropriate customer charges?

POSITIONS:

FPL: The appropriate customer charges are those shown in MFR A-3, which are listed below. (Morley)

Rate Class	Proposed Customer Charge
RS-1	$7.00

RST-1	$9.00 $7.00 (w/$147.82 Lump-sum metering payment made prior to 12/31/05)
GS-1	$9.14 (metered) $3.14 (unmetered)
GST-1	$14.75 $9.14 (w/$147.82 Lump-sum metering payment made prior to 12/31/05)
GSD-1	$25.00
GSDT-1	$40.00 $25.00 (w/$359.79 Lump-sum metering payment made prior to 12/31/05)
GSLD-1	$150.00
GSLDT-1	$150.00
CS-1	$200.00
CST-1	$200.00
GSLD-2	$350.00
GSLDT-2	$350.00
CS-2	$300.00
CST-2	$300.00
GSLD-3	$1,610.00
GSLDT-3	$1,610.00
CS-3	$1,610.00
CST-3	$1,610.00
OS-2	$25.00
MET	$519.00

CILC-1	$212.00 (G) 200–499kW $279.00 (D) above 500kW $2,630.00 (T) transmission
CDR	See applicable rate
SST-1	$225.00 (D1) $225.00 (D2) $336.00 (D3) $1,964.00 (T)
ISST-1	$304.00 (Distribution) $2,655.00 (Transmission)
GSCU-1	$9.14
HLFT-1	$40.00 (Annual Max Demand less than 500kW) $150.00 (Annual Max Demand less than 2000kW) $350.00 (Annual Max Demand of 2000kW or more)
SDTR	For customers with Annual Max Demand less than 500kW: $25.00 (otherwise applicable Rate Schedule GSD-1) $40.00 (otherwise applicable Rate Schedule GSDT-1) $150.00 (Annual Max Demand less than 2000kW) $350.00 (Annual Max Demand of 2000kW or more)

(Morley)

OPC: No position.

AARP: Agree with FPL.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 114: What are the appropriate service charges?

POSITIONS:

FPL: The appropriate service charges are those shown in MFR E-14, Attachment No. 1 which are listed below. (Morley, Santos, Williams)

Returned Payment	\$25 if payment amount is less than or equal to \$50 \$30 if payment amount is less than or equal to \$300 \$40 if payment amount is less than or equal to \$800 5% of the payment amount if the payment amount is greater than \$800
Late Payment	Tiered – Greater of \$5 or 1.5% applied to any past due unpaid balance of all accounts
Reconnection Charge	\$40.50
Initial Connection New Premise	\$39.20
Field Collection	\$14.00
Connect/Disconnect Existing Premise	\$14.60
Temporary Construction/Overhead	\$180.59
Temporary Construction/Underground	\$94.49

(Morley, Santos, Williams)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 115: What are the appropriate lighting rate schedule charges?

POSITIONS:

FPL: The appropriate lighting rate schedule charges are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 116: CATEGORY 2 STIPULATION - See Section XI, Proposed Stipulations

ISSUE 117: **What is the appropriate monthly fixed charge carrying rate to be applied to the installed cost of customer-requested distribution equipment for which there are no tariffed charges?**

POSITIONS:

FPL: FPL proposes no change to the current charge of 28% per year of installed costs of the facilities. The cost support provided in response to Staff's Fourth Set of Interrogatories, Question No. 151 indicates that the current level of the charge reflects FPL's cost and thus no change to the monthly fixed carrying charge is required. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: The appropriate fixed charge carrying rate is 28% per year, or 2.3% per month.

ISSUE 118: **What is the appropriate Monthly Rental Factor to be applied to the in-place value of customer-rented distribution substations to determine the monthly rental fee for such facilities?**

POSITIONS:

FPL: FPL proposes no change to the current monthly factor of 1.62% of installed costs of the facilities. The cost support provided in response to Staff's Fourth Set of Interrogatories, Question No. 148 indicates that the current level of the charge reasonably approximates FPL's costs and thus, no change to the monthly factor is required. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: The appropriate Monthly Rental Factor is 1.62%.

ISSUE 119: **What are the appropriate termination factors to be applied to the in-place value of customer-rented distribution substations to calculate the termination fee?**

POSITIONS:

FPL: FPL proposes no change to the current termination factors. The cost support provided in response to Staff's Fourth Set of Interrogatories, Question Nos. 148 and 149 indicates that the current level of the charge reasonably approximates FPL's costs and thus no change to the termination factors is required. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: The appropriate methodology to calculate the termination factors to be applied to the in-place value of customer-rented distribution equipment are shown in FPL's response to Staff's Fourth Set of Interrogatories to FPL, No. 149. FPL should revise the calculation based on the Commission's vote on FPL's cost of capital and depreciation rate.

ISSUE 120: What are the appropriate termination factors to be applied to the total installed cost of facilities when customers terminate their lighting agreement prior to the expiration of the contract term?

POSITIONS:

FPL: The appropriate termination factors to be applied to the total installed cost of facilities when customers terminate their lighting agreement prior to the expiration of the contract term are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: The appropriate methodology to calculate the termination factors to be applied to the total installed cost of facilities when customers terminate their lighting agreement prior to the expiration of the contract term are shown in FPL's response to Staff's Fourth Request for Production of Documents to FPL, No. 38. FPL should revise the calculation based on the Commission's vote on FPL's cost of capital and depreciation rate.

ISSUE 121: **What is the appropriate Present Value Revenue Requirement multiplier to be applied to the installed cost of premium lighting facilities under rate schedule PL-1 to determine the lump sum advance payment amount for such facilities?**

POSITIONS:

FPL: The appropriate Present Value Revenue Requirement multiplier to be applied to the installed cost of lighting facilities to determine the lump sum advance payment amount for such facilities is that presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: FPL has proposed to close the Premium Lighting (PL-1) rate schedule to new customers as of December 31, 2005 (Issue 133). If the Commission approves FPL's proposal in Issue 133, this issue is moot. If the Commission does not approve FPL's proposal in Issue 133, the appropriate methodology to calculate the Present Value Revenue Requirement multiplier is shown if FPL's response to Staff's Fourth Set of Interrogatories to FPL, No. 152. However, FPL should revise the calculation based on the Commission's vote on FPL's cost of capital and depreciation rates.

ISSUE 122: **What are the appropriate per-month facilities charges under FPL's PL-1 and SL-3 rate schedules?**

POSITIONS:

FPL: The appropriate per-month facilities charges under FPL's PL-1 and SL-3 rate schedules are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

SFHHA: No position.

STAFF: The appropriate methodology to calculate the per-month facilities charges under FPL's PL-1 and SL-3 rate schedules are shown in FPL's response to Staff's Fourth Request for Production of Documents, Request Nos. 38 and 40. FPL should revise the calculation based on the Commission's vote on FPL's cost of capital and depreciation rates.

ISSUE 123: What is the appropriate monthly per kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider?

POSITIONS:

FPL: FPL proposes no change to the current monthly per kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider. The cost support provided in response to Staff's Fourth Set of Interrogatories, Question No. 150 indicates that the current level of the credit reasonably approximates FPL's costs. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: The appropriate monthly credit is $.37 per kW.

ISSUE 124: **What is the appropriate level and design of the charges, and terms and conditions, under the Standby and Supplemental Service (SST-1) rate schedule?**

POSITIONS:

FPL: The appropriate level and design of the charges under the Standby and Supplemental Service (SST-1) rate schedule are those discussed in RM-7 of FPL Witness Morley's Direct Testimony. The tariff sheets incorporating the appropriate level and design of the charges under SST-1 rate schedule are contained in MFR E-14, Attachment 1. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

SFHHA: No position.

STAFF: This is a fallout issue and the Commission should address it at its November 29, 2005 Agenda Conference.

ISSUE 125: What is the appropriate level and design of the charges under the Interruptible Standby and Supplemental Service (ISST-1) rate schedule?

POSITIONS:

FPL: The appropriate level and design of the charges under the Interruptible Standby and Supplemental Service (ISST-1) rate schedule are those discussed in RM-7 of FPL Witness Morley's Direct Testimony. The tariff sheets incorporating the appropriate level and design of the charges under the ISST-1 rate schedule are contained in MFR E-14, Attachment 1. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: This is a fallout issue. Each rate class should receive an equal percentage decrease (increase), which should be reflected in all charges applicable to the class.

SFHHA: No position.

STAFF: This is a fallout issue and the Commission should address it at its November 29, 2005 Agenda Conference.

ISSUE 126: WITHDRAWN

ISSUE 127: Should the curtailable rate schedule remain open and what credit, if any, should be provided under curtailable rate schedule?

POSITIONS:

FPL: Yes. The curtailable rate schedule(s) should remain open. The credit should remain at $1.58/kW. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: Credits should increase by the same amount as any base rate increase granted.

FRF: No position.

