ORIGINAL

R. Wade Litchfield
Senior Attorney
Florida Authorized House Counsel
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
(561) 691-7135 (Facsimile)

Writer's Direct Dial:
(561) 691-7101

March 22, 2005

VIA HAND DELIVERY
Ms. Blanca S. Bayó, Director
Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
Betty Easley Conference Center
2540 Shumard Oak Boulevard, Room 110
Tallahassee, FL 32399-0850

Re: Petition for rate increase by Florida Power & Light Company
Docket No: 050045-EI

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket are an original and 21 copies of the following:

1. FPL's Petition;
2. Direct Testimony and Exhibits of FPL witnesses William E. Avera, Michael Barrett, K. Michael Davis, Moray P. Dewhurst, Robert H. Escoto, Leonardo E. Green, Steven P. Harris, John H. Landon, Ph.D., C. Martin Mennes, Rosemary Morley, Armando J. Olivera, Marlene M. Santos, J.A. Stall, Solomon L. Stamm, Geisha J. Williams, and William L. Yeager; and
3. Minimum Filing Requirements ("MFRs") and Schedules.

A Request for Confidential Classification of certain information contained in MFR Schedule D-2 is being filed under separate cover. Also enclosed is a diskette containing FPL's Petition in Word. Please contact me should you or your Staff have any questions regarding this filing.

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Sincerely,

R. Wade Litchfield

RWL:ec
Enclosures
cc: Service List (w/enclosures)

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	)))	Docket No: 050045-EI Filed: March 22, 2005

PETITION

Florida Power & Light Company ("FPL" or the "Company"), pursuant to the provisions of Chapter 366, Florida Statutes, and Rules 25-6.0425 and 25-6.043, Florida Administrative Code, respectfully petitions the Florida Public Service Commission (the "Commission") for approval of a permanent increase in rates and charges sufficient to generate additional total annual revenues of $430,198,000 beginning January 1, 2006 (such amount consisting of a base rate increase in the amount of $384,580,000 and a net shift from base rates to the capacity cost recovery clause ("Capacity Clause") of $45,618,000), and for approval of a limited scope adjustment in base rates to produce additional revenue of $122,757,000 (on an annualized basis) beginning 30 days following the commercial in-service date of Turkey Point Unit 5 projected to occur in June 2007. The requested increases will provide FPL with a reasonable opportunity to earn a fair rate of return on the Company's investment in property used and useful in serving the public, including a 12.30% rate of return on the Company's common equity capital. Even with the requested increases, however, FPL's base rates will remain lower than they were in 1985, the last time FPL's base rates were increased. In fact, FPL's current retail base rates are 16% lower than they were in 1985, the last time its base rates were increased, while consumer prices as measured by the Consumer Price Index have increased over 80% during the same period.

In connection with its petition for an increase in rates, FPL also is requesting: a transfer of the remaining portion of gross receipts tax currently in FPL's base rates to the separately recovered line item on customers' bills; the approval of certain changes to existing rate schedules; the adoption of three new rate schedules; the replacement of one and the closure and eventual termination of another existing rate schedule; changes in existing service charges; and other related adjustments.

In support of this Petition, FPL states as follows:

Introduction

1. Any pleading, motion, notice, order or other document required to be served upon FPL or filed by any party to this proceeding should be served upon the following individuals:

William G. Walker, III, Vice President
Bill_Walker@fpl.com
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301
(850) 521-3900
(850) 521-3939 (fax)

R. Wade Litchfield, Senior Attorney
Wade_Litchfield@fpl.com
Natalie F. Smith, Attorney
Natalie_Smith@fpl.com
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420
(561) 691-7101
(561) 691-7135 (fax)

2. FPL is a corporation with its headquarters located at 700 Universe Boulevard, Juno Beach, Florida, 33408-0420. FPL is an investor-owned utility operating under the jurisdiction of this Commission pursuant to the provisions of Chapter 366, Florida Statutes. FPL provides generation, transmission and distribution service to more than 4.2 million retail customers.[1]

