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February 8, 2005

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

RE: Docket No. 041291-EI, In Re: Florida Power & Light Company's petition for authority to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance.

Dear Ms. Bayó:

Enclosed for filing in the above-referenced docket are the original and fifteen (15) copies of the Direct Testimony of Michael J. Majoros, Jr. on behalf of the Office of Public Counsel.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Thank you for your assistance.

Sincerely,

Joe McGlothlin

Joseph A. McGlothlin
Associate Public Counsel

JM/pwd
Enclosures

CMP ____
COM 5
CTR org
ECR ____
GCL 1
OPC ____
MMS ____
RCA ____
SCR ____
SEC 1
OTH ____

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Michael J. Majoros, Jr. in Docket No. 041291-EI, has been furnished by hand delivery(*) and U.S. Mail on this 8th day of February, 2005 to the following:

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Joseph A. McGlothlin

Joseph A. McGlothlin
Associate Public Counsel

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF FLORIDA

In re: Florida Power & Light Company's Petition for Authority to Recover Prudently Incurred Storm Restoration Costs Related to the 2004 Storm Season That Exceed the Storm Reserve Balance	: : : : :	Docket No. 041291-EI

DIRECT TESTIMONY OF
MICHAEL J. MAJOROS, JR.

ON BEHALF OF
FLORIDA OFFICE OF PUBLIC COUNSEL

February 8, 2005

DIRECT TESTIMONY

OF

MICHAEL J. MAJOROS, JR.

DOCKET NO. 041291-EI

I. Introduction

Q. Please state your name, position and business address.

A. My name is Michael J. Majoros, Jr. I am Vice President of Snavely King Majoros O'Connor & Lee, Inc. ("Snavely King"), an economic consulting firm located at 1220 L Street, N.W., Suite 410, Washington, D.C. 20005.

Q. Please describe Snavely King.

A. Snavely King was founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs and economic performance of regulated firms and industries. The firm has a professional staff of 15 economists, accountants, engineers and cost analysts. Most of its work involves the development, preparation and presentation of expert witness testimony before Federal and state regulatory agencies. Over the course of its 33-year history, members of the firm have participated in more than 1,000 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

Q. Have you prepared a summary of your qualifications and experience?

A. Yes. Appendix A is a summary of my qualifications and experience. It also contains a tabulation of my appearances as an expert witness before state and Federal regulatory agencies.

Q. At whose request are you appearing?

A. I am appearing on behalf of the Florida Office of Public Counsel ("OPC").

Q. What is the purpose of your testimony?

A. The Office of Public Counsel requested that I review Florida Power & Light's ("FPL" or "the Company") proposed storm cost recovery claims; to express an opinion regarding the reasonableness of FPL's claims; and, if warranted, make alternative recommendations.

Q Please summarize your testimony.

A. Florida Power & Light has requested authority to collect $356 million (system) from customers as a Storm Cost Recovery Clause surcharge, over two years with interest. I will show that FPL's proposal seeks to require customers to pay, through the storm surcharge, O&M costs that are already covered through the base rates that customers pay. I will also discuss certain principles of capitalization, retirement and cost of removal accounting that should be applied to FPL's storm damage request. Finally, I will demonstrate that in its request, FPL fails to take into account the 2002 stipulation that, OPC asserts, requires FPL to demonstrate that expenses (including storm-related expenses) have caused its earned rate of return on equity capital to fall to below 10 percent before seeking to increase customers' rates for any reason. I will quantify the impact of that omission. I will show that, once adjustments have been made to recognize these considerations, the amount of the negative balance in FPL's storm reserve is reduced from $356 million to approximately $46.9 million.

Q. Do you have an exhibit which summarizes FPL's basic estimates?

A. Yes, Exhibit___(MJM-1) summarizes FPL's basic estimates.

II. <u>Approach to the Analysis</u>

Q. Please describe the manner in which you approached your analysis of FPL's request.

A. My basic approach is based upon recognition of the fact that casualty losses, even catastrophic ones, are not a new phenomenon with respect to the proper accounting principles that should be applied. The basic accounting rules that govern the addition and subsequent depreciation of capital investments, as well as the proper accounting treatment to be afforded operations and maintenance expense, are not rendered inapplicable by the magnitude of the losses.

Essentially, the issue is not whether FPL will be allowed to recover prudently incurred costs; rather, the questions are when FPL will recover those costs and whether and to what extent FPL should be allowed to increase rates for the purpose. While the nature of the catastrophe may well warrant the acceleration of the period of recovery, care must be taken to ensure that the special measures adopted to meet the circumstances do not require customers to pay twice for the same costs, whether they are expense or capital, and do not abuse the storm fund and depreciation-related accounts by allowing FPL to expense items it should capitalize and depreciate over time.

Q. Given the magnitude of the storms, how can "normal" accounting principles be applicable?

A. There is certainly no dispute regarding the extent of damage or the fact that FPL spent enormous sums of money to repair its system and restore service. However, the situation should be viewed in perspective. FPL contends the <u>negative</u> balance in its storm reserve is $356 million. The net book value of

FPL's electric plant in service is roughly $10.6 *billion* (FPL November 2004 surveillance report), and over time, FPL has accumulated a reserve of $1.1 billion for the sole purpose of defraying the costs of removing transmission and distribution assets as they are retired. This reserve is separate and apart from the Storm Damage Reserve. Exhibit___(MJM-2), which includes a spreadsheet prepared by the Company, quantifies this $1.1 billion reserve.

FPL's net income for the twelve months ending November 2004 was $902 million. As I will show later in my testimony, FPL could apply some $271 million to reduce the negative storm reserve balance and still earn a healthy rate of return for the year. While the absolute damage figures are large, and while I do not wish to diminish either the disruptions caused by the storms or the tremendous efforts that were necessary to restore service, the Commission should view the situation in context and not lose sight of accounting principles applicable to casualty losses.

This objective is best met by reviewing FPL's proposal to ensure that only extraordinary expenditures (whether capital items or O&M expenses) that are incremental to those the utility would incur under normal circumstances are charged to the storm reserve. I regard this as the "overarching objective" of the analysis of FPL's proposal.

Q. How did you implement this approach in your analysis?

A. Upon being engaged by the Office of Public Counsel, I was pleased to learn that OPC was already in the process of formulating, for purposes of its involvement in the docket, a set of specific criteria designed to ensure that only extraordinary expenses would be booked to the Storm Reserve. Having reviewed those guidelines, I endorse them. However, I do have some reservations concerning the expensing of any capital costs at all. Therefore, from my perspective, the OPC's criteria are, if anything, generous to FPL. Where the available data allows me to do so, I have recommended specific adjustments to the Commission. The OPC's guidelines are:

<u>OPC Storm Damage Guidelines</u>

CAPITAL ADDITIONS:

A. All capital additions should be booked to plant in service at current book cost of materials and labor. Only additional, extraordinary capital-related expenses should be booked to the storm reserve.

B. All retirements resulting from 2004 storms should be booked based on existing, approved depreciation/retirement procedures.

C. The cost of removal expense related to the plant items that have been retired due to 2004 storm damage should be excluded from storm recovery expenses that are charged to the storm damage reserve account, and should instead be charged to the reserve for accumulated cost of removal.

OPERATING AND MAINTENANCE EXPENSES:

D. All base salaries from all bargaining unit labor costs should be excluded from storm recovery expenses charged to the storm damage reserve account.

E. Only those costs of materials and supplies that exceed the material and supplies expense anticipated under normal operations should be charged to the storm reserve.

F. All insurance recoveries, less deductibles, should be eliminated from the storm recovery amounts.

G. The amount charged to the storm damage reserve account should exclude all expenses associated with the following activities:
   1. Operating expenses and overheads for company-owned vehicles.
   2. Storeroom expense.
   3. Advertising expense.
   4. Employee training expense.

5. Management overheads except for overtime when working on storms.
6. All other allocated expenses included in normal operations and existing budgets.
7. Labor costs associated with repairs and replacements that have been identified as job or work orders, but that have not yet been worked and that will be completed by existing, full time employees or regular, budgeted contract personnel.
8. Labor costs associated with any work or activity related to the storm other than the jobs or work orders identified in (7) above that will be completed by any employees as part of their regular job duties.
9. Call center activities should be excluded except for non-budgeted overtime associated with the storm event.
10. No uncollectible expenses or lost revenues should be booked to the storm reserve.
11. No expenses associated with cash advances made to employees should be booked to the storm reserve.

Q. Why are these principles important?

A. First, the Commission has no specific rule in place that governs the matter. Next, the sheer size and magnitude of 2004 storm events require specific direction for accountants wading through thousands of bills. Ratepayers must be protected from "double billing." The utility must not be allowed to make money from the storm events. It is therefore imperative that the Commission direct the company to follow specific accounting guidelines that it deems appropriate.

III. Background

Q. Please explain the Storm Damage Reserve.

A. In 1992 Florida suffered severe damage from Hurricane Andrew. As a result, utilities found it difficult to procure reasonably priced commercial insurance for storm damage to transmission and distribution facilities. They petitioned the Commission to authorize self-insurance programs. The Commission authorized

FPL to self-insure for transmission and distribution storm damage in Docket No. 930405-EI (Order No. PSC-93-0918-FOF-EI, Issued June 17, 1993).

Q. Did FPL have a storm damage reserve prior to that order?

A. Yes. On page 6 of his direct testimony, K. Michael Davis states, "FPL's Storm Damage Reserve was started in 1946, and became a funded reserve in 1958." In 1991 the Company received Commission approval to discontinue its annual accrual to the reserve (Docket No. 910257-EI, Order No. 24728, Issued July 1, 1991), however, customers continued to pay the then $3 million per year annual amount through rates.