SFHHA: Yes. Curtailment credits, at a minimum, should be at the level proposed by FPL.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 128: What are the appropriate administrative charges under the Commercial/Industrial Demand Reduction rider?

POSITIONS:

FPL: The appropriate administrative charges under the Commercial/Industrial Demand Reduction rider are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 129: **CATEGORY 2 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 130: **Should the GSD-1, GSLD-1, GSLD-2, CS-1, and CS-2 rate schedules (and their TOU equivalents) have the same demand and energy charges?**

POSITIONS:

FPL: Yes. The Commission should approve FPL's proposal to establish a single set of demand and energy charges for its GSD-1, GSLD-1, GSLD-2, CS-1 and CS-2 rate schedules. There is no cost basis for reducing a customer's electric bill based on a 500 kW threshold. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No.

FEA: No position.

FIPUG: No position.

FRF: No.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 131: **CATEGORY 1 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 132: **Should the Wireless Internet Rate (WIES-1) be closed to new customers effective January 1, 2006 and existing customers transferred to the otherwise applicable rate effective January 1, 2007?**

POSITIONS:

FPL: Yes. As outlined in the current WIES tariff FPL is authorized to petition the Commission to close the WIES rate schedule if the kWh under the rate schedule have not reach 360,000 kWh by June 2004. As of June 2005, kWh sales under the WIES have only reached 18,240 kWh . Existing customers can transfer to the General Service Constant Use Rate or the unmetered service option under GS-1. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 133: Should FPL's proposal to close its Premium Lighting rate schedule to new customers and replace it with a new Decorative Lighting rate schedule be approved?

POSITIONS:

FPL: Yes. The new Decorative Lighting schedule will provide the same type of lighting facilities provided under the Premium Lighting rate schedule but administering the new rate schedule will require less time and resources. (Brandt, Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 134: Should FPL's proposal to offer an optional GS-1 constant usage rate be approved and what should be the methodology used for determining the rate?

POSITIONS:

FPL: Yes. FPL's proposed General Service Constant Use rate schedule provides a rate attractive to small commercial customers with a relatively constant, high load factor usage which sets them apart from customers on the otherwise applicable rate schedule. (Morley)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 135: Should FPL's proposal to offer an optional high load factor TOU rate including the load factor breakeven point and the methodology for determining the rate be approved?

POSITIONS:

FPL: Yes. FPL's proposed new High Load Factor Time-of-Use rate schedule provides a rate attractive to customers with a higher load factor while also providing a significantly time-differentiated price signal. The load factor breakeven point and the methodology proposed by FPL are appropriate. (Morley)

OPC: No position.

AARP: Agree with FPL.

AG: No position.

CG: HLF Rate should be approved based on a 65% or lower Load Factor Break Even Point.

FEA: No position.

FIPUG: No position.

FRF: FRF supports FPL's proposal to offer an option high load factor TOU rate. FRF has no position at this time on the load factor breakeven point.

SFHHA: Yes. FPL's proposed methodology is acceptable. The final approved HLFT rate should be adjusted to maintain the relationships between the HLFT rate as filed by FPL and the other GS rates, as described in SFHHA witness Baron's direct testimony.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 136: **CATEGORY 2 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 137: **What is the appropriate effective date for new base rates and charges established based on the 2006 projected test year?**

POSITIONS:

FPL: The effective date for FPL's revised rates and charges for electric service should be for meter readings on and after January 1, 2006. The effective date for FPL's revised service charges should be January 1, 2006. (Morley)

OPC: January 1, 2006.

AARP: Agree with OPC.

AG: January 1, 2006.

CG: Agree with the FRF.

FEA: No position.

FIPUG: No position.

FRF: January 1, 2006.

SFHHA: New base rates and charges should be established no later than January 1, 2006.

STAFF: Staff has no position pending evidence adduced at hearing.

INCREMENTAL REVENUE REQUIREMENT FOR THE 2007 TURKEY POINT UNIT 5 ADJUSTMENT

ISSUE 138: Should the Commission approve FPL's request to allow an additional base rate increase in 2007 to correspond with the in-service date of the Turkey Point Unit 5?

POSITIONS:

FPL: Yes. The addition of the Turkey Point Unit 5 generating plant represents a significant capital investment with substantial operating and financing costs, the impacts of which are not reflected in FPL's projections for 2006 and will have an immediate, substantial, negative effect on FPL's earnings in 2007. The estimated costs of Turkey Point Unit 5 were determined in Docket No. 040206-EI to be the lowest cost resource option to meet FPL customers' needs in 2007. Actual costs are not likely to vary significantly from the estimate which is based largely on contracted pricing. FPL's request for an additional base rate increase in 2007 to reflect this incremental cost is consistent with Commission precedent. (Davis, Dewhurst, Yeager)

OPC: No. Ratemaking principles require an examination of all expenses, revenues, and rate base effects during the period in question. In effect, FPL's request asks the Commission to ignore all impacts except capital costs, operating expenses and tax impacts for Turkey Point Unit 5 using a fiscal year ending May 31, 2008. This ignores important offsetting impacts, including increased revenues reflecting strong customer growth and growing usage per customer. In addition to ignoring offsetting impacts, projections into 2007 and 2008 are far too uncertain for ratemaking. The Commission should not approve an increase for Turkey Point Unit 5 in this rate proceeding. (Larkin).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No.

FEA: No position.

FIPUG: No.

FRF: No. Agree with OPC that proper ratemaking for any given time period (test year) requires thorough examination of all factors, including, without limitation, revenues, sales, capital costs, rate base costs, and operating costs, as those factors exist in that time period. FPL's request is thus inappropriate and premature. FPL may, of course, if it deems it necessary to ensure that its rates are fair, just, and reasonable, file a complete rate case for a test period in which Turkey Point Unit 5 will be in-service, which will give the FRF and other affected consumers and the Commission a full opportunity to examine all relevant factors and thus allow the Commission to set fair, just, and reasonable rates accordingly.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 139: Are FPL's forecasts of customers, kWh by revenue class, and system KW for the 2007 Turkey Point 5 Adjustment reasonable?

POSITIONS:

FPL: Yes. FPL's forecasts of customer growth, energy sales, and peak demand for the 2007 Turkey Point Unit 5 Adjustment are reasonable. (Green)

OPC: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 140: **Are FPL's forecasts of billing determinants by rate class for the Turkey Point 5 Adjustment appropriate?**

POSITIONS:

FPL: Yes. FPL's forecast of billing determinants by rate class for the Turkey Point 5 Adjustment is appropriate as shown in Schedule E-14, Attachment 2. (Morley)

OPC: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 141: **Is FPL's level of Plant in Service in the amount of $571,312,000 ($580,300,000 system) for the projected year ended May 31, 2008, for the 2007 Turkey Point 5 Adjustment appropriate?**

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm, Yeager)

OPC: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 142: Is FPL's level of Accumulated Provision for Depreciation and Amortization in the amount of $15,572,000 ($15,818,000 system) for the projected year ended May 31, 2008, for the 2007 Turkey Point 5 Adjustment appropriate?

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

OPC: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 143: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for FPL's 2007 Turkey Point 5 Adjustment?

POSITIONS:

FPL: 10.13%. The associated components, amounts and cost rates are reflected in FPL's 2007 Turkey Point 5 Adjustment Schedule D-1a. (Davis, Dewhurst, Stamm, Avera)

OPC: If any rate increase for Turkey Point 5 is allowed, then the weighted average cost of capital should be determined in a manner consistent with the methodology used by the Commission in determining the overall cost of capital in Issue 51.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. The appropriate weighted average cost of capital for 2007-2008 cannot properly or appropriately be determined in this proceeding, but rather must be determined based on the conditions at the time. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 144: Is FPL's level of Total Operation and Maintenance Expenses for the new 2007 Turkey Point 5 unit in the amount of $4,448,000 ($4,519,000 system) for the 2007 Turkey Point 5 Adjustment appropriate?

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm, Yeager)

OPC: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 145: Is FPL's Depreciation and Amortization Expense of $31,143,000 ($31,635,000 system) for the 2007 Turkey Point 5 Adjustment appropriate?

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Stamm, Davis)

OPC: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 146: **Is FPL's level of Taxes Other Than Income Taxes in the amount of $11,367,000 ($11,546,000 system) for the 2007 Turkey Point 5 Adjustment appropriate?**

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

OPC: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 147: Are FPL's Income Tax expenses in the amount of negative $25,719,000 (negative $26,124,000 system) for the 2007 Turkey Point 5 Adjustment appropriate? (This is a fallout issue.)

POSITIONS:

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

OPC: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 148: What are the appropriate revenue expansion factors including the appropriate elements and rates for FPL for the 2006 projected test year and the 2007 Turkey Point 5 Adjustment?