[1] To the extent the Commission deems it necessary in order that this Petition comply with Rule 28-106.201(2), Florida Administrative Code, FPL states that this Petition seeks to initiate proceedings that may involve disputed issues of material fact. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore subparagraph (c) and portions of subparagraphs (b), (e), (f) and (g) are not applicable to this petition. It is not known which, if any, of the issues of material fact set forth in the body of this Petition, or in the testimony, exhibits and minimum filing requirements filed herewith, may be disputed by others planning to participate in the

3. FPL is a wholly-owned subsidiary of FPL Group, Inc. ("FPL Group") a registered holding company under the federal Public Utility Holding Company Act ("PUHCA") and related regulations. The common stock of FPL Group is owned by approximately 33,500 shareholders of record, more than 11,300 of whom reside in Florida.

4. It has been more than twenty years since FPL found it necessary to seek an increase in its base rates in Docket No. 830465-EI. In fact, over the past twenty years FPL has not only avoided a base rate increase but has actually lowered its base rates substantially despite having made massive capital investments to meet the needs of a customer base of more than 4.2 million customers, approximately 1.6 million or 61% more customers than were served in 1985. Such investments, totaling more than $18 billion, have included more than $3 billion in the construction of new generating capacity and more than $8 billion in the expansion of FPL's transmission and distribution system. During this same period of time, FPL was able to lower its retail base rates by 16%, while the Consumer Price Index increased by over 80%. These accomplishments are attributable to a number of efforts and factors, including a regulatory climate and framework that generally have been conducive to such cost-savings initiatives.

5. But for FPL's cost-savings initiatives and efficiency improvements, FPL's base rates would have had to increase long before now. Instead, FPL's customers will have realized direct savings of almost $4 billion as of December 31, 2005, as a result of the two rate reductions and associated refunds implemented by the Company pursuant to two revenue sharing plans approved by the Commission that have been in place over the past six years. However, customer growth in Florida is expected to continue. In the face of such steady growth, and based on FPL's

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proceeding initiated by this Petition. All other requirements for petitions filed under Rule 25-106.201, Florida Administrative Code, have been met in the body of this Petition.

current financial projections, further productivity efficiencies and cost-savings initiatives alone will not be sufficient for the Company to continue to effectively and reliably meet the electric needs of existing and new customers at current base rates. Therefore, FPL files this Petition and respectfully requests increases in rates beginning January 1, 2006, coincident with the end of the current revenue-sharing plan approved by the Commission in Docket No. 001148-EI.

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

7. The details of the rate base, operational and maintenance ("O&M") expenses, and other factors driving the need for rate relief are more fully reflected in the testimony, exhibits of

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

8. Regarding the Storm Damage Reserve balance, FPL projects the need to increase the annual accrual by approximately $100 million in order to rebuild and maintain a reasonable reserve. This projection does not include recovery of the current deficit balance in the Storm Damage Reserve, and is predicated upon the Commission maintaining its existing approach to the recovery of storm restoration costs: the establishment of a reserve amount sufficient to cover some but not all storm events, and the recovery of prudent and reasonable costs in excess of the Storm Damage Reserve. Finally, FPL estimates that annual incremental costs associated with participation in a regional transmission organization ("RTO") structure will average approximately $100 million. Though only a partial listing of incremental costs the Company will face over the next few years, the estimated revenue requirement impacts of the major factors described above are substantial.

9. The various cost factors that will impact the Company in 2006 will continue unabated in 2007. In addition, as shown by the Turkey Point Unit 5 Adjustment Schedule A-1, FPL's revenue requirements will increase by $122,757,000 on an annualized basis in 2007 as a result of the added capital costs and O&M expenses associated with placing Turkey Point Unit 5 into commercial operation, which is scheduled for June 2007. In order to address this increase in 2007 revenue requirements, FPL proposes to adjust its base rates beginning 30 days after Turkey Point Unit 5 goes into commercial operation. FPL proposes to calculate the amount of this adjustment using the annualized incremental revenue requirements for Turkey Point Unit 5 of $122,757,000; the expected impact in 2007 due to only a partial year of commercial operations is $66,096,000, based on an in-service date of June 1, 2007.