Q. Currently, how does the Storm Damage Reserve work?

A. As stated, FPL's Storm Damage Reserve is a funded account. It is increased by annual accruals in amounts approved by the Commission, along with the fund's earnings, and reduced by actual storm damage costs charged to it. In 1993 the annual accrual to the Storm Reserve was set at $7.1 million. The accrual was increased to $10.1 million effective January 1, 1994. (Docket No. 930405-EI, Order No. PSC-95-0264-FOF-EI, Issued February 27, 1995.) In Docket No. 951167-EI the Company successfully petitioned the Commission to increase the annual accrual to $20.3 million effective January 1, 1995. (Docket No. 951167-EI, Order No. PSC-95-1588-FOF-EI, Issued December 27, 1995.)

Q. What is the balance in the Storm Damage Reserve?

A. As of December 31, 2004, the Storm Damage Reserve had a balance of $354 million (system). This is before any storm-related charges due to the 2004 hurricanes. (Davis Direct, p. 8) If all of FPL's estimated Storm Damage Costs were charged to the reserve, they would result in a negative balance of $356 million (system), as shown in my Exhibit___(MJM-1) which is attached to my testimony.

Q. How does FPL report and account for the Storm Damage Reserve?

A. FPL accounts and reports the Storm Damage Reserve as a Regulatory Liability. As stated in FPL's December 31, 2003 FERC Form 1:

> 7. Regulatory Matters
>
> Regulation – FPL is subject to regulation by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). Its rates are designed to recover the cost of providing electric service to its customers including a reasonable rate of return on invested capital. As a result of this cost-based regulation, FPL follows the accounting practices set forth in Statement of Financial Accounting Standards No. (FAS) 71, "Accounting for the Effects of Certain Types of Regulation." FAS 71 indicates that regulators can create assets and impose liabilities that would not be recorded by non-rate regulated entities. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process.
> (Florida Power & Light Company, December 31, 2003 FERC Form 1 Report, pages 123.1.)

Conceptually, a Regulatory Liability is an amount owed to ratepayers until it is spent on its intended purpose, as opposed to a Regulatory Asset which is an amount assumed to be recoverable from ratepayers. (Statement of Financial Accounting Standards No. 71, paragraphs 9 and 11.) Regulatory Liabilities are not grouped with Regulatory Assets on FPL's balance sheet.

Q. Will you please summarize FPL's storm cost recovery proposal?

A. Yes. In August and September, 2004, four hurricanes struck Florida in rapid succession: Charley, Frances, Jeanne and Ivan. Of these, Charley, Frances and

Jeanne impacted FPL's service territory. These hurricanes caused significant damage and left many residents without power, thus causing FPL to incur certain extraordinary costs.

On September 9, 2004, FPL filed a petition with the Commission, requesting that it be authorized to establish a regulatory asset for storm damage costs that exceed the $345 million balance of the Storm Damage Reserve Fund. By Orders issued and consummated October 8, 2004, and November 9, 2004, the Commission found it unnecessary to create a separate regulatory asset because Rule 25-6.0143, Florida Administrative Code, by directing that all costs be charged to the storm reserve, enabled the utility to record a negative balance and thereby defer recognition of the expense pending consideration of its petition. (Docket No. 041291, November 18, 2004 Order Establishing Procedure ("Procedure Order"), p. 1.) FPL also sought future recovery of reasonable and prudently incurred storm damage costs in excess of its Storm Damage Reserve Fund. (Procedure Order, p. 1.)

The Commission made its decision regarding FPL's request to establish a regulatory asset with the understanding that FPL will continue booking amounts consistent with its current accounting practice. The Commission noted that the amounts are subject to its review and approval in the event that a subsequent petition for recovery of storm-related damages was to be filed. (Procedure Order, p. 1, emphasis added.)

On November 4, 2004, FPL petitioned the Commission to establish a Storm Cost Recovery Surcharge to recover extraordinary hurricane related costs. Specifically:

> FPL respectfully requests that the Commission enter an order allowing FPL to recover, subject to true-up, an amount equal to the difference between the amount in the Storm Reserve as of August 31, 2004, adjusted for the monthly storm fund accruals and the storm fund earnings through the period September 1, 2004 to December 31, 2004, and the actual amount of prudently incurred storm restoration costs associated with storms occurring during the calendar year 2004, net of insurance proceeds, (the "Storm Reserve Deficit" or "Deficit"). FPL proposes to initiate recovery of the jurisdictional portion of the estimated Storm Reserve Deficit of $356 million (system), or $354 million (jurisdictional), through a monthly surcharge "Storm Restoration Surcharge" to apply to customer bills based on a twenty-four month period (the "Recovery Period"). FPL proposes that the recovery period commence January 1, 2005. (Petition, p. 10-11, footnotes deleted.)

Q. What is your opinion regarding FPL's proposed Storm Cost Recovery Surcharge?

A. FPL has violated the principles that I delineated above in several respects. First, FPL has improperly moved O&M expenses to the storm fund that customers already bear through the base rates they pay. Second, FPL apparently intends to include all storm-related capital expenditures in its recovery claim.

The effect of the improper O&M charges would be to require customers to pay the same costs twice. By charging even normal costs associated with its capital replacements to the storm reserve, FPL would distort the expected rate base increase and bypass normal depreciation practices, leading to distortions in depreciation expense accounts. In addition, FPL would require customers to pay, through a surcharge, the costs of removing damaged plant items when customers have already paid that cost and FPL has accumulated those payments in a reserve marked for the purpose. Finally, and most significant in terms of the dollars involved, FPL has failed to recognize the impact of a stipulation and order that, I am advised, requires FPL's earnings to drop below 10 percent ROE before the Company seeks to require customers to bear the cost of reducing the deficiency in its storm reserve. The effect of these failures and departures is to overstate the costs that should be charged to the Storm Damage Reserve.

IV. Categories of Costs

Q. Does the Company describe the types of costs it proposes to transfer to storm recovery?

A. Yes, they are summarized in the Direct Testimony of K. Michael Davis (page 9, emphasis added):

> All costs incurred in connection with the three named hurricanes which hit FPL's service territory in 2004, both capital and O&M, have been charged to the storm reserve.

V. Operations and Maintenance Costs

Q. Turning first to FPL's proposed treatment of O&M expenses, what is your basic objection?

A. By moving all O&M expenses associated with the storm repair effort to the storm reserve, without taking into account the normal level of expenditures funded by base rates that customers pay, FPL effectively requires customers to pay twice for the same costs. I refer to the practice as "double dipping."

Q. Why does FPL's O&M proposal result in a double-dip?

A. FPL proposes that <u>all</u> costs relating to the storms be charged to the Reserve. This fails to recognize that FPL's basic rates include recovery of normal costs, such as base salaries, fleet expenses, and materials.

The Company confirms that this is the case in its response to OPC's Interrogatory No. 27, which I have attached as Exhibit___(MJM-3). There, when asked "With respect to payroll expense associated with the company's storm repair activities, does the company agree or disagree with the proposition that the company should exclude from the amount of costs to be booked to the storm reserve (1) all base salaries and (2) average or budgeted overtime?" The Company responded, "See FPL's objections filed February 2, 2005 in Docket No. 041291-EI. Notwithstanding and without waiving its objections, FPL responds 'Disagree.'"

Thus, FPL's proposal would collect twice; once through base rates and again through the Storm Damage Recovery Clause. This is not fair to ratepayers and would unjustly enrich FPL's management and shareholders.

Q. Why does FPL use this approach?

A. FPL wants the customers to bear 100 percent of the risk of storm damage, a concept that the Commission has rejected in the past. In its Order No. PSC-93-0918-FOF-EI, issued June 17, 1993 in Docket No. 930405-EI, the Commission stated:

> FPL seeks approval for a Storm Loss Recovery Mechanism that would guarantee 100% recovery of expense from ratepayers, over and above the base rates in effect at the time of implementation. This would effectively transfer all risk associated with storm damage directly to ratepayers, and would

> completely insulate the utility from risk. We decline to approve such a mechanism at this time.
>
> FPL's cost recovery proposal goes beyond the substitution of self-insurance for its existing policy. The utility wants a guarantee that storm losses will have no effect on its earnings. We believe it would be inappropriate to transfer all risk of storm loss directly to ratepayers. The Commission has never required ratepayers to indemnify utilities from storm damage. Even with traditional insurance, utilities are not free from this risk. This type of damage is a normal business risk in Florida.
>
> If FPL experiences significant storm-related damage, it can petition the Commission for appropriate regulatory action. In the past, the Commission has acted appropriately to allow recovery of prudent expenses and has allowed amortization of storm damage expense. Extraordinary events such as hurricanes have not caused utilities to earn less than a fair rate of return, and FPL has shown no reason to believe that the Commission will require a utility to book exorbitant storm losses without recourse.
>
> Therefore, we decline to authorize the implementation of a Storm Loss Recovery Mechanism, in addition to the base rates in effect at the time, for the recovery, over a period of five years, of all prudently incurred costs in excess of the reserve to repair or restore T&D facilities damaged or destroyed by a storm.

While FPL's "double dipping" approach might be appropriate for calculating tax losses and insurance claims, it is absolutely wrong when seeking a rate increase from customers. The Commission should implement strict accounting procedures for FPL to follow to eliminate the increased rates that result when customer are required to pay twice for the same expense.