POSITIONS:

FPL: The appropriate revenue expansion factor for the 2006 projected test year is addressed in FPL's position on Issue 104. The appropriate revenue expansion factor for the 2007 Turkey Point 5 Adjustment is 1.58273. The elements and rates are reflected in FPL's 2007 Turkey Point 5 Adjustment Schedule C-44. (Davis)

OPC: The appropriate revenue expansion factor for the 2006 test year is set forth in exhibit DD-1, schedule A-1. (DeRonne). FPL's forecast for mid 2007 is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: This issue is neither appropriate nor applicable in this proceeding. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it, and also accordingly, the Commission cannot properly or appropriately determine revenue expansion factors for 2007 without a full examination of all relevant factors and variables based on a forecasted 2007 test year. See the AG's position on Issue 138 above.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: This issue is neither appropriate nor applicable in this proceeding. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it, and also accordingly, the Commission cannot properly or appropriately determine revenue expansion factors for 2007 without a full examination of all relevant factors and variables based on a forecasted 2007 test year. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: None. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 149: What is the appropriate incremental annual operating revenue requirement for the 2007 Turkey Point 5 Adjustment?

POSITIONS:

FPL: FPL has reasonably forecast the incremental annual operating revenue requirement for the 2007 Turkey Point Unit 5 Adjustment to be $122,757,000. (Davis, Stamm)

OPC: An appropriate incremental revenue adjustment would more than offset the revenue requirement associated with Turkey Point Unit 5. (Larkin).

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: Zero; no "Turkey Point 5 Adjustment" is appropriate. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: $0. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 150: Is FPL's proposed method for the recovery of the costs of Turkey Point Unit 5 appropriate?

POSITIONS:

FPL: Yes. The cost of Turkey Point Unit 5 has been appropriately allocated among the rate classes consistent with the cost of service methodology used for the 2006 test year. An adjustment to each rate schedule's energy charges was developed to recover the allocated cost by rate class. (Morley)

OPC: The Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: This issue is neither appropriate nor applicable in this proceeding. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: This issue is neither appropriate nor applicable in this proceeding. At this time, FPL's forecasts are speculative and almost certainly bound to be inaccurate. Accordingly, FPL's request that the Commission approve rates now for 2007 or 2008 is inappropriate and speculative, and the Commission should reject it. If FPL believes that its rates in 2007 or 2008 will be unfair, unjust, and unreasonable, then FPL should file a complete rate case addressing all relevant factors for such future period. See the FRF's position on Issue 138 above.

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 151: What is the appropriate effective date for an adjustment to FPL's base rates to reflect the addition of Turkey Point Unit 5?

POSITIONS:

FPL: The appropriate effective date for an adjustment to FPL's base rate to reflect the addition of Turkey Point Unit 5 is 30 days after the Unit's commercial in-service date. (Morley)

OPC: The Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: There is no appropriate effective date for a "Turkey Point 5 Adjustment." This issue is neither appropriate nor applicable in this proceeding.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: There is no appropriate effective date for a "Turkey Point 5 Adjustment." This issue is neither appropriate nor applicable in this proceeding.

SFHHA: The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007. It is inappropriate to make an explicit "adjustment" to FPL's base rates to reflect the addition of Turkey Point Unit 5 in the absence of a comprehensive rate review based on contemporaneous data.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 152: Should unrecovered AFUDC costs resulting from the mismatch between the time Turkey Point Unit 5 goes into service and customers are billed for service from the unit be recovered through the fuel adjustment clause?

POSITIONS:

FPL: Yes. Consistent with Commission rules and practice, the capital investment in Turkey Point Unit 5 will stop accruing AFUDC once the unit goes into service. However, under FPL's proposed 2007 Turkey Point Unit 5 Adjustment, FPL will not begin billing customers for the Adjustment until 30 days later. Therefore, FPL will be denied an opportunity to accrue AFUDC or otherwise earn a return on its capital investment in Turkey Point Unit 5 during those 30 days unless a separate mechanism for recovery is provided. The Commission previously addressed this same problem with respect to St. Lucie Unit 2 by allowing FPL to collect the unrecovered amounts through the fuel adjustment clause. Order No. 12348, Docket No. 820097-EU, dated August 9, 1983. That same approach should be approved here for Turkey Point Unit 5. (Davis, Morley)

OPC: The Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

AARP: Agree with OPC.

AG: No. This issue is neither appropriate nor applicable in this proceeding.

CG: Agree with the FRF.

FEA: No position.

FIPUG: This issue is neither appropriate nor applicable in this proceeding as the plant is not in used and useful service.

FRF: No. This issue is neither appropriate nor applicable in this proceeding.

SFHHA: No. There is an incorrect presumption of an entitlement to recovery in the absence of a comprehensive base rate proceeding. Further, if the Company's proposal is adopted, there should be no deficiency in incremental recovery.

STAFF: Staff has no position pending evidence adduced at hearing.

OTHER ISSUES

ISSUE 153: **CATEGORY 1 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 154: **Should FPL continue to seek recovery of incremental security costs above the amount included in base rates through the Capacity Cost Recovery Clause? If so, what mechanism should be used to determine the incremental security costs?**

POSITIONS:

FPL: Yes. FPL's annual security costs should be compared to the amount that is approved for inclusion in base rates, and the increment should be recovered through the Capacity Cost Recovery Clause. (Davis)

OPC: No. After base rates are adjusted to reflect FPL's current security costs, recovery of incremental security costs through the Capacity Cost Recovery Clause should be discontinued as sales growth will cover any changes in cost.

AARP: Agree with OPC.

AG: No. Agree with OPC.

CG: No position.

FEA: No position.

FIPUG: No. After base rates are adjusted to reflect FPL's current security costs, recovery of incremental security costs through the Capacity Cost Recovery Clause should be discontinued.

FRF: No. After base rates are adjusted to reflect FPL's current security costs, recovery of incremental security costs through the Capacity Cost Recovery Clause should be discontinued, as sales growth will cover any changes in cost.

SFHHA: No position.

STAFF: FPL may continue to seek recovery of incremental security costs above the amount included in base rates through the Capacity Cost Recovery Clause in accordance with the method and process approved by Order No. PSC-03-1461-FOF-EI, issued on December 22, 2003, in Docket No. 030001-EI.

ISSUE 155: **Should the Capacity charges and revenues associated with SJRPP that are currently in base rates be removed from base rates and included in the Capacity Clause?**

POSITIONS:

FPL: Yes. Recovery of a net amount of $56,948,000 should be transferred from base rates to the Capacity Clause. (Davis)

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No position.

STAFF: Yes.

ISSUE 156: Should the Commission approve FPL's request to transfer its 2006 projected incremental hedging costs from Fuel Clause recovery to base rate recovery?

POSITIONS:

FPL: Yes. (Davis)

OPC: No. The Commission should deny FPL's request and continue to review the prudence and reasonableness of FPL's hedging costs during the annual Fuel Clause proceeding.

AARP: Agree with OPC.

AG: No.

CG: No position.

FEA: No position.

FIPUG: No. The Commission should deny FPL's request to transfer its 2006 projected incremental hedging costs from Fuel Clause recovery to base rate recovery, and continue to review the prudence and reasonableness of FPL's hedging costs during the annual Fuel Clause proceeding.

FRF: No. The Commission should deny FPL's request and continue to review the prudence and reasonableness of FPL's hedging costs during the annual Fuel Clause proceeding.

SFHHA: No.

STAFF: Agree with FPL.

ISSUE 157: Should FPL be allowed to recover incremental hedging costs in excess of its base rate amount through the Fuel and Purchased Power Cost Recovery Clause, and if so, should netting be required in the clause for these costs?

POSITIONS:

FPL: Yes. However, netting of costs outside of the incremental hedging activity would not be appropriate. (Davis)

OPC: No.

AARP: Agree with OPC.

AG: No.

CG: No position.

FEA: No position.

FIPUG: If the Commission grants FPL's request to transfer its 2006 projected incremental hedging costs from Fuel Clause recovery to base rate recovery, it should not be allowed to recover incremental hedging costs in excess of its base rate amount through the Fuel Clause.

FRF: No. Agree with FIPUG.

SFHHA: No hedging costs should be recovered through base rates.

STAFF: Currently, FPL recovers its incremental hedging costs as defined in paragraph four of the stipulation that FPL and other parties (i.e., Progress Energy Florida, Tampa Electric Company, Gulf Power Company, Office of Public Counsel, and Florida Industrial Power Users Group) in Docket No. 011605-EI signed and the Commission approved by Order No. PSC-02-1484-FOF-EI, issued October 30, 2002. The Commission should not consider the regulatory treatment of incremental hedging costs for FPL without also addressing the treatment of such costs for Progress Energy Florida, Tampa Electric Company, and Gulf Power Company concurrently. The November 7-9, 2005, hearing in Docket No. 050001-EI is a more appropriate forum for addressing this issue which impacts these four investor-owned utilities.