10. To addresses the timing issue associated with the differing dates on which the Allowance for Funds Used During Construction ("AFUDC") will stop accruing for Turkey Point Unit 5 and on which customers' bills will reflect the foregoing adjustment, FPL proposes to recover the resulting under-recovered dollar amount through the Fuel Cost Recovery Clause ("Fuel Clause") by including that amount as part of the fuel cost for the true-up calculations in a future Fuel Clause proceeding.

11. As a provider of retail electric service to residents of Florida, FPL is obligated by statute to provide such service in a reasonable, "sufficient, adequate, and efficient" manner. Section 366.03, F.S., 2004. In return, FPL's shareholders must be provided the opportunity to earn a reasonable and adequate return on their investment. Without the revenue increase requested, the obligations to each constituency are impaired. If FPL is rendered unable to meet its obligations to its customers, and shareholders are denied a fair return on their investment, both stakeholder groups will suffer. FPL's ability to continue meeting customer needs with

adequate, reliable service would be impaired, eventually resulting in potentially higher costs of electricity, while the shareholders will suffer from an inadequate and confiscatory return on investment and will seek investment alternatives, ultimately raising the cost of capital to FPL and its customers.

12. Absent the requested rate relief in 2006, the Company's filing projects that it will earn a return on equity of 8.47 % in 2006 and 7.77 % in 2007. These rates of return are below the midpoint recommended by FPL's witnesses and are insufficient to support the needs of the Company and its customers. For these and other reasons detailed in the testimony and exhibits of FPL's witnesses filed with this petition, FPL is respectfully requesting an increase in rates, charges, and adjustment factors that will produce an increase in total annual revenues of $430,198,000 beginning January 1, 2006 (consisting of a base rate increase in the amount of $384,580,000 and a net shift from base rates to the Capacity Clause of $45,618,000), and $122,757,000 beginning 30 days following the commercial in-service date of Turkey Point Unit No. 5 projected for June 2007. The requested increases will provide FPL with a reasonable opportunity to earn a fair rate of return on the Company's investment in property used and useful in serving the public, including a range of return on the Company's common equity capital of 11.30% to 13.30%, with a midpoint of 12.30%.[2]

Request For Permanent Relief

13. FPL is currently operating under a revenue-sharing plan resulting from a stipulation approved by the Commission in Order No. PSC-02-0501-AS-EI, dated April 11, 2002

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[2] This range and midpoint assumes no material deviation in the Commission's existing approach to the recovery of storm restoration costs: the establishment of a reserve amount sufficient to cover some but not all storm events, and the recovery of prudent and reasonable costs in excess of the Storm Damage Reserve.

(the "Stipulation and Settlement"). The Stipulation and Settlement provides that the Company will not seek an increase in base rates that would take effect before January 1, 2006. FPL's Request is consistent with the Stipulation and Settlement.

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

15. As a result, the test year used in preparing this case will match projected revenues with the projected costs of service and investment required to provide customers with service during the period following the expiration of the current revenue sharing agreement. The test year will more accurately depict the conditions FPL will face during the first twelve months new

rates will be in effect than would a test year based on a historical period that does not include the new investment associated with the new capital additions. As part of this petition, FPL seeks the Commission's approval of the projected January 1, 2006 through December 31, 2006 test year as a reasonable representation of the Company's expected future operations.

16. Despite the continuing efforts on the part of FPL's management and employees to control and reduce expenses, maintaining adequate and reliable service will require substantial additional investment. The Company has added significant generating resources to its system since 1985 without the need for any retail base rate increases and despite having implemented $600 million in annual base rate reductions in recent years. However, to meet the needs of its customers, from 2002 to 2007 the Company is adding generation resources at a much faster rate, due in part to the incremental reserve margin requirements approved by the Commission in Order No. PSC-99-2507-S-EU, issued December 22, 1999.[3] The Company cannot continue to absorb future capacity additions under its current rate structure without incremental revenues to cover the associated capital and non-fuel O&M requirements, even though such additions are determined to be the low cost resource options.

