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January 28, 2002

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- VIA HAND DELIVERY -

Ms. Blanca S. Bayó
Director of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 001148-EI

Dear Mr. Bayó:

I am enclosing for filing in the above docket the original and fifteen (15) copies of the prefiled testimony and exhibits for the following Florida Power & Light Company ("FPL") witnesses:

	Mark R. Bell- 01061-02	K. Michael Davis 01067-02
	M. Dewhurst- 01062-02	Paul J. Evanson 01068-02
	William W. Hamilton 01063	Steven P. Harris 01069-02
01064	Dr. J. Stuart McMenamin	Rosemary Morley 01070-02
	Armando J. Olivera 01065	James K. Peterson 01071-02
	John M. Shearman 01066	Samuel S. Waters 01072-02

FPL is filing these witnesses' testimonies today in accordance with Order No. PSC-02-0089-PCO-EI, dated January 15, 2002. FPL's witnesses sponsor and explain the MFRs FPL has previously filed in this docket. Together with the MFRs, their testimonies demonstrate that FPL's 2002 test year results do not support any reduction in FPL's base rates.

AUS ___
CAF ___
CMP ___
COM Stay
CTR ___
ECR ___
GCL 1
OPC 1
MMS ___
SEC 1
OTH ___

Sincerely,

John T. Butler, P. A.

Enclosures
cc: Counsel of record (w/copy of enclosures)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the prefiled testimony and exhibits of Mark R. Bell, K. Michael Davis, M. Dewhurst, Paul J. Evanson, William W. Hamilton, Steven P. Harris, Dr. J. Stuart McMenamin, Rosemary Morley, Armando J. Olivera, James K. Peterson, John M. Shearman and Samuel S. Waters were served by hand delivery (*) or overnight delivery this 28th day of January, 2002 to the following:

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By: _____
John T. Butler, P. A.

BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION

DOCKET NO. 001148-EI
FLORIDA POWER & LIGHT COMPANY

JANUARY 28, 2002

IN RE: REVIEW OF THE RETAIL RATES
OF FLORIDA POWER & LIGHT COMPANY

TESTIMONY & EXHIBITS OF:

JOHN M. SHEARMAN

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF JOHN M. SHEARMAN

DOCKET NO. 001148-EI

JANUARY 28, 2002

Q. Please state your name and address.

A. My name is John M. Shearman. My business address is 2001 Route 46 East, Suite 410, Parsippany, New Jersey, 07054.

Q. By whom are you employed and what is your position?

A. I am the Chairman and Chief Executive of UMS Group Inc., a firm engaged in diagnostic, strategic and management consulting services to utility companies.

Q. Please state your education background.

A. I have a Bachelor of Science degree in Electrical Engineering from Clarkson University and an MBA in Finance from New York University. I also hold a Professional Engineer's License from the state of New Jersey.

Q. Please describe your business experience.

A. I have over 28 years of electric utility consulting and industry experience. Presently, I lead UMS Group's Organizational practice and I am responsible for the firm's work in client business and competitive strategy. My work includes assessment of individual businesses and key business processes. I have an extensive background in strategic planning, organizational effectiveness and performance management. Prior to founding UMS, I was a senior member of Booz, Allen & Hamilton's utility practice. Booz, Allen &

Hamilton is a global management consulting firm. I have also worked for Public Service Electric & Gas in New Jersey and Con Edison in New York. My resume is shown in Document JMS-2.

Q. Please summarize your experience in assessing the performance of utilities.

A. I have been one of the pioneers in the use of performance benchmarking in the utility industry and have extensive experience conducting benchmarking studies. For the past 10 years, I have in conjunction with my firm, UMS Group, directed and conducted a comprehensive benchmarking program, which has systematically compared the business performance of utilities. Numerous utilities from the U.S., as well as other countries such as Australia and England, have participated in these studies. I have also performed specific benchmarking studies for a large number of clients. Consequently, I have developed a comprehensive knowledge base about utility strategies, benchmarking, best practices, operating approaches as well as cost and service performance. Through this work, I have been able to develop significant insights into strategic management and operational performance of utilities.

Q. Why were you retained in connection with this rate case?

A. In connection with this rate case, I was retained to provide an independent comparative assessment of Florida Power & Light Company's ("FPL" or the "Company") operational and financial performance relative to the industry. I was also asked to review and comment on the financial benefits that have accrued to FPL's customers as a result of FPL's superior cost performance.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is:

1. To provide an assessment of FPL's performance relative to the industry from a service as well as a cost perspective.
2. To quantify the financial benefits that have accrued to FPL customers as a result of the concerted efforts by the Company to control operating costs and improve service in the last few years.
3. To comment on the level of FPL's forecasted operations and maintenance (O&M) expenditures for 2002 and 2003 in light of FPL's past performance.
4. To comment on FPL's superior performance as evidence of support for the return on equity (ROE) adder proposed by FPL.

Q. Are you sponsoring an exhibit in this proceeding?

A. Yes, I am. Document JMS-1 lists the documents that constitute my exhibit.

Q. How is your testimony structured?

A. In Section I, Introduction, I describe what benchmarking is and the value of performance benchmarking from a management perspective. I also discuss the sources of comparative performance (benchmarking) information used and the basis for the formulation of the industry comparison and benchmarking analyses. In Section II, Benchmarking Analysis, I present the results of the benchmarking analysis I conducted, and which was submitted as Attachment 3 to the October 1, 2001 filing of FPL's Minimum Filing Requirements ("MFRs"). In Section III, Sensitivity Analysis, I present supplemental analyses to illustrate the rigor and the validity of the benchmarking results. In Section IV, Efficiency Benefits, I quantify the financial benefits that I believe have accrued to the customers through FPL's efforts to manage costs over the last several years and that will continue to provide benefits in the future. In

Section V, FPL's 2002-2003 Forecasted O&M Expenses, I review FPL's proposed O&M levels for 2002-2003 and comment on the proposed expenditures in light of FPL's past performance. In Section VI, FPL's Superior Performance, I discuss the degree of difficulty associated with attaining the type of cost performance achieved by FPL and recommend that the Commission recognize and encourage management to sustain such performance in the future. Finally, I provide a summary of my testimony.

I. INTRODUCTION

Q. Please define benchmarking.

A. Benchmarking is a measurement technique used to compare the business performance and practices of a company to a group of its peers. Overall company performance as well as the performance of specific activities can be evaluated using this technique. Its general use began as early as 1983 and has evolved over the last several years. Today, the technique is used extensively in industry.

Benchmarking is often the primary tool used to validate how well a company is performing or to analyze possible performance "problems." This is accomplished by comparing the performance and practices of the company to a group of peer companies. By examining various aspects of performance, a company is able to develop a view of where it stands in performance, relative to others, and to identify the magnitude of any "performance gap," if appropriate. Knowing how other companies are able to achieve superior results provides a basis for the company to take the necessary actions to improve its own future performance.

There are two main steps involved in conducting benchmarking. In order to compare the performance of a company to a peer group, it is first necessary to determine a common means of measurement. For costs in a manufacturing environment, a common measure is the total cost of a unit of production. However, for a vertically integrated company, such as FPL, total costs can be compared on a total output basis (per kWh) or on a basis of customers served (per customer). For service level comparisons, it is common to use reliability or customer service performance measures.

Once a common basis of comparison has been determined, it is necessary to establish an appropriate panel of companies against which cost performance can be compared. In order to provide a broad perspective of performance against the industry, it is necessary to compare performance to a large and diverse panel of companies. It is also useful in some instances to compare performance to additional panels of companies that operate in the same geographic region or have other characteristics, such as scale, that are similar to the company under review. The intent of the benchmarking is to derive a comprehensive evaluation of a company's performance.

Benchmarking is a widely accepted tool for managing business performance. It provides a framework for management to drive business performance improvements in a predictable and logical way.

Q. What do you mean by business performance?

A. Business performance has two components, the level or quality of service and the associated cost. These two components are interdependent, and in

evaluating either, it is necessary to assess the other as well. High service levels are desirable, but if achieved solely by spending more money, then it cannot be said that overall business performance is necessarily better. Similarly, driving costs lower by sacrificing service level usually does not produce better business performance.

In assessing overall cost performance, it is necessary to examine both O&M and capital costs. This is important since there is a relationship between these two cost elements. Because tradeoffs can be made between the two, higher capital spending can result in lower O&M costs, and lower spending in the capital arena can result in high O&M costs. Consequently, it is necessary to review both cost elements simultaneously to make assessments about the relative efficiency of a company.

Conventional wisdom suggests that there is a direct correlation between service and cost and that the only way to improve service is to increase costs. However, benchmarking results have demonstrated that this conventional perspective is not always correct. Investigating the best performing companies often demonstrates that some firms are able to achieve high levels of service at low costs.

Q. How does management typically utilize benchmarking results?

A. Benchmarking is generally viewed by management as a tool to discover how it compares among a peer group, learn how others conduct similar work, and develop insight on how to achieve higher levels of performance at lower cost. In essence, benchmarking is a "diagnostic" tool for management. It allows

management to determine a course for the future and assists in the determination of the levels and sources of performance improvement that the company should strive to deliver by capturing the identified opportunities.

Q. To what extent are management's interests in improving performance through the active use of benchmarking consistent with the interests of the customer?

A. To the extent that management is focused on improving overall performance (cost and service) through actively pursuing performance improvement, the interests of the company and the customer are aligned.

II. BENCHMARKING ANALYSIS

Q. Would you please discuss the method used to compare FPL's performance to other utilities?

A. In evaluating FPL's performance, I conducted service level benchmarking, as well as cost and price benchmarking. In the area of service, I benchmarked FPL's performance in the area of nuclear and fossil generation reliability as well as distribution reliability. For cost performance, I analyzed FPL's O&M and capital costs. For price comparisons, I reviewed FPL's residential, commercial and industrial prices. These benchmarking analyses were submitted as Attachment 3 to the October 1, 2001 filing of FPL's MFRs. Further, I conducted a supplemental sensitivity analysis to validate the results of the benchmarking analysis.

Q. Can you please discuss your findings with regard to the service level benchmarking analysis you conducted?

A. The service level benchmarking compared the operational performance of FPL's nuclear generation, fossil generation and distribution functions to

industry panels. For nuclear generation, three typical industry measures of reliability performance were used. The measures were the World Association of Nuclear Operators Index, Availability Factor and Forced Outage Rate. For fossil generation, two standard industry measures were used for service level comparison, Equivalent Availability Factor and Equivalent Forced Outage Rate. For distribution system reliability, the common industry measure used was System Average Interruption Duration Index (SAIDI), also known as Service Unavailability. These service level measures for nuclear, fossil and distribution are widely used in the industry for comparing reliability. The data used for the comparative analysis were from independent industry sources, and these are noted on the individual documents.

Document JMS-3 compares FPL's nuclear generation operating performance, based on the World Association of Nuclear Operators (WANO) Index, relative to the industry for the five-year period 1996-2000. FPL's performance is among the top industry performers on the WANO Index, a composite of various industry standard operational measures (such as capacity factor, safety, thermal performance, fuel reliability, etc.). The document illustrates that:

- FPL's performance has consistently exceeded the industry average performance between 1996 and 2000.
- In 2000 FPL's performance rating of 98.2% was 5.0% higher than the industry average.
- FPL's performance has improved 16% since 1996.

Document JMS-4 compares FPL's nuclear generation operating performance, in terms of the availability factor of FPL's four operating units. FPL's performance is among the top industry performers. Document JMS-4 illustrates that:

- FPL's performance has consistently exceeded the industry average performance between 1996 and 2000.
- In 2000 FPL's performance rating of 93.9% was 4.3% higher than the industry average.
- FPL has been able to sustain a very consistent availability factor exceeding 93.5% for three years (1998-2000).

Document JMS-5 compares FPL's nuclear generation operating performance, in terms of the forced outage rate. In year 2000, FPL's forced outage rate was among the best in the industry. Document JMS-5 illustrates that:

- FPL's performance has consistently and significantly exceeded the industry average performance between 1996 and 2000.
- In 2000 FPL's forced outage rate was 95% better than the industry average.
- FPL has been able to dramatically improve its forced outage rate.

Document JMS-6 and Document JMS-7 compare FPL's fossil generation operating performance relative to the industry in terms of Equivalent Availability Factor and Equivalent Forced Outage rate. FPL's performance for both factors is industry leading. These documents illustrate that:

- FPL's Equivalent Availability Factor and Forced Outage Rate have

consistently exceeded the industry average performance between 1996 and 1999.

- In 1999 FPL's performance for both factors is significantly better than the industry average.
- FPL has been able to sustain a high Availability Factor since 1996 and has been able to significantly improve (60% improvement) its Forced Outage Rate over the same time period.

Comparisons for 2000 were not possible because data on other utilities were not available from the North American Electric Reliability Council ("NERC"). Document JMS-8 compares FPL's service unavailability performance, based on the System Average Interruption Duration Index (SAIDI), relative to the industry for the five-year period 1996-2000. Since 1999, FPL's performance has been among the industry leaders. The document illustrates that:

- FPL's performance has improved significantly (50% improvement) since 1996 while the industry average has remained virtually unchanged.
- In 2000 FPL's SAIDI performance of 70 minutes was 35% better than the industry average.

The service level benchmarking analysis clearly demonstrates FPL's high level of commitment and performance in the areas of generation and delivery service reliability. In this regard, FPL's superior delivery operational performance is a benefit to customers because they experience fewer

interruptions in service. FPL's superior generation operational performance results in cost savings to customers.

Q. Having concluded that FPL has been delivering a high level of service reliability to its customers, can you discuss the specific costs you benchmarked?

A. In order to get a comprehensive view of FPL's electric cost performance, I compared FPL's total O&M costs, and total asset base (gross plant) to the investor-owned electric utility (IOU) industry for the 10-year period, 1991 to 2000. FERC Form 1 was used as the primary source for the industry cost data.

Q. Why did you use the FERC Form 1 data to compare FPL's electric cost performance to other utilities?

A. FERC data is readily available since all IOUs are required to report operating and financial data annually. FERC publishes these data each year, making it possible to compare performance among the different companies on a year-to-year as well as on a past year basis. FERC Form 1 data is used widely for comparative purposes in the industry. It should be noted that adjustments are sometimes made to FERC data to facilitate a more relevant comparison. Data are sometimes adjusted to exclude certain obvious anomalies such as accounting changes and other data inconsistencies. This is a common practice in the use of FERC data for benchmarking analysis.

Q. Can you discuss the findings of your cost benchmarking analysis?

A. The cost benchmarking analysis included a comparison of total O&M and capital costs to the industry. For total O&M, cost per kWh and cost per customer were used for comparison purposes and for capital, gross plant per

customer was used. From an O&M perspective, comparing costs on a per kWh as well as on a per customer basis are the appropriate measures for an integrated utility such as FPL. These two measures provide a complete view of FPL's total O&M costs. Since both capital costs and kWh sales can vary significantly from year to year, comparing total asset base (gross plant) per customer is a useful and effective measure for comparison. As I discussed previously, analyzing both O&M and capital costs is important in assuring that unreasonable tradeoffs have not been made between O&M and capital.