ISSUE 158: Should any annual under-spending from the amount of distribution vegetation management expenses ultimately approved the Commission be deferred and returned to the ratepayers in the future?

POSITIONS:

FPL: No. FPL's projected test year expense for distribution vegetation management is reasonable. FPL has consistently spent essentially all of its annual budget for this activity. Distribution vegetation management is only one of a vast number of separate types of expenses that are reflected in FPL's test year O&M expense forecast. There is no rational basis to isolate distribution vegetation management expense and make adjustments in subsequent years, solely for variations in that expense. Doing so would ignore the many other elements of FPL's revenue requirements. (Williams, Stamm)

OPC: Yes. The Company's 2006 projected vegetation management expense of $48.1 million is 17.72% greater than 2005 and 24.81% greater than the actual 2004. This percentage is a substantial increase from the average expense increase of 5.31% from 1998 to 2004. FPL has not provided any evidence showing that the substantial increase requested is necessary or supported. However, based on reliability concerns of the customers, the projected 2006 expense should be allowed, but FPL should be required to provide quarterly reports to the Commission reflecting actual expenditures for this function. In the event FPL does not actually spend the amount it receives in rates for vegetation management costs, the amount under-spent should be deferred and returned to ratepayers. Considering the substantial projected increase coupled with the lack of supporting detail, such a deferral would be appropriate in this instance. (DeRonne).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.
FEA: No position.

FIPUG: No position.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 159: Should FPL be required to report to the Commission on a regular basis on its actual vegetation management expenditures?

POSITIONS:

FPL: No. See FPL's response to Issue 158. (Williams, Stamm)

OPC: Yes. Based on the lack of support of the substantial increase in this projected expense, FPL should be required to provide quarterly reports to the Commission reflecting actual expenditures for this function. (DeRonne).

AARP: Agree with OPC.

AG: Yes. Agree with OPC.

CG: Yes. Agree with OPC.

FEA: No position.

FIPUG: No position.

FRF: Yes. Agree with OPC.

SFHHA: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 160: **CATEGORY 1 STIPULATION** - See Section XI, Proposed Stipulations

ISSUE 161: **Should this docket be closed?**

POSITIONS:

FPL: Yes.

OPC: No position.

AARP: No position.

AG: No position.

CG: No position.

FEA: No position.

FIPUG: No position.

FRF: No position.

SFHHA: No.

STAFF: Staff has No position.

X. EXHIBIT LIST

Witness	Proffered By	I.D. No.	Description
Direct			
Armando J. Olivera	FPL	AJO-1	Biographical Information
Leonardo E. Green	FPL	LEG-1	Absolute Monthly Customer Growth
Leonardo E. Green	FPL	LEG-2	Total Average Customers
Leonardo E. Green	FPL	LEG-3	Net Energy for Load Per Customer
Leonardo E. Green	FPL	LEG-4	Net Energy for Load
Leonardo E. Green	FPL	LEG-5	Comparison of Non-Agricultural Employment
Leonardo E. Green	FPL	LEG-6	Summer Peak Load
Leonardo E. Green	FPL	LEG-7	Summer Peak Load Per Customer
Solomon L. Stamm	FPL	SLS-1	Listing of MFRs and Schedules Sponsored in Whole or in Part
Solomon L. Stamm	FPL	SLS-2	MFR F-5 Forecasting Flowchart/Models
Solomon L. Stamm	FPL	SLS-3	MFR F-8, Assumptions
Solomon L. Stamm	FPL	SLS-4	Budget and Actual Net Income 2000-2004
Solomon L. Stamm	FPL	SLS-5	Plant in Service Balances, 2002 and 2006

Witness	Proffered By	I.D. No.	Description
Solomon L. Stamm	FPL	SLS-6	Customers, Usage and Billed Sales, 2002 and 2006
Solomon L. Stamm	FPL	SLS-7	O&M Expense, 2002 and 2006
Solomon L. Stamm	FPL	SLS-8	O&M Benchmark Comparison, 2002 Benchmark Year
Solomon L. Stamm	FPL	SLS-9	O&M Benchmark Comparison, 1988 Benchmark Year
Michael E. Barrett	FPL	MEB-1	Curriculum Vitae
Michael E. Barrett	FPL	MEB-2	AICPA Guidelines
Michael E. Barrett	FPL	MEB-3	FPL Forecasting Process
Michael E. Barrett	FPL	MEB-4	Summary of Impact of Differences
Michael E. Barrett	FPL	MEB-5	Forecast to Actual Comparisons
John H. Landon	FPL	JHL-1	List of Documents Sponsored by John H. Landon
John H. Landon	FPL	JHL-2	John H. Landon Curriculum Vitae
John H. Landon	FPL	JHL-3	Peer Group Composition
John H. Landon	FPL	JHL-4	O&M/Customer Comparison
John H. Landon	FPL	JHL-5	O&M/Customer-Indexed
John H. Landon	FPL	JHL-6	O&M/kWh Comparison

Witness	Proffered By	I.D. No.	Description
John H. Landon	FPL	JHL-7	Gross Plant/Customer Comparison
John H. Landon	FPL	JHL-8	Gross Plant/kWh Comparison
John H. Landon	FPL	JHL-9	O&M/Customer-Alternate Peer Groups
John H. Landon	FPL	JHL-10	O&M/kWh-Alternate Peer Groups
John H. Landon	FPL	JHL-11	Gross Plant/Customer Comparison-Alternate Peer Groups
John H. Landon	FPL	JHL-12	Gross Plant/kWh Comparison-Alternate Peer Groups
John H. Landon	FPL	JHL-13	Nuclear WANO Index Comparison
John H. Landon	FPL	JHL-14	Nuclear UCF Comparison
John H. Landon	FPL	JHL-15	Nuclear FLR Comparison
John H. Landon	FPL	JHL-16	Fossil EAF Comparison
John H. Landon	FPL	JHL-17	Fossil EFOR Comparison
John H. Landon	FPL	JHL-18	Distribution SAIDI Comparison
J. A. Stall	FPL	JAS-1	FPL Nuclear-Personnel Safety
J. A. Stall	FPL	JAS-2	WANO Index (Turkey Point, St. Lucie, and Similar Units)
J. A. Stall	FPL	JAS-3	FPL Nuclear-Unit Capability Factor (18 month average)

Witness	Proffered By	I.D. No.	Description
J. A. Stall	FPL	JAS-4	FPL Nuclear-Forced Loss Rate (18 month average)
J. A. Stall	FPL	JAS-5	FPL Nuclear-Collective Radiation Exposure (18 month average)
J. A. Stall	FPL	JAS-6	FPL Nuclear St. Lucie and Turkey Point Sites-NRC Performance (4th Quarter 2004)
J. A. Stall	FPL	JAS-7	FPL Nuclear-Capacity Factor
J. A. Stall	FPL	JAS-8	FPL Nuclear-St. Lucie Units 1 and 2 Steam Generators Tube Plugging-1/05
J. A. Stall	FPL	JAS-9	FPL Nuclear-Life Cycle Management Plans-Turkey Point and St. Lucie
J. A. Stall	FPL	JAS-10	FPL Nuclear-Capital Expenditures
J. A. Stall	FPL	JAS-11	FPL Nuclear-O&M Expenditures
J. A. Stall	FPL	JAS-12	FPL Nuclear-Condition Reports Generated (Turkey Point and St. Lucie Combined)
William L. Yeager	FPL	WLY-1	MFRs and PTF 5 Adjustment Schedules Sponsored and Co-Sponsored by William L. Yeager
William L. Yeager	FPL	WLY-2	FPL Fossil EAF Trend and Comparison to Industry Average
William L. Yeager	FPL	WLY-3	FPL Fossil EFOR Trend and Comparison to Industry Average

Witness	Proffered By	I.D. No.	Description
William L. Yeager	FPL	WLY-4	FPL Fossil OSHA Recordable Injury Rate Trend and Comparison to Industry Average
William L. Yeager	FPL	WLY-5	FPL Fossil Net Heat Rate (Btu/kWh) Trend and Comparison to Industry Average
William L. Yeager	FPL	WLY-6	FPL Fossil Non-Fuel O&M (cents/kWh) Trend
William L. Yeager	FPL	WLY-7	FPL Fossil Base Non-fuel O&M ($ Millions) Trend
William L. Yeager	FPL	WLY-8	FPL Fossil Capital ($ Millions) Trend
C. Martin Mennes	FPL	CMM-1	Transmission & Substation SAIDI
C. Martin Mennes	FPL	CMM-2	Transmission Vegetation Events
C. Martin Mennes	FPL	CMM-3	Transmission Lightning Events
C. Martin Mennes	FPL	CMM-4	Transmission Bird Events
C. Martin Mennes	FPL	CMM-5	Transmission & Substation Expenditures
C. Martin Mennes	FPL	CMM-6	500kV Ceramic Insulator Cost
C. Martin Mennes	FPL	CMM-7	Transformer Age
C. Martin Mennes	FPL	CMM-8	Circuit Miles-Years Since Installation
C. Martin Mennes	FPL	CMM-9	Distribution Substation Site Prep Costs

