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January 12, 1999

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Blanca S. Bayo
Director
Division of Records and Reporting
Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 981390-EI

Dear Ms. Bayo:

Enclosed is an original and fifteen (15) copies of The Coalition's Petition on Proposed Agency Action in the above docket. We have also enclosed a copy of the document on diskette, prepared in Microsoft Word 7.0 on a Windows 95 operating system. The diskette is a "2HD" density and 1.44 MB.

Please acknowledge the receipt of the above on the extra copy enclosed herein and return it to me. Thank you in advance for your assistance.

Sincerely yours,

Seann M. Frazier

Seann M. Frazier

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Done 1/14/99

STATE OF FLORIDA
PUBLIC SERVICE COMMISSION

Original

IN RE: INVESTIGATION INTO THE EQUITY RATIO AND RETURN ON EQUITY OF FLORIDA POWER & LIGHT COMPANY

PSC Docket No. 981390-EI
Order No. PSC-98-1748-FOF-EI
Issued: December 22, 1998

THE COALITION'S PETITION ON PROPOSED AGENCY ACTION

Petitioner, the COALITION FOR EQUITABLE RATES ("Coalition") petitions for formal administrative proceedings to review Order No. PSC-98-1748-FOF-EI, Docket No. 981390-EI pursuant to §§ 120.569(1) and 120.57, Florida Statutes and Rules 25-22.029 and 28-106.201, Florida Administrative Code. In support of this Petition, The Coalition states:

The Parties

1. The Coalition is the Petitioner. The Coalition is an association of entities which pay Florida Power and Light Company ("FPL") for power at rates approved by the Florida Public Service Commission and an association of entities which represent such ratepayers. Representative examples of those entities within the Coalition include the Florida Health Care Association (which consists of most skilled nursing facilities and many assisted living facilities in Florida), Florida Retail Federation (which represents major retailers in Florida) and the Florida Hotel and Motel Association. The Coalition is a "person" as defined by §1.01 and §120.52(13), Fla. Stat.

2. The Coalition maintains offices at 2300 N Street, Northwest, Washington, DC 20037, telephone number 202/663-9097. However, for purposes of this Petition, The Coalition

may be contacted through its counsel, Ronald C. LaFace, Greenberg Traurig, P.A., 101 East College Avenue, Tallahassee, FL 32301, telephone number 850/222-6891.

3. The agency affected by this Petition is the State of Florida, Public Service Commission ("PSC"), located at 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, telephone number 850/413-6248.

4. The "Order under challenge" is Order No. PSC-98-1748-FOF-EI which concerns Florida Power & Light Company ("FPL"), located at 9250 West Flagler, P. O. Box 029100, Miami, FL 33174-3414. FPL may be contacted through its Vice President of Regulatory Affairs, Mr. Bill Walker, 215 S. Monroe Street, Suite 810, Tallahassee, FL 32301-1859, telephone number 850/224-7517.

Order Under Challenge

5. On November 3, 1998, PSC staff suggested that FPL's equity ratio may be excessive and that FPL's authorized return on equity may exceed a reasonable return required by investors.

6. PSC staff, FPL, and the Office of Public Counsel ("OPC") participated in discussions with the purpose of settling the issues originally raised by PSC staff. Although interested persons, including representatives from the Coalition, attended such meetings, such persons were not provided an opportunity for meaningful input.

7. PSC issued a Notice, published in the *Florida Administrative Weekly*, Volume 24, Number 46, November 13, 1998, announcing a regularly scheduled conference "To consider those matters ready for consideration." The Notice contained no warning that PSC might allow FPL to avoid fair rate reductions by new amortizations in connection with Docket No. 981390 EI.

8. On November 25, 1998, PSC issued a News Release concerning "Items of Media Interest at Upcoming Agenda Conference" scheduled for December 1, 1998. The News Release described action on Docket 981390 EI as "Investigation into the Equity Ratio and Return on Equity of Florida Power & Light Company. The Commission will decide whether to conduct a hearing into the utility's return on equity and equity ratio." The News Release contained no notice that PSC might allow FPL to avoid fair rate reductions by new amortizations in connection with Docket No. 981390 EI.