For industry and peer benchmarking analysis, it is important to assemble a panel of utilities that are comparable. While it is not possible to match all the characteristics of a single utility to a large panel of other utilities, it is possible to construct panels that in aggregate have sufficient similarity to make reasonable comparative assessments. The panel I assembled for comparative purposes consists of IOUs with at least 500,000 customers (Document JMS-9). I refer to this panel as the "National Peer Group." Companies that had divested a significant portion of their generation were excluded from the National Peer Group. And, as I will discuss later, I conducted a supplemental sensitivity analysis on a range of other possible panels that could have been used and determined that the conclusions reached concerning FPL's relative performance would not have changed materially.

Document JMS-10 and Document JMS-11 compare FPL's O&M costs on a per customer and a per kWh basis, respectively, and illustrate that:

- FPL year 2000 total O&M costs are 48% lower on a per customer

basis and 30% lower on a per kWh basis than the industry average.

- Between 1991 and 2000, FPL's O&M cost per customer declined by 32% while industry average cost increased by 10%. On a cost per kWh basis, FPL's O&M costs decreased by 39% while the industry average O&M cost has remained unchanged.

Document JMS-12 compares FPL's total asset base (gross plant) to the industry and illustrates that:

- FPL's year 2000 total asset base (gross plant) per customer is considerably lower (31%) than the utility industry average.
- Between 1991 and 2000, the total asset base of the industry average utility increased by 10% whereas FPL's total asset base increased by 20%. However, even though FPL's total asset base has grown at roughly twice the rate of the industry since 1991, its total asset base per customer is still significantly lower (31%) than the industry average.

Based on this analysis, I conclude that FPL's current O&M costs and its total asset base are among the lowest in the industry. Further, FPL's O&M costs have declined significantly since 1991 while industry costs have remained relatively constant.

Q. Did you also conduct a price benchmarking analysis?

A. Yes. Documents JMS-13, JMS-14 and JMS-15 compare FPL's residential, commercial and industrial prices, respectively, to industry averages. The documents illustrate that:

- FPL's 2000 average residential, commercial and industrial prices are 12%, 17%, and 12% lower, respectively, than the comparable industry average prices.
- While industry average prices have remained relatively stable or risen slightly since 1991, FPL prices have declined during the same time period.

The price benchmarking analysis clearly demonstrates that FPL's prices are significantly lower than the industry average and, in large part, this is due to FPL's superior cost performance.

Q. Did you conduct any supplemental analysis?

A. Yes. In order to verify the validity of the cost benchmarking results, I conducted additional sensitivity analyses.

III. SENSITIVITY ANALYSIS

Q. Can you please discuss how you approached the sensitivity analysis?

A. Yes. First, I examined the criteria used in my initial analysis to assemble the National Peer Group and decided to compare FPL's cost performance to three additional panels. Second, the initial analysis compared O&M costs on a nominal basis, and I decided to conduct the same analysis on an inflation-adjusted basis. Finally, the original analysis used total asset base (gross plant) for the comparative analysis and I decided to also examine total net asset base (gross plant less depreciation).

Q. Would you please describe the formulation of the three additional panels for your sensitivity analysis?

A. I assembled a different panel of IOU companies to represent the industry and

compared FPL's costs to this "National" panel. My purpose was to construct a broader panel of utilities based on different assumptions than the panel initially constructed to test whether FPL's relative performance to the industry would change. Second, I assembled a smaller panel of companies that operate in the same geographical area as FPL and compared FPL's costs to this "Regional" panel. My purpose was to determine if local conditions such as the economy or geography might have some influence on the overall results and test whether FPL's relative cost performance would be impacted. Third, given FPL's very large customer base, I assembled a panel of companies with over 2,000,000 customers. The intent in assembling this "Large Utility" panel was to compare FPL to a peer group of large companies and test whether FPL's relative cost performance would differ in a material way.

Q. Please describe how your National panel of IOUs differs from the original National Peer Group of companies assembled?

A. In order to test whether FPL's performance relative to the industry would change if a different nation-wide panel of companies were used for comparative purposes, I assembled a panel using different assumptions. My initial panel consisted of all utilities with 500,000 customers, except those that have divested a significant portion of their generation assets. These criteria resulted in a panel of 35 utilities. In order to compare FPL to a broader industry panel, I assembled a panel of all utilities with a year 2000 customer base over 200,000. The intent of including companies with a smaller customer base in the National panel is to conduct a comparison of FPL's costs to a broader, more diversified group of companies. The panel was assembled using the FERC Form 1 database and consists of 99 IOUs that are diverse in

terms of size and service territory (Document JMS-16). The National Panel does not include FPL.

Q. Please describe how you assembled the smaller Regional panel of IOUs for comparison purposes?

A. In order to test whether regional or local conditions affect relative costs, I assembled a panel of companies in the same geographic region. The second panel is a group of 16 utilities that are within the Southeast geographic region of the United States and consists of IOUs in the states of Georgia, Alabama, Mississippi, South Carolina, North Carolina and Louisiana, and the three major IOUs in the state of Florida, excluding FPL. This panel of companies provides a reasonable proxy for companies that operate in a similar climate and economy as FPL (Document JMS-17). The panel consists of IOUs with at least 100,000 customers in year 2000 using the FERC Form 1 database.

Q. Please describe how you assembled the Large Utility panel of IOUs for comparison purposes?

A. In order to test whether a comparison of FPL with similar sized companies would materially affect relative cost performance, I assembled a panel of large companies. The third panel is a group of 8 utilities, assembled using the FERC Form 1 database, that have at least 2,000,000 customers in their service territory in year 2000 and includes companies comparable in size to FPL such as Pacific Gas and Electric (4.7 million customers) and Texas Utilities (2.4 million customers). This panel of companies (Document JMS-18) provides a reasonable proxy for larger companies that operate at a scale similar to FPL. The panel excludes FPL.

Q. What specific electric costs did you compare?

A. I reviewed FPL's total O&M costs (on a nominal basis) for the 10-year period, 1991 to 2000. FERC Form 1 was used as the primary source for IOU cost data.

Q. Please discuss the findings of your supplemental benchmarking analysis of FPL's total O&M costs.

A. I reviewed total O&M costs on a per customer as well as on a per kWh basis. The results of these supplemental benchmarking analyses are shown in Document JMS-19 and Document JMS-20. These documents show the comparison, on a nominal basis, of FPL's total O&M costs to the National, Regional and Large Utility panels.

Document JMS-19 compares total O&M costs on a per customer basis and illustrates that:

- FPL's 2000 total O&M cost per customer ($275) is considerably lower than the National ($498) and the Regional panels ($545).
- In 1998, the last year data is available for the Large Panel, FPL's total O&M per customer ($297) is considerably lower than the Largel Panel ($492).
- FPL's total O&M cost per customer decreased significantly resulting in a compound annual growth rate (CAGR) of –4.3% between 1991 & 2000, while the costs of the other three panels remained relatively unchanged during the same time period.

Document JMS-20 compares total O&M costs on a per kWh basis and

illustrates that:

- FPL's 2000 total O&M cost per kWh (1.20 cents) was considerably lower than the National (1.69 cents) and the Regional panels (1.53 cents).
- In 1998 the last year data is available for the Large Panel, FPL's total O&M cost per kWh (1.28 cents) was considerably lower than the Large Panel (2.11 cents).
- FPL's total O&M cost per kWh decreased significantly (CAGR of –5.3%) between 1991 & 2000, while the costs of the other three panels decreased at a much slower rate.

As is evident, FPL's total O&M costs are significantly lower than any of the panels reviewed, are decreasing at a faster rate than the panels reviewed, and are some of the lowest costs in the industry. This analysis demonstrates that the comparison results are not dramatically sensitive to the particular panel selected, confirming the validity of the National Peer Group comparison.

Q. Please discuss the findings of your supplemental benchmarking analysis of FPL's O&M costs on an inflation-adjusted basis.

A. Document JMS-21 and Document JMS-22 compare FPL's O&M cost on a per customer and per kWh basis, respectively, to the original National Peer Group of utilities, on an inflation adjusted basis, and illustrate that:

- FPL's total 2000 O&M costs are 48% lower on a per customer basis and 30% lower on a per kWh basis than the industry average panel.

- Between 1991 and 2000, FPL's O&M cost per customer declined by 47% while the industry average cost declined 13%. On a per kWh basis, FPL's O&M costs decreased by 52% while the industry average O&M cost has decreased by 21%.

Quite clearly, on an inflation adjusted basis, the O&M cost analysis confirms my original analysis that FPL's O&M costs are among the lowest in the industry.

Q. Please discuss the findings of your supplemental benchmarking analysis of FPL's total net asset base.

A. Document JMS-23 compares FPL's total net asset base (gross plant less accumulated depreciation) to the original National Peer Group of IOUs and illustrates that:

- FPL's total net asset base per customer in year 2000 is 49% lower than the national panel.
- FPL's total net asset base has declined significantly (CAGR – 2.1%), while the total net asset base of the National Peer Group has declined modestly (CAGR –0.4%).

As can be discerned, between 1991 and 2000, FPL's total net asset base per customer has continually declined. This is in contrast to the performance of the National Peer Group average where total net asset base is larger than FPL and has declined only modestly during the period under review. These findings show that FPL's relative performance compared to the industry average is similar for total assets whether compared on a gross or net basis.

Q. What conclusions have you drawn based on the supplemental analysis?

A. Based on the supplemental benchmarking analysis, I found FPL's total and O&M costs to be very low relative to the National Peer Group and to other relevant panels. Further, FPL's total O&M costs have declined significantly over the 1991-2000 period, while its total net asset base per customer is lower relative to the industry and has remained virtually unchanged during the period reviewed. It is clear that FPL's performance is far superior to that of any of the panels. My supplemental sensitivity analysis verifies the validity of the conclusions drawn from the benchmarking in Attachment 3 to the October 1, 2000 MFRs filing.

IV EFFICIENCY BENEFITS

Q. Based on your analysis of FPL's cost performance, can you quantify the value of the benefits that have accrued to FPL's customers as a result of FPL's actions?

A. Yes. In order to calculate the value of the benefits produced, I reviewed FPL's total O&M cost per customer from 1991 through 2000. The intent of my analysis was to develop an order of magnitude estimate of the benefits derived by FPL's customers arising from FPL's success in reducing total O&M costs per customer significantly below that of the National Peer Group average. With a test year rate case structure, the future prospective savings begin from the date of the rate order forward. Nonetheless, O&M cost per customer savings produced in the test year are only possible and, in the case of FPL, were built upon efficiency improvements made over several preceding years. These savings in the previous years - that is, the widening gap in total O&M cost per customer between the industry average and FPL - can be considered "efficiency benefits."

Q. What is the value of the efficiency benefits FPL has achieved from 1991 through 2000?

A. Document JMS-24 compares FPL's total O&M cost per customer performance over the period 1991 through 2000 to the performance of the National Peer Group. 1991 values are set to 100% and all subsequent years are indexed from those 1991 values to demonstrate the extent to which FPL's superior performance has differentiated it from the "average" utility. Document JMS-25 illustrates the relative change in annual nominal dollars (the efficiency benefits) that FPL has achieved. Clearly, FPL is and has consistently been a superior performer in the industry. When one considers that FPL's O&M cost per customer in 2000 is about half that of the industry average, FPL's performance is exemplary.

Q. What is the value to FPL's customers of these efficiency benefits?

A. FPL's superior performance over the last decade clearly has created substantial benefits for customers. I think it can be surmised that the efficiency benefits established in 1991 (which by 2000 have widened by over 400%) have enabled FPL to forego base rate increases. It is my understanding that FPL's base rates were reduced by $350 million in 1999 in connection with the agreement with the Office of Public Counsel (and approved by this Commission) and this would support my assertion that the efficiency benefits customers through lower rates. In addition, the significant level of efficiency benefits resulting from the Company's superior performance over the past decade has established a huge margin of savings that will continue to bring benefits to FPL's customers in the future.

Q. In your opinion, is FPL's O&M cost performance sustainable into the future?

A. No, I believe that FPL's current cost levels will be under continuing pressure from inflation, customer growth, load growth, and an aging asset base. The Company is at the leading edge of efficiency for this industry and has, in my opinion, limited opportunities for additional gains. The efficiency benefits that FPL has been able to achieve in the last several years have in effect masked the impact of the previously mentioned cost drivers. The Company now appears to have reached the point where the efficiency benefits can no longer fully offset the inevitable operational cost increases. These increases will no doubt have a dampening effect on the prospective efficiency benefits that the Company has built up over the last several years.

As I have illustrated, FPL has been able to operate at significantly lower costs than the "average" utility and has still been able to find further cost reductions in its operating expenditures. Had FPL merely aspired to be an "average" utility, it would have already experienced significant cost increases, potentially leading to substantially higher revenue requirements and higher customer rates.

V. FPL'S 2002-2003 FORECASTED O&M EXPENSES

Q. Have you reviewed the level of FPL's total O&M forecasted expenses for 2002 and 2003?

A. Yes, I have.

Q. Based on your knowledge of the utility industry, would you please comment on FPL's forecasted O&M levels in light of FPL's past performance?

A. Yes. As I have previously testified, FPL's current high service levels and low cost are indicative of excellent business performance. In fact, the extent and consistency of their year after year cost reduction over the last eight years has been extraordinary. In that light, it is important to recognize and acknowledge when the current cost levels are not sustainable. I believe that, as is typical in the industry, FPL will be subject to increasing spending pressures because of inflation, aging assets, customer growth, and load growth. These inescapable cost drivers become the dominant factors once O&M efficiencies have been realized, and will dictate rising O&M and Capital expenditures for FPL, or will pose serious risks to service levels if the necessary expenditures are not made. While most companies in the utility industry have been trying to cut costs, few have been as aggressive as FPL. I would expect to see some significant increases from 2000 O&M cost levels for FPL, although the increases projected in FPL's budget forecasts are fairly modest. Given any probable projection of industry average performance in the next two years, it should be recognized that even with FPL's modest projected budget increases, FPL's costs are still expected to be significantly lower than the expected industry average.

VI. FPL'S SUPERIOR OPERATIONAL PERFORMANCE

Q. You have testified that FPL has significantly improved its cost and service level performance relative to the industry over the past several years. Do you have an opinion as to the reasons why FPL has been able

to achieve superior performance?

A. Yes. In my experience, companies that have been able to broadly and significantly improve their performance in a short period of time have typically expended a great deal of effort to mobilize the organization to achieve those results. Such rapid and broad-based performance improvement has typically been achieved through the implementation of innovative programs and initiatives coupled with management resolve and fortitude to make tough decisions and follow through with the necessary actions.

Q. Based on your knowledge of the utility industry, how would you differentiate FPL's performance relative to the average performing utilities?