Q. What types of operations and maintenance ("O&M") costs does FPL propose to recover through the Storm Recovery Surcharge?

A. The types of costs the Company proposes to recover are listed on Exhibit ___KMD-1 to Mr. Davis' testimony. They include:

- FPL Payroll
- Contractor & Foreign Utility
- Vehicle & Fuel
- Materials
- Logistics
- Other

Mr. Davis does not break these costs out between capital costs and O&M costs.

Q. Does OPC propose to eliminate all of these expenses?

A. Absolutely not. Millions of dollars were spent for thousands of workers who cleared the storm damage, and replaced damaged plant. The labor costs, meals, and lodging for these outside crews and their vehicles are clearly extraordinary storm expenses and should be booked to the storm reserved. By the same token, the basic wages and vehicle cost of the company's employee work force and vehicle fleet have been paid for through basic rates and should be excluded from being charged to the storm reserve.

FPL readily admits that if an employee worked on the storm, the basic wages plus any overtime would be charged to the storm fund. No basic FPL salary or other expenses should be charged to the storm fund.

Q. Doesn't the Company claim that its accounting procedures were approved by the Commission?

A. FPL states repeatedly, both in testimony and in discovery, that it has charged storm related expenses to the Storm Reserve in accordance with the accounting treatment described in its study submitted in Docket No. 930405-EI and approved by the Commission in Order No. PSC-95-0264-FOF-EI, issued

February 27, 1995. However, a careful reading of the order shows that the Commission approved an increase to the storm reserve itself and expressed its intent to engage in rulemaking and workshops regarding procedures. That never happened.

Q. Please explain.

A. After summarizing FPL's study, the Commission said the study was "adequate." It then added, "We are considering the appropriateness of opening a rulemaking proceeding to establish uniform guidelines for determining when the storm damage reserve should be charged and what costs should be charged to it." (Order No. PSC-95-0264-FOF-EI at page 5.) While I am not an attorney, and I don't intend to offer a legal opinion, it appears to me the Commission did not "bless" FPL's approach to the extent FPL now claims. In my opinion as an accountant, the proposal would abuse the storm reserve and mistreat customers. I explain the basis for my belief later in my testimony.

Q. Should FPL be allowed to recover "each and every cost" relating to storm damage recovery through a surcharge?

A. No. The circumstances in this case are very different from those previously experienced. First, three major hurricanes in a single year is at best unusual, both for FPL and for its ratepayers. FPL has been accruing $20.3 million per year in its Storm Damage Reserve Fund since 1995 and customers have never been asked to pay more for specific storm expenses. The fund currently has a balance of $354 million. And now the Company is faced with a deficiency of $356 million in its storm reserve. Unlike in the past, it wants ratepayers to pay for that deficiency separately and above from what ratepayers are already paying to cover the day-to-day operations of the Company and the fund. The Commission ruled that the Company could petition for recovery – but did not guarantee that it would provide recovery through means that would not affect earnings. Clearly, the Commission deliberately retained its ability to view a request in light of all relevant circumstances and tailor its response accordingly.

Q. Can you provide an example of a clearly inappropriate expense FPL proposes to charge to the Storm Damage Fund?

A. Yes. The sheer magnitude of the storm accounting justifies an audit, which is under way. The incentive clearly exists for the company to add projects that may be in its existing budgets or for projects that are questionable as they relate to 2004 storm restoration efforts. Two such examples were provided in the Company's response to OPC POD No. 19, that was designed to obtain copies of uncompleted work orders that exceed $100,000 as of 12/31/04. (Exhibit ___(MJM-4)) The Company's response included a project that is listed at $1,035,520. The project name is "Identify salt spray, sand and water intrusion problems in coastal communities." In view of the known fact that FPL serves coastal communities that have been subject to salt spray, sand and salt water intrusion since the beginning of time, I would question whether (1) this study has anything to do with restoration of 2004 storm damages, and (2) whether the company, as the holder of the franchise, has a basic obligation to be knowledgeable about the subject. If this study is viable, it should be paid for from base rate revenues.

Likewise, the Company included an additional $341,000 for a third party assessment to determine the relative state of vegetative conditions post storm. Both of these projects relate to future company operations, not to storm recovery.

Q. What is the Company policy relating to the booking of costs to the storm fund?

A. Company witness Davis states, "The use of the fund is restricted to un-insured losses that are covered by the storm and property damage reserve." (Davis, Direct Testimony, Pg. 7, L 19-22). The above projects do not relate to storm losses, but to future operations.

The Company lists over $40 million in projects that are incomplete as of December 31, 2004, three months after the last storm hit the Company's operating territories. However, all of the customers have long since had their service restored. If their service is working, how are the customers to know whether the replacements are because the facilities are old and worn out, or because they have been damaged and don't work?

Q. Do you disagree with the recovery of all of FPL's proposed O&M costs?

A. As I stated earlier, many expenses identified by the Company are truly extraordinary in nature. However, I believe the amounts approved for recovery should not include normal levels of expenses as measured by the budget. I have the following specific disagreements:

- <u>Base Salaries</u> – FPL proposes to charge the full labor costs associated with storm recovery efforts to the Storm Damage Reserve. This includes normal base salaries, which are already included in the Company's annual budget. The ratepayers are paying for these salaries through base rates.

They should not be required to pay for them twice. Based on the Company's response to Late Filed Exhibit No. 10 to the January 28, 2005 deposition of Mr. Robert Adams, it appear that FPL has charged $32 million in regular salaries to the Storm Reserve. See Exhibit___(MJM-5). This amount should be removed from the Company's storm damage claim.

- Vehicle Expense – According to Exhibit No. ___ (KMD-1), FPL proposes to recover $19.4 million in Vehicle & Fuel Expense related to the hurricanes. OPC's Interrogatory No. 31, attached as Exhibit___(MJM-6) to my testimony, requested a detailed breakdown of all costs related to company-owned vehicles that FPL has booked, or proposes to book to the storm reserve. In response, FPL provided the breakdown of $8,088,117 in costs. These expenses included $1.7 million for depreciation, $4.6 million in maintenance, $947 thousand for fuel, and $842 thousand in overhead/support. Although Company vehicles have been used in the storm recovery effort, these vehicles have already been included in the annual budget. In fact, the response goes on to identify the portion of the $8.1 million that FPL would have incurred in the normal course of business, whether or not there were hurricanes in 2004. That amount was $5,261,887. This is the amount included in the annual budget. In other words, of the $8.1 million relating to company owned vehicles included in the storm reserve, only $2.8 million relates to extraordinary costs. As I am able to calculate it at this time, the adjustment related to vehicle expense should be a removal of $5,261,887 from the storm damage claim.

- Tree Trimming – Tree trimming expense should be limited to the amounts which exceed FPL's normal expenses. I do not have sufficient information to make an adjustment for tree trimming expense at this time.
- Call Center Expense – Call center expenses for the storm recovery should be limited to the call overloads created by the storms. I do not have sufficient information to make an adjustment for call center expense at this time.

Q. Do you have an exhibit which summarizes the O&M expense adjustments you discuss above?

A. Yes, these expense adjustments are summarized on Exhibit___(MJM-7).

Q. Now that the storms have passed and operations have returned to normal, does the Company plan to continue to charge costs in the Storm Reserve, related to these hurricanes?

A. That appears to be the case. OPC Interrogatory No. 35 asks whether the company agrees or disagrees with the proposition that labor costs associated with repairs and replacements that have been identified as job or work orders, but that have not yet been worked and will be completed by existing, full time employees or regular, budgeted contract personnel should be excluded from amounts booked to the storm reserve. In its response, FPL states, "FPL disagrees. If labor costs associated with repairs and replacements are related to storm restoration they should be charged to the storm reserve."

Q. Do you agree with this practice?

A. No. Once normal operations have resumed, outside contractors have been sent home, and employees are back to working a normal workweek, any remaining storm-recovery activities should be performed in the normal course of business and should not be booked to the storm account. FPL should be required to demonstrate that it has incurred extraordinary expense before it is allowed to receive extraordinary recovery.

VI. Capital Costs

Q. How does the Company plan to handle capital costs relating to storm damage repair?

A. All costs incurred in connection with the three named hurricanes which hit FPL's service territory in 2004, both capital and O&M, have been charged to the storm reserve. (Direct Testimony, K. Michael Davis, Pg. 9, L 19-22)

The Company has itemized its storm damages by each Hurricane in Mr. Davis' Exhibit KMD-1, and that amounts to $710 million, net of insurance reimbursements of $108 million.

Based on Mr. Davis' testimony and the itemization of the storm charges, the Company has no plans to make any adjustments in the amounts it proposes to pass on to customers for capital retirements and additions that are required due to the 2004 storms.

Q. What is the appropriate accounting methodology that should be used for capital additions and retirements that were due to storm damage?

A. An unregulated business would declare a casualty loss for the undepreciated portion of the plant destroyed by the storm and book the entire replacement cost to gross plant, including the extraordinary labor required to remove the old plant and the extraordinary labor to install the new plant, less, of course, any insurance that was collected for that purpose. Future depreciation expense might rise or fall as a result of this accounting.

As a regulated utility, FPL is free to follow that same approach. However, if the Commission is moved to provide more immediate measures to capture extra-ordinary storm casualty losses, then the accounting entries are the same. The accounting entries would be as follows:

a. Record total material and labor expenses to storm reserve.

b. Calculate total additions (material and labor) at current normal cost of material and labor.

c. Subtract b. from storm reserve and book (add) to Plant in Service.

d. Calculate total recorded cost of retirements.

e. Subtract recorded cost of retirements and book (subtract) from Plant in Service and accumulated depreciation.

f. Calculate the cost of removal for plant retirements resulting from the storms and book (subtract) from the storm reserve and the accumulated cost of removal reserve.