9. FPL presented a written, proposed settlement at the PSC's December 1, 1998 Agenda Conference. As summarized in the Order under challenge (Order No. PSC-98-1748-FOF-EI), FPL's proposal provided:

> 1. An extension of the amortization plan in Order No. PSC-98-0027-FOF-EI through December 31, 2000 with additional items to be amortized:
>
> > (a) Regulatory assets established pursuant to future commission order;
> >
> > (b) The portion of unused nuclear fuel remaining upon decommissioning nuclear plants;
> >
> > (c) Loss on reacquired debt incurred before December 1, 1998; and
> >
> > (d) A fixed amount of $140 million annually through December 31, 2000, in addition to expenses recorded under the current amortization plan;
>
> 2. FPL records amounts based on the formula and the amortization plan in a regulatory liability account subject to the PSC's final determination concerning use of the funds if no items remained to be amortized on December 31, 2000 as outlined in Order No. PSC-98-0027-FOF-EI.

> 3. FPL will lower its authorized return on equity midpoint from 12.0% to 11.2% with an authorized range of 10.2% to 12.2% for all regulatory purposes on a perspective basis, effective January 1, 1999. Additionally, FPL will cap its adjusted equity ratio at 55.83% until December 31, 2000 as included in FPL projected 1998 rate of return report for surveillance purposes.
>
> 4. FPL will not dispute PSC's staff recommendation on depreciation dated November 19, 1998 in Docket No 971660-EI; and
>
> 5. FPL will use the most cost effective financing available to fund its capital expansion program.

10. The PSC adopted FPL's proposed settlement with the modifications listed above and declared that the proposal would create "substantial benefits for its customers and represents a vast improvement over status quo."

11. The Order under challenge included a "Notice of Further Proceedings or Judicial Review" which would allow substantially affected parties to file a petition challenging the Order on or before January 12, 1999. Representatives of the Coalition received news of the Order under challenge after its publication on December 22, 1998.

12. This Petition is timely filed as a challenge to Order No. PSC-98-1748-FOF-EI by the Coalition, a person whose substantial interests are affected by the actions in the Order under challenge.

Substantial Effect Upon The Coalition

13. The Coalition is an association of entities which purchase electricity from FPL. In all, The Coalition members pay approximately $100 million to FPL annually for electric power.

14. As described in the Argument below, The Coalition and its members object to the Order under challenge and believe it would not provide rate relief to ratepayers, such as the Coalition and its members.

15. If proper amortization were applied to FPL, ratepayers such as the Coalition and its members would receive a reduction in rates paid to FPL. Thus, the Order under challenge has the effect of a rate *increase* from amounts which would otherwise be paid to FPL.

16. If the Order under challenge is adopted and made final agency action, The Coalition and its members will sustain losses of at least $2.2 million and as much as $5.1 million.

Argument

17. In its December 22, 1998 agency action, the Commission approved with virtually no modification a settlement that had been proposed by FPL. This settlement lowers the authorized return on equity midpoint from 12.0% to 11.2% and it caps the adjusted equity ratio at 55.83% until December 31, 2000. While the Coalition agrees that the authorized return to FPL's equity should be reduced and that FPL's equity ratio should be restated, it cannot support the 11.2% rate of return or the 55.83% equity proportion because there is no record evidence to support these values.

18. Moreover, the Coalition strongly objects to the absorption of all of the excess earnings created by this reduction in the equity return by amortizations of undefined and unneeded "regulatory assets" and other uncertain or questionable costs. These amortizations have the effect of denying any rate relief whatever to FPL's ratepayers.

19. Additionally, the Coalition objects to the manner in which an investigation into FPL's rate of return and equity ratios resulted in an Order which provides a windfall of amortization adjustments to FPL without proper notice to affected persons. Such a shift in the proceedings violates the spirit, if not the letter, of rules and statutes which seek to ensure fair notice is provided to all

substantially affected persons. See, for example, Rule 25-22.0001, Rule 25-22.0405, and Rule 25-22.0406, Florida Administrative Code.