Witness	Proffered By	I.D. No.	Description
C. Martin Mennes	FPL	CMM-10	Incremental GridFlorida RTO Charges
C. Martin Mennes	FPL	CMM-11	RTO/ISO Annual Operating Costs
Geisha J. Williams	FPL	GJW-1	Reliability Program Initiatives
Geisha J. Williams	FPL	GJW-2	Distribution Reliability
Geisha J. Williams	FPL	GJW-3	Distribution Capital Expenditures and O&M
Marlene M. Santos	FPL	MMS-1	Residential Customer Care Center Satisfaction Research
Marlene M. Santos	FPL	MMS-2	Billing and Payment Options
Marlene M. Santos	FPL	MMS-3	Internet Transactions
Marlene M. Santos	FPL	MMS-4	Customer Service O&M Cost per Customer
Marlene M. Santos	FPL	MMS-5	Customer Service O&M Expense
Kathleen M. Slattery (for Robert H. Escoto)	FPL	RHE-1	Projected Total Payroll & Benefits Cost
Kathleen M. Slattery (for Robert H. Escoto)	FPL	RHE-2	Projected Total Payroll & Benefits Cost (title of graph is "Position to Market")
Kathleen M. Slattery (for Robert H. Escoto)	FPL	RHE-3	Projected Growth of Total Cash Comp
Kathleen M. Slattery (for Robert H. Escoto)	FPL	RHE-4	FERC Total Salaries & Wages 2003
Kathleen M. Slattery (for Robert H. Escoto)	FPL	RHE-5	Cash Compensation Percent Increase

Witness	Proffered By	I.D. No.	Description
Kathleen M. Slattery (for Robert H. Escoto)	FPL	______ RHE-6	Relative Value Comparison-2004 Total Benefits
Kathleen M. Slattery (for Robert H. Escoto)	FPL	______ RHE-7	Relative Value Comparison-2004 Active Employee Medical Plan
Kathleen M. Slattery (for Robert H. Escoto)	FPL	______ RHE-8	Average Medical Cost Per Employee 2002-2006
Kathleen M. Slattery (for Robert H. Escoto)	FPL	______ RHE-9	Projected Total Payroll & Benefits Cost (title of graph is "Relative Value Comparison-2004, Pension & 401(k) Employee Savings Plan")
K. Michael Davis	FPL	______ KMD-1	MFRs & Schedules Sponsored & Co-Sponsored by K. Michael Davis
K. Michael Davis	FPL	______ KMD-2	MFR A-1 for the 2006 Test Period
K. Michael Davis	FPL	______ KMD-3	MFR C-2 for the 2006 Test Period
K. Michael Davis	FPL	______ KMD-4	Calc of Total Annual Rev Increase Requested
K. Michael Davis	FPL	______ KMD-5	Listing of MFRs & Schedules Directly Supporting Requested Revenue Increase
K. Michael Davis	FPL	______ KMD-6	2007 Turkey Point Unit 5 Adjustment Schedule A-1
K. Michael Davis	FPL	______ KMD-7	FPL's 2007 Forecast Schedule A-SUM
K. Michael Davis	FPL	______ KMD-8	MFR F-8 for the 2006 Test Period
K. Michael Davis (Supplemental)	FPL	______ KMD-9	FPL's Proposed Depreciation Rates

Witness	Proffered By	I.D. No.	Description
Steven P. Harris	FPL	SPH-1	Storm Loss Analysis
Steven P. Harris	FPL	SPH-2	Solvency Analysis
William E. Avera	FPL	WEA-1	Qualifications of William E. Avera
William E. Avera	FPL	WEA-2	Capital Market Trends
William E. Avera	FPL	WEA-3	Expected Dividend Yield
William E. Avera	FPL	WEA-4	Projected Earnings Growth Rates
William E. Avera	FPL	WEA-5	Sustainable Growth Rate
William E. Avera	FPL	WEA-6	Authorized Rates of Return
William E. Avera	FPL	WEA-7	Bond Yields v. Equity Risk Premium
William E. Avera	FPL	WEA-8	Realized Rates of Return
William E. Avera	FPL	WEA-9	Forward Looking Risk Premium
William E. Avera	FPL	WEA-10	Historical Risk Premium
William E. Avera	FPL	WEA-11	Summary of Results
William E. Avera	FPL	WEA-12	Electric Utility Operating Cos.
Morey P. Dewhurst	FPL	MPD-1	FPL O&M plus Depreciation Costs per kWh vs. Peer Group

Witness	Proffered By	I.D. No.	Description
Rosemary Morley	FPL	RM-1	Summary of Sponsored MFRs and 2007 Turkey Point Unit 5 Adjustment Schedules
Rosemary Morley	FPL	RM-2	FPL's Base Rates versus Inflation
Rosemary Morley	FPL	RM-3	Summary of Current Rate Structures
Rosemary Morley	FPL	RM-4	Cost of Service Methodology by Component
Rosemary Morley	FPL	RM-5	Trends in Relative Load Contributions
Rosemary Morley	FPL	RM-6	Resulting Parity Indices
Rosemary Morley	FPL	RM-7	Summary of Proposed Rate Structures
Rosemary Morley	FPL	RM-8	Cost of New Installations-Street Lights
Rosemary Morley	FPL	RM-9	Sample Bill Calculations
Rosemary Morley	FPL	RM-10	Impact on Base Rates
Donna DeRonne	OPC	Appendix 1	Qualifications of Donna DeRonne, C.P.A.
Donna DeRonne	OPC	DD-1	Schedules of Donna DeRonne
David E. Dismukes	OPC	Attachment 1	Qualifications of David E. Dismukes, Ph.D.
David E. Dismukes	OPC	DED-1	Proposed Forecast: NEL per Customer, Number of Customers, Sales

Witness	Proffered By	I.D. No.	Description
David E. Dismukes	OPC	DED-2	FPL Short-Term: Forecast Customer Model (Page 1 of 3), Net Energy for Load Model (Page 2 of 3); Total Sales by Customer Class (Page 3 of 3)
David E. Dismukes	OPC	DED-3	Comparison of Customer Growth Forecasts and Out of Model Adjustments in Last Rate Case.
David E. Dismukes	OPC	DED-4	Revised Industrial Customer Model
David E. Dismukes	OPC	DED-5	Historic Non-Fuel O&M Expense per kWh(1994-2003)
David E. Dismukes	OPC	DED-6	Forecast Non-Fuel O&M Expense per kWh(2004-2007)
David E. Dismukes	OPC	DED-7	Forecast Administrative and General O&M Expense per kWh(2004-2006)
David E. Dismukes	OPC	DED-8	Forecast Non-Fuel Nuclear Production O&M Expense per kWh(2004-2006)
David E. Dismukes	OPC	DED-9	Forecast Transmission O&M Expense per kWh (2004-2006)
David E. Dismukes	OPC	DED-10	Forecast Non-Fuel Steam and Other Production O&M Expense per kWh (2004-2006)
Kimberly H. Dismukes	OPC	Appendix 1	Qualifications of Kimberly H. Dismukes
Kimberly H. Dismukes	OPC	KHD-1	FP&L Group, Inc. Summary Organizational Chart

Witness	Proffered By	I.D. No.	Description
Kimberly H. Dismukes	OPC	KHD-2	FP&L Response to OPC Interrogatory 23 FPL Affiliates
Kimberly H. Dismukes	OPC	KHD-3	FP&L 2006 Massachusetts Formula
Kimberly H. Dismukes	OPC	KHD4	FP&L Affiliate Management Fee Trend
Kimberly H. Dismukes	OPC	KHD-5	FP&L – OPC Recommended Massachusetts Formula 2006 Affiliate Management FEE OPC Recommended Calculations
Kimberly H. Dismukes	OPC	KHD-6	FP&L Affiliate Charges – Integrated Supply Chain Service Fee Allocated to FPL Energy
Kimberly H. Dismukes	OPC	KHD-7	FP&L Affiliate Charges; Energy, Marketing and Trading Service Fee Allocated to FPL Energy
Kimberly H. Dismukes	OPC	KHD-8	FP&L Affiliate Charges Integrated Supply Chain Service Fee Allocated to FPL Energy-Seabrook
Kimberly H. Dismukes	OPC	KHD-9	FP&L Affiliate Charges Nuclear Service Fee Allocated to FPL Energy-Seabrook
Kimberly H. Dismukes	OPC	KHD-10	FP&L Affiliate Charges Power Generation Service Fee Allocated to FPL Energy
Kimberly H. Dismukes	OPC	KHD-11	FP&L Affiliate Charges FPL FiberNet Rate on Investment Charges to FPL
Kimberly H. Dismukes	OPC	KHD-12	FP&L Affiliate Charges From FPL Energy Services to FPL