These procedures are the same as were recently agreed upon by the Office of Public Counsel and Gulf Power in a stipulation filed with the FPSC on January 28, 2005, regarding the recovery of Gulf's extraordinary storm expenses due to Hurricane Ivan.

Q. Does FPL plan to follow the accounting approach you have outlined?

A. As far as I can determine, FPL does not intend to reduce its storm recovery proposal to account for capital replacements, and this is wrong. In his deposition, Mr. Davis described a variety of depreciation entries the company plans to record in order to equalize the Company's capital accounts to the amounts that existed prior to the hurricanes (Davis Deposition 1-28-05, pgs. 18-27. My first conclusion after reading his deposition is that the company goes to great lengths to avoid any increase in its plant in service and resulting depreciation expense, while it ignores the fact that it has replaced substantial quantities of its old facilities with brand new poles, transformers and conductors. My second conclusion is that the company goes to great lengths to avoid any adjustments to its storm recovery proposals that would reduce its accumulated depreciation, and/or the $1.1 billion of accumulated cost of removal reserve that it has already collected from its customers.

Q. Why would FPL's approach result in unreasonable charges being passed through the storm reserve?

A. FPL's approach goes far beyond OPC's principles. The approach would pass through to customers, as storm related expenses, all the capital addition costs that FPL incurred. Furthermore, under FPL's approach the new replacement plant items would be artificially "aged" in order to arrive at a predetermined net plant in service level equal to that which existed prior to the storms. Based on discovery, FPL would label the adjustment required to achieve this artificial result a "contribution in aid of construction." It would charge this adjustment to the storm reserve, and thus to the amount that it wants customers to pay through a two-year surcharge.

Q. What is the impact of FPL's approach?

A. The implementation of FPL's approach would distort plant in service and depreciation accounts. New plant would be placed in service at the cost of older vintages, meaning depreciation expense will be understated and depreciation reserves will be inadequate, at the same time ratepayers would be asked to pay, through a surcharge applied to bills for a two year period, amounts that should be capitalized and depreciated over the lives of the associated plant items.

Q. Is there anything else wrong with FPL's approach?

A. Yes. To add insult to injury, even though FPL has collected $1.1 billion from ratepayers to cover the cost of removing Transmission and Distribution plant items as they are retired, none of the cost of removal FPL actually incurred will be charged to the cost of removal reserve. Instead, if the Commission approves FPL's approach, the costs of removal will all flow through the storm reserve and wind up as surcharges to ratepayers. Again, this would be accomplished by running a "contribution in aid of construction" through the accumulated depreciation account. This is inappropriate. The Commission should not allow FPL to use accounting form over accounting substance to subvert reasonable ratemaking principles. Consistent with the principles that I have endorsed in my testimony, cost of removal should be charged to the cost of removal reserve.

Q. Do you have any additional comments about FPL's depreciation rates and cost of removal?

A. Yes, the $1.1 billion cost of removal reserve was built up by allowing FPL to include a future cost of removal component in its annual depreciation rates. If those funds are not available when needed, the Commission should consider whether or not it is appropriate to continue to charge ratepayers for future cost of removal.

Q. Have you calculated an adjustment to the Company's storm damage claim to reflect your capital recommendations?

A. No. I do not have sufficient information to make such an adjustment at this time because the Company has not provided such information.

Q. What is your recommendation for the Commission regarding capital replacements?

A. The Commission should require the Company to document all of its entries to the storm reserve and its plant accounts consistent with my recommendations and withhold the Company's request for recovery from its customers until the Company complies.

VII. <u>FPL's Failure to Apply 2004 Earnings Above 10% ROE to Reduce the Negative Balance in its Storm Reserve</u>

Q. Are FPL's service rates subject to a "rate plan"?

A. Yes. I am informed that FPL's service rates are subject to a rate plan established as the result of a 2002 settlement in Docket Nos. 001148-EI and 020001-EI. The Commission approved a stipulation in which parties agreed to implement a "revenue sharing" plan in lieu of an authorized range of rate of return on equity for a period of time. My understanding is that as part of the arrangement FPL agreed it would not seek to increase base rates unless its earnings fell below 10% return on equity.

Q. What is OPC's position regarding this rate plan and the interplay with the Storm Damage Reserve?

A. I am advised that OPC's position is that the stipulation effectively requires FPL to apply 2004 earnings above 10 percent ROE to reduce the negative balance in FPL's storm reserve before seeking to increase customers' rates for the purpose.

Q. Does any other OPC witness address this issue?

A. Yes. While OPC's primary position is based on a legal argument, in his testimony Mr. James A. Rothschild explains that, in view of the risk appropriately borne by FPL and in view of current economic factors, in his opinion the 10 percent criterion would be a reasonable way to share the risk even if there were no stipulation. Given what I have been advised is the legal effect of the stipulation, and in light of Mr. Rothschild's opinion, I will identify the size of the adjustment that would be needed to apply the 10 percent criterion.

Q. Do you expect FPL to earn more than 10 percent ROE in 2004?

A. Yes.

Q. Has the Company performed any calculations demonstrating how much of the storm restoration costs it could absorb before dropping to the 10 percent ROE threshold?

A. No. The Company was asked to perform such a calculation in OPC's Interrogatory No. 40, and refused to do so:

> Q. Using the methodology and adjustments that are consistent with those prescribed by the Florida Public Service Commission for the preparation and submission of monthly surveillance reports, please calculate and state the amount of 2004 earnings that, if applied to reduce the negative balance of the storm reserve, would result in an earned rate of return for FPL of (a) 11%; (b) 10.5%; and (c) 10% for calendar year 2004.
>
> A. Please see FPL's objections filed February 2, 2005 in Docket No. 041291-EI.

In its objection, FPL states:

> Interrogatory No. 40: FPL objects to Interrogatory No. 40 to the extent it requires FPL to prepare information in a particular format and perform calculations or analyses not previously prepared or performed.

> Further, FPL objects in that the interrogatory requires FPL to conduct an analysis or create information not prepared by FPL in the normal course of business. Finally, the information needed to perform the requested calculation is readily available to OPC through normal procedures, or is not yet available.

Q, Have you made this calculation?

A. Yes. By my calculations, FPL could apply $271 million to reduce the negative balance of the storm reserve and still earn 10% return on equity capital for calendar year 2004. My calculation is shown on Exhibit__(MJM-8).

VIII. Summary

Q. Please summarize your recommendations.

A. In this case, FPL has claimed that storm-related costs have resulted in a negative storm reserve balance of $356 million (system), which PEF wants to collect from customers over a period of two years. However, this amount should be reduced to remove O&M and capital costs that should not have been charged to the storm reserve to begin with. To date I have estimated about $38.6 million (system) of those types of expenses. In addition to these reductions, FPL should apply $271 million (system), whether to satisfy the legal requirement of the 2002 ratemaking stipulation or to implement the recommendation of James Rothschild to reflect an appropriate sharing of storm-related risks. As shown in Exhibit___(MJM-7), the impact of my adjustments is to reduce FPL's proposed surcharge from $356 million to $46.9 million. I recommend the Commission emphasize its approval of a surcharge is limited to the specific 2004 events, and does not authorize FPL to charge future amounts of storm-related costs to the reserve without specific Commission approval.

Q. Does this conclude your testimony?

A. Yes, it does.

Experience

Snavely King Majoros O'Connor & Lee, Inc.

Vice President and Treasurer (1988 to Present)
Senior Consultant (1981-1987)

Mr. Majoros provides consultation specializing in accounting, financial, and management issues. He has testified as an expert witness or negotiated on behalf of clients in more than one hundred thirty regulatory proceedings involving telephone, electric, gas, water, and sewerage companies. Mr. Majoros has appeared before Federal and state agencies. His testimony has encompassed a wide variety of complex issues including taxation, divestiture accounting, revenue requirements, rate base, nuclear decommissioning, plant lives, and capital recovery. Mr. Majoros has also provided consultation to the U.S. Department of Justice.

Mr. Majoros has been responsible for developing the firm's consulting services on depreciation and other capital recovery issues into a major area of practice. He has also developed the firm's capabilities in the management audit area.

Van Scoyoc & Wiskup, Inc., *Consultant (1978-1981)*

Mr. Majoros performed various management and regulatory consulting projects in the public utility field, including preparation of electric system load projections for a group of municipally and cooperatively owned electric systems; preparation of a system of accounts and reporting of gas and oil pipelines to be used by a state regulatory commission; accounting system analysis and design for rate proceedings involving electric, gas, and telephone utilities. Mr. Majoros also assisted in an antitrust proceeding involving a major electric utility. He submitted expert testimony in FERC Docket No. RP79-12 (El Paso Natural Gas Company). In addition, he co-authored a study entitled Analysis of Staff Study on Comprehensive Tax Normalization that was submitted to FERC in Docket No. RM 80-42.

Handling Equipment Sales Company, Inc.

Treasurer (1976-1978)

Mr. Majoros' responsibilities included financial management, general accounting and reporting, and income taxes.

Ernst & Ernst, *Auditor (1973-1976)*

Mr. Majoros was a member of the audit staff where his responsibilities included auditing, supervision, business systems analysis, report preparation, and corporate income taxes.

University of Baltimore - *(1971-1973)*

Mr. Majoros was a full-time student in the School of Business.