I. FPL's Ratepayers Are Entitled to Immediate Rate Relief.

20. Attachment A to this Petition calculates the revenue requirement effect of the 80 basis point reduction in FPL's rate of return on equity and the revised capital structure that were approved on December 22. It reveals that on the basis of the 1997 FERC Form 1 balance sheet and income statement, the impact of these changes should be a reduction of $129 million, or 2.2% of total Company revenue. Under FPL's settlement, none of this revenue reduction flows to ratepayers.

21. Instead, the reduction is absorbed by amortizations. This is the third such amortization plan since 1995. In Order No. PSC-96-0461-FOF-EI, April 2, 1996, the Commission authorized FPL to begin amortizing its nuclear units by $30 annually and to amortize further deferred costs by amounts based on the difference between actual sales and the "low band" 1996 forecast of sales during 1996 and 1997. These amortizations came to $193 million in 1995, $218 million in 1996 and $251 million in 1997. Then, in Order No. PSC-98-0027-FOF-EI, January 5, 1998, the Commission authorized further amortizations of a minimum of $203 million in 1998 and $261 million on 1999 to reduce FPL's claimed underaccrual in the nuclear and fossil plant dismantlement cost reserves.

22. FPL's customers have paid a high price for these amortizations. They have been denied the rate reductions to which they would have been entitled had normal remaining life recovery of depreciation, net salvage and dismantlement cost been continued.

23. The amount of these foregone rate reductions can be quantified from the data reported to the Federal Energy Regulatory Commission ("FERC"). FERC does not allow accelerated depreciation or amortization, and the Company's Annual Report Form 1 reflects that condition. As demonstrated in Attachment A, FERC Form 1 data reveals that FPL -- absent the amortizations --

would have earned a return of 14.17% on equity in 1997, which is 117 basis points above the 13 % upper bound of the rate of return range allowed prior to this proceeding. Had FPL's rates been reset at the 12.0% rate of return then authorized, FPL's customers would have enjoyed rate reductions of $178 million, or 2.9%

24. Now, with an 11.2% allowed equity return and the revised capital structure, these reductions would increase to $307.3 million, or 5.1 %, again based on 1997 data. Under the Commission's preliminary order, ratepayers will received not one penny of these reductions until at least the year 2001.

25. The Commission has justified its approval of FPL's proposed amortizations as being in the interest of both the Company and ratepayers. FPL alleges that the benefit to the Company has been the mitigation of past reserve deficiencies, deferred regulatory assets, and previously flowed through taxes. FPL alleges the benefit to ratepayers was to be lower future revenue requirements -- and presumably lower rates -- because rate base and expenses will be reduced.[1]

26. Clearly, FPL has received -- and continues to receive -- its benefit. Indeed, it now appears that the Company is exhausting the supply of deferred costs to be amortized (see further discussion below). So far, however, there have been no benefits to ratepayers. This failure to benefit FPL's ratepayers has resulted in an increase in FPL's revenue per kwh between 1994 and 1997 from third highest to highest among the four large investor-owned utilities in Florida:

[1]Order No. PSC-98-0027-FOF-EI, Docket No. 970410-EI, page 19.

	Average Revenue per KWH in Cents[2]		
	1994	1997	%Change
Florida Power & Light	**6.85**	**7.40**	**8.03%**
Florida Power	6.89	7.14	3.63%
Tampa Electric	7.29	7.00	-3.98%
Gulf Power	5.92	5.84	-1.35%

Worse yet, the failure to provide any relief to the ratepayers of Florida's largest utility has aggravated Florida's dubious distinction as the southeastern state with the highest electricity rates:

	Average Revenue per KWH in Cents[3]		
	1994	1997	%Change
U.S. Total	6.92	6.85	-1.01%
Georgia	6.60	6.37	-3.48%
Alabama	5.40	5.33	-1.30%
Florida	**7.00**	**7.19**	**2.71%**
Mississippi	6.00	5.91	-1.50%
South Carolina	5.70	5.50	-3.51%
North Carolina	6.50	6.48	-0.31%
Virginia	6.30	6.14	-2.54%

27. Of particular concern to the Coalition is the fact that FPL's commercial rates have increased at a higher rate (9.05%) than its rates overall (8.03%), part of a discriminatory trend that appears throughout the Florida electric industry. For the state as a whole, commercial rates increased 3.44% between 1994 and 1997. Overall rates have increased 2.71%.