A. First of all, I have conclusively shown that FPL's costs are among the lowest in the industry and I have estimated the large magnitude of the "efficiency benefits" that have accrued to FPL's customers in the past and will continue to benefit them in the immediate future. I have also pointed out the superior level of operational performance attained by FPL's generation as well as its distribution infrastructure. Witnesses Olivera and Hamilton discuss in their testimony the many initiatives that have been implemented to improve service reliability, reduce cost, and provide responsive customer service.

What is impressive to me and what distinguishes FPL from other utilities is the comprehensive and systematic manner in which FPL has driven this performance improvement. These innovative approaches to managing the infrastructure and provision of customer services required a serious commitment by management to invest aggressively in emerging technologies

and processes to achieve the high level of performance. Yet, FPL's costs, both O&M and capital, are well below industry averages, and FPL's prices are among the lowest in the industry.

What appears to set FPL apart from other utilities is the aggressiveness of their improvement goals and the persistence over time with which they have approached and achieved significant cost and service improvement.

Q. In your opinion, does FPL merit recognition of its superior performance?

A. Yes. Given that utilities have limited opportunities to earn a return above their cost of service, there is little incentive for management to differentiate themselves from their peers by taking risks, making extraordinary efforts to improve, or making substantial investments today in the systems and technology which might benefit customers tomorrow. It is simply too easy to take a road that maintains stable returns and an average or "prudent" level of performance. In my opinion, utility management should be given incentives to take reasonable risks, innovate and continuously streamline operations, capture efficiencies, and provide exemplary levels of reliable and responsive customer service.

FPL has clearly differentiated itself as a superior performer and delivered outstanding value to customers over the past decade. They have taken reasonable risks that have paid off for customers through significantly lower costs and higher service levels than elsewhere in the industry. I believe these extraordinary results warrant recognition of FPL's performance.

Q. Based on your knowledge of the utility industry, will the added incentive of an ROE adder be a motivator for the Company to continue to sustain its superior performance?

A. Yes. FPL's customers have already benefited from the aggressive cost and service focus of FPL management. Customers have and will continue to benefit from stable prices, excellent customer service and efficient operations. However, FPL management faces some serious challenges ahead. As I mentioned earlier, a company that has been able to reduce costs and substantially improve service in the manner FPL has, will undoubtedly have to face the realities of an aging infrastructure, inflation, customer growth and other cost pressures. Managing the business in an industry "average" manner will be insufficient to meet these challenges. FPL management will need to continue to innovate in developing new programs to upgrade reliability and customer service levels. These challenges will require a concerted effort not only to aggressively manage costs but also to invest selectively in innovative emerging technologies. Most of all it will require management to take and proactively manage reasonable risks.

An incentive will not only be a well-deserved recognition of past efforts, but also a clear demonstration of the Commission's support for the Company to meet the challenge of continued superior performance.

Q. Please summarize your testimony.

A. I have assessed FPL's performance relative to the industry from a service, cost and price perspective. FPL is providing its customers with a high level of electric reliability from a generation as well as a distribution perspective.

FPL's costs on the other hand, are significantly below industry averages and have been below them for a considerable time. This superior cost performance, over the last 10 years, has resulted in "efficiency benefits" to FPL's customers of about $950 million in year 2000. FPL's high level of operating efficiency has resulted in low current prices for its customers (relative to the industry) and has, by extension, reduced the magnitude of present and future rates for FPL's customers.

I believe FPL's current cost levels are not sustainable indefinitely. FPL now faces a reduced capacity to offset the increasing pressures from aging assets, load growth, customer growth, and inflation than in the past when O&M efficiency gains could be harnessed. These inescapable cost drivers have resulted in FPL increasing its forecasted O&M expense levels for 2002 and 2003. The projected increases are modest given FPL's past performance, and even with the projected cost increases, FPL's operating costs are expected to remain significantly lower than what the projected industry average operating costs reasonably might be.

FPL's customers have been the beneficiaries of the company's aggressive service and cost focus. I believe that these extraordinary results warrant recognition in the form of an incentive, an ROE adder, not only as recognition of past efforts but also to demonstrate Commission support for the Company to achieve continued superior performance.

Q. Does this conclude your testimony?

A. Yes.

List of Documents Sponsored By John M. Shearman

JMS Documents	
JMS-2	John M. Shearman Resume
JMS-3	Comparison of FPL World Association of Nuclear Operators (WANO) Index Performance to the Index Average
JMS-4	Comparison of FPL Nuclear Generation Availability Factor to the National Average
JMS-5	Comparison of FPL Nuclear Generation Forced Outage Rate to the National Average
JMS-6	Comparison of FPL Fossil Generation Equivalent Availability Factor to the National Average
JMS-7	Comparison of FPL Fossil Generation Equivalent Forced Outage Rate to the National Average
JMS-8	Comparison of FPL System Average Interruption Duration Index (SAIDI) to the National Average
JMS-9	Attachment 3 - Benchmarking National Peer Group of Utilities (35 Utilities)
JMS-10	Comparison of FPL Total O&M Cost Per Customer to the National Peer Group Average
JMS-11	Comparison of FPL Total O&M Cost Per kWh to the National Peer Group Average
JMS-12	Comparison of FPL Total Asset Base Per Customer to the National Peer Group Average
JMS-13	Comparison of FPL Price to the National Peer Group Average (Residential)
JMS-14	Comparison of FPL Price to the National Peer Group Average (Commercial)
JMS-15	Comparison of FPL Price to the National Peer Group Average (Industrial)
JMS-16	The National Panel of Utilities (99 Utilities)
JMS-17	The Regional Panel of Utilities (16 Utilities)
JMS-18	The Large Utility Panel of Utilities (8 Utilities)
JMS-19	Comparison of FPL Total O&M Cost Per Customer to the National, Regional, and Large Utility Panel Averages
JMS-20	Comparison of FPL Total Generation O&M Cost Per kWh to the National, Regional, and Large Utility Panel Averages
JMS-21	Comparison of FPL Total O&M Cost Per Customer to the National Peer Group Average (Inflation Adjusted)
JMS-22	Comparison of FPL Total O&M Cost Per kWh to the National Peer Group Average (Inflation Adjusted)
JMS-23	Comparison of FPL Total Net Asset Base Per Customer to the National Peer Group Average
JMS-24	Comparison of FPL Total O&M Cost Per Customer to the National Peer Group Average (Normalized)
JMS-25	Annual FPL Efficiency Benefit Compared to the National Peer Group Average

John M. Shearman

Summary and Background

Mr. Shearman is the Chief Executive of UMS Group. He has more than 28 years of consulting and management experience serving global electric and gas utility markets. His special focus is on Deregulation, Competitive Positioning, and the Management of Change. He also has extensive expertise in strategic planning, organizational effectiveness and performance management. He has served as an expert witness in regulatory proceedings, is a frequent speaker at industry conferences and is well known for his perspectives on industry strategic directions.

Prior to founding UMS, Mr. Shearman was a senior member of Booz, Allen & Hamilton's utility practice. He also served for 11 years in various leadership capacities at two major U.S. east coast utilities. Mr. Shearman holds a professional engineer's license and an M.B.A. in finance from New York University.

Highlights of Experience:

- Mr. Shearman has provided counsel to utilities around the world in the development and execution of regulatory strategy. Many of these engagements have built innovative proposals to create sustainable value for customers, while providing effective incentives for management to drive continual improvement in the financial performance of the business. These strategies are typically founded on a more robust understanding of system cost and performance drivers and have often led companies to greater performance management effectiveness. In parallel, the ease of access and quality of information available to regulators has often improved dramatically.

- He has prepared and delivered expert witness testimony for a number of US utility clients on various subjects including industry direction, regulatory incentives, performance management, prudency review of costs and the use of performance benchmarking information in regulatory reviews.

- A particular area of focus in Mr. Shearman's engagement portfolio has been performance management. He has worked for many companies in the US, UK and Australia in designing and developing performance management and reporting systems. In one case, for a leading U.S. electric utility he designed and helped implement a comprehensive top management performance measurement and reporting system. For the utility's chief executive, he led executive workshops to define key objectives and measures of success and then spearheaded an analytic effort to determine relative importance and value, and appropriate time frame for each measure. These measures were then rolled down through three levels of the organization and linked into the management incentive compensation program.

- Mr. Shearman has conducted numerous organizational restructuring projects at utilities over the past 17 years. He leads UMS Group's Organization Restructuring practice and is responsible for much of the firm's work in client business and competitive strategy development. His recent work in this area has included strategic analysis and organization design to implement horizontal unbundling and business streaming of utility companies. Most of these projects have included in-depth assessment of profitability, competitiveness and growth potential of individual business streams and key business processes.

- Mr. Shearman has led many engagements around the world, which were responsible for fundamental redirection of clients' business strategy. He has worked with many CEOs and Boards to help frame a more robust understanding of industry drivers and directions, and clarify how shareholders view value in the business. These assignments have been structured around a more deliberate and informed approach to Strategic Choice and have often produced dramatic shifts in the strategic options considered.

- For a number of electric and multi-utility companies around the globe, Mr. Shearman has led full-scale transformation projects. These efforts have typically followed significant shifts in strategy and been designed to implement rapid simultaneous change in organizational structure, direction and capabilities. Such transformation projects have usually involved redefinition and redesign of core processes, adoption of new business models, redirection and new priorities for I/T, and establishment of new leadership practices and a more commercial and competitive organizational culture.

- Over the last 10 years, he has served as the engagement officer for a number of client performance and best practices collaboratives. These projects have been conducted for industry trade groups, such as EEI (Edison Electric Institute), NEI (Nuclear Energy Institute), IWO (Institute of Water Officers in the UK), and ESAA (Electricity Supply Association of Australia), and for independent consortia assembled by one or more utilities for the purpose of industry benchmarking. Some of these, like ITOMS (International Transmission Operations and Maintenance Study), have become long running multi-year programs in which the participants have significant ownership and commitment to, and which have evolved and grown well beyond the original intent.

- For a number of electric and several combination utilities around the world, Mr. Shearman has led consulting projects to capture merger synergies from consolidation. These projects have often resulted in staff reductions on the order of 30% and cost reductions of up to 40%. Many of these projects have faced unusually difficult circumstances, with severe political issues and resistance by labor unions and/or municipal government stakeholders associated with one or the other company

- Mr. Shearman has conducted a number of very successful efficiency rationalization projects for Government owners of electric and other utilities. In one case, for a Middle Eastern government, Mr. Shearman led the project to rationalize 60 smaller distribution companies into two large government owned entities prior to privatization. The project was a large success, with over $60 million in annual savings achieved and staff reductions

greater than 50% realized. Many unique regulatory, asset ownership and technical integration issues were also addressed in this project.

- In the formative years of UMS Group, Mr. Shearman led the design and delivery of several landmark utility industry benchmarking studies. These studies were unique at the time, introducing several breakthrough methods for normalizing performance across companies operating in widely varying environments and credibly computing controllable improvement gaps. Each project explored the tradeoffs between productivity, cost and service levels and identified innovative ideas and leading edge practices for use in closing performance gaps. Examples of these programs include:

  1. A&G - A major 15 man-year study of 12 of the largest and best electric utility companies in the United States focused on the Administrative and General functions (i.e. accounting and finance, human resources, information systems, procurement and materials management, property management, transportation, communications, legal, internal audit and risk management). The study produced improvements yielding $59MM in annual savings at one of the sponsoring companies.

  2. Operations – The core operating functions and processes of electric utilities were examined in detail over two years in a collaborative effort with dozens of US companies. The project, called PACE OPS (Performance And Competitive Excellence), produced a sustainable core of annual benchmarking programs that have been run around the world in each year since 1992. In all, more than 200 utilities, including numerous Gas and Water companies have now participated in these programs.

Speeches & Articles

ANZ Utility Chief Executive Conference
Sanctuary Cove, Queensland, Australia
April, 2001
Keynote Address – "Industry Direction and Strategic Options

Association of Edison Illuminating Companies (AEIC) Annual Conference –Committee on Power Delivery
Southampton, Bermuda
March, 2001
Keynote Address - Industry Directions and Emerging Strategies For Wires Companies

NARUC Winter Committee Meetings - Committee On Gas
Washington, DC
January, 2001
Address – Strategies For Creating Regulatory Value

US Marine Corps – Executive Workshop – Performance Management
Penn State University, PA
December, 2000

Address – Managing Performance: *Strategic Business Goals to Work Execution Measures*

EUCI Conference – The New Millennium, How Will It Affect Utilities?
Denver, Colorado
October, 2000
"Lessons Learned – Deregulation Progress Report"

Electric Utility Consultants Conference
Denver, Colorado
October, 2000
Address – "How To Make Money In The Wires Business"

Annual PACE Executive Conference
Charleston, South Carolina
October, 2000
Keynote Address – "Industry Directions, Opportunities And Implications For Leaders"

ITOMS Electric Transmission Consortium Executive Conference
Memphis, Tennessee
October, 2000
Keynote Address – "Industry Direction and Strategic Implications"

ANZ Utility Chief Executive Conference
Sydney, New South Wales, Australia
March, 2000
Keynote Address - "Strategic Directions for the Industry"

ITOMS Electric Transmission Consortium Executive Conference
Brisbane, Australia
February, 2000
Keynote Address – "Strategic Context"

"Creating Advantage During Industry Reform" – Utility Executive Conference
Monterey, California
October, 1999
Keynote Address – " Finding Advantage in the Issues Keeping You Awake at Night"

ANZ Utility Chief Executive Conference – "Taking Control of Your Destiny"
Yepoon, Queensland Australia
March, 1999
Keynote Address – "Outpacing Change – Global Trends in Utilities"

Energy Buyer's Conference
Baltimore, Maryland
October 19, 1998
"Positioning for Competitive Success – Deregulation Lessons from Overseas"

"Actions for Success in a World of Change & Uncertainty" (Suffolk University)
Boston, Massachusetts
September 8, 1998
"Sustainable Large Scale Change in Business Enterprises"

ANZ Utility Chief Executive Conference – "Building Business Value"
Melbourne, Australia
March 11 – 13, 1998
Keynote Address – "Global Competitive Environment"

Distribution 2000 Biannual Conference
Sydney, Australia
November, 1997

"Strategic Transformation Executive Conference"
San Francisco, California
October 15-17, 1997
Keynote Address - "Emerging Industry Structure and the Case for Change"

UNIPEDE Congress
Montreux, France
May 18-22 1997
Keynote Address – "Impact of Societal Changes on the Electric Utility Industry"

ANZ Utility Chief Executive Conference – "Managing Risk for a Competitive Edge"
Sanctuary Cove, Queensland, Australia
March 5-7, 1997
Keynote Address – "Global Industry Directions"

DA/DSM DistribuTECH
San Diego, California
January 27-30, 1997
"Emerging Retail & Distribution Businesses – Positioning for Competitive Success"

Industry Transformation Executive Conference
Ponte Verde Beach, Florida – Sawgrass Resort
October 9-11, 1996
Keynote Address – "Strategic Context"
Also: "Change Management Strategies for Success"