17. From 1986 through 2007, FPL has added or will have added approximately 8,000 MW of generation. During the first seventeen years of this period (1986 – 2002), FPL added 4,000 of those 8,000 MW, representing an average of only 235 MW per year. Customer demand grew at a higher rate during this time, but the Company was able to meet incremental load requirements through productivity, reliability and capacity improvements in its existing

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

generating fleet (resulting in real savings to customers), and through purchased power, the costs of which were immediately reflected incrementally in Fuel and Capacity Clause factors. FPL will not be able to continue meeting such a large portion of its incremental load requirements through such measures. Indeed, FPL will add nearly 4,000 MW of low cost generating capacity during the five-year period following 2002, the year in which base rates were last set. This represents an average addition of nearly 800 MW per year, or more than three times the rate of the prior seventeen years. FPL cannot continue to add such significant generating capacity at existing base rate levels--rates that are lower today than they were in 1985, the last time FPL's base rates were increased.

18. FPL is facing other substantial capital requirements as well. Significant investment will be required to maintain FPL's nuclear units, ensuring the continued operation of these important, base-load generating units and the provision of low-cost energy through the end of their current operating licenses, and preserving the option to extend such operations into the future. Specifically, by the end of 2007 FPL will have incurred more than $520 million in capital expenditures in connection with the steam generator and reactor vessel head replacements. More than $210 million of that amount is expected to be placed in service during 2004 and 2005. In addition, significant investments in new T&D infrastructure will be required for FPL to continue to meet its obligation to serve at the high degree of reliability customers expect. Excluding storm restoration expenditures associated with Hurricanes Charley, Frances, and Jeanne, annual T&D capital expenditures are anticipated to be on the order of approximately $700 million, which by comparison is similar in magnitude to the investment required to add a new power plant each and every year.

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

20. Within a short span of six weeks, Hurricanes Charley, Frances, and Jeanne inflicted extensive damage throughout a large portion of FPL's service territory. The extraordinary 2004 storm season required an unprecedented effort, in some instances resulting in portions of FPL's infrastructure having to be completely rebuilt--a time, labor, and materials-intensive effort. The restoration costs associated with these three hurricanes have exceeded the Company's Storm Damage Reserve balance and, at current accrual levels, the Storm Damage Reserve balance would not be expected to reach adequate levels for many years, if ever. FPL projects the need to increase the annual accrual to the Storm Damage Reserve by approximately $100 million in order to rebuild and maintain a reasonable reserve to respond to upcoming and future storm seasons. This projection does not include recovery of the current deficit balance in the Storm Damage Reserve and, as noted previously, is predicated upon no material change in

the Commission's existing approach to the recovery of storm restoration costs. To the extent the outcome in Docket No. 041291-EI results in costs being addressed in a way that provides or would allow for base rate recovery, or otherwise represents a departure from the Commission's existing approach to cost recovery, as understood and outlined by FPL in that proceeding, FPL's request for base rate relief in this docket necessarily would be adjusted accordingly.

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

22. Though only a partial listing of incremental costs the Company will face over the next few years, the estimated revenue requirement impacts of the major factors described above are substantial. The Company's jurisdictional 13-month average rate base for the period ended December 31, 2006 is projected to be $12.4 billion. FPL's jurisdictional net operating income for the same period is projected to be $783 million using the Company's rates currently in effect. The resulting adjusted jurisdictional rate of return on average rate base is projected to be 6.31%, while the return on common equity is projected to be 8.47% for the test year. In this case, the Company requests that it be allowed an overall rate of return of 8.22%, which equals FPL's total cost of capital, including a range of return on common equity of 11.30% to 13.30%, with a midpoint of 12.30%. This range and midpoint include a performance incentive of 50 basis points in recognition of the Company's superior overall performance and to encourage continued performance achievements. The total resulting base revenue deficiency in 2006 is $384,580,000. However, this amount assumes certain adjustments between base rates and FPL's Fuel and

Capacity Clauses, resulting in a net shift of $45,618,000 from base rates to the Capacity Clause as described below.