28. Clearly, the time has come for FPL's ratepayers to receive at least some of the relief that was promised to them when the accelerated depreciation and amortization program was initiated.

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[2] U.S. Energy Information Administration, Department of Energy, *Electric Power Annual, 1994, Volume I; Electric Sales and Revenue 1997.*

[3] Id.

Even if, arguendo, further amortizations are justified, ratepayers should be permitted to share in the excess earnings that are accruing to FPL.

II. Further Amortizations Are Not Needed.

29. The alleged objective of the amortizations previously approved by the Commission has been to mitigate the economic burden on FPL resulting from costs deferred in reserve deficiencies, regulatory assets, and flowed through taxes. The current plan suggests that the Company is exhausting the cost deferrals available to amortize. It calls for amortization of:

- Regulatory assets that the Commission might establish in the future,
- Unused portion of nuclear fuel remaining on decommissioning, to be determined in a future proceeding,
- Loss on reacquired debt prior to December 1, 1998, and
- A fixed amount of $140 million annually.

None of these elements justify further deferral of rate relief to FPL's customers. Future regulatory assets have not been defined, let alone justified. There is no evident reason why there should be any unused fuel when the nuclear plants are decommissioned. A modicum of planning should result in the exhaustion of fuel at the same, very predictable time that the nuclear plants are retired.

30. There is no justification whatever for recovery of loss on reacquired debt. The only reason for reacquiring debt would be to lower the Company's interest costs, but only if the reduced costs offset any losses from the reacquisition. Since the Company has not flowed through the lower interest costs to ratepayers, there is no justification whatever for charging ratepayers for the loss on the reacquisition of the debt.

31. Finally, neither the Company nor the Commission has identified the justification for adding $140 million annually to the amount to be amortized. Essentially, this is $140 million in potential annual rate reductions that are to be denied to ratepayers.

32. Whatever the justification for past amortizations, it is clear that FPL is now stretching to find additional amortizations that would allow it to avoid reducing its rates.

III. The Proposed Amortizations Are Inappropriate and Economically Inefficient.

33. The amortizations proposed in the current plan differ from those previously approved by the Commission in that they are advances against future costs rather than recoveries of past costs. In earlier decisions, the Commission expressed concern over "intergenerational equity," and particularly the condition in which past ratepayers avoided costs that, without accelerated recovery, would be imposed on future ratepayers. Now, FPL is proposing that future costs be advanced to be borne by current ratepayers. That, at least, would appear to be the objective of the reference to "future regulatory assets" and to nuclear fuel remaining on decommissioning.

34. If it is improper to burden future ratepayers with costs deferred from the past, it should as well be improper to burden present ratepayers with costs advanced from the future. Each generation of ratepayers should bear the costs of long-lived assets in proportion to its use of those assets, no more and no less.

35. Essentially, FPL is proposing that ratepayers defer rate reductions and thereby advance capital to FPL. Later, after the end of year 2000, FPL will return that capital to ratepayers in the form of lower electric rates. Even if there were no issue of intergenerational equity, this proposal would be economically inefficient because the cost of capital to FPL is much lower than to its customers.

36. The Staff report of October 22, 1998 indicates that FPL's June 11, 1998 bond issue yielded a cost of 6.08%. The Federal Reserve report of December 16, 1998 reveals that commercial and industrial loans of less than $100,000, such as would be made to most of the Coalition's members, bear a cost of 9.13%. Loans between $100,000 and $1 million cost 8.12%. Not until the loan exceeds $10 million do the interest costs approach those of FPL: 6.16% vs. FPL's 6.08%.

37. Residential customers, of course, pay much higher interest rates. State law limits interest rates on consumer credit, but those limits allow extraordinarily high finance charges. For example, the Florida Retail Installment Sales Act limits installment loans to 21.5% annual percentage rate. The Florida Consumer Finance Act limits loan company credit to 30 % on the first $500, 24% on the next $500, and 18% on amounts up to $25,000. The Florida Home Improvement Sales and Finance Act constrains home improvement loans to 12%. The Florida Motor Vehicle Sales Finance Act limits new car loans to about 16%.[4]

38. It is economically inefficient and socially discriminatory for ratepayers, particularly in the commercial and residential classes, to advance funds to FPL when FPL's borrowing costs are much less than theirs.