ANZ Utility Chief Executive Conference
Bondi Beach, Sydney, Australia
February 5-6, 1996
Keynote - "Strategic Directions for the Industry"

Distribution 2000 Biannual Conference
Brisbane, Australia

November 14-17, 1995
Keynote Address – "Competitive Positioning for Future Success"

Performance and Competitive Excellence Executive Conference
Scottsdale, Arizona
September 27-29, 1995
Keynote Address – "Strategic Context"

Northwest Electric Light & Power Association Best Practices Conference
Whitefish, Montana
July 10-11, 1995
"Defining Best Practices"

ANZ Electric Distribution Chief Executive Conference
Sydney, Australia
February 6, 1995
Keynote Address

Human Resources Executive Conference
Orlando, Florida
December 7-8, 1994
Keynote Address - "Industry Directions and the Implications for HR"

Performance and Competitive Excellence Executive Conference
Denver, Colorado
August 9-12, 1994
Keynote Address

Information Systems Executive Conference
Chicago, Illinois
June 29-30, 1994
Keynote Address

Computer Associates 1993 Annual Conference
Chicago, Illinois
October 25, 1993
"Results Oriented IT Benchmarking"

Electric Council of New England
Bar Harbor, Maine
September 30 & October 1, 1993
"Effective Benchmarking Approaches"

Partners in Performance Management Executive Conference
Hilton Head, South Carolina
July 11-14, 1993
Keynote Address

Electric Utilities Consultants 1993 Annual Conference
Denver, Colorado
June 22, 1993
"Benchmarking and Corporate Culture Change"

1993 EEI Marketing Conference
Kansas City, Missouri
May 20, 1993
"How to Do an Effective Benchmarking Site Visit"

Administrative and General Services Benchmarking for Utilities Executive Conference
Austin, Texas
December 16, 1992
Keynote Address – "Today's Mandate"

Public Utilities Fortnightly
December 1, 1992
"Competitive Benchmarking"

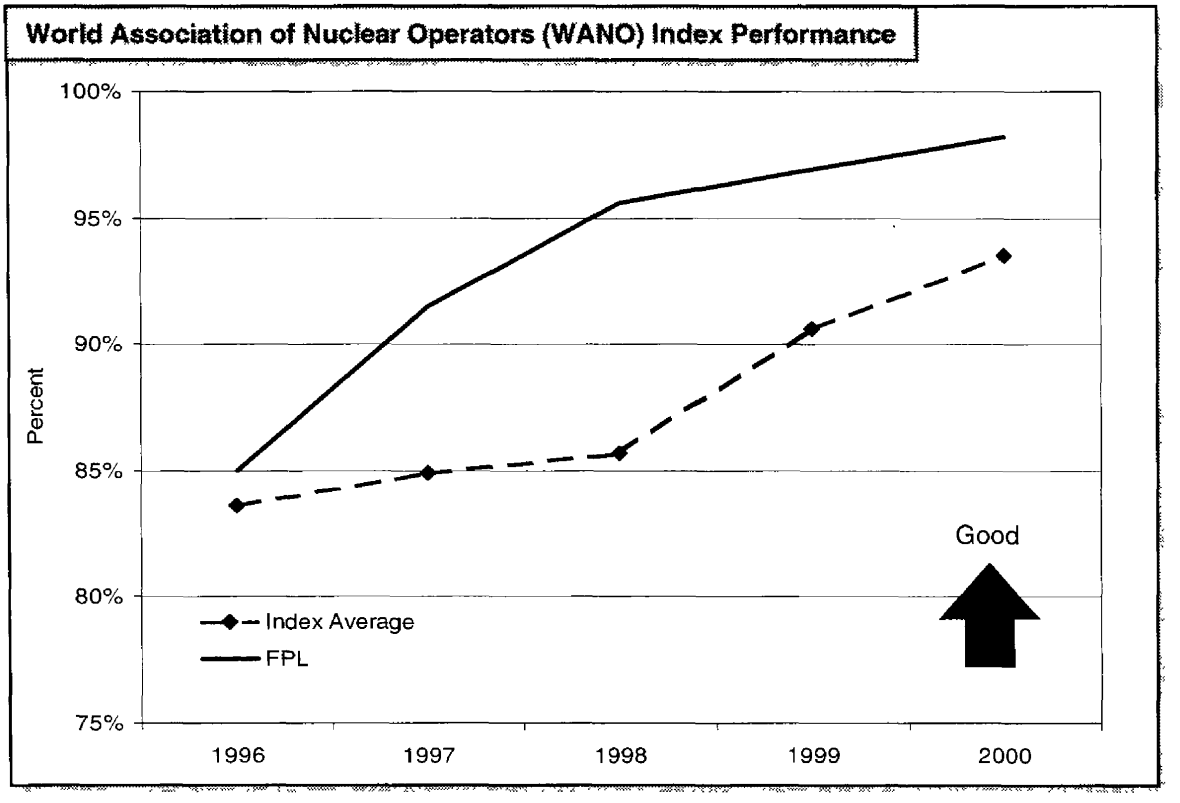
Competitive Performance Benchmarking for Utilities Executive Conference
Colorado, Springs Colorado
September 2-4, 1992
Keynote Address

New York Power Authority – "Public Power Roundtable Workshop"
White Plains, New York
April 8, 1992
"Effective Performance Benchmarking for Utilities"

Southeastern Electric Exchange – "Corporate Performance/Corporate Planning Annual Meeting"
Asheville, North Carolina
September 13, 1991
"Capturing the Power of Benchmarking"

Pacific Coast Electric Association – "Performance Measures Task Force"
San Francisco, California
September 11-13, 1991
"Capturing the Power of Benchmarking"

Comparison of FPL World Association of Nuclear Operators (WANO) Index Performance to the Index Average

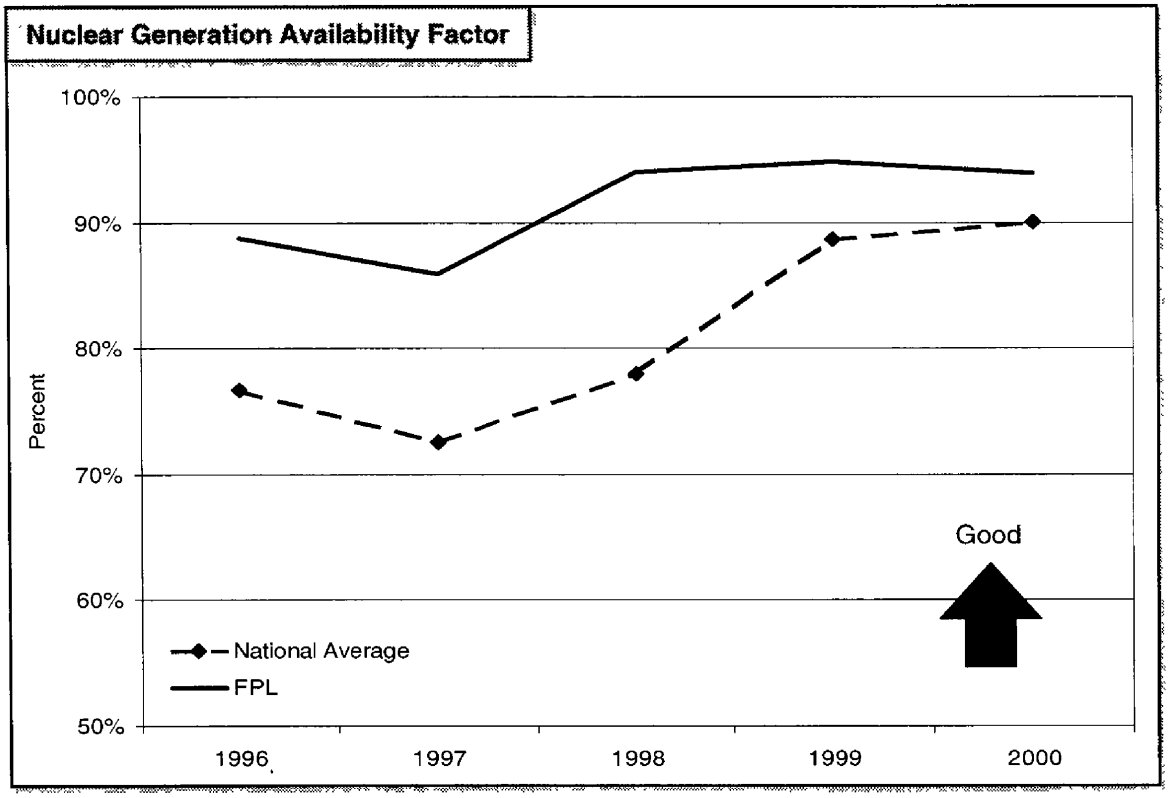


	1996	1997	1998	1999	2000
Index	83.6%	84.9%	85.7%	90.6%	93.5%
FPL	85.0%	91.5%	95.6%	96.9%	98.2%

Footnote:

- Source: Institute of Nuclear Power Operations. Population is U.S. sites with two or more units

Comparison of FPL Nuclear Generation Availability Factor to the National Average

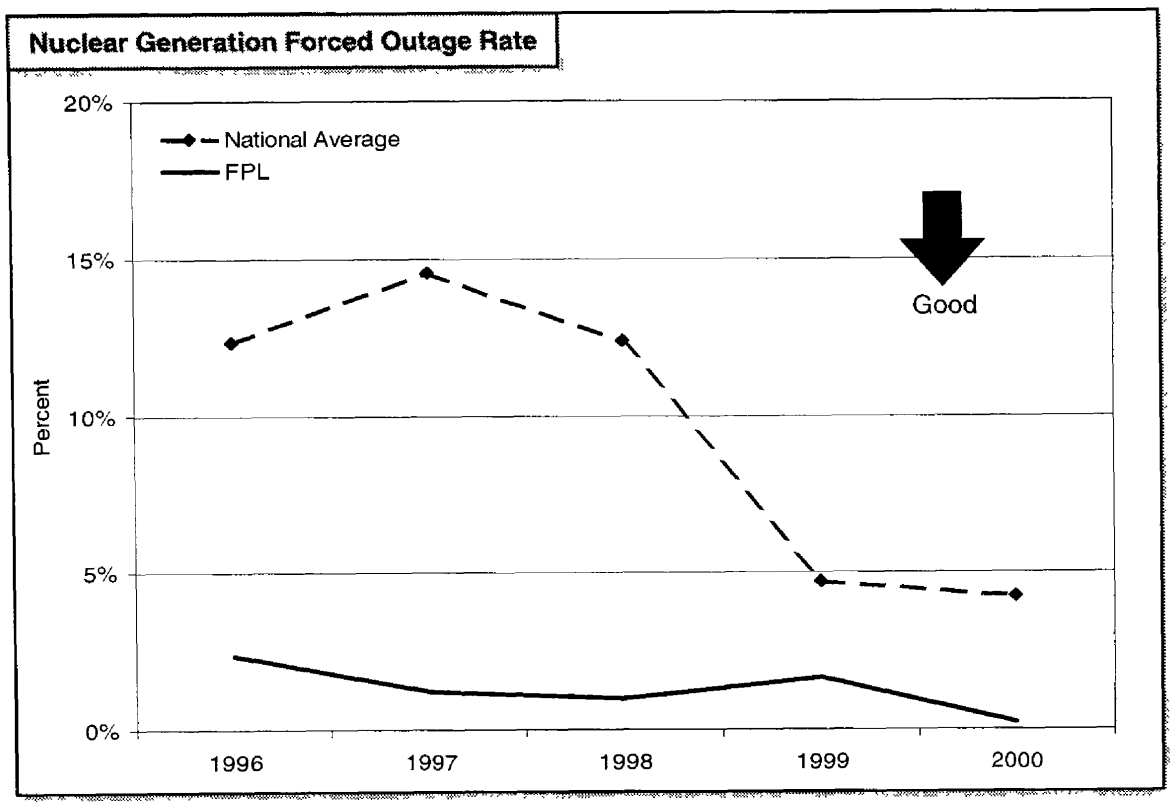


	1996	1997	1998	1999	2000
National	76.7%	72.5%	78.0%	88.7%	90.0%
FPL	88.9%	85.9%	94.0%	94.8%	93.9%

Footnote:

- Electric Utility Cost Group (NID2001 Database). Population includes all reporting U.S. units

Comparison of FPL Nuclear Generation Forced Outage Rate to the National Average

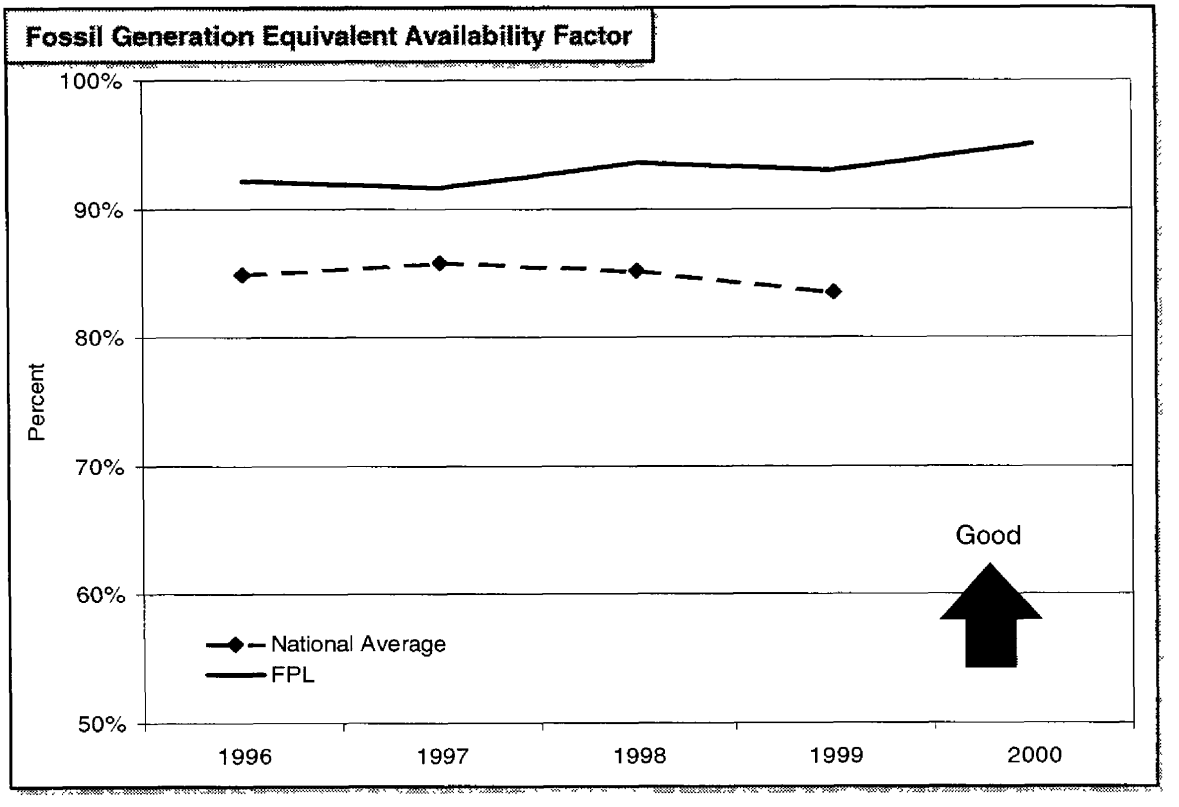


	1996	1997	1998	1999	2000
National	12.3%	14.6%	12.4%	4.7%	4.2%
FPL	2.4%	1.2%	1.0%	1.7%	0.2%