During this period Mr. Majoros worked consistently on a part-time basis in the following positions: Assistant Legislative Auditor – State of Maryland, Staff Accountant – Robert M. Carney & Co., CPA's, Staff Accountant – Naron & Wegad, CPA's, Credit Clerk – Montgomery Wards.

Central Savings Bank, *(1969-1971)*

Mr. Majoros was an Assistant Branch Manager at the time he left the bank to attend college as a full-time student. During his tenure at the bank, Mr. Majoros gained experience in each department of the bank. In addition, he attended night school at the University of Baltimore.

Education

University of Baltimore, School of Business, B.S. –
Concentration in Accounting

Professional Affiliations

American Institute of Certified Public Accountants
Maryland Association of C.P.A.s
Society of Depreciation Professionals

Publications, Papers, and Panels

"Analysis of Staff Study on Comprehensive Tax Normalization," FERC Docket No. RM 80-42, 1980.

"Telephone Company Deferred Taxes and Investment Tax Credits – A Capital Loss for Ratepayers," Public Utility Fortnightly, September 27, 1984.

"The Use of Customer Discount Rates in Revenue Requirement Comparisons," Proceedings of the 25th Annual Iowa State Regulatory Conference, 1986

"The Regulatory Dilemma Created By Emerging Revenue Streams of Independent Telephone Companies," Proceedings of NARUC 101st Annual Convention and Regulatory Symposium, 1989.

"BOC Depreciation Issues in the States," National Association of State Utility Consumer Advocates, 1990 Mid-Year Meeting, 1990.

"Current Issues in Capital Recovery" 30th Annual Iowa State Regulatory Conference, 1991.

"Impaired Assets Under SFAS No. 121," National Association of State Utility consumer Advocates, 1996 Mid-Year Meeting, 1996.

"What's 'Sunk' Ain't Stranded: Why Excessive Utility Depreciation is Avoidable," with James Campbell, Public Utilities Fortnightly, April 1, 1999.

"Local Exchange Carrier Depreciation Reserve Percents," with Richard B. Lee, Journal of the Society of Depreciation Professionals, Volume 10, Number 1, 2000-2001

Michael J. Majoros, Jr.

Federal Regulatory Agencies

Date	Agency	Docket	Utility
1979	FERC-US 19/	RR79-12	El Paso Natural Gas Co.
1980	FERC-US 19/	RM80-42	Generic Tax Normalization
1996	CRTC-Canada 30/	97-9	All Canadian Telecoms
1997	CRTC-Canada 31/	97-11	All Canadian Telecoms
1999	FCC 32/	98-137 (Ex Parte)	All LECs
1999	FCC 32/	98-91 (Ex Parte)	All LECs
1999	FCC 32/	98-177 (Ex Parte)	All LECs
1999	FCC 32/	98-45 (Ex Parte)	All LECs
2000	EPA 35/	CAA-00-6	Tennessee Valley Authority
2003	FERC 48/	RM02-7	All Utilities
2003	FCC 52/	03-173	All LECs
2003	FERC	ER03-409-000, ER03-666-000	Pacific Gas and Electric Co.
State Regulatory Agencies			
1982	Massachusetts 17/	DPU 557/558	Western Mass Elec. Co.
1982	Illinois 16/	ICC81-8115	Illinois Bell Telephone Co.
1983	Maryland 8/	7574-Direct	Baltimore Gas & Electric Co.
1983	Maryland 8/	7574-Surrebuttal	Baltimore Gas & Electric Co.
1983	Connecticut 15/	810911	Woodlake Water Co.
1983	New Jersey 1/	815-458	New Jersey Bell Tel. Co.
1983	New Jersey 14/	8011-827	Atlantic City Sewerage Co.
1984	Dist. Of Columbia 7/	785	Potomac Electric Power Co.
1984	Maryland 8/	7689	Washington Gas Light Co.
1984	Dist. Of Columbia 7/	798	C&P Tel. Co.
1984	Pennsylvania 13/	R-832316	Bell Telephone Co. of PA
1984	New Mexico 12/	1032	Mt. States Tel. & Telegraph
1984	Idaho 18/	U-1000-70	Mt. States Tel. & Telegraph
1984	Colorado 11/	1655	Mt. States Tel. & Telegraph
1984	Dist. Of Columbia 7/	813	Potomac Electric Power Co.
1984	Pennsylvania 3/	R842621-R842625	Western Pa. Water Co.
1985	Maryland 8/	7743	Potomac Electric Power Co.
1985	New Jersey 1/	848-856	New Jersey Bell Tel. Co.
1985	Maryland 8/	7851	C&P Tel. Co.
1985	California 10/	I-85-03-78	Pacific Bell Telephone Co.
1985	Pennsylvania 3/	R-850174	Phila. Suburban Water Co.
1985	Pennsylvania 3/	R850178	Pennsylvania Gas & Water Co.
1985	Pennsylvania 3/	R-850299	General Tel. Co. of PA
1986	Maryland 8/	7899	Delmarva Power & Light Co.
1986	Maryland 8/	7754	Chesapeake Utilities Corp.

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1986	Pennsylvania 3/	R-850268	York Water Co.
1986	Maryland 8/	7953	Southern Md. Electric Corp.
1986	Idaho 9/	U-1002-59	General Tel. Of the Northwest
1986	Maryland 8/	7973	Baltimore Gas & Electric Co.
1987	Pennsylvania 3/	R-860350	Dauphin Cons. Water Supply
1987	Pennsylvania 3/	C-860923	Bell Telephone Co. of PA
1987	Iowa 6/	DPU-86-2	Northwestern Bell Tel. Co.
1987	Dist. Of Columbia 7/	842	Washington Gas Light Co.
1988	Florida 4/	880069-TL	Southern Bell Telephone
1988	Iowa 6/	RPU-87-3	Iowa Public Service Company
1988	Iowa 6/	RPU-87-6	Northwestern Bell Tel. Co.
1988	Dist. Of Columbia 7/	869	Potomac Electric Power Co.
1989	Iowa 6/	RPU-88-6	Northwestern Bell Tel. Co.
1990	New Jersey 1/	1487-88	Morris City Transfer Station
1990	New Jersey 5/	WR 88-80967	Toms River Water Company
1990	Florida 4/	890256-TL	Southern Bell Company
1990	New Jersey 1/	ER89110912J	Jersey Central Power & Light
1990	New Jersey 1/	WR90050497J	Elizabethtown Water Co.
1991	Pennsylvania 3/	P900465	United Tel. Co. of Pa.
1991	West Virginia 2/	90-564-T-D	C&P Telephone Co.
1991	New Jersey 1/	90080792J	Hackensack Water Co.
1991	New Jersey 1/	WR90080884J	Middlesex Water Co.
1991	Pennsylvania 3/	R-911892	Phil. Suburban Water Co.
1991	Kansas 20/	176, 716-U	Kansas Power & Light Co.
1991	Indiana 29/	39017	Indiana Bell Telephone
1991	Nevada 21/	91-5054	Central Tele. Co. – Nevada
1992	New Jersey 1/	EE91081428	Public Service Electric & Gas
1992	Maryland 8/	8462	C&P Telephone Co.
1992	West Virginia 2/	91-1037-E-D	Appalachian Power Co.
1993	Maryland 8/	8464	Potomac Electric Power Co.
1993	South Carolina 22/	92-227-C	Southern Bell Telephone
1993	Maryland 8/	8485	Baltimore Gas & Electric Co.
1993	Georgia 23/	4451-U	Atlanta Gas Light Co.
1993	New Jersey 1/	GR93040114	New Jersey Natural Gas. Co.
1994	Iowa 6/	RPU-93-9	U.S. West – Iowa
1994	Iowa 6/	RPU-94-3	Midwest Gas
1995	Delaware 24/	94-149	Wilm. Suburban Water Corp.
1995	Connecticut 25/	94-10-03	So. New England Telephone
1995	Connecticut 25/	95-03-01	So. New England Telephone
1995	Pennsylvania 3/	R-00953300	Citizens Utilities Company
1995	Georgia 23/	5503-0	Southern Bell
1996	Maryland 8/	8715	Bell Atlantic
1996	Arizona 26/	E-1032-95-417	Citizens Utilities Company
1996	New Hampshire 27/	DE 96-252	New England Telephone
1997	Iowa 6/	DPU-96-1	U S West – Iowa