IV. <u>With the Advent of Competition, Ratepayers May Never Benefit from the Amortizations Pr posed by FPL.</u>

39. The promise of lower rates in the future, which is the ratepayer benefit identified by the Commission, presumes the continued existence of cost-based regulation of all retail electric rates. That presumption is becoming increasingly doubtful. While relatively little movement toward competitive power markets has occurred in Florida,[5] a number of states are in the process of implementing "retail

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[4] "Consumer Credit Contracts, Fact Sheet HE 5002, Home Economics Department, University of Florida, January 1995.

[5] According to a December 1, 1998 Department of Energy report, Florida is one of two states (with South Dakota) that

wheeling" that allows end-use customers to purchase power directly from an array of competing generating companies or power marketers. The transmission and distribution functions remain regulated monopolies. In some states, e.g. California, the incumbent utilities are required to sell off a portion of their generating facilities. In other states, e.g. Massachusetts, Pennsylvania, the utilities are encouraged to do so, but not required.

40. At the national level, competitive access to multiple generating sources is already a reality for wholesale purchasers of power as the result of FERC Order No. 888.[6] FERC is reported to be considering a rule mandating "Independent System Operators" of the regional transmission grids, a precondition to widespread retail competition. A number of bills that would mandate some form of retail wheeling have been introduced in both houses of Congress, and one was developed in June 1998 by the House Commerce Committee.[7]

41. It is not yet certain, however, that competition will come to Florida. If it does not, then there is no reason to allow FPL to recover costs which will never truly be stranded, especially without assurances as to the extent of such stranded costs.

42. Alternatively, if retail competition for electric power generation becomes a reality at some point in the future, the price of electricity at the generation level will no longer be established by regulatory Commissions using cost-based rate making. The market, not regulation, will set the rates for power.

43. In the retail market environment, it will be impossible for the Commission to prescribe rates that effectively pay back FPL's ratepayers for the deferral of excess earnings that might otherwise

---

has no ongoing legislative or regulatory activity regarding electric industry restructuring.

[6] 18 CFR Parts 35 and 385, Docket Nos. RM95-8-000 and RM 94-7-001, April 24, 1996.

[7] As reported by Strategic Energy, Ltd, "Retail Competition Initiatives, A State by State Update," October 27, 1998.

have flowed to them. Nor will it be possible for the reduced rate base and lowered depreciation expenses to be incorporated into end-users' rates. FPL will have enjoyed its benefits, but ratepayers will not have received theirs.

V. <u>The Commission Should Adopt an Approach Similar to the Recent Georgia Settlement.</u>

44. The Coalition does not propose that all of FPL's excess earnings be flowed through to ratepayers. Specifically, the Coalition does not oppose the amortization of past deferrals of known and certain costs or the accelerated depreciation of overvalued assets. Rather, the Coalition advocates an approach under which the Company and its ratepayers share the benefits of reduced costs. The Company should receive the benefit of some amortization and ratepayers should enjoy some reduction in their electric rates.

45. This was exactly the approach adopted by the Georgia Public Service Commission on December 18, 1998 when it approved a stipulated agreement among most of the parties in Docket No.9355-U. That agreement called for Georgia Power to reduce rates by $262 million on January 1, 1999. It also guaranteed the Georgia Power $225 million in accelerated depreciation. At the end of 1999, ratepayers receive two-thirds of Georgia Power's earnings for that year over the allowed rate-of-return band in the form of rate reductions and Georgia Power keeps to remaining third. For the final two years of the settlement, the first $50 million over the allowed earnings band will be applied to accelerated depreciation and any remaining excess earnings will be shared two-thirds to ratepayers and one third to the utility.[8]

[8]The Coalition also notes that the Georgia Commission took forceful action to rectify the serious imbalance in rates among customer classes. Recognizing that the small commercial class has been seriously overcharged relative to its costs, the Commission allocated the first $145 million in 1999 rate reductions to small business customers. Overall minimum rate reductions in the initial year will be 13.7% to small business customers and 5.73% to all other customers. On January 1, 2000, small business customers will receive an additional $24 million rate reduction.