23. In connection with its request, FPL proposes certain Company adjustments to the 2006 test year net operating income ("NOI"). The proposed Company adjustments are described by Mr. Davis in his testimony and summarized on page 3 of MFR C-2, Document No. KMD-3. Three of those adjustments relate to the Fuel and Capacity Clauses. Specifically, FPL proposes: (1) to transfer its 2006 projected incremental power plant security costs from Capacity Clause recovery to base rate recovery; (2) to transfer to the Capacity Clause certain St. Johns River Power Park ("SJRPP") capacity costs and certain capacity revenues that are currently embedded in base rates; and (3) to transfer its 2006 projected incremental hedging costs from Fuel Clause recovery to base rate recovery. The NOI impact of these transfers, respectively, are a $6,682,000 reduction to NOI, $34,980,000 increase to NOI, and a $134,000 reduction to NOI, as reflected in MFR C-2. The net impact of these three adjustments is to transfer the recovery of costs from base rates to the Capacity Clause that, if the adjustments were not made and the costs were recovered instead through base rates, would reduce FPL's test year NOI by $28,164,000, yielding an additional $45,618,000 of test year revenue requirements. Adding those additional revenue requirements to FPL's requested revenue increase of $384,580,000 would result in the total revenue increase of $430,198,000 referenced above and set forth in Mr. Davis' Document No. KMD-4. The specific dollar amounts related to these adjustments for which FPL is requesting base rate recovery are: $11,032,121 for incremental security, as reflected in MFR C-43, and $496,485 are incremental hedging costs as reflected in MFR C-42. The specific dollar amount related to the SJRPP adjustment for which FPL is requesting Capacity Clause recovery is $56,945,592, as explained in FPSC Order No. PSC-94-1092-FOF-EI. The adjustments relating

to security and hedging costs would be such that FPL thereafter would seek to recover through the Capacity Clause only incremental power plant security costs that exceed $11,032,121 in a calendar year, and through the Fuel Clause, only incremental hedging costs that exceed $496,485 in a calendar year.

24. The depreciation rates used in FPL's 2006 test year are the result of a depreciation study that was filed in March 2005 to satisfy the requirements of Order No. PSC-02-1103-PAA-EI and to comply with Rule 25-6.0436, F.A.C. FPL requests that the Commission recognize the effect on the 2006 test year results of any adjustment(s) that it makes to the depreciation study. FPL intends to file a new nuclear decommissioning study in 2005, but it has based the 2006 test year on the decommissioning expense accrual approved in Order No. PSC-02-0055-PAA-EI. If the Commission completes its review of the new decommissioning study before FPL's base rates are determined in this proceeding, FPL would support an adjustment, as necessary, to the test year nuclear decommissioning accrual.

25. FPL's request includes a performance incentive of 50 basis points based on its impressive record of providing safe and reliable electric service. As explained in greater detail in the testimony of FPL's witnesses attached hereto and incorporated by reference herein, FPL's performance levels generally have been well above industry averages and in many cases have been among the highest in the industry. At the same time, FPL avoided an increase in base rates for more than twenty years by successfully managing costs and achieving operational efficiencies. As presented in the testimony of FPL's Chief Financial Officer, Moray Dewhurst, a performance incentive serves to support and encourage FPL management's long-term efforts to continue improvement in quality of service and efficiency of operations, and sends an appropriate signal to public utilities in the state of Florida that superior performance will be

recognized and rewarded. Such an approach is consistent with the Commission's authority and also its past policy and practice. In setting rates, the Commission may "give consideration, among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public." Section 366.041(1), F.S., 2004. In consideration of such factors, a 50 basis point performance incentive added to the Company's midpoint and authorized range is appropriate.

