FPL

Florida Power & Light Company, 215 S. Monroe St., Suite 810, Tallahassee, FL 32301

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AUDITING &
FINANCIAL ANALYSIS DIV

October 23, 1998

Mr. Timothy Devlin, Director
Division of Auditing and
Financial Analysis
Florida Public Service Commission
2540 Shumard Oak Drive
Tallahassee, FL 32399-0850

Dear Mr. Devlin:

At staff's request, Florida Power & Light Company made a proposal to staff verbally on October 21, 1998 and by letter on October 22, 1998 to address several issues including extension of the amortization plan, the allowed Return on Equity (ROE) and equity ratio.

The offer was made in good faith pursuant to the staff request, and after several months of discussion regarding these issues. Unfortunately, negotiations by staff were not forthcoming; and staff simply stated in their October 22nd recommendation that they could not support the proposal.

In consideration of the above, FPL hereby withdraws its proposal from consideration by the staff. FPL's position remains that its current equity ratio and ROE range are appropriate. We nevertheless remain hopeful that satisfactory resolution of this matter can be reached.

Sincerely,

W. G. Walker, III
Vice President
Regulatory Affairs

WGW:vlf

cc: Messrs.
Roger Howe
Harold McLean
Jack Shreve

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ADMINISTRATION
MAIL ROOM

October 22, 1998

Mr. Timothy Devlin, Director
Division of Auditing and
Financial Analysis
Florida Public Service Commission
2540 Shumard Oak Drive
Tallahassee, FL 32399-0850

Dear Mr. Devlin:

This letter is to confirm our discussions of yesterday in response to your request for FPL to consider options regarding the continuation/modification of the amortization program approved by the Public Service Commission in Docket 970410-EI, by Order PSC-98-0027-FOF-EI.

FPL is agreeable to the following, subject to Commission approval of all of the items taken together:

1. Extension of the amortization plan as outlined in Order PSC-98-0027-FOF-EI for an additional three year period, through December 31, 2002, with the following additional items to be amortized:

   a. Regulatory assets, or their equivalent, established pursuant to future PSC orders and directed to become subject to the amortization plan.

   b. Amortization of the portion of unused nuclear fuel remaining in nuclear plants upon decommissioning, which is properly attributable to customers prior to the end of 1999.

   c. The remaining amount of the acquisition adjustment as a result of the purchase of FPL's interest in Scherer Unit No. 4.

   d. The tax effect of equity AFUDC.

Comparison of Capital Structure

	Regulatory Capital Structure		Long-Term Capital Structure		Adjusted Long-Term Capital Structure		S&P Methodology
TECO - 1995 Capital Structure							
Debt	$ 530,160,010	30.70%	$ 530,160,010	38.09%	$ 530,160,010	36.99%	
Off Balance Sheet Obligations - May 97 Report					$ 41,300,000	2.88%	39.87%
Preferred	$ 44,686,119	2.59%	$ 44,686,119	3.21%	$ 44,686,119	3.12%	
Common	$ 817,074,845	47.32%	$ 817,074,845	58.70%	$ 817,074,845	57.01%	60.13%
Customer Deposits	$ 41,791,799	2.42%					
Deferred Inc Taxes	$ 42,696,976	14.06%					
Tax Credits	$ 50,272,569						
	$ 1,726,682,317	97.09%	$ 1,391,920,974	100.00%	$ 1,433,220,974		100.00%
Florida Power & Light Company **Electric Forecasted Earnings Surveillance Report** **1998 Capital Structure ($000'S)** **FPSC Adjusted Retail Basis**							
Debt	$ 2,231,066	25.21%	$ 2,231,066	31.24%	$ 2,231,066	26.55%	
Off Balance Sheet Obligations - Aug 98 Report					$ 1,261,100	15.01%	41.56%
Preferred	$ 219,470	2.48%	$ 219,470	3.07%	$ 219,470	2.61%	
Common	$ 4,690,606	53.00%	$ 4,690,606	65.68%	$ 4,690,606	55.83%	58.44%
Customer Deposits	$ 275,265	3.11%					
Deferred Inc Taxes	$ 1,223,914	13.83%					
Tax Credits	$ 209,308	2.37%					
	$ 8,849,629	100.00%	$ 7,141,142	100.00%	$ 8,402,242		100.00%
...a Power & Light Company **...ic Forecasted Earnings Surveillance Report** **1998 Capital Structure ($000'S)** **Adjusted Capital Structure @ 60.13%** **Adjusted Equity Ratio (1-Debt Ratio)**							
Debt	$ 2,088,702	23.60%	$ 2,088,702	29.25%	$ 2,088,702	24.86%	
Off Balance Sheet Obligations - Aug 98 Report					$ 1,261,100	15.01%	39.87%
Preferred	$ 219,470	2.48%	$ 219,470	3.07%	$ 219,470	2.61%	
Common	$ 4,832,970	54.61%	$ 4,832,970	67.68%	$ 4,832,970	57.52%	60.13%
Customer Deposits	$ 275,265	3.11%					
Deferred Inc Taxes	$ 1,223,914	13.83%					
Tax Credits	$ 209,308						
	$ 8,849,629	97.63%	$ 7,141,142	100.00%	$ 8,402,242		100.00%