46. While the detail of the FPL's overearnings obviously differ from those relating to Georgia Power, there is no question that a parallel approach could be taken to the allocation of excess earnings. A portion of those earnings could be allocated to accelerate depreciation or amortize regulatory assets. The remainder could be shared between ratepayers in the form of rate reductions and the Company in the form of increase profits or, at its election, further amortizations and accelerated depreciation.

VI. Conclusion

47. The Coalition respectfully submits that this Petition offers sufficient grounds to justify the convening of a formal hearing to consider modifications to the FPL amortization plan preliminarily approved by the Commission on December 22, 1998.

48. Disputed issues of material fact include, but are not limited to:

(a) Whether a more reasonable return on equity should be imposed upon FPL by the PSC;

(b) Whether more reasonable equity ratio should be imposed upon FPL by PSC;

(c) Whether FPL's ratepayers Are entitled to immediate rate relief

(d) Whether further amortizations are not needed

(e) Whether the proposed amortizations are inappropriate and economically inefficient

(f) Whether the commission should adopt an approach similar to the recent Georgia settlement.

(g) Whether the PSC failed to afford adequate notice and participation to substantially affected persons

49. Disputed issues of law include, but are not limited to:

(a) Whether a more reasonable return on equity should be imposed upon FPL by the PSC;

(b) Whether more reasonable equity ratio should be imposed upon FPL by PSC;

(c) Whether FPL's ratepayers Are entitled to immediate rate relief

(d) Whether further amortizations are not needed

(e) Whether the proposed amortizations are inappropriate and economically inefficient

(f) Whether the commission should adopt an approach similar to the recent Georgia settlement.

(g) Whether the PSC failed to afford adequate notice and participation to substantially affected persons.

50. As a matter of ultimate fact and law, The Coalition states that the Order under challenge should not be issued without further modification.

WHEREFORE, The Coalition respectfully requests the PSC to enter an order modifying the Order under challenge as proposed in this Petition, and such other relief as is available. The Coalition requests that this matter be heard by a full panel of five (5) Commissioners of the PSC pursuant to Rule 25-22.0355(4), Florida Administrative Code.

Respectfully submitted this 12th day of January, 1999.

GREENBERG TRAURIG, P.A.
101 East College Avenue
Post Office Drawer 1838
Tallahassee, FL 32302
904/222-6891

Ronald C. LaFace
Florida Bar Id. 098614
Seann M. Frazier
Florida Bar No. 971200

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and fifteen (15) copies of the foregoing has been furnished by **Hand Delivery** to Public Service Commission Director, Division of Records and Reporting, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850; a copy has been furnished via Hand Delivery to the Office of Public Counsel, Jack Shreve, 812 Pepper Building, 111 W. Madison Street, Tallahassee, Florida 32399-1400; via U.S. Mail to the parties on the attached mailing list this 12th day of January, 1999.

Seann M. Frazier

Mailing List

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122937

ATTACHMENT A

Florida Power & Light Company

Revenue Requirement - FERC Form 1 Date
Year Ending December 31, 1997

Item	Source	Amount (000)
1. Total 1997 Sales Revenue	FERC Fm 1, p.300, L.14	$6,042,401
2. Earned Return on Equity, FERC Basis	Schedule 3, p.1, L3	14.17%
3. Revenue Requirement @ 12.0% ROE Actual Cap. Structure	Schedule 2, p.3, L.21	$5,864,627
4. Revenue Requirement @ 11.5% ROE Commission Cap Structure	Schedule 1, p.3, L21	$5,735,169
6. Difference, 12.0% vs. 11.2%; Actual vs. Commission Cap Structure	L3-L4	$129,458
5. Difference, Actual Revenue vs. Revenue Req. @ 12.0%, Actual Cap Structure	L1-L3	$177,774
6. Difference, Actual Revenue vs. Revenue Req. @ 11.2%, Commission Cap Str.	L1-L4	$307,232

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Overall Rate of Return
Twelve Months Ended December 31, 1997