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1997	Ohio 28/	96-922-TP-UNC	Ameritech – Ohio
1997	Michigan 28/	U-11280	Ameritech – Michigan
1997	Michigan 28/	U-112 81	GTE North
1997	Wyoming 27/	7000-ztr-96-323	US West – Wyoming
1997	Iowa 6/	RPU-96-9	US West – Iowa
1997	Illinois 28/	96-0486-0569	Ameritech – Illinois
1997	Indiana 28/	40611	Ameritech – Indiana
1997	Indiana 27/	40734	GTE North
1997	Utah 27/	97-049-08	US West – Utah
1997	Georgia 28/	7061-U	BellSouth – Georgia
1997	Connecticut 25/	96-04-07	So. New England Telephone
1998	Florida 28/	960833-TP et. al.	BellSouth – Florida
1998	Illinois 27/	97-0355	GTE North/South
1998	Michigan 33/	U-11726	Detroit Edison
1999	Maryland 8/	8794	Baltimore Gas & Electric Co.
1999	Maryland 8/	8795	Delmarva Power & Light Co.
1999	Maryland 8/	8797	Potomac Edison Company
1999	West Virginia 2/	98-0452-E-GI	Electric Restructuring
1999	Delaware 24/	98-98	United Water Company
1999	Pennsylvania 3/	R-00994638	Pennsylvania American Water
1999	West Virginia 2/	98-0985-W-D	West Virginia American Water
1999	Michigan 33/	U-11495	Detroit Edison
2000	Delaware 24/	99-466	Tidewater Utilities
2000	New Mexico 34/	3008	US WEST Communications, Inc.
2000	Florida 28/	990649-TP	BellSouth -Florida
2000	New Jersey 1/	WR30174	Consumer New Jersey Water
2000	Pennsylvania 3/	R-00994868	Philadelphia Suburban Water
2000	Pennsylvania 3/	R-0005212	Pennsylvania American Sewerage
2000	Connecticut 25/	00-07-17	Southern New England Telephone
2001	Kentucky 36/	2000-373	Jackson Energy Cooperative
2001	Kansas 38/39/40/	01-WSRE-436-RTS	Western Resources
2001	South Carolina 22/	2001-93-E	Carolina Power & Light Co.
2001	North Dakota 37/	PU-400-00-521	Northern States Power/Xcel Energy
2001	Indiana 29/41/	41746	Northern Indiana Power Company
2001	New Jersey 1/	GR01050328	Public Service Electric and Gas
2001	Pennsylvania 3/	R-00016236	York Water Company
2001	Pennsylvania 3/	R-00016339	Pennsylvania America Water
2001	Pennsylvania 3/	R-00016356	Wellsboro Electric Coop.
2001	Florida 4/	010949-EL	Gulf Power Company
2001	Hawaii 42/	00-309	The Gas Company
2002	Pennsylvania 3/	R-00016750	Philadelphia Suburban
2002	Nevada 43/	01-10001 &10002	Nevada Power Company
2002	Kentucky 36/	2001-244	Fleming Mason Electric Coop.
2002	Nevada 43/	01-11031	Sierra Pacific Power Company
2002	Georgia 27/	14361-U	BellSouth-Georgia

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2002	Alaska 44/	U-01-34,82-87,66	Alaska Communications Systems
2002	Wisconsin 45/	2055-TR-102	CenturyTel
2002	Wisconsin 45/	5846-TR-102	TelUSA
2002	Vermont 46/	6596	Citizen's Energy Services
2002	North Dakota 37/	PU-399-02-183	Montana Dakota Utilities
2002	Kansas 38/	02-MDWG-922-RTS	Midwest Energy
2002	Kentucky 36/	2002-00145	Columbia Gas
2002	Oklahoma 47/	200200166	Reliant Energy ARKLA
2002	New Jersey 1/	GR02040245	Elizabethtown Gas Company
2003	New Jersey 1/	ER02050303	Public Service Electric and Gas Co.
2003	Hawaii 42/	01-0255	Young Brothers Tug & Barge
2003	New Jersey 1/	ER02080506	Jersey Central Power & Light
2003	New Jersey 1/	ER02100724	Rockland Electric Co.
2003	Pennsylvania 3/	R-00027975	The York Water Co.
2003	Pennsylvania /3	R-00038304	Pennsylvania-American Water Co.
2003	Kansas 20/ 40/	03-KGSG-602-RTS	Kansas Gas Service
2003	Nova Scotia, CN 49/	EMO NSPI	Nova Scotia Power, Inc.
2003	Kentucky 36/	2003-00252	Union Light Heat & Power
2003	Alaska 44/	U-96-89	ACS Communications, Inc.
2003	Indiana 29/	42359	PSI Energy, Inc.
2003	Kansas 20/ 40/	03-ATMG-1036-RTS	Atmos Energy
2003	Florida 50/	030001-E1	Tampa Electric Company
2003	Maryland 51/	8960	Washington Gas Light
2003	Hawaii 42/	02-0391	Hawaiian Electric Company
2003	Illinois 28/	02-0864	SBC Illinois
2003	Indiana 28/	42393	SBC Indiana
2004	New Jersey 1/	ER03020110	Atlantic City Electric Co.
2004	Arizona 26/	E-01345A-03-0437	Arizona Public Service Company
2004	Michigan 27/	U-13531	SBC Michigan
2004	New Jersey 1/	GR03080683	South Jersey Gas Company
2004	Kentucky 36/	2003-00434,00433	Kentucky Utilities, Louisville Gas & Electric
2004	Florida 50/ 54/	031033-EI	Tampa Electric Company
2004	Kentucky 36/	2004-00067	Delta Natural Gas Company
2004	Georgia 23/	18300, 15392, 15393	Georgia Power Company
2004	Vermont 46/	6946, 6988	Central Vermont Public Service Corporation

Michael J. Majoros, Jr.

PARTICIPATION AS NEGOTIATOR IN FCC TELEPHONE DEPRECIATION RATE REPRESCRIPTION CONFERENCES

COMPANY	YEARS	CLIENT
Diamond State Telephone Co. 24/	1985 + 1988	Delaware Public Service Comm
Bell Telephone of Pennsylvania 3/	1986 + 1989	PA Consumer Advocate
Chesapeake & Potomac Telephone Co. - Md. 8/	1986	Maryland People's Counsel
Southwestern Bell Telephone – Kansas 20/	1986	Kansas Corp. Commission
Southern Bell – Florida 4/	1986	Florida Consumer Advocate
Chesapeake & Potomac Telephone Co.-W.Va. 2/	1987 + 1990	West VA Consumer Advocate
New Jersey Bell Telephone Co. 1/	1985 + 1988	New Jersey Rate Counsel
Southern Bell - South Carolina 22/	1986 + 1989 + 1992	S. Carolina Consumer Advocate
GTE-North – Pennsylvania 3/	1989	PA Consumer Advocate

Michael J. Majoros, Jr.

PARTICIPATION IN PROCEEDINGS WHICH WERE SETTLED BEFORE TESTIMONY WAS SUBMITTED

STATE	DOCKET NO.	UTILITY
Maryland 8/	7878	Potomac Edison
Nevada 21/	88-728	Southwest Gas
New Jersey 1/	WR90090950J	New Jersey American Water
New Jersey 1/	WR900050497J	Elizabethtown Water
New Jersey 1/	WR91091483	Garden State Water
West Virginia 2/	91-1037-E	Appalachian Power Co.
Nevada 21/	92-7002	Central Telephone - Nevada
Pennsylvania 3/	R-00932873	Blue Mountain Water
West Virginia 2/	93-1165-E-D	Potomac Edison
West Virginia 2/	94-0013-E-D	Monongahela Power
New Jersey 1/	WR94030059	New Jersey American Water
New Jersey 1/	WR95080346	Elizabethtown Water
New Jersey 1/	WR95050219	Toms River Water Co.
Maryland 8/	8796	Potomac Electric Power Co.
South Carolina 22/	1999-077-E	Carolina Power & Light Co.
South Carolina 22/	1999-072-E	Carolina Power & Light Co.
Kentucky 36/	2001-104 & 141	Kentucky Utilities, Louisville Gas and Electric
Kentucky 36/	2002-485	Jackson Purchase Energy Corporation
Florida 50/ 54/	030157-EI	Progress Energy Florida

Michael J. Majoros, Jr.

Clients

1/ New Jersey Rate Counsel/Advocate	33/ Michigan Attorney General
2/ West Virginia Consumer Advocate	34/ New Mexico Attorney General
3/ Pennsylvania OCA	35/ Environmental Protection Agency Enforcement Staff
4/ Florida Office of Public Advocate	36/ Kentucky Attorney General
5/ Toms River Fire Commissioner's	37/ North Dakota Public Service Commission
6/ Iowa Office of Consumer Advocate	38/ Kansas Industrial Group
7/ D.C. People's Counsel	39/ City of Witchita
8/ *Maryland's People's Counsel*	40/ *Kansas Citizens' Utility Rate Board*
9/ Idaho Public Service Commission	41/ NIPSCO Industrial Group
10/ Western Burglar and Fire Alarm	42/ Hawaii Division of Consumer Advocacy
11/ U.S. Dept. of Defense	43/ Nevada Bureau of Consumer Protection
12/ N.M. State Corporation Comm.	44/ GCI
13/ City of Philadelphia	45/ Wisc. Citizens' Utility Rate Board
14/ Resorts International	46/ Vermont Department of Public Service
15/ Woodlake Condominium Association	47/ Oklahoma Corporation Commission
16/ Illinois Attorney General	48/ National Association of Utility Consumer Advocates
17/ Mass Coalition of Municipalities	49/ Nova Scotia Utility and Review Board
18/ U.S. Department of Energy	50/ Florida Office of Public Counsel
19/ Arizona Electric Power Corp.	51/ Maryland Public Service Commission
20/ Kansas Corporation Commission	52/ MCI
21/ Public Service Comm. – Nevada	53/ Transmission Agency of Northern California
22/ SC Dept. of Consumer Affairs	54/ Florida Industrial Power Users Group
23/ *Georgia Public Service Comm.*	
24/ Delaware Public Service Comm.	
25/ Conn. Ofc. Of Consumer Counsel	
26/ Arizona Corp. Commission	
27/ AT&T	
28/ AT&T/MCI	
29/ IN Office of Utility Consumer Counselor	
30/ Unitel (AT&T – Canada)	
31/ Public Interest Advocacy Centre	
32/ U.S. General Services Administration	

Snavely King - Electric Plant Tours

Kansas

Company:	Western Resources, Inc.
Plants:	Jeffrey, Lawrence, LaCygne
Docket No.:	01-WSRE-436-RTS
Dates:	February 24, 2001 – March 1, 2001
SK Attendees:	Michael J, Majoros, Jr., William M. Zaetz

Indiana

Company:	Northern Indiana Public Service Company
Plant:	Schahfer, Michigan City, Bailly, Mitchell
Cause No.:	41746
Dates:	August 23, 2001
SK Attendees:	Michael J. Majoros, Jr.