Footnote:

- Electric Utility Cost Group (NID2001 Database). Population includes all reporting U.S. units

Comparison of FPL Fossil Generation Equivalent Availability Factor to the National Average

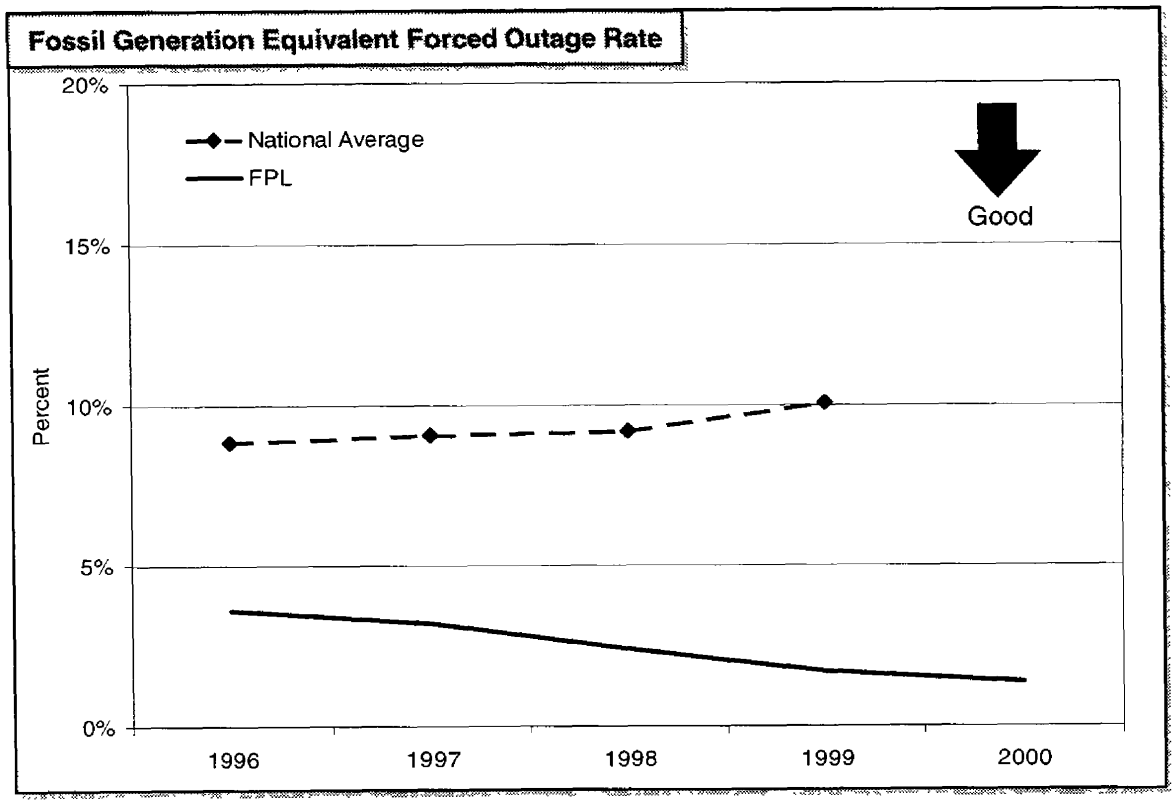


	1996	1997	1998	1999	2000
National	84.9%	85.9%	85.1%	83.5%	N/A
FPL	92.2%	91.6%	93.6%	93.0%	95.0%

Footnote:

- Source: NERC
- Excludes maintenance outages
- Includes all utilities with greater than 5,000 MW of owned capacity

Comparison of FPL Fossil Generation Equivalent Forced Outage Rate to the National Average

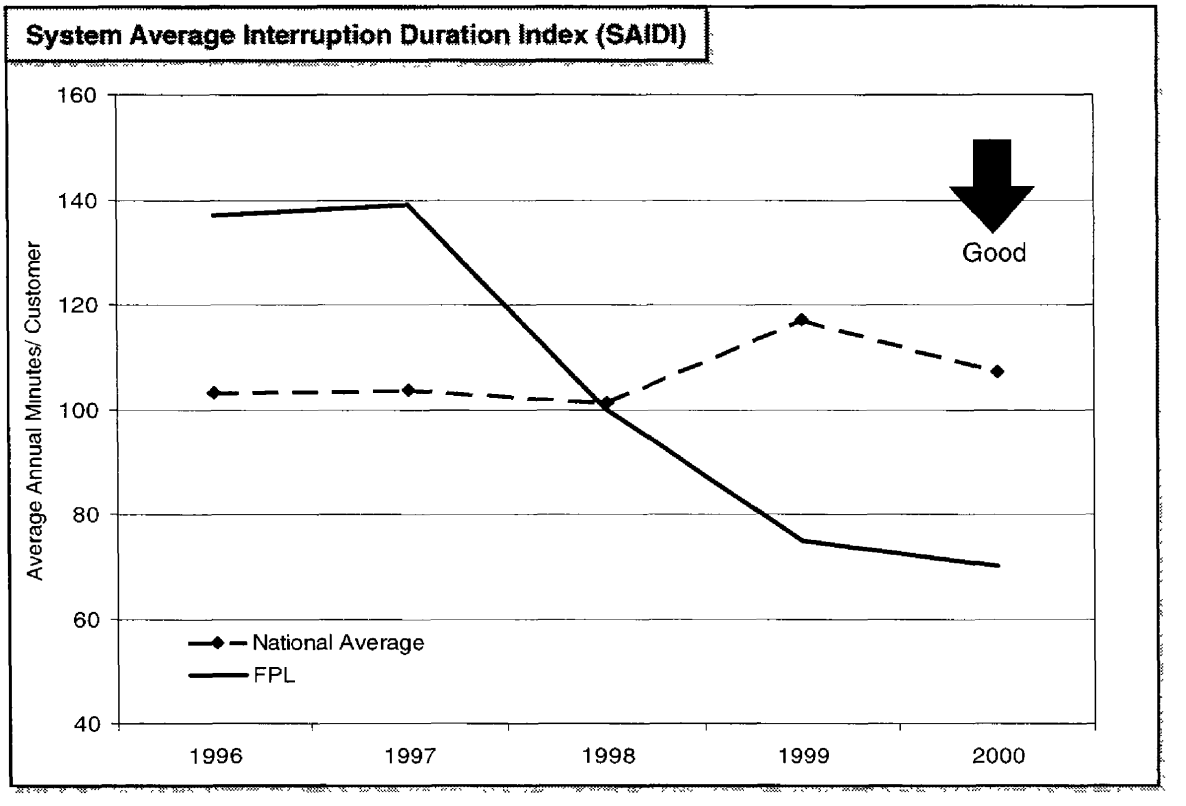


	1996	1997	1998	1999	2000
National	8.8%	9.1%	9.2%	10.1%	N/A
FPL	3.6%	3.2%	2.4%	1.7%	1.4%

Footnote:

- Source: NERC
- Includes all utilities with greater than 5,000 MW of owned capacity

Comparison of FPL System Average Interruption Duration Index (SAIDI) to the National Average



	1996	1997	1998	1999	2000
National	103.2	103.7	101.3	117.2	107.1
FPL	135.5	136.8	100.2	75.2	70.3

Footnote:

- Source: EEI Distribution Reliability Survey

Attachment 3 - Benchmarking National Peer Group of Utilities (35 Utilities)

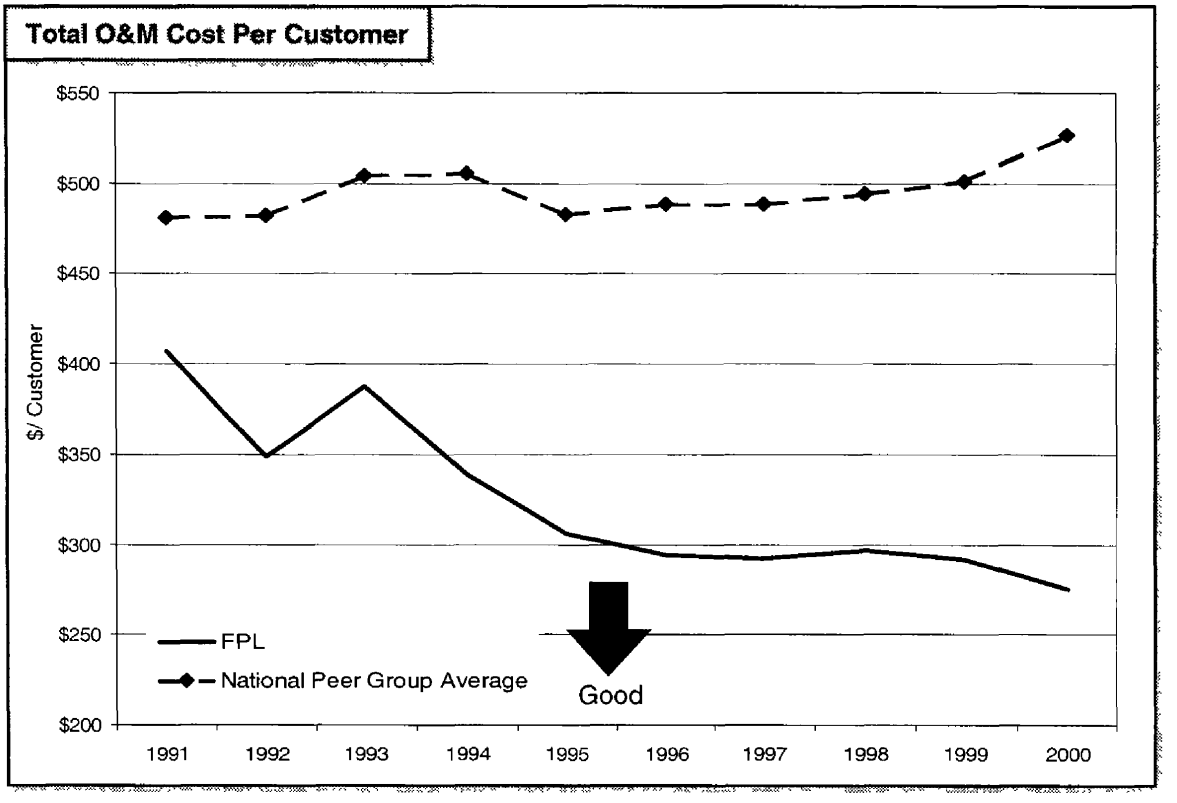
National Peer Group

- Alabama Power Company
- Appalachian Power Company
- Arizona Public Service Company
- Carolina Power & Light Company
- Central Power and Light Company
- Cincinnati Gas & Electric Co.
- Cleveland Electric Illuminating
- Columbus Southern Power Company
- Consumers Energy Company
- Detroit Edison Company
- Duke Energy Corporation
- Entergy Arkansas, Inc.
- Entergy Gulf States, Inc.
- Entergy Louisiana, Inc.
- Florida Power and Light Company
- Florida Power Corporation
- Georgia Power Company
- Indiana Michigan Power Company
- MidAmerican Energy Company
- Nevada Power Company
- Northern States Power Company
- Ohio Edison Company
- Ohio Power Company
- Oklahoma Gas and Electric Company
- Portland General Electric Company
- PSI Energy, Inc.
- Public Service Company of Colorado
- Puget Sound Energy, Inc.
- Reliant Energy HL&P
- South Carolina Electric & Gas Co.
- Tampa Electric Company
- TXU Electric Company
- Union Electric Company
- Virginia Electric and Power Company
- Wisconsin Electric Power Company

Footnote:

- National Peer Group consists of IOUs with a year 2000 customer base greater than 500,000.
- Companies that have divested a significant portion of their generation assets as a result of industry restructuring are excluded because expenses have now been shifted to other, unregulated companies.

Comparison of FPL Total O&M Cost Per Customer to the National Peer Group Average

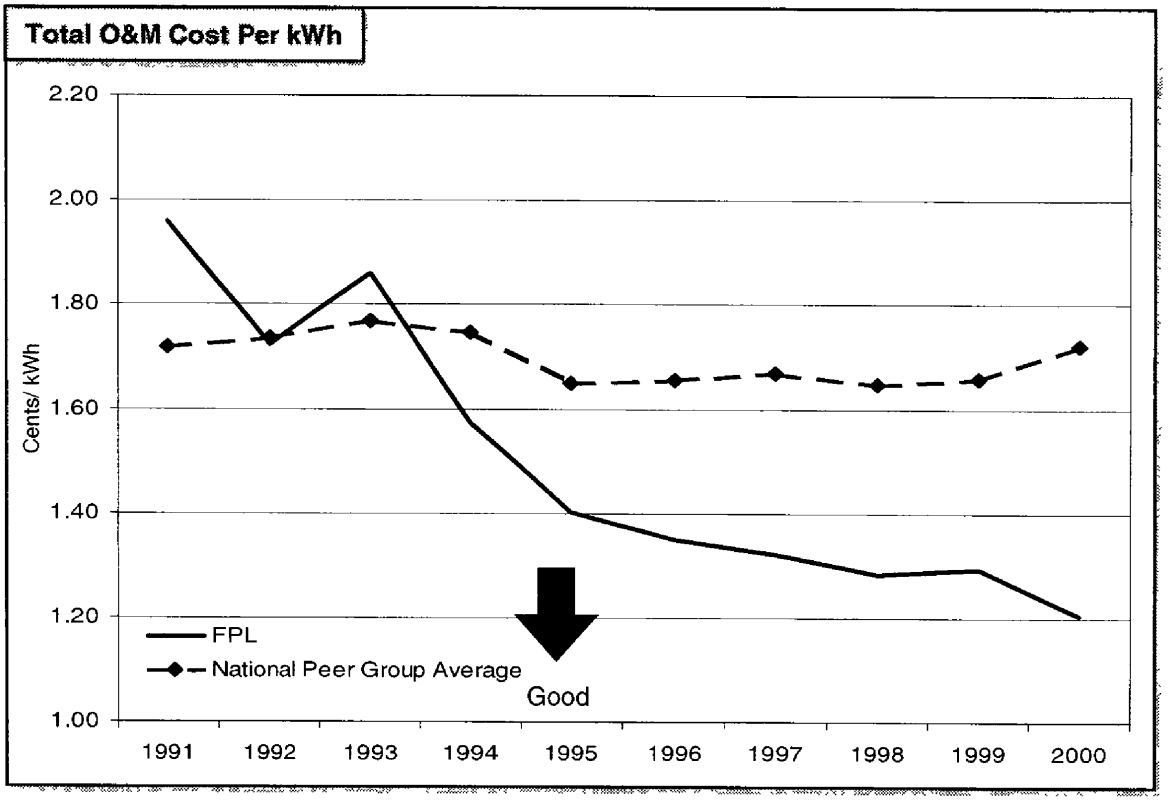


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	$481	$482	$504	$506	$483	$488	$489	$494	$501	$527
FPL	$407	$349	$387	$338	$306	$294	$292	$297	$291	$275