Line No.	Description	Capitalization 1/	Ratio	Cost	Overall Rate Of Return
1	Long Term Debt	$2,600,009,019	0.4063	7.16% 1/	0.0291
2	Preferred Stock	$226,368,450	0.0354	6.52% 1/	0.0023
3	Common Equity	$3,572,484,811	0.5583	11.20%	0.0625
4	Total	$6,398,862,280	1.0000		0.0939

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

Schedule 1
Page 2

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Rate Base 1/
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Utility Plant	$16,819,382,759
2	Contrstruction Work in Progress	131,087,416
3	Total Plant in Service	$16,950,470,175
4	Less: Accumulated Provision for Depreciation, Amortization & Depletion	8,355,700,594
5	Net Utility Plant	$8,594,769,581
6	Nuclear Fuel	$186,301,307
7	Working Capital	
8	Fuel Stock 2/	$93,782,629
9	Material & Supplies 2/	$150,942,540
10	Prepayment 2/	$41,707,337
11	Less: Accumulated Deferred Income Taxes	($1,069,898,327)
12	Total Rate Base	$7,997,605,067
13	Overall Rate of Return	9.39%
14	Return	$750,975,116

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

2/ Based on the average of the beginning and ending year balances.

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Overall Cost of Service 1/
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Operating Expenses:	
2	Power Production Expense:	
3	Steam Power Generation	$994,760,443
4	Nuclear Power Generation	407,411,011
5	Other Power generation	431,056,538
6	Other Power Supply Expense	839,191,568
7	Total Power Production Expense	$2,672,419,560
8	Transmission Expense	41,793,447
9	Distribution Expense	187,778,891
10	Customer Accounts Expenses	102,505,224
11	Customer Service & Informational Expense	84,494,501
12	Sales Expense	52,984
13	Administrative & General Expense	239,449,049
14	Total Operaticng Expense	$3,328,493,656
15	Depreciation, Amortization & Depletion Expense 2/	839,548,119
16	Taxes - Other Than Income	593,141,549
17	Return	750,975,116
18	Federal Income Taxes	269,381,728
19	State Income Taxes	43,275,366
20	Revenue Credits	(89,646,586)
21	Overall Cost of Service	$5,735,168,048

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

2/ Includes $30,000,000 of additional nuclear amortization approved by the FPSC through 1999.

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Income Taxes
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Federal Income Tax	
	Return on Rate Base	$750,975,116
	Federal Income Tax Adjustment:	
	Amortization of Equity AFUDC	430,033
	Interest & Debt Expense	(251,124,799)
	Return After FIT Adjustment	$500,280,350
	Federal Income Tax @35%	$269,381,728
	State Income Tax	$43,275,366

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Overall Rate of Return
Twelve Months Ended December 31, 1997

Line No.	Description	Capitalization 1/	Ratio	Cost	Overall Rate Of Return
1	Long Term Debt	$2,600,009,019	0.3403	7.16% 1/	0.0244
2	Preferred Stock	$226,368,450	0.0296	6.52% 1/	0.0019
3	Common Equity	$4,813,877,188	0.6301	12.00%	0.0756
4	Total	$7,640,254,657	1.0000		0.1019

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Rate Base 1/
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Utility Plant	$16,819,382,759
2	Contrstruction Work in Progress	131,087,416
3	Total Plant in Service	$16,950,470,175
4	Less: Accumulated Provision for Depreciation, Amortization & Depletion	8,355,700,594
5	Net Utility Plant	$8,594,769,581
6	Nuclear Fuel	$186,301,307
7	Working Capital	
8	Fuel Stock 2/	$93,782,629
9	Material & Supplies 2/	$150,942,540
10	Prepayment 2/	$41,707,337
11	Less: Accumulated Deferred Income Taxes	($1,069,898,327)
12	Total Rate Base	$7,997,605,067
13	Overall Rate of Return	10.19%
14	Return	$814,955,956

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

2/ Based on the average of the beginning and ending year balances.