Company:	PSI Energy, Inc.
Plants:	Noblesville, Cayuga, Wabash River, Edwardsport, Gibson, Gallagher, Markland
Cause No.:	42359
Date:	2003
SK Attendees:	Michael J. Majoros, Jr.

Georgia

Company:	Georgia Power Company
Plant:	McIntosh
Docket No.:	18300-U, 15392-U, 15393-U
Dates:	September 2004
SK Attendees:	Michael J. Majoros, Jr., William M. Zaetz

Nevada

Company:	Nevada Power Company
Plants:	Reid Gardner, Clark, Sunrise
Docket No.:	01-10001, 01-10002
Dates:	January 16, 2002
SK Attendees:	William M. Zaetz

Snavely King - Electric Plant Tours

Florida

Company:	Gulf Power Company
Plant:	Smith
Docket No.:	010949-EL
Date:	2002
SK Attendees:	William M. Zaetz

Nova Scotia, CN

Company:	Nova Scotia Power Incorporated
Plant:	Tuft's Cove, Burnside, Onslow Substation, Trenton, Lingan, Glace Bay, Ragged Lake Energy Control Centre
Docket No.:	EMO NSPI
Date:	2003
SK Attendees:	Michael J. Majoros, Jr.

Florida Power & Light
Docket No. 041291-EI
Summary of FP&L's Basic Estimates
($ Millions)

		System	Retail
1	Total Estimated Storm Related Costs	$ 818.0 1/	
2	Less: Insurance Reimbursements	108.0 1/	
3	Total Estimated Costs Included in Storm Recovery Claim	$ 710.0 1/	
4	Less: December 31, 2004 Storm Reserve Balance	354.0 2/	
5	Total Storm Damage Cost Recovery Claim	$ 356.0 2/	$ 354.0 3/

1/ Direct Testimony of K. Michael Davis, page 4.
2/ Direct Testimony of K. Michael Davis, page 8.
3/ Direct Testimony of K. Michael Davis, page 10.

Florida Power & Light
Docket No. 041291-EI

Estimate of Cost of Removal Reserve (Non-ARO) As of 9/30/04
Transmission & Distribution Plant

Account	Removal Cost
Transmission Plant	
352.0	$ 4,746,357
353.0	42,608,817
353.1	5,426,382
354.0	42,921,309
355.0	122,413,749
356.0	111,294,277
Total Transmission	$ 329,410,891
Distribution Plant	
361.0	$ 6,422,766
362.0	70,668,663
364.0	172,580,988
365.0	259,433,819
367.0	6,814
367.6	34,499,078
368.0	134,368,412
369.0	6,480
369.1	31,469,994
369.2	1,411,446
369.3	7,938,963
369.7	8,037,812
371.0	9,095,849
373.0	47,535,953
Total Distribution	$ 783,477,036
Total T & D	$ 1,112,887,926

Source: Bates page FPL 003231.

Estimate of Cost of Removal Reserve (Non-ARO)

(Excluding Dismantlement & Decommissioning)

Site	Acct	Total Reserve As Of 9/30/04	Salv	Cost of Rem	Net Salv	Total Reserve	Removal As Pcnt of Total	Removal Cost
Sanford 5	342.0	2,109,352.83	0.0	0.0	0.0	100.00%	0.00%	0.00
Sanford 5	343.0	23,550,212.64	0.0	2.0	-2.0	102.00%	1.96%	461,584.17
Sanford 5	344.0	1,771,561.37	0.0	0.0	0.0	100.00%	0.00%	0.00
Sanford 5	345.0	7,465,562.73	0.0	1.0	-1.0	101.00%	0.99%	73,909.07
Sanford 5	346.0	598,322.28	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	350.1	44,148.48	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	350.2	59,205,856.76	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	350.3	(2.31)	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	352.0	19,934,298.72	20.0	25.0	-5.0	105.00%	23.81%	4,746,356.53
FPL	353.0	255,601,781.90	25.0	15.0	10.0	90.00%	16.67%	42,608,817.04
FPL	353.1	32,551,781.14	25.0	15.0	10.0	90.00%	16.67%	5,426,381.92
FPL	354.0	197,430,125.19	10.0	25.0	-15.0	115.00%	21.74%	42,921,309.22
FPL	355.0	221,884,628.06	35.0	80.0	-45.0	145.00%	55.17%	122,413,749.30
FPL	356.0	263,044,851.98	25.0	55.0	-30.0	130.00%	42.31%	111,294,276.87
FPL	357.0	22,590,637.85	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	358.0	28,845,086.32	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	359.0	26,964,885.07	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	361.0	26,975,079.35	20.0	25.0	-5.0	105.00%	23.81%	6,422,766.39
FPL	362.0	310,904,808.29	15.0	25.0	-10.0	110.00%	22.73%	70,668,662.92
FPL	364.0	310,620,928.13	40.0	75.0	-35.0	135.00%	55.56%	172,580,987.67
FPL	365.0	486,468,814.72	30.0	80.0	-50.0	150.00%	53.33%	259,433,818.89
FPL	366.0	3,085.26	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	366.6	191,538,101.90	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	366.7	12,586,344.92	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	367.0	45,425.08	15.0	15.0	0.0	100.00%	15.00%	6,813.76
FPL	367.6	229,993,851.18	15.0	15.0	0.0	100.00%	15.00%	34,499,077.68
FPL	367.7	222,707,730.78	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	368.0	559,868,383.51	5.0	30.0	-25.0	125.00%	24.00%	134,368,412.04
FPL	369.0	71,291.94	0.0	10.0	-10.0	110.00%	9.09%	6,480.44
FPL	369.1	71,931,413.71	10.0	70.0	-60.0	160.00%	43.75%	31,469,993.50
FPL	369.2	3,226,162.95	10.0	70.0	-60.0	160.00%	43.75%	1,411,446.29
FPL	369.6	87,337,327.45	0.0	10.0	-10.0	110.00%	9.09%	7,938,963.07
FPL	369.7	88,424,769.89	0.0	10.0	-10.0	110.00%	9.09%	8,037,811.58
FPL	370.0	185,297,884.36	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	371.0	43,667,059.71	5.0	25.0	-20.0	120.00%	20.83%	9,095,848.54
FPL	373.0	183,324,152.60	0.0	35.0	-35.0	135.00%	25.93%	47,535,952.77
FPL	390.0	118,124,244.40	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	392.0	142,740.49	0.0	0.0	0.0	100.00%	0.00%	0.00
Aircraft - Jet	392.0	10,331,578.34	50.0	0.0	50.0	50.00%	0.00%	0.00
Aircraft - Fixed-Wing	392.0	0.00	0.0	0.0	0.0	100.00%	0.00%	0.00
Aircraft - Rotary Wing	392.0	1,062,231.19	50.0	0.0	50.0	50.00%	0.00%	0.00
FPL	392.1	(155,778.99)	10.0	0.0	10.0	90.00%	0.00%	0.00
FPL	392.2	7,892,986.79	15.0	0.0	15.0	85.00%	0.00%	0.00
FPL	392.3	61,508,205.81	20.0	0.0	20.0	80.00%	0.00%	0.00
FPL	392.4	1,811,292.40	20.0	0.0	20.0	80.00%	0.00%	0.00
FPL	392.5	0.00	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	392.6	(1,952.94)	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	392.9	3,931,008.90	30.0	0.0	30.0	70.00%	0.00%	0.00
FPL	396.0	0.00	20.0	0.0	20.0	80.00%	0.00%	0.00
FPL	396.1	185,132.96	20.0	0.0	20.0	80.00%	0.00%	0.00
FPL	396.3	0.00	20.0	0.0	20.0	80.00%	0.00%	0.00
FPL	396.8	26,221.22	20.0	0.0	20.0	80.00%	0.00%	0.00
FPL	397.8	3,376,186.81	5.0	0.0	5.0	95.00%	0.00%	0.00
FPL	301.0	0.00	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	302.0	0.00	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	303.0	10,857,735.71	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	303.5	131,249,549.51	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	303.6	250,007.97	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	303.8	4,101,117.56	0.0	0.0	0.0	100.00%	0.00%	0.00
FPL	304.0	6,779,781.38	0.0	0.0	0.0	100.00%	0.00%	0.00

Florida Power & Light Company
Docket No. 041291
OPC Fourth Set of Interrogatories
Interrogatory No. 27
Page 1 of 1

Q.

(a) With respect to payroll expense associated with the company's storm repair activities, does the company agree or disagree with the proposition that the company should exclude from the amount of costs to be booked to the storm reserve (1) all base salaries and (2) average or budgeted overtime?

(b) If you disagree, please state the manner in which you would treat base salaries and average or budgeted overtime and provide all reasons and justifications for the differences between that treatment and the approach articulated in (a) above.

(c) If the company has included any portion of base salaries and/or average or budgeted overtime in amounts proposed to be booked to the storm reserve, please provide all accounting adjustments that would be necessary to exclude those amounts. Quantify and provide the impact, in dollars, that the adjustments would have on the amount booked to the storm reserve.

A.

(a) See FPL's objections filed February 2, 2005 in Docket No. 041291-EI. Notwithstanding and without waiving its objections, FPL responds "Disagree."