2007 Limited Scope Adjustment

26. Although FPL proposes 2006 as the test year, FPL also requests an additional base rate increase in 2007 upon commercial operation of Turkey Point Unit 5 in 2007, for which the Commission recently made an affirmative determination of need in Order No. PSC-04-0609-FOF-EI, issued June 18, 2004, in Docket No. 040206-EI. Pursuant to the Commission's authority made explicit in Section 366.076, Florida Statutes, as well as Rule 25-6.0425, Florida Administrative Code, FPL is requesting approval of a limited scope adjustment to begin 30 days following the commercial in-service date of Turkey Point Unit 5, projected for June 2007, to allow FPL to generate incremental annual revenue requirements in the amount of $122,757,000.

27. FPL proposes to base the amount of the adjustment on the annualized incremental revenue requirements for Turkey Point Unit 5 of $122,757,000; the expected impact in 2007 due to only a partial year of commercial operations is $66,096,000, based on an in-service date of June 1, 2007. This adjustment is a conservative proxy for the full increase in revenue requirements that FPL expects for 2007 and beyond because it does not take into account increases in other costs of service. However, FPL is prepared to accept this partial measure of additional rate relief in the interest of administrative efficiency, limiting the necessary regulatory review to the relatively narrow issue of Turkey Point Unit 5's revenue requirements. This will

avoid burdening customers and the Commission, as well as FPL, with the time and expense of a full 2007 revenue requirements proceeding. Further, such limited review is consistent with the Commission's authority under Section 366.076, Florida Statutes, and Rule 25-6.0425, Florida Administrative Code, as well as past Commission action in proceedings that addressed the additional costs associated with power plants scheduled to be placed in service shortly after the effective date of new rates.

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

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

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

and other adjustments outlined below. Each of these proposals is presented in the testimony and exhibits of Rosemary Morley and reflected in the supporting MFRs and schedules, the descriptions and details of which are incorporated herein by reference.

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

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

32. In connection with its request for base rate increase, FPL also proposes the adoption of three new optional rates, including two time-of-use ("TOU") rates available to commercial/industrial customers with at least 21 kW of billing demand. A High Load Factor

TOU rate will provide a cost-based rate that is attractive to higher load factor customers while also providing a time-differentiated price signal. A Seasonal Demand TOU rate will provide a time-differentiated rate with a narrower on-peak window than that specified under the standard TOU rates. The third rate proposed by FPL is a General Service Constant Use rate for small commercial customers with a relatively constant high load factor usage which sets them apart from other GS-1 customers. These proposed new optional rates and their intended application and effect are described in more detail by Ms. Morley in her testimony. Tariff sheets applicable to these three new rates are included in Attachment No. 1 of MFR E-14.

33. FPL also proposes to close the existing Premium Lighting rate schedule PL-1, and replace it with a Decorative Lighting rate schedule, SL-3. SL-3 is very similar to PL-1, with the most notable exceptions being the elimination of certain payment options that are not typically selected by customers, and the use of generic rather than specific project estimates to reduce the time and resources required to administer this schedule. In addition, FPL is proposing to close rate schedule WIES-1 to new delivery points effective January 1, 2006, and to transfer existing customers to other rate schedules by January 1, 2007. The schedule has failed to produce the aggregate threshold energy usage set forth in tariff sheet 8.120.

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

35. FPL's proposed rates and rate design also include measures that will address the differences between the rates of return ("ROR") achieved for the various rate classes. Ideally, the revenue for each individual rate class would be set at a level that results in a rate of return index of 100%, i.e., the ROR for each rate class would be equivalent to the overall ROR for the Company. However, that is currently not the case. The RORs for some rate classes are higher than the overall ROR for the Company, while the RORs for other rate classes are much lower than the overall ROR. This proceeding provides an opportunity to effect a substantial reduction in those differences.