Footnote:

- Source: FERC Form 1 (SNL Database)
- Excludes Fuel, Purchased Power, and ECCR

Comparison of FPL Total O&M Cost Per kWh to the National Peer Group Average

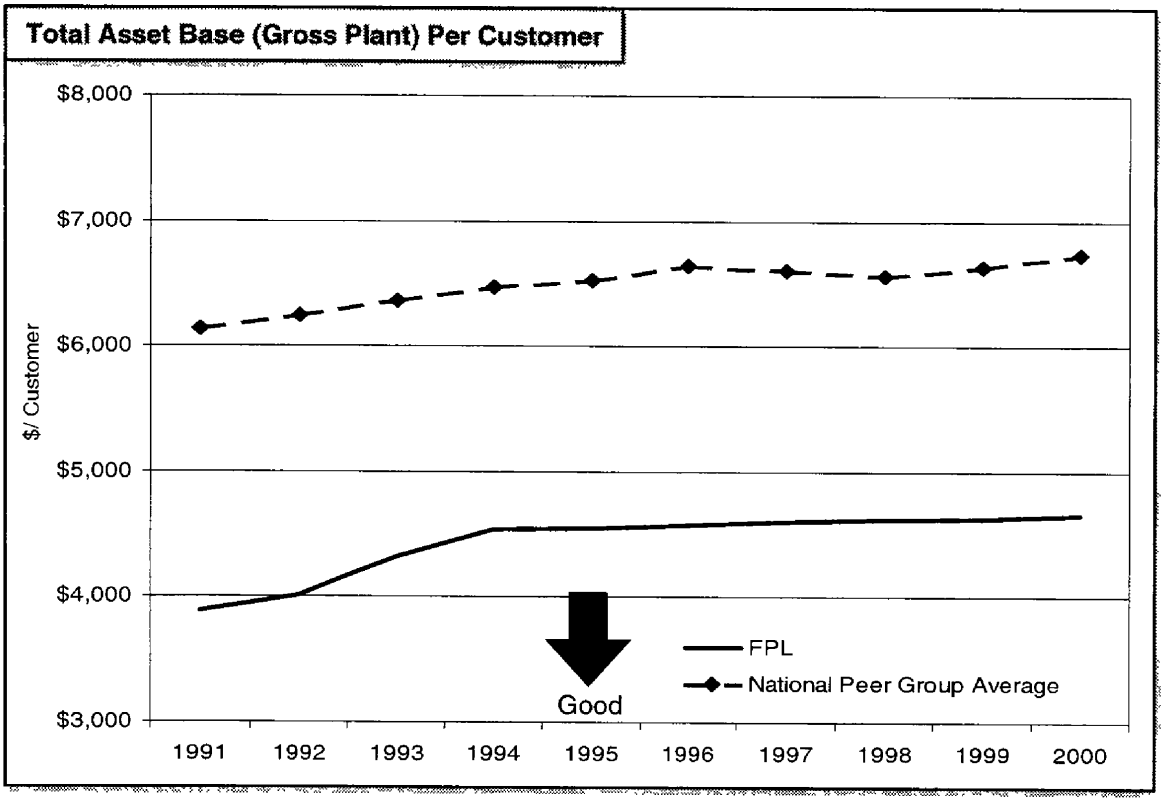


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	1.72	1.73	1.77	1.75	1.65	1.65	1.67	1.65	1.66	1.72
FPL	1.96	1.72	1.86	1.57	1.40	1.35	1.32	1.28	1.29	1.20

Footnote:

- Source: FERC Form 1 (SNL Database)
- Excludes Fuel, Purchased Power, and ECCR

Comparison of FPL Total Asset Base Per Customer to the National Peer Group Average

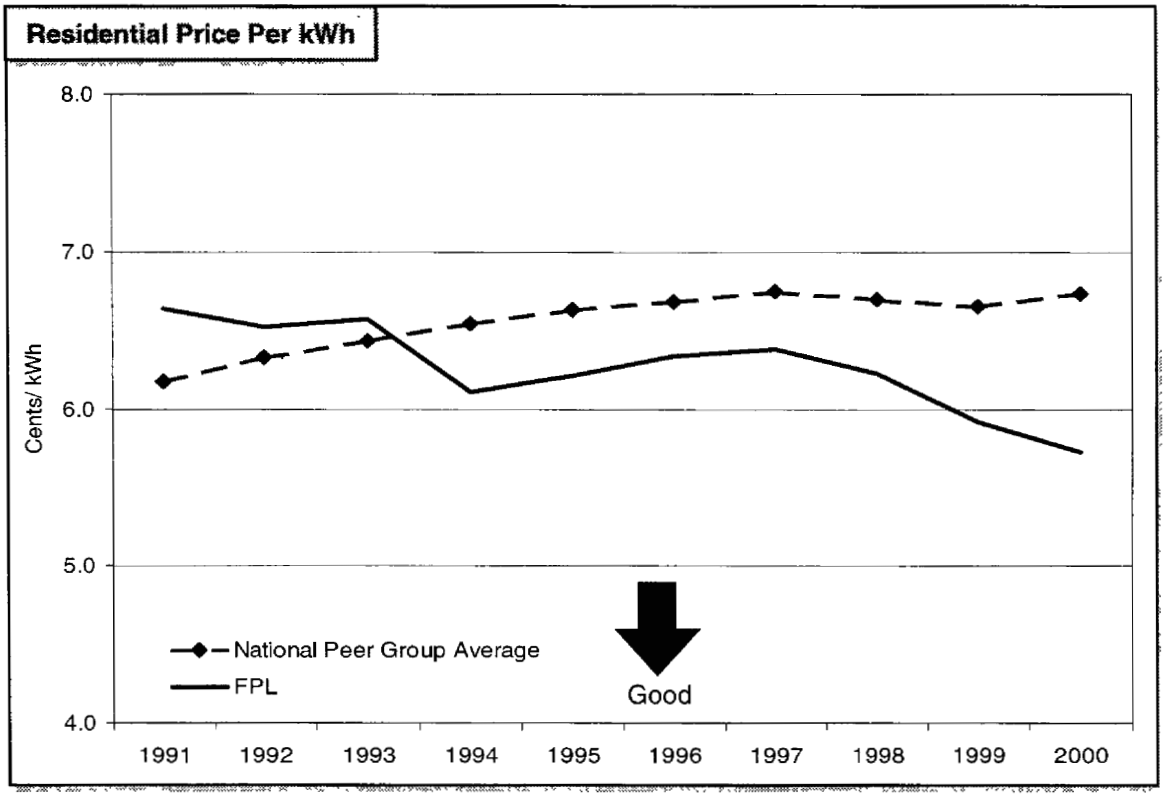


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	$6,134	$6,248	$6,363	$6,473	$6,522	$6,644	$6,606	$6,563	$6,635	$6,737
FPL	$3,887	$4,012	$4,322	$4,533	$4,547	$4,571	$4,603	$4,615	$4,629	$4,652

Footnote:

- Source: FERC Form 1 (SNL Database)
- Asset base defined as total year-end plant balance

Comparison of FPL Price to the National Peer Group Average (Residential)

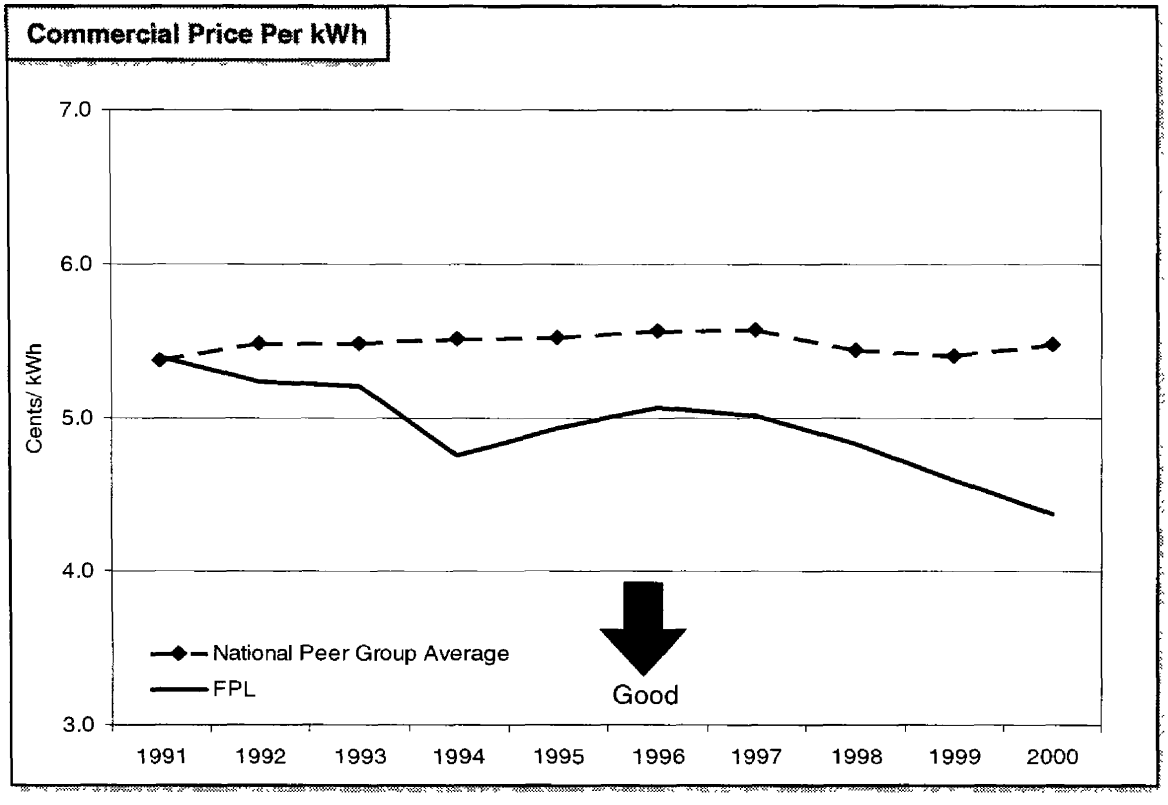


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	6.1	6.3	6.4	6.5	6.6	6.6	6.7	6.7	6.6	6.5
FPL	6.7	6.5	6.6	6.1	6.2	6.3	6.4	6.2	5.9	5.7

Footnote:

- Source: FERC Form 1 (SNL Database)
- Excludes Fuel and ECCR

Comparison of FPL Price to the National Peer Group Average (Commercial)

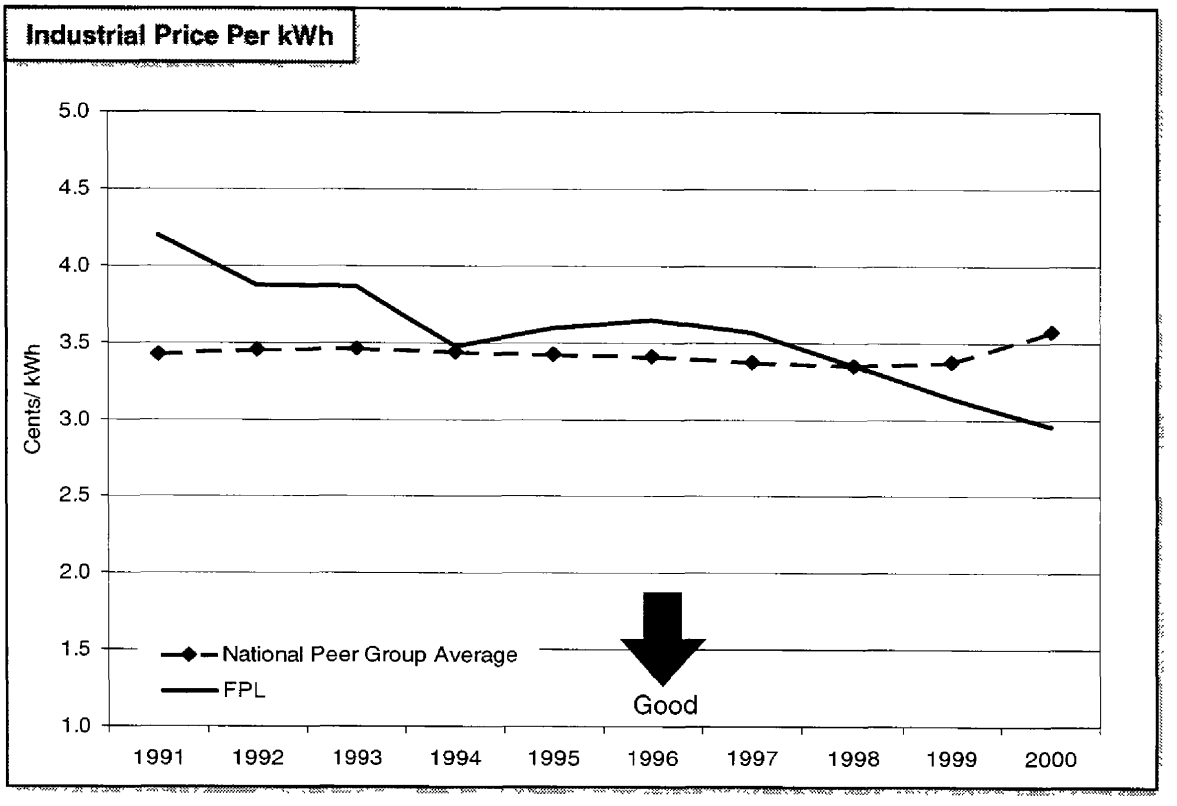


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	5.3	5.4	5.4	5.5	5.5	5.5	5.5	5.4	5.4	5.3
FPL	5.4	5.2	5.2	4.8	4.9	5.1	5.0	4.8	4.6	4.4

Footnote:

- Source: FERC Form 1 (SNL Database)
- Excludes Fuel and ECCR

Comparison of FPL Price to the National Peer Group Average (Industrial)



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	3.3	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3	3.4
FPL	4.2	3.9	3.9	3.5	3.6	3.6	3.6	3.4	3.1	3.0

Footnote:

- Source: FERC Form 1 (SNL Database)
- Excludes Fuel and ECCR

The National Panel of Utilities (99 Utilities)