(b) FPL's methodology with respect to payroll expense associated with the company's storm repair activities is consistent with the study filed in Docket No. 930405-EI and approved by the Commission in Order No. PSC-95-0264-FOF-EI issued February 27, 1995.

(c) See FPL's objections filed February 2, 2005 in Docket No. 041291-EI.

Florida Power & Light
Docket No. 041291-EI

Salt Spray and Vegetation Studies

Project Name	Estimated Amount
3rd party system assessment to determine the relative state of vegetative conditions post storm	$ 341,000
Identify salt spray, sand and water intrusion problems in costal communities	1,035,520
Total	$ 1,376,520

Source: OPC Second Request for Production of Documents, Request No. 19

Uncompleted
Project of
more than
$100K

Florida Power & Light Company
Docket No. 041291
OPC Second Request For Production of Documents
Request No. 19
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Q.
Please provide a copy of all individual work orders and projects included in the storm recovery expenses that exceed $100,000 each and that are incomplete as of December 31, 2004. Include the project number, name of the project, amount of the project, location of the project and a description of the work required.

A.
Most of the projects included in the enclosed documents do not have project numbers. Also, the location of the project, if there is a specific location, is generally part of the name of the project, as is a description of the work required.

Projects > $100K with Work Not Completed as of 12/31/04

	Project Name:	Estimated Project Amount
1	3rd party system assessment to determine the relative state of vegetative conditions post storm	$ 341,000
2	Boca Grande Oil Terminal - Pier	$ 100,000
3	Cocoa : Replace 13 culverts within transmission right-of-way	$ 100,000
4	CSE - Restoration Interior Finish	$ 108,900
5	DELAND-PUTNAM 115 KV Barberville Tap-Crescent City : Replace 4-Structures (51G6, 51G8, 53G13, & 57G14). Pull Conductor from 51G5-51G9.	$ 136,580
6	Identify salt spray, sand and water intrusion problems in coastal communities	$ 1,035,520
7	Juno Beach (D) - Roof Replacement due to storm damage	$ 330,000
8	Juno Beach (C/D/E) - Restoration Interior Finish	$ 260,000
9	Juno Beach Landscaping	$ 272,500
10	MARTIN-BRYANT 69 KV Port Mayaca-Bryant : Replace Damaged Insulators at 14 Locations (24P2 to 25P6) and Replace Damaged Structures From 25P7 to 27P4 (approx. 1.0 miles).	$ 581,903
11	Martin-Bryant 69 kV : Replace Down Structures From 27P5 to 35P1	$ 2,573,882
12	Midway EOF Radio Tower & Equipment Shelter Replacement	$ 250,000
13	Palm Beach North County Airport environmental clean-up	$ 100,000
14	OH Feeder Visual Inspections and Follow-up Repairs (affected areas)	$ 6,442,600
15	OH Lateral Assessment & Repairs (Brevard,West Palm,Treasure Coast,Toledo Blade,Central Florida)	$ 11,040,400
16	Physical Distribution Center (B1/B2) - Restoration Interior Finish	$ 100,000
17	Plant Cape Canaveral- Repair south mole shoreline erosion	$ 150,000
18	Plant Manatee- Insulation and lagging repairs	$ 606,881
19	Plant Martin- Boom Replacement	$ 102,194
20	Plant Martin- Building and Ground Repairs	$ 201,097
21	Plant Martin- Insulation and lagging repairs	$ 5,418,567

Projects > $100K with Work Not Completed as of 12/31/04

	Project Name:	Estimated Project Amount
22	Plant Martin- Lighting Repairs	$ 263,757
23	Plant Martin- Repairs to Cooling Pond	$ 209,000
24	Plant Martin- Unit 1 Gas Duct Repairs	$ 220,335
25	Plant Port Everglades- Insulation and lagging repairs	$ 1,341,507
26	Plant Riviera-'C' Fuel Oil Storage Tank Repairs	$ 746,000
27	Replace damaged Reclosers & Field Regulators (all affected areas)	$ 460,000
28	Replace Transmission Insulators - Delmar-Yamato/Micco-West	$ 294,707
29	Replacement of damaged system antennas- East Area 2 (South Treasure Coast)	$ 128,800
30	Replacement of damaged system antennas- West Area 2 (Toledo Blade)	$ 109,980
31	Research & Evaluation Lab (Physical Distribution Center) Building Restoration	$ 385,000
32	Restore Capacitor System (all affected areas)	$ 423,000
33	Restore Streetlight System (all affected areas)	$ 5,211,760
34	Sebastian Airport environmental clean-up	$ 310,000
35	SOUTH BAY-BRYANT 69 KV Inactive Section : Remove Approx. 1.5 Miles of Inactive Section (20 locations) between 65P12-48P6	$ 400,000
36	Stuart Withman Field environmental clean-up	$ 200,000
37	System Integrity Review (all affected areas)	$ 1,498,656
38	Whidden-Morris 69 kV : Replace 9-structures. Install splice at 1-location.	$ 122,712

Regular & Overtime Payroll charged to Storm Reserve

	Charley	Frances	Jeanne	Total
Regular Salaries	$ 9,614,159	$ 12,790,906	$ 9,571,125	$ 31,976,190
Overtime	$ 23,710,553	$ 33,424,846	$ 19,611,202	$ 76,746,601
Remaining	$ 13,329	$ 50,922	$ 1,073,632	$ 1,137,883
Total[1]	**$ 33,338,041**	**$ 46,266,674**	**$ 30,255,959**	**$ 109,860,674**

[1] Information for January 19, 2005 updated estimate of $890M, based on 2004 year-end actual.

This schedule updates a previous schedule submitted for FIPUG's 1st set of Interrogatories No. 3a, relative to the October 31, 2004 $710M estimate. This does not include the effects of catch-up work or backfill work resulting from the 2004 storms.

Florida Power & Light Company
Docket No. 041291
OPC Fourth Set of Interrogatories
Interrogatory No. 31
Page 1 of 1

Q.

(a) Please provide a detailed breakdown of all costs related to company-owned vehicles that the company has booked, or proposes to book, to the storm reserve. Please include, among other categories of costs, amounts for depreciation, maintenance, overheads, and fuel.

(b) Of the amounts shown in the breakdown provided in response to (a) above, please identify all of the costs that the company would have incurred in the normal course of business, whether or not there were hurricanes in 2004.

(c) Of the amounts shown in the breakdown provided in response to (a) above, identify (1) the level of costs that was included in the company's budget for 2004 and (2) the amount by which actual costs exceeded the amount that was included in the budget for 2004.

(d) Show all accounting adjustments that would be necessary to remove, from the amount of vehicle expense booked or proposed to be booked to the storm reserve, all expenses and overheads with the exception of 50% of the cost of gasoline. Quantify and state the impact, in dollars, such adjustments would have on the amount booked to the storm reserve.

A.

(a)	Depreciation	$1,683,803
	Maintenance	$4,615,272
	Fuel	$ 947,140
	Overhead/Support	$ 841,902
	Total	$8,088,117

BKdwn. of Vechicle expense

(b) $5,261,887

(c)(1) $5,261,887

(c)(2) $2,826,230

(d) See FPL's objections filed February 2, 2005, in Docket No. 041291-EI. Not withstanding and without waiving its objection, 50% of the fuel cost in (a) above would be $473,570.

Florida Power & Light
Docket No. 041291-EI
Summary of Recommended Adjustments
($ Millions)

1	Company Requested Storm Costs (System)	$ 818.00	
	Less:		
2	Salt Spray and Vegatation Studies	1.38	Exhibit___(MJM-4)
3	Base Salaries	31.98	Exhibit___(MJM-5)
4	Vehicle Expense	5.26	Exhibit___(MJM-6)
5	Total Disallowed Expenses	38.62	
6	Adjusted Storm Costs	779.38	
	Less:		
7	Insurance Recoveries	108.00	
8	Reserve Balance	354.00	
9	Pre-Tax System Expense that would produce 10% ROE	270.51	Exhibit__(MJM-8)
10	Storm Reserve Deficiency (System)	46.87	
11	Jurisdictional Factor	99.525%	Bates page FPL 003242 1/
12	Retail Storm Reserve Deficiency	$ 46.65	

1/ FP&L Estimates Related to Hurricanes Charley, Frances and Jeanne, Allocated on Energy

Florida Power & Light Company
Return on Equity Worksheet
Using November 2004 Rate of Return Surveillance Report
($ thousands)

Line	Description	Amount
1	Pro Forma Adjusted Rate Base 1/	$10,618,719
2	Pro Forma Common Equity Ratio 2/	52.39%
3	Pro Forma Rate Base Allocated to Equity (L1 X L2)	5,563,147
4	Pro Forma Return on Common Equity 3/	12.91%
5	Pro Forma Return on Common Equity (L3 X L4.)	718,202
6	Pro Forma Return on Equity at 10 % ROE (L3 X 10%)	556,315
7	Income Available to Reduce ROE to 10% (L5 - L6)	161,888
8	After-Tax Income to Pre-Tax Expense expansion factor 4/	167.10%
9	Pre-Tax Expenses (L7 X L8)	$ 270,512

1/ Surveillance Report, Schedule 1: page 1 of 1.
2/ Id., Schedule 5: page 2 of 2.
3/ Id., Schedule 1; p.1, and Schedule 5: page 2 of 2.
4/ See Schedule 2: page 3c of 3.

a.	Revenue Adjustment	16,506
b.	Net Operating Income	9,878
c.	Expansion Factor a./b.	167.10%