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Overall Cost of Service 1/
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Operating Expenses:	
2	Power Production Expense:	
3	Steam Power Generation	$994,760,443
4	Nuclear Power Generation	407,411,011
5	Other Power generation	431,056,538
6	Other Power Supply Expense	839,191,568
7	Total Power Production Expense	$2,672,419,560
8	Transmission Expense	41,793,447
9	Distribution Expense	187,778,891
10	Customer Accounts Expenses	102,505,224
11	Customer Service & Informational Expense	84,494,501
12	Sales Expense	52,984
13	Administrative & General Expense	239,449,049
14	Total Operationg Expense	$3,328,493,656
15	Depreciation, Amortization & Depletion Expense 2/	839,548,119
16	Taxes - Other Than Income	593,141,549
17	Return	814,955,956
18	Federal Income Taxes	325,795,603
19	State Income Taxes	52,338,086
20	Revenue Credits	(89,646,586)
21	Overall Cost of Service	$5,864,626,383

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

2/ Includes $30,000,000 of additional nuclear amortization approved by the FPSC through 1999.

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Income Taxes
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Federal Income Tax	
	Return on Rate Base	$814,955,956
	Federal Income Tax Adjustment:	
	Amortization of Equity AFUDC	430,033
	Interest & Debt Expense	(210,337,013)
	Return After FIT Adjustment	$605,048,976
	Federal Income Tax @35%	$325,795,603
	State Income Tax	$52,338,086

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Overall Rate of Return
Twelve Months Ended December 31, 1997

Line No.	Description	Capitalization 1/	Ratio	Cost	Overall Rate Of Return
1	Long Term Debt	$2,600,009,019	0.3403	7.16% 1/	0.0244
2	Preferred Stock	$226,368,450	0.0296	6.52% 1/	0.0019
3	Common Equity	$4,813,877,188	0.6301	14.17%	0.0893
4	Total	$7,640,254,657	1.0000		0.1156

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Rate Base 1/
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Utility Plant	$16,819,382,759
2	Contrstruction Work in Progress	131,087,416
3	Total Plant in Service	$16,950,470,175
4	Less: Accumulated Provision for Depreciation, Amortization & Depletion	8,355,700,594
5	Net Utility Plant	$8,594,769,581
6	Nuclear Fuel	$186,301,307
7	Working Capital	
8	Fuel Stock 2/	$93,782,629
9	Material & Supplies 2/	$150,942,540
10	Prepayment 2/	$41,707,337
11	Less: Accumulated Deferred Income Taxes	($1,069,898,327)
12	Total Rate Base	$7,997,605,067
13	Overall Rate of Return	11.56%
14	Return	$924,523,146

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

2/ Based on the average of the beginning and ending year balances.

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Overall Cost of Service 1/
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Operating Expenses:	
2	Power Production Expense:	
3	Steam Power Generation	$994,760,443
4	Nuclear Power Generation	407,411,011
5	Other Power generation	431,056,538
6	Other Power Supply Expense	839,191,568
7	Total Power Production Expense	$2,672,419,560
8	Transmission Expense	41,793,447
9	Distribution Expense	187,778,891
10	Customer Accounts Expenses	102,505,224
11	Customer Service & Informational Expense	84,494,501
12	Sales Expense	52,984
13	Administrative & General Expense	239,449,049
14	Total Operationg Expense	$3,328,493,656
15	Depreciation, Amortization & Depletion Expense 2/	839,548,119
16	Taxes - Other Than Income	593,141,549
17	Return	924,523,146
18	Federal Income Taxes	384,793,321
19	State Income Taxes	61,815,893
20	Revenue Credits	(89,646,586)
21	Overall Cost of Service	$6,042,669,098
22	Total 1997 Sales Revenue	6,042,400,595
23	Excess Revenue	$268,503

1/ Source Data: Florida Power & Light Co. Ferc Form 1.

2/ Includes $30,000,000 of additional nuclear amortization approved by the FPSC through 1999.

FLORIDA POWER & LIGHT COMPANY
Docket No. 981390-EI
Income Taxes
Twelve Months Ended December 31, 1997

Line No.	Description	Amount
1	Federal Income Tax	
	Return on Rate Base	$924,523,146
	Federal Income Tax Adjustment:	
	Amortization of Equity AFUDC	430,033
	Interest & Debt Expense	(210,337,013)
	Return After FIT Adjustment	$714,616,166
	Federal Income Tax @35%	$384,793,321
	State Income Tax	$61,815,893