National Panel

- Alabama Power Company
- Appalachian Power Company
- Arizona Public Service Company
- Atlantic City Electric Company
- Avista Corporation
- Baltimore Gas and Electric Company
- Boston Edison Company
- Carolina Power & Light Company
- Central Hudson Gas & Electric Corp
- Central Illinois Public Service Co.
- Central Maine Power Company
- Central Power and Light Company
- Cincinnati Gas & Electric Co.
- Cleco Power LLC
- Cleveland Electric Illuminating
- Columbus Southern Power Company
- Commonwealth Edison Company
- Commonwealth Electric Company
- Connecticut Light and Power Co.
- Consolidated Edison Company of N.Y.
- Consumers Energy Company
- Dayton Power and Light Company
- Delmarva Power & Light Company
- Detroit Edison Company
- Duke Energy Corporation
- Duquesne Light Company
- El Paso Electric Company
- Entergy Arkansas, Inc.
- Entergy Gulf States, Inc.
- Entergy Louisiana, Inc.
- Entergy Mississippi, Inc.
- Florida Power Corporation
- Georgia Power Company
- Gulf Power Company
- Hawaiian Electric Company, Inc.
- Idaho Power Company
- IES Utilities, Inc.
- Illinois Power Company
- Indiana Michigan Power Company
- Indianapolis Power & Light Company
- Jersey Central Power & Light Co.
- Kansas City Power & Light Company
- Kansas Gas and Electric Company
- Kentucky Utilities Company
- Louisville Gas and Electric Company
- Massachusetts Electric Company
- Metropolitan Edison Company
- MidAmerican Energy Company
- Monongahela Power Company
- Montana Power Company
- Montaup Electric
- Narragansett Electric Company
- Nevada Power Company
- New York State Electric & Gas Corp
- Niagara Mohawk Power Corporation
- Northern Indiana Public Service Co.
- Northern States Power Company- Minn
- Northern States Power Company- Wisc
- Ohio Edison Company
- Ohio Power Company
- Oklahoma Gas and Electric Company
- Orange and Rockland Utilities, Inc.
- Pacific Gas and Electric Company
- PacifiCorp
- PECO Energy
- Pennsylvania Electric Company
- Portland General Electric Company
- Potomac Edison Company
- Potomac Electric Power Company
- PPL Utilities, Inc.
- PSI Energy, Inc.
- Public Service Company - New Mexico
- Public Service Company of Colorado
- Public Service Company of New Hampshire
- Public Service Company of Oklahoma
- Public Service Electric and Gas Co.
- Puget Sound Energy, Inc.
- Reliant Energy HL&P
- Rochester Gas and Electric Corp
- San Diego Gas & Electric Company
- Sierra Pacific Power Company
- South Carolina Electric & Gas Co.
- Southern California Edison Company
- Southwestern Electric Power Company
- Southwestern Public Service Company
- Tampa Electric Company
- Texas-New Mexico Power Company
- Toledo Edison Company
- Tucson Electric Power Company
- TXU Electric Company
- Union Electric Company
- United Illuminating Company
- UtiliCorp United Inc. - Utility Divisions
- Virginia Electric and Power Company
- West Penn Power Company
- Western Resources - KPL
- Wisconsin Electric Power Company
- Wisconsin Power and Light Company
- Wisconsin Public Service Corp

Footnote:

- National Panel consists of IOUs with a year 2000 customer base greater than 200,000.

The Regional Panel of Utilities (16 Utilities)

Regional Panel

- Alabama Power Company
- Carolina Power & Light Company
- Cleco Power LLC
- Duke Energy Corporation
- Entergy Arkansas, Inc.
- Entergy Gulf States, Inc.
- Entergy Louisiana, Inc.
- Entergy Mississippi, Inc.
- Entergy New Orleans, Inc.
- Florida Power Corporation
- Georgia Power Company
- Gulf Power Company
- Mississippi Power Company
- Savannah Electric and Power Company
- South Carolina Electric & Gas Co.
- Tampa Electric Company

Footnote:

- Provide service in Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, or South Carolina
- The Regional Panel consists of IOUs with a year 2000 customer base greater than 100,000.

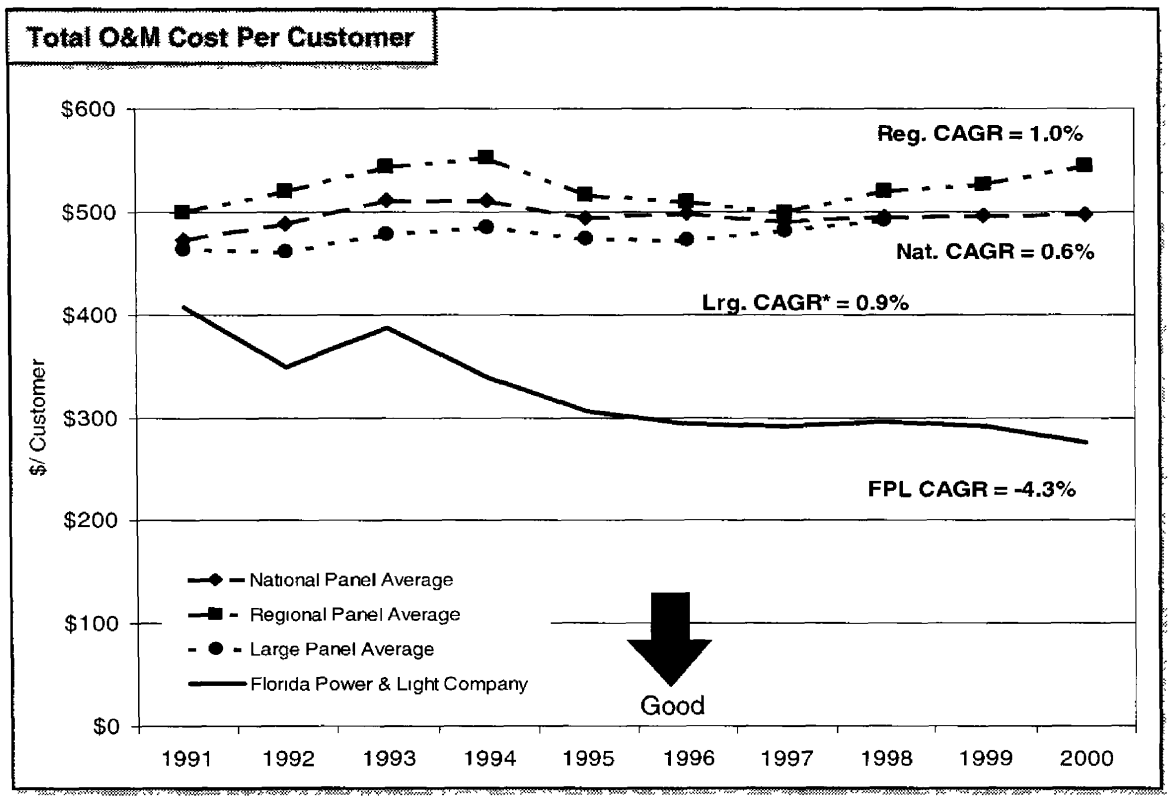
The Large Utility Panel of Utilities (8 Utilities)

Large Utility Panel

- Commonwealth Edison Company
- Consolidated Edison Company of N.Y.
- Detroit Edison Company
- Duke Energy Corporation
- Pacific Gas and Electric Company
- Southern California Edison Company
- TXU Electric Company
- Virginia Electric and Power Company

Footnote:
•The Large Utility Panel consists of IOUs with a year 2000 customer base greater than 2,000,000.

Comparison of FPL Total O&M Cost Per Customer to the National, Regional, and Large Panel Averages



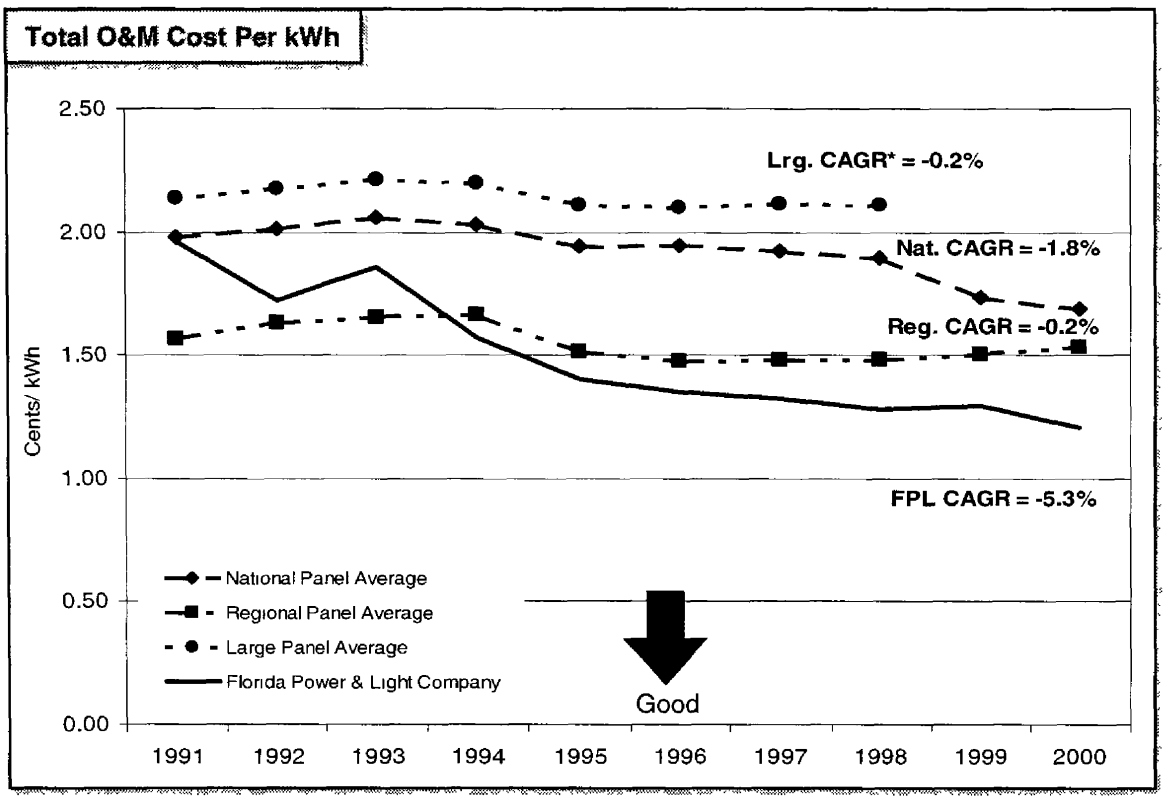
* Truncated in 1998 because majority of panel have divested a significant portion of their generation assets as a result of industry restructuring. Expenses have now been shifted to other, unregulated companies. CAGR is computed from 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	473	488	511	511	494	499	491	495	496	498
Regional	500	520	543	552	517	510	500	520	526	545
Large	463	461	478	485	473	473	482	492	N/A	N/A
FPL	407	349	387	338	306	294	292	297	291	275

Footnote:

- Source: FERC Form-1 (SNL Database)
- CAGR is the Compound Annual Growth Rate
- Excludes Fuel, Purchased Power, and ECCR

Comparison of FPL Total O&M Cost Per kWh to the National, Regional, and Large Panel Averages



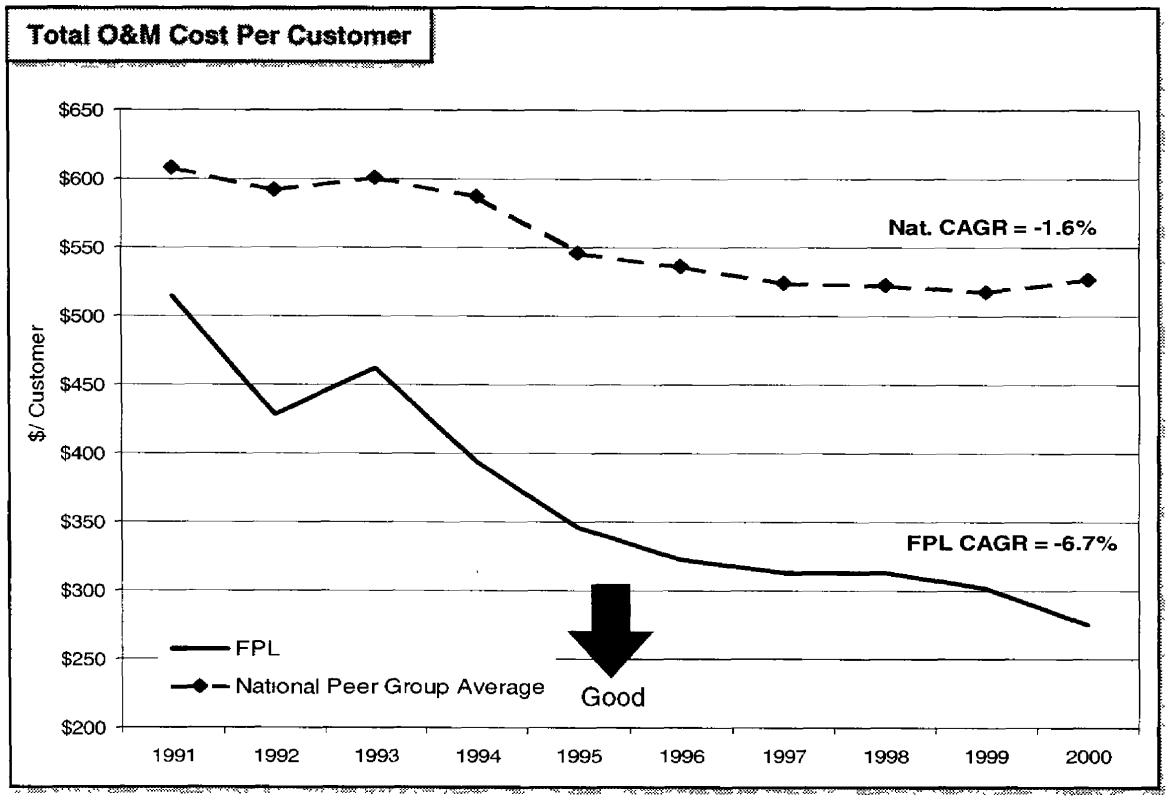
* Truncated in 1998 because majority of panel have divested a significant portion of their generation assets as a result of industry restructuring. Expenses have now been shifted to other, unregulated companies. CAGR is computed from 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	1.98	2.01	2.06	2.03	1.94	1.95	1.92	1.89	1.74	1.69
Regional	1.57	1.63	1.66	1.67	1.51	1.48	1.48	1.48	1.51	1.53
Large	2.14	2.18	2.21	2.20	2.11	2.10	2.12	2.11	N/A	N/A
FPL	1.96	1.72	1.86	1.57	1.40	1.35	1.32	1.28	1.29	1.20

Footnote:

- Source: FERC Form-1 (SNL Database)
- CAGR is the Compound Annual Growth Rate
- Excludes Fuel, Purchased Power, and ECCR

Comparison of FPL Total O&M Cost Per Customer to the National Peer Group Average (Inflation Adjusted)