Supporting Documents

36. FPL attaches and incorporates herein by reference appropriate tariff sheets, including new rate schedules designed to produce the additional revenue sought by this petition and needed to give the Company a realistic opportunity to earn a fair and reasonable rate of return beginning January 1, 2006, and again, 30 days following the commercial in-service date of Turkey Point Unit 5 in 2007. Such tariff sheets and schedules are attached to MFR E-14 and to 2007 Turkey Point Unit 5 Adjustment Schedule E-14. The Company respectfully requests that the Commission consent to these rate schedules going into operation beginning on January 1, 2006, and 30 days following the commercial in-service date of Turkey Point Unit 5, as applicable.

37. If consent to the operation of all or any portion of the new rate schedules has not been given by the Commission or if a final decision on this petition has not been entered by the Commission within eight months from this filing, FPL understands that such new rates, or any portion thereof not consented to, would automatically go into effect on December 22, 2005 in accordance with Section 366.06(3), Florida Statutes (2004). However, because of provisions in

the Stipulation and Settlement, FPL is only asking that the new rates attached to MFR E-14 go into effect by operation of Section 366.06(3), Florida Statutes, on January 1, 2006. FPL acknowledges that operation of all or a portion of the attached rate schedules beginning January 1, 2006 would be subject to refund pending completion of the hearings and final decision by the Commission on the permanent relief requested in this petition. FPL is willing to post bond or corporate undertaking, as the Commission may determine to be appropriate, for the protection of the Company's customers. FPL is prepared to keep an accurate detailed account of all amounts received by reason of such increase, specifying by whom and on whose behalf such amounts were paid.

38. FPL is also filing simultaneously with this petition, and as a part hereof, MFRs containing the information required by Rule 25-6.043(1)(b), Florida Administrative Code. Pursuant to Rule 25-6.043(1), Florida Administrative Code, FPL has compiled the MFRs by following the policies, procedures and guidelines prescribed by the Commission in relevant rules and/or in the Company's last rate case. Also included with this petition are two sets of schedules for 2007, showing FPL's proposed adjustment to reflect the addition of Turkey Point Unit 5 in commercial service on June 1, 2007, and FPL's calendar year forecast results. Additionally, the supporting testimony and exhibits of FPL's witnesses are being pre-filed contemporaneously with this petition (and incorporated herein, and made a part hereof, by this reference) so that the Commission will have immediate opportunity for the review of the Company's case. Based on such review and within the statutory 60-day suspension period provided by Section 366.06(3), Florida Statutes (2004), the Commission will be able to give its informed consent to operation of the relevant portion of the proposed new rates effective on January 1, 2006, and 30 days following the 2007 in-service date for Turkey Point Unit 5.

Conclusion

WHEREFORE, for the above and foregoing reasons, Florida Power & Light Company respectfully petitions the Florida Public Service Commission to:

(1) Accept this filing for final agency action;

(2) Set an early hearing for purposes of granting permanent relief, and entering its decision on or before December 1, 2005, in accordance with controlling statutes and court decisions, so as to adequately protect the financial integrity of the Company by giving it a reasonable opportunity to earn such fair rate of return as may be fixed by the Commission in this proceeding;

(3) Find and determine that the Company's present rates are insufficient to yield a fair rate of return beginning January 1, 2006, that a further base rate increase is appropriate 30 days following the commercial in-service date of Turkey Point Unit 5;

(4) Authorize the Company to revise and increase its base rates and charges to generate additional gross revenues of $384,580,000 and a net shift from base rates to the Capacity Clause of $45,618,000, on an annual basis beginning January 1, 2006, so that FPL will have an opportunity to earn a fair overall rate of return, including a rate of return of 12.30% percent on common equity capital, thereby maintaining the Company's financial integrity and its ability to serve the public adequately and efficiently, approving the relevant tariff sheets and rate schedules included herein and made part hereof;

(5) Approve the following transfers between base rates and the Fuel and Capacity Clauses:

a. recovery in base rates of $11,032,121 of incremental power plant security costs commencing January 1, 2006, such that FPL thereafter may seek to recover through the Capacity Clause only incremental power plant security costs that exceed $11,032,121 in a calendar year;

b. recovery in base rates of $496,485 of incremental hedging costs commencing January 1, 2006, such that thereafter FPL may seek to recover through the Fuel Clause only incremental hedging costs that exceed $496,485 in a calendar year; and

c. recovery in the Capacity Clause of certain SJRPP capacity costs and certain capacity revenues in the net amount of $56,945,592 that are currently recovered in base rates pursuant to Order No. PSC-94-1092-FOF-EI, commencing January 1, 2006.