Witness	Proffered By	I.D. No.	Description
Kimberly H. Dismukes	OPC	KHD-13	FP&L Affiliate Charges From FPL Group, Inc. to FPL
Kimberly H. Dismukes	OPC	KHD-14	FP&L Affiliate Charges From FPL Group, Inc. to FPL
Kimberly H. Dismukes	OPC	KHD-15	FP&L Adjustment for FPL New England Division (NED)
Kimberly H. Dismukes	OPC	KHD-16	FP&L Summary of OPC Recommended Adjustments
Hugh Larkin, Jr.	OPC	Appendix 1	Qualifications of Hugh Larkin, Jr.
Hugh Larkin, Jr.	OPC	HL-A	Final Order in Docket No. 970410-EI
Hugh Larkin, Jr.	OPC	HL-B-1	(Page 1 of 7) FP&L Projected Test Year Ended December 31, 2006 Adjusted Rate Base (Thousands of Dollars) (Page 2 of 7) FP&L Projected Test Year Ended December 31, 2006 Adjustments to Plant in Service (Thousand of Dollars) (Page 3 of 7) FP&L Projected Test Year Ended December 31, 2006 Adjustment to Accumulated Provision for Depreciation & Amortization (Thousands of Dollars) (Page 4, 5, 6, of 7) FP&L Property Held for Future Use April 2, 2005 (Page 7 of 7) FP&L Working Capital Test Year Ended December 31, 2006
Michael J. Majoros, Jr.	OPC	MJM-1	Summary of Depreciation Study as Filed by Company
Michael J. Majoros, Jr.	OPC	MJM-2	Book Reserve Adjusted For Reserve Surplus (Deficiency)

Witness	Proffered By	I.D. No.	Description
Michael J. Majoros, Jr.	OPC	MJM-3	Rates and Accruals – Using FPL Parameters and Theoretical Reserves
Michael J. Majoros, Jr.	OPC	MJM-4	Excessive Depreciation
Michael J. Majoros, Jr.	OPC	MJM-5	Depreciation Concepts
Michael J. Majoros, Jr.	OPC	MJM-6	Theoretical Reserve Using Snavely King Recommended Lives and NPV of Net Salvage
Michael J. Majoros, Jr.	OPC	MJM-7	Snavely King Life Study - Transmission, Distribution, and General Plant
Michael J. Majoros, Jr.	OPC	MJM-8	Net Salvage Experience Ten-Year Average – 1994-2003 and Five-Year Average – 1999-2003
Michael J. Majoros, Jr.	OPC	MJM-9	Net Present Value of FPL's Future Net Salvage Requests Using Snavely King Recommended Lives
Michael J. Majoros, Jr.	OPC	MJM-10	Snavely King Recommended Rates and Accruals
Patricia W. Merchant	OPC	PWM-1	Curriculum Vitae
Patricia W. Merchant	OPC	PWM-2	Comparison of FPL's Average Historical Storm Costs
Patricia W. Merchant	OPC	PWM-3	Adjustments to Expected Annual Losses to FPL's Storm Reserve
Helmuth W. Schultz, III	OPC	HWS-1	Base Pay Adjustment

Witness	Proffered By	I.D. No.	Description
Helmuth W. Schultz, III	OPC	HWS-2	Overtime Payroll Adjustment
Helmuth W. Schultz, III	OPC	HWS-3	Excess Incentive Compensation Payroll Adjustment
Helmuth W. Schultz, III	OPC	HWS-4	Long-Term Incentive Compensation Adjustment
Helmuth W. Schultz, III	OPC	HWS-5	Health Care Adjustment
Helmuth W. Schultz, III	OPC	HWS-6	Pension Credit Adjustment
Helmuth W. Schultz, III	OPC	HWS-7	Payroll Tax Adjustment
Helmuth W. Schultz, III	OPC	HWS-8	Compensation Summary
J. Randall Woolridge	OPC	JRW-1	Recommended Rate of Return
J. Randall Woolridge	OPC	JRW-2	The Impact of the 2003 Tax Law on Required Returns
J. Randall Woolridge	OPC	JRW-3	Summary Financial Statistics
J. Randall Woolridge	OPC	JRW-4	FPL's Capital Structure Ratios and Debt Cost Rates
J. Randall Woolridge	OPC	JRW-5	Public Utility Capital Cost Indicators
J. Randall Woolridge	OPC	JRW-6	Industry Average Betas
J. Randall Woolridge	OPC	JRW-7	DCF Study
J. Randall Woolridge	OPC	JRW-8	CAPM Study

Witness	Proffered By	I.D. No.	Description
J. Randall Woolridge	OPC	JRW-9	Rebuttal Exhibits
J. Randall Woolridge	OPC	JRW-10	Historic Equity Risk Premium Evaluation
Stephen A. Stewart	AARP	SAS-1	Regression Model-U.S.
Stephen A. Stewart	AARP	SAS-2	Regression Model-FPL
Stephen A. Stewart	AARP	SAS-3	Chart 1 "Comparison of Approved FPSC and Model Generated ROE"
Stephen A. Stewart	AARP	SAS-4	Chart 2 "Comparison of Approved FPSC and Model Generated ROE with Avera Recommendation and MROE"
Stephen A. Stewart	AARP	SAS-5	Regression Model-Florida Specific
Stephen A. Stewart	AARP	SAS-6	Analysis of Storm Reserve Fund
James T. Selecky	CG	JTS-1	The Regulatory Research Associates, Inc. Regulatory Focus dated January 14, 2005
James T. Selecky	CG	JTS-2	EEI Typical Bill Cost for Residential, Commercial, and Industrial Users
James T. Selecky	CG	JTS-3	FPL Classification of Distribution Plant Table
James T. Selecky	CG	JTS-4	FPL Allocation of Proposed Base Rate Increase Twelve Months Ending December 16, 2006

Witness	Proffered By	I.D. No.	Description
James T. Selecky	CG	JTS-5	FPL Allocation of Proposed Base Rate Increase as a Percent of Total System Average Increase Twelve Months Ending December 31, 2006
James T. Selecky	CG	JTS-6	FPL Comparison of Present and Propose Rates CS-1, CS-2, GSD-1, GSLD-1 and GSLD-2 Twelve Months Ending December 31, 2006
James R. Selecky	CG	JTS-7	Comparison of Unit Cost and Rates at Present and Proposed for Rates CS-1, CS-2, GSD-1, GSLD-1 and GSLD-2 Twelve Months Ending December 31, 2006
Teresa Civic and Jess P. Galura (Joint)	CG	Attachment A	Statement of Qualifications for Jess P. Galura Statement of Experience for Teresa Civic
Dennis W. Goins	FEA	DWG-1	Removal of Energy Related Gas Turbine Production Costs Rate Impact
Dennis W. Goins	FEA	DWG-2	Qualifications of Dr. Dennis Goins
Matthew I. Kahal	FEA	MIK-1	Rate of Return Summary
Matthew I. Kahal	FEA	MIK-2	Trends in Capital Costs
Matthew I. Kahal	FEA	MIK-3	DCF Proxy Group
Matthew I. Kahal	FEA	MIK-4	Dividend Yields for Proxy Electric Utility Companies-December 2004-May 2005

Witness	Proffered By	I.D. No.	Description
Matthew I. Kahal	FEA	MIK-5	DCF Analysis
Matthew I. Kahal	FEA	MIK-6	CAPM Analysis
Matthew I. Kahal	FEA	MIK-7	Residential Rates Comparison for SE Region 2004.
Matthew I. Kahal	FEA	Appendix A	Qualifications of Matthew I. Kahal
Sheree L. Brown	FRF	Appendix A	Resume of Sheree L. Brown and Testimony Experience of Sheree L. Brown
Sheree L. Brown	FRF	SLB-1	FP&L Monthly Customer Growth & Revenue Adjustment for Customer Growth
Sheree L. Brown	FRF	SLB-2	FP&L Payroll Adjustment
Sheree L. Brown	FRF	SLB-3	FP&L Bad Debt Expense
Sheree L. Brown	FRF	SLB-4	FP&L Rate Case Expense Adjustment
Sheree L. Brown	FRF	SLB-5	FP&L Reported Hurricane Damage & Impact of Removing ADIT Associated with the Storm Damage Fund from the Cost of Capital
Sheree L. Brown	FRF	SLB-6	FP&L Last Core Nuclear Fuel
Sheree L. Brown	FRF	SLB-7	FP&L End of Life Materials and Supplies Inventory
Sheree L. Brown	FRF	SLB-8	FP&L Nuclear Maintenance Reserve