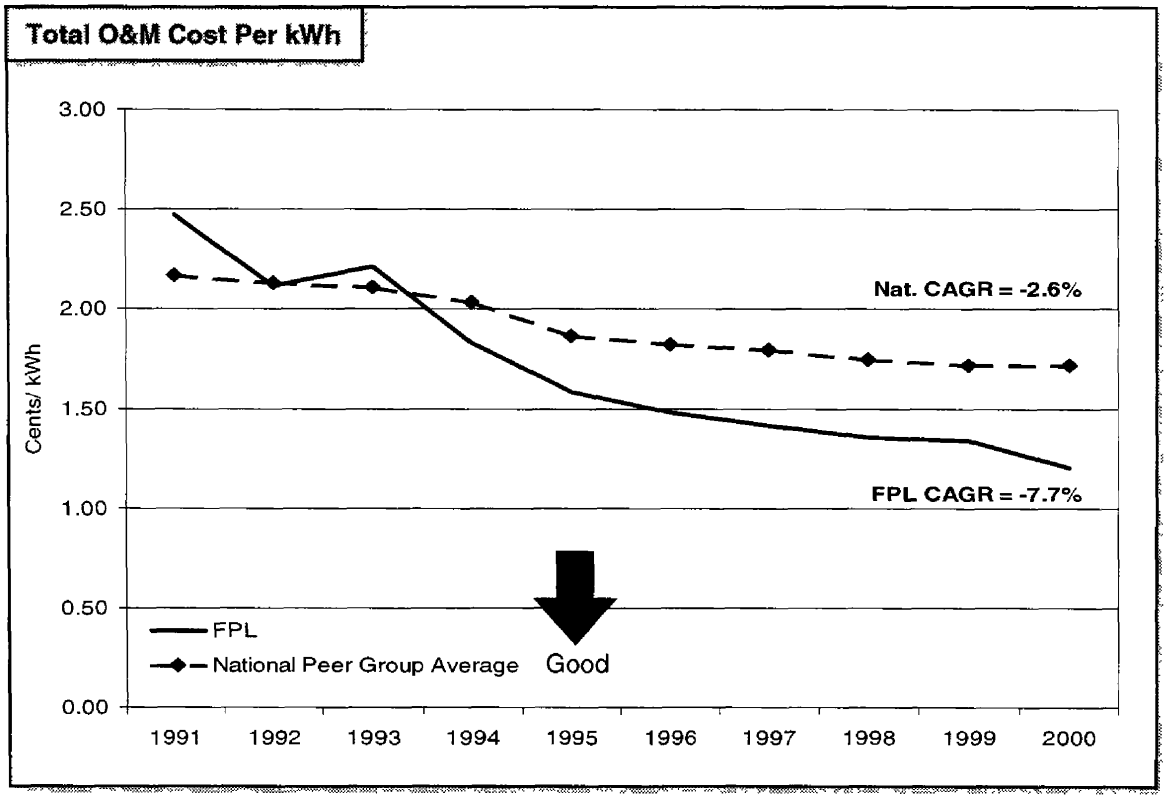


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	$608	$592	$601	$587	$546	$536	$524	$522	$518	$527
FPL	$515	$428	$462	$393	$346	$323	$313	$313	$301	$275

Footnote:

- Source: FERC Form 1 (SNL Database)
- Excludes Fuel, Purchased Power, and ECCR
- Cost data inflation-adjusted using Bureau of Labor Statistics Consumer Price Index
- CAGR is the Compound Annual Growth Rate

Comparison of FPL Total O&M Cost Per kWh to the National Peer Group Average (Inflation Adjusted)

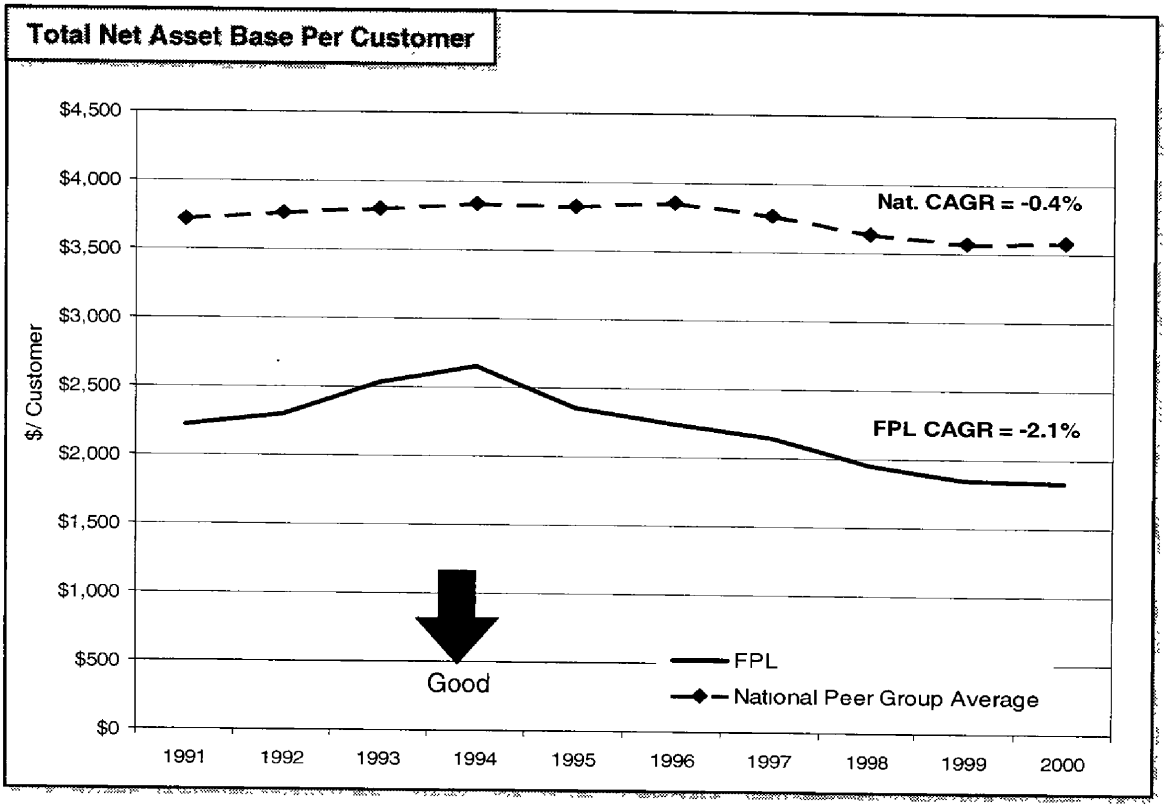


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	2.17	2.13	2.11	2.03	1.87	1.82	1.80	1.75	1.72	1.72
FPL	2.48	2.12	2.22	1.83	1.58	1.48	1.42	1.35	1.34	1.20

Footnote:

- Source: FERC Form-1
- Excludes Fuel, Purchased Power, and ECCR
- Cost data inflation-adjusted using Bureau of Labor Statistics Consumer Price Index
- CAGR is the Compound Annual Growth Rate

Comparison of FPL Total Net Asset Base Per Customer to the National Peer Group Average

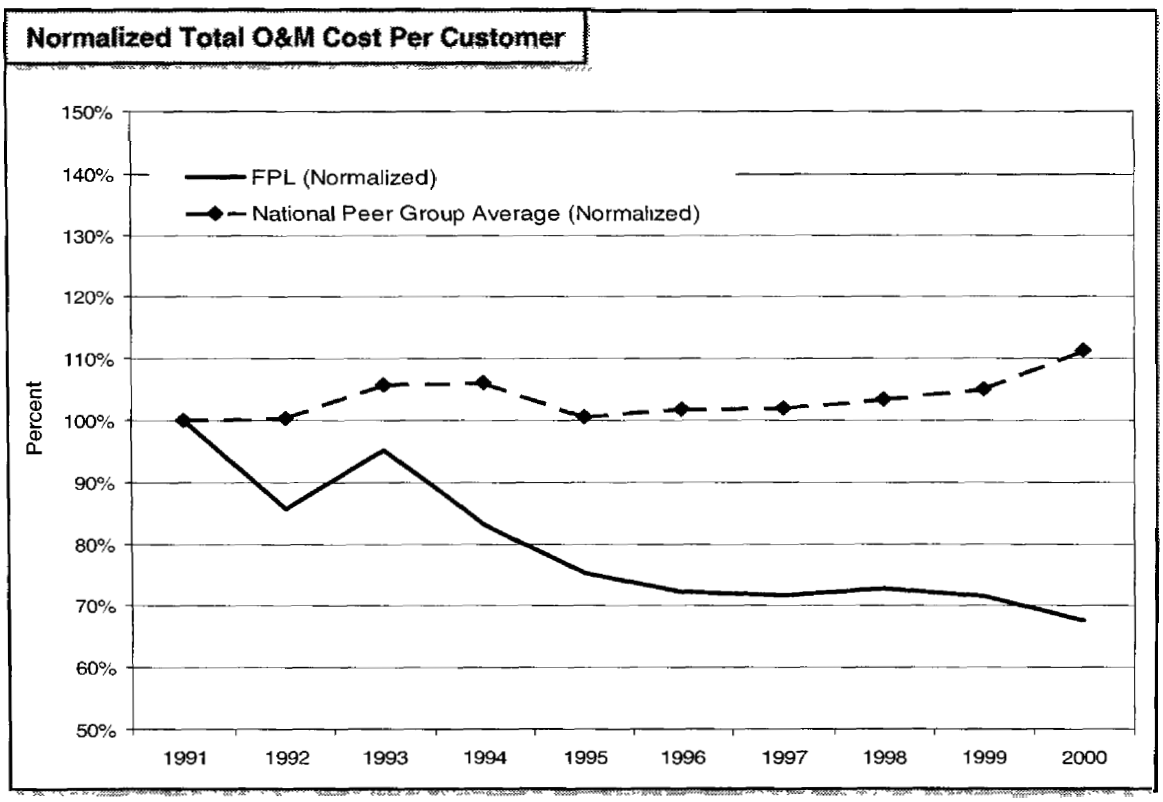


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	$3,714	$3,763	$3,798	$3,838	$3,819	$3,858	$3,768	$3,634	$3,571	$3,579
FPL	$2,219	$2,302	$2,536	$2,650	$2,352	$2,239	$2,145	$1,952	$1,850	$1,833

Footnote:

- Source: FERC Form 1 (SNL Database)
- Cost data inflation-adjusted using Bureau of Labor Statistics Consumer Price Index
- CAGR is the Compound Annual Growth Rate
- Net Asset Base defined as total year-end gross plant balance less accumulated depreciation

Comparison of FPL Total O&M Cost Per Customer Against The National Peer Group Average (Normalized)

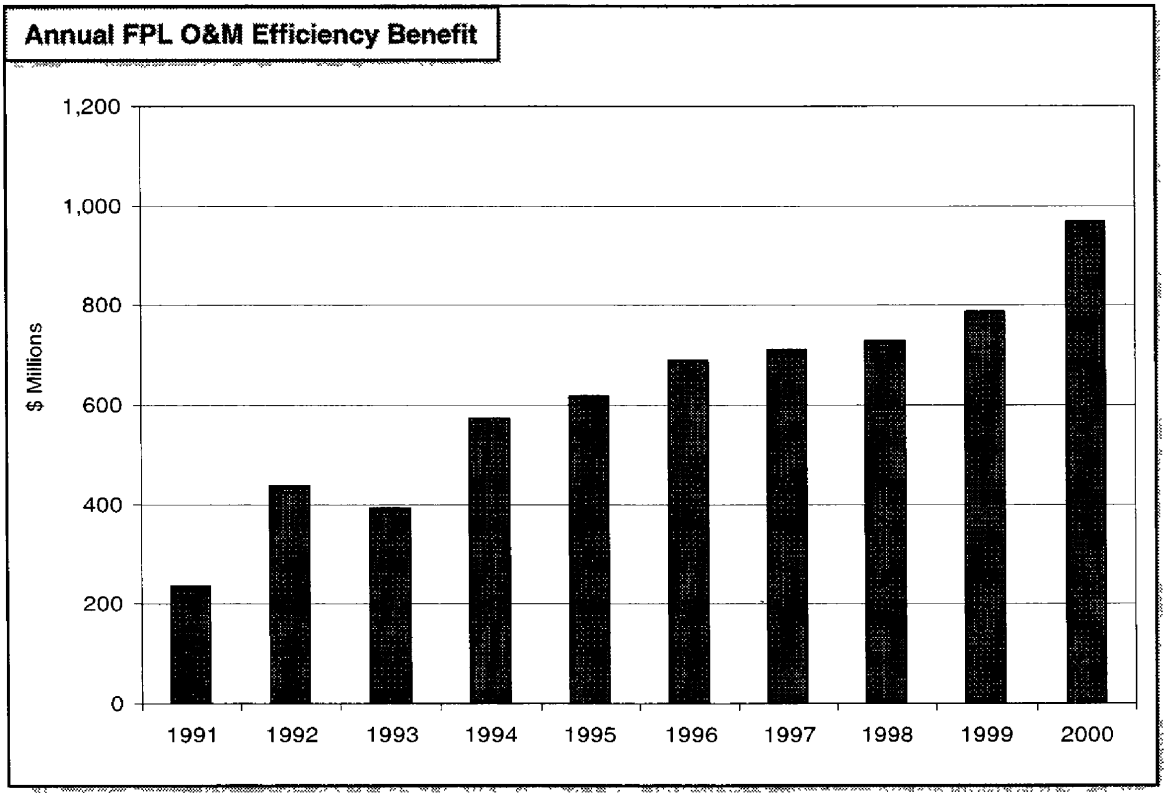


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
National	$481	$482	$504	$506	$483	$488	$489	$494	$501	$527
FPL	$407	$349	$387	$338	$306	$294	$292	$297	$291	$275
Differential	$74	$133	$117	$168	$177	$194	$197	$197	$210	$252
National (Normalized)	100%	100%	106%	106%	101%	102%	102%	103%	105%	111%
FPL (Normalized)	100%	86%	95%	83%	75%	72%	72%	73%	72%	68%

Footnote:

- Source: FERC Form 1 (SNL Database)
- CAGR is the Compound Annual Growth Rate
- Excludes Fuel, Purchased Power, and ECCR
- Costs normalized to 1991 performance
- Data table contains total O&M cost per customer and cumulative percent age change

Annual FPL Efficiency Benefit Compared to the National Peer Group Average



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Equivalent Efficiency Benefit*	238	437	392	572	618	690	711	728	787	967
% Improvement Vs. National Panel Average	15%	28%	23%	33%	37%	40%	40%	40%	42%	48%

*$ Millions

Footnote:

- Source: FERC Form 1 (SNL Database)
- Excludes Fuel, Purchased Power, and ECCR
- Equivalent Efficiency Benefit is the differential between the National Peer Group Average and FPL's O&M/customer (JMS-24) multiplied by FPL's annual average number of customers