(6) Allow FPL to revise and increase its retail base rates and charges to generate additional incremental gross revenues of $122,757,000 beginning 30 days following the commercial in-service date of Turkey Point Unit 5 in 2007, to recognize the significant cost impacts associated with the addition of that unit, and to mitigate the need for further rate relief in 2007, a process that would be largely duplicative of the current proceeding, approving the relevant tariff sheets and rate schedules included herein and made part hereof;

(7) Authorize recovery, through the true-up mechanism of a future Fuel Clause proceeding, of the under-recovered dollar amount for Turkey Point Unit 5 attributable to the timing differences between ceasing the accrual of AFUDC upon commercial operation of the unit and the initial billing and meter reading cycles to which the 2007 Turkey Point Adjustment will apply;

(8) Authorize FPL to revise and increase its rates and charges, on the same dates and incremental to the requests set forth in this Petition, by such amounts as are necessary to reflect the outcome in Docket No. 041291-EI to the extent such outcome results in costs being addressed in a way that provides or would allow for base rate recovery, or otherwise represents a

departure from the Commission's existing approach to storm restoration cost recovery, as understood and outlined by FPL in that proceeding; and

(9) Grant to the Company such other and further relief as the Commission may find to be reasonable and proper pursuant to the authority granted to the Commission under Chapter 366 of the Florida Statutes.

Respectfully submitted,

FLORIDA POWER & LIGHT COMPANY

President

R. Wade Litchfield
Natalie F. Smith
Attorneys for Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420

STATE OF FLORIDA

COUNTY OF PALM BEACH

Before the undersigned authority personally appeared Armando J. Olivera, who, being first duly sworn, states that he is the President of Florida Power & Light Company, is fully qualified and acting in that capacity, and is authorized to execute the foregoing petition for said company and to make this oath thereto; that the matters stated in said petition are true to the best of his knowledge and belief, and that insofar as they are derived from or depend on the knowledge of others, he verily believes them to be true.

A J Olivera

Armando J. Olivera

Sworn to and subscribed before me, the undersigned authority, this 7th day of March, 2005 by Armando J. Olivera, President of Florida Power & Light Company, who is personally known to me.

Elsa M. Akin

Notary Public, State of Florida at Large
My Commission Expires: ______

ELSA M. AKIN
MY COMMISSION # DD 222228
EXPIRES: October 12, 2007
Bonded Thru Notary Public Underwriters

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Hand Delivery and UPS Mail this 22nd day of March 2005, to the following:

Florida Public Service Commission
Cochran Keating, Esquire
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
Hand Delivery

Office of Public Counsel (05)
Harold McLean
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400
Hand Delivery

John W. McWhirter, Esq.
McWhirter Reeves, Davidson, Kaufman, & Arnold, P.A.
400 North Tampa Street, Suite 2450
Tampa, Florida 33602
Attorneys for the Florida Industrial Power Users Group
UPS Mail

Timothy J. Perry, Esq.
McWhirter Reeves, Davidson, Kaufman, & Arnold, P.A.
117 South Gadsden Street
Tallahassee, Florida 32301
Attorneys for the Florida Industrial Power Users Group
UPS Mail

Miami-Dade County Public Schools (*)
c/o Jaime Torrens
Dist. Inspections, Operations and Emergency Mgt.
1450 N.E. 2nd Avenue
Miami, Florida 33132
UPS Mail

D. Bruce May, Jr. (*)
Holland & Knight LLP
Post Office Drawer 810
Tallahassee, Florida 32302-0810
Attorneys for Miami-Dade County Public Schools
UPS Mail

By: ______________________
R. Wade Litchfield
Natalie F. Smith
Attorneys for Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420

"*" Indicates interested party