Witness	Proffered By	I.D. No.	Description
Stephen J. Baron	SFHHA	SJB-1	List of Expert Testimony Appearances
Stephen J. Baron	SFHHA	SJB-2	Schedule 7.1 Forecast of Capacity, Demand, and Scheduled Maintenance at Time of Summer and Winter Peaks.
Stephen J. Baron	SFHHA	SJB-3	Projected Capacity Changes and Reserve Margins for FPL and Status Report and Specifications of Proposed Generating Facilities.
Stephen J. Baron	SFHHA	SJB-4	Cost of Service Summary: Summer/Winter CP
Stephen J. Baron	SFHHA	SJB-5	Total Acct. 368 Line Transformers
Stephen J. Baron	SFHHA	SJB-6	Cost of Service Summary: 12 CP & 1/13th Average Demand, Minimum Distribution System on Secondary Facilities
Stephen J. Baron	SFHHA	SJB-7	Cost of Service Summary/Summer/Winter CP, Minimum Distribution System on Secondary Facilities
Richard A. Baudino	SFHHA	RAB-1	Resume
Richard A. Baudino	SFHHA	RAB-2	Historical Bond Yields Average Public Utility Bond vs. 20 Year Treasury Bond
Richard A. Baudino	SFHHA	RAB-3	Electric Company Comparison Group
Richard A. Baudino	SFHHA	RAB-4	Electric Utility Comparison Group Average Price, Dividend and Dividend Yield

Witness	Proffered By	I.D. No.	Description
Richard A. Baudino	SFHHA	RAB-5	Electric Utility Comparison Group DCF Growth Rate Analysis
Richard A. Baudino	SFHHA	RAB-6	Capital Asset Pricing Model Analysis: Supporting Data for CAPM Analysis
Richard A. Baudino	SFHHA	RAB-7	Capital Asset Pricing Model Analysis: Historic Market Premium
Richard A. Baudino	SFHHA	RAB-8	Corrected Avera DCF Analysis
Lane Kollen	SFHHA	LK-1	Resume
Lane Kollen	SFHHA	LK-2	FPL Response to Staff's First Set of Interrogatories, Interrogatory No. 30
Lane Kollen	SFHHA	LK-3	FPL Response to Staff's First Set of Interrogatories, Interrogatory No. 32
Lane Kollen	SFHHA	LK-4	FPL Response to Staff's First Set of Interrogatories, Interrogatory No. 37
Lane Kollen	SFHHA	LK-5	FPL Revenue Requirement Effect of Hospitals' Adjustments to Cost of Capital for the 2006 Test Year
Lane Kollen	SFHHA	LK-6	FPL Revised Capital Structure for the 2006 Test Year
Lane Kollen	SFHHA	LK-7	Standard & Poor's Research: Florida Power & Light Co.
Kathy L. Welch	STAFF	KLW-1	History of Testimony Provided by Kathy L. Welch
Kathy L. Welch	STAFF	KLW-2	Audit Report

Witness	Proffered By	I.D. No.	Description
Kathy L. Welch	STAFF	KLW-3	Supplemental Audit Report
Carl S. Vinson, Jr. and Robert "Lynn" Fisher (Joint)	STAFF	CSV/RLF-1	Preliminary Review of Vegetation Management, Lightning Protection and Pole Inspection at Florida Power & Light Company
Sidney W. Matlock	STAFF	SWM-1	Distribution Reliability Indexes of Florida Power & Light Company
Rebuttal			
Leonardo E. Green	FPL	LEG-8	Total System Customers
Leonardo E. Green	FPL	LEG-9	History and Forecast of Summer Peak Demand: Base Case
Leonardo E. Green	FPL	LEG-10	History and Forecast of Winter Peak Demand: Base Case
Leonardo E. Green	FPL	LEG-11	History and Forecast of Annual NEL-GWH: Base Case
Solomon L. Stamm	FPL	SLS-10	Staff's Second Set of Interrogatories Question No. 80
Solomon L. Stamm	FPL	SLS-11	Explanation of Increase in Fossil Maintenance Costs
Solomon L. Stamm	FPL	SLS-12	Increase in O&M Expense, Adjusted
Solomon L. Stamm	FPL	SLS-13	Plant and Accumulated Depreciation

Witness	Proffered By	I.D. No.	Description
Solomon L. Stamm	FPL	SLS-14	Martin Unit 8 and Manatee Unit 3 Plant in Service Balances
Solomon L. Stamm	FPL	SLS-15	Budget Contingency
Solomon L. Stamm	FPL	SLS-16	Schedule F-8, FPL's 2007 Forecast
William L. Yeager	FPL	WLY-9	OPC 11th Set of Interrogatories 335-Supplemental
William L. Yeager	FPL	WLY-10	CT38 Contract Change Order
C. Martin Mennes	FPL	CMM-12	RTO/ISO Annual Operating Costs
Geisha J. Williams	FPL	GJW-4	FPL Responses to Report Findings
Geisha J. Williams	FPL	GJW-5	Distribution Vegetation Management Expenses
Marlene M. Santos	FPL	MMS-6	Bad Debt Factor Comparison
Marlene M. Santos	FPL	MMS-7	Historical Revenue per Customer
Marlene M. Santos	FPL	MMS-8	Bad Debt Forecast
Marlene M. Santos	FPL	MMS-9	Write-offs as a Percent of Revenues Benchmarking
Kathleen M. Slattery	FPL	KS-1	FPL's Long Term Incentive Plan Expense Budget vs. Expense
Nancy A. Swalwell	FPL	NAS-1	Power Plant Sites Under Contract

Witness	Proffered By	I.D. No.	Description
Nancy A. Swalwell	FPL	NAS-2	Transmission Easements Acquired
Nancy A. Swalwell	FPL	NAS-3	PHFFU-Analysis of In-Service Dates
Nancy A. Swalwell	FPL	NAS-4	Age of Properties Going Into Service Within 5 Years
Nancy A. Swalwell	FPL	NAS-5	Incremental Cost Analysis Juno Beach
K. Michael Davis	FPL	KMD-10	Summary of Identified Adjustments
K. Michael Davis	FPL	KMD-11	Transcript Excerpts from AFUDC Agenda Conference on June 11, 1996
K. Michael Davis	FPL	KMD-12	Recalculated Nuclear Maintenance Reserve Balances
K. Michael Davis	FPL	KMD-13	Depreciation Filing Changes Summary
K. Michael Davis	FPL	KMD-14	Theoretical Reserve Rate Shock
K. Michael Davis	FPL	KMD-15	Rev. Requirement Impact on FPSC Storm Recovery Docket Decision
K. Michael Davis	FPL	KMD-16	FPL's Response to FPSC Audit Report
K. Michael Davis	FPL	KMD-17	2006 Revised AMF
K. Michael Davis	FPL	KMD-18	Explanations of Entities Allocated/Not Allocated Costs
K. Michael Davis	FPL	KMD-19	Cost Allocation Standard

Witness	Proffered By	I.D. No.	Description
K. Michael Davis	FPL	KMD-20	FPL NED Operating Expenses Other Than Income Taxes
Steven P. Harris	FPL	SPH-3	Storm Reserve Fund Analysis Case Results
Steven P. Harris	FPL	SPH-4	Comparison of Protection Afforded by $120 million, $70 million and $40 million Annual Accrual
William E. Avera	FPL	WEA-13	Implied Rates of Return
Rosemary Morley	FPL	RM-11	Allocation of 2006 Projected Production Plant Using Alternative Methodologies
Rosemary Morley	FPL	RM-12	No. of Monthly Peaks Greater than Winter Peak
Rosemary Morley	FPL	RM-13	RS-1 and GSLD-1 CP Demands
Rosemary Morley	FPL	RM-14	Customer Density
Rosemary Morley	FPL	RM-15	Transcript of George Brown
Rosemary Morley	FPL	RM-16	Rate Class Coincident Factor v. Load Factor
Rosemary Morley	FPL	RM-17	Edison Electric Typical Bill Comparisons
Surrebuttal			
Michael J. Majoros, Jr.	OPC	MJM-11	Summary of Revised Depreciation Study as Filed by Company July 2005
Michael J. Majoros, Jr.	OPC	MJM-12	Book Reserve Adjusted for Reserve Surplus (Deficiency) Based on July 2005 Study

Witness	Proffered By	I.D. No.	Description
Michael J. Majoros, Jr.	OPC	MJM-13	Rate and Accruals – Using FPL Parameters and Theoretical Reserves Based on July 2005 Study
Michael J. Majoros, Jr.	OPC	MJM-14	Comparison of March and July Depreciation Studies
Michael J. Majoros, Jr.	OPC	MJM-15	Selected Pages from K. Michael Davis Supplemental Rebuttal Testimony and Cross-Examination
Michael J. Majoros, Jr.	OPC	MJM-16	Snavely King Life Study – Transmission, Distribution, and General Plant Study Updated Based on Updated Company Data and Parameters through 2004
Michael J. Majoros, Jr.	OPC	MJM-17	Theoretical Reserve Using Snavely King Recommended Lives and NPV of Net Salvage Reflecting July 2005 Study
Michael J. Majoros, Jr.	OPC	MJM-18	Net Present Value of FPL's Future Net Salvage Requests Using Snavely King Recommended Lives Reflecting July 2005 Study
Michael J. Majoros, Jr.	OPC	MJM-19	Snavely King Recommended Rates and Accruals Reflecting July 2005 Study

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

XI. PROPOSED STIPULATIONS

As referenced in Section IX, above, the parties have reached stipulations on several issues. These stipulations fall within one of two categories, as listed below. "Category 1" stipulations reflect the agreement of FPL, Staff, and at least one of the intervenors in this docket.

Intervenors who have not affirmatively agreed with a particular Category 1 stipulation but otherwise take no position on the issue are identified in the proposed stipulation. "Category 2" stipulations reflect the agreement of FPL and Staff where no other party has taken a position on the issue.

CATEGORY 1 STIPULATIONS:

<u>ISSUE 1:</u> **Is FPL's projected test period of the twelve months ending December 31, 2006 appropriate?**

Stipulation: With the inclusion of appropriate adjustments in this rate proceeding, the projected test year ending December 31, 2006, is appropriate as it will represent the period in which rates will be in effect. (The following parties do not affirmatively stipulate this issue but take no position on the issue: FIPUG)

<u>ISSUE 13:</u> **Should the current amortization of investment tax credits and flow back of excess deferred income taxes be revised to reflect the approved depreciation rates and recovery schedules?**

Stipulation: Yes. The current amortization of investment tax credits and flow back of excess deferred income taxes should be revised to reflect the approved depreciation rates and recovery schedules under applicable treasury regulations. (The following parties do not affirmatively stipulate this issue but take no position on the issue: CG, SFHHA)

<u>ISSUE 14:</u> **What should be the implementation date for FPL's depreciation rates and recovery/amortization schedules?**

Stipulation: The implementation date for FPL's depreciation rates and recovery/amortization schedules should be January 1, 2006. (The following parties do not affirmatively stipulate this issue but take no position on the issue: CG)

<u>ISSUE 96:</u> **Is FPL's adjustment to remove Gross Receipts Tax from base rates appropriate and should Gross Receipts Tax be shown as a separate line item on the customer's bill?**

Stipulation: Yes. The adjustment to remove the Gross Receipts Tax from base rates as shown on MFR Schedule E-13c is appropriate. The total amount of the Gross Receipts tax should be shown as a separate line item consistent with the practice followed by other Florida investor-owned utilities. (The following parties do not affirmatively stipulate this issue but take no position on the issue: CG, FEA, SFHHA)

ISSUE 99: **Has FPL appropriately calculated the adjustment to taxable income to reflect the domestic manufacturer's tax deduction which was attributable to the American Jobs Creation Act?**

Stipulation: Yes. FPL has appropriately calculated the adjustment to taxable income to reflect the domestic manufacturer's tax deduction which was attributable to the American Jobs Creations Act of 2004. (The following parties do not affirmatively stipulate this issue but take no position on the issue: CG, FEA, FIPUG, SFHHA)

ISSUE 131: **Should the 10 kW exemption for the GSD-1, GSD(T)-1 and CILC-G rate schedule be eliminated?**

Stipulation: Yes. There is no cost basis for the 10 kW exemption and the Commission acknowledged the goal of eliminating the 10 kW demand exemption in Docket 830465-EI. (The following parties do not affirmatively stipulate this issue but take no position on the issue: OPC, AARP, AG, CG, FEA, FIPUG, FRF)

ISSUE 153: **Should the Commission approve FPL's request to move into base rates the security costs that result from heightened security requirements since September 11, 2001, from the Capacity Cost Recovery Clause?**

Stipulation: Yes. The appropriate amount to be included in base rates is to be determined in a separate issue (Issue 59). (The following parties do not affirmatively stipulate this issue but take no position on the issue: CG)

ISSUE 160: **Should FPL be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records that will be required as a result of the Commission's findings in this rate case?**

Stipulation: FPL should be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records that will be required as a result of the Commission's findings in this rate case.

CATEGORY 2 STIPULATIONS:

ISSUE 26: **Has FPL properly estimated its accumulated provision for uncollectibles?**

Stipulation: Yes. FPL's estimated accumulated provision for uncollectibles is reasonable.

ISSUE 27: **Is FPL's level of Account 151, Fuel Stock, in the amount of $138,686,000 ($140,930,000 system) for the 2006 projected test year appropriate?**

Stipulation: Yes. FPL's level of Account 151, Fuel Stock, in the amount of $138,686,000 ($140,930,000 system) for the projected test year is appropriate. No adjustment should be made.

ISSUE 56: **Has FPL made the appropriate adjustments to remove the storm damage surcharge revenues and related expenses recoverable through the Storm Damage Surcharge Cost Recovery Factor approved by the Commission in Order No. PSC-05-0187-PCO-EI, Docket 041291-EI?**

Stipulation: Yes. FPL has made the appropriate adjustments to remove the storm damage surcharge revenues and related expenses recoverable through the Storm Damage Surcharge Cost Recovery Factor approved by the Commission in Order No. PSC-05-0187-PCO-EI, Docket 041291-EI.

ISSUE 93: **What adjustments, if any, should be made to the fossil dismantlement accrual?**

Stipulation: The fossil dismantlement accrual reflected in FPL's test year is appropriate. This accrual includes an adjustment of $866,000 jurisdictional ($880,000 system) to reflect the addition of Ft. Myers Unit 3, Martin Unit 8 and Manatee Unit 3 since the time that FPL's last dismantlement study was approved.

ISSUE 116: **Is FPL's proposal to eliminate the option allowing lump-sum payment for time of use metering equipment appropriate?**

Stipulation: Yes. FPL's proposal to eliminate this option is appropriate. No customers have exercised this option in the last five years and the majority of the 46 customers who have exercised this option did so more than twenty years ago. This change will not affect existing customers (as of December 31, 2005) who have exercised this option.

ISSUE 129: **Should the Commission approve FPL's proposal to change the breakpoint applicable to its inverted residential rate from 750 to 1,000 kilowatt hours?**

Stipulation: Yes. The Commission should approve FPL's proposal to change the breakpoint applicable to its inverted residential rate from 750 to 1,000 kilowatt hours.

ISSUE 136: **Should FPL's proposal to offer an optional seasonal demand TOU rider be approved, and, if so, what should be the methodology used for determining the rate?**

Stipulation: Yes. FPL's proposed new Seasonal Demand Time-of-Use rider provides a time-differentiated rate with a narrower on-peak window than under the standard Time of-Use rates. This rate will be attractive to customers unable to plan around the eight to nine hour on-peak window in the standard Time-of-Use rates. FPL's methodology for determining this rate is appropriate.

XII. PENDING MOTIONS

1. Common Cause and Individual Customers' Petition to Intervene, filed August 16, 2005, is pending.

2. OPC, FIPUG, FRF, SFHHA, FEA, and AARP's Joint Motion to Consolidate, filed July 19, 2005, is pending.

XIII. PENDING CONFIDENTIALITY MATTERS

1. FPL's Request for Confidential Classification of Document No. 06228-05 (Portions of Audit Report and Workpapers) is pending.

2. FPL's Request for Confidential Classification of Document No. 06761-05 (Portions of Supplemental Audit Workpapers) is pending.

XIV. RULINGS

1. Parties are allotted time for Opening Statements as follows: FPL – 20 minutes; Intervenors, collectively – 45 minutes.

2. Noting no objection from the parties, the Office of the Attorney General's Petition to Intervene is granted. All pleadings, orders, and correspondence shall be provided to the Office of the Attorney General through the following representatives:

   CHRISTOPHER M. KISE
   Solicitor General
   JACK SHREVE
   Senior General Counsel
   OFFICE OF THE ATTORNEY GENERAL
   The Capitol-PL01
   Tallahassee, Florida 32399-1050
   Tel: (850) 414-3681
   Fax: (850) 410-2672

3. OPC's Motion to Strike and Motion in Limine is denied. Accordingly, FPL shall be permitted to sponsor its updated depreciation study, filed July 1, 2005, in this proceeding. OPC's Alternative Motion for Leave to File Rebuttal Testimony is

granted. Accordingly, OPC shall have the opportunity to file testimony responsive to FPL's updated depreciation study by August 15, 2005. FPL will not have an opportunity to file further rebuttal testimony.

It is therefore,

ORDERED by Chairman Braulio L. Baez, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Chairman Braulio L. Baez, as Prehearing Officer, this 18th day of August, 2005.

BRAULIO L. BAEZ
Chairman and Prehearing Officer

(S E A L)

KEF/WCK

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural, or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.