

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 050045-EI
FLORIDA POWER & LIGHT COMPANY**

MARCH 22, 2005

**IN RE: PETITION FOR RATE INCREASE BY
FLORIDA POWER & LIGHT COMPANY**

TESTIMONY & EXHIBITS OF:

JOHN H. LANDON

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3 **DIRECT TESTIMONY OF JOHN H. LANDON, PH.D.**

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6

7 **Q. Please state your name and business address.**

8 A. My name is John H. Landon, and my business address is Two Embarcadero
9 Center, Suite 1750, San Francisco, California, 94111.

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

11 A. I am a Managing Principal of Analysis Group, Inc. (Analysis Group), an
12 economic and business strategy consulting firm.

13 **Q. Please describe your educational background and professional experience.**

14 A. I received a B.A. degree with highest honors from Michigan State University with
15 a major in economics in 1964. I subsequently completed graduate school at
16 Cornell University, where I was awarded an M.A. in economics in 1967 and a
17 Ph.D. in the same field in 1969.

18

19 After leaving Cornell University, I served on the faculty of Case Western Reserve
20 University from 1968 to 1973, rising from the rank of assistant professor to
21 associate professor, and on the faculty of the University of Delaware from 1973 to
22 1977 as an associate professor. I taught regulatory economics, microeconomics,
23 industrial organization, antitrust economics, and economic forecasting.

1 After leaving the University of Delaware, I was employed by National Economic
2 Research Associates (NERA) from 1977 to 1997 first as a Senior Consultant, and,
3 eventually, as a Vice President, a Senior Vice President, and finally as a member
4 of the Board of Directors. I joined Analysis Group in March of 1997.

5

6 My curriculum vitae is attached to my testimony as Document No. JHL-2.

7 **Q. Please briefly outline your electric utility-related background.**

8 A. I studied regulatory economics both as an undergraduate (Michigan State with Dr.
9 Joel Dirlam) and as a graduate student (Cornell University with Dr. Alfred Kahn).
10 I was one of the graduate assistants who provided research assistance for Dr.
11 Kahn as he wrote his seminal work, *Economics of Regulation*. As a faculty
12 member at Case Western Reserve University and the University of Delaware, I
13 taught regulatory economics and authored or co-authored several articles and
14 book chapters focused on economic aspects of the electric utility industry.

15

16 In my more than 27 years of practice as an economic consultant, I have spent the
17 majority of my time on issues involving the application of economic principles to
18 the electric utility industry. I have participated in numerous projects addressing
19 economic and related antitrust issues before the Federal Energy Regulatory
20 Commission (FERC), the Nuclear Regulatory Commission (NRC), the Securities
21 and Exchange Commission (SEC), state regulatory commissions, and federal and
22 state courts.

1 **Q. Have you previously testified as an expert on the electric utility industry?**

2 A. Yes. I have testified on many occasions before state and federal courts and
3 regulatory agencies on a variety of matters relating to the electric utility industry.
4 These matters include: expense and service level benchmarking, merger benefits,
5 deregulation, affiliate relations, competition and market power, rate making,
6 performance-based regulation, transmission governance, demand-side
7 management, cost allocation and pricing.

8 **Q. Before which state regulatory commissions have you testified?**

9 A. I have provided testimony before the state regulatory commissions of Arkansas,
10 Arizona, California, Delaware, Florida, Illinois, Iowa, Louisiana, Maryland,
11 Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey,
12 New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Texas, Vermont, and
13 West Virginia.

14 **Q. Do you have experience benchmarking performance in the electric utility
15 industry?**

16 A. Yes. I have substantial experience in benchmarking operating, financial,
17 customer service, and other performance measures of electric utilities.

18
19 • Nevada Power & Sierra Pacific Power 2004 General Rate Case: I
20 benchmarked the companies' non-fuel operation and maintenance (O&M)
21 expenses against a comparable group of electric utilities. I also benchmarked
22 various measures of reliability and service quality against the companies' own
23 past performance.

1 • Central & Southwest Corporation/El Paso Electric: I developed external
2 benchmarks for projected expenses in several areas including production,
3 financing, labor, O&M, and corporate overhead. I provided testimony before
4 the FERC on the results of my benchmarking study.

5

6 • Tucson Electric v. Southern California Edison: I developed external
7 benchmarks for projected operating expenses.

8

9 • Bell Atlantic/GTE: I conducted a benchmarking study of expected operating
10 expenses. As part of this benchmarking study, I examined the financial
11 performance of several combined electric utilities. I testified before the
12 California Public Utilities Commission regarding the results of my
13 benchmarking study.

14

15 • I have reviewed actual or proposed performance benchmarks in Maryland,
16 Delaware, Illinois, Iowa, Virginia, Texas, Ohio, New Mexico, and
17 Massachusetts.

18 • I have written and testified on the role of vertical integration and economies of
19 scale and scope on performance.

20 **Q. Are you sponsoring an exhibit in this case?**

21 **A.** Yes. I am sponsoring an exhibit consisting of 18 documents, which are listed in
22 Document No. JHL-1.

1 **Q. What is the purpose of your testimony?**

2 A. I have been asked by Florida Power & Light (the Company or FPL) to:

- 3 • Advise FPL on the benchmarking of non-fuel O&M expenses, gross plant,
4 and service level measures, and assess the Company's operational and
5 financial performance relative to industry benchmarks.
- 6 • Review and comment on the benefits that have accrued to FPL's customers as
7 a result of the Company's demonstrated success in reducing costs.
- 8 • Evaluate FPL's overall balance of cost and service level performance.
- 9 • Review the testimony of Company witnesses who have sponsored
10 benchmarking and other comparative analyses of individual business unit
11 performance measures.

12

13

CONCLUSIONS

14 **Q. Please summarize your conclusions.**

15 A. Based upon my review, I have reached the following conclusions:

- 16 • The Company's comparisons of expense and service level performance
17 indicators are appropriate and correct, and the Company has benchmarked
18 these indicators in a consistent manner.
- 19 • The results of these comparisons demonstrate that FPL's costs are
20 significantly below industry averages and have been below them for many
21 years.

1 because total production costs vary based on the number of customers served,
2 among other factors, this financial measure must be normalized – transformed
3 into a common unit of measurement – before a meaningful comparison can be
4 made between the subject company’s performance and the performance of
5 companies in the benchmark group. For production costs, a commonly used
6 normalization measure is the total cost per unit of production. For a vertically
7 integrated electric utility such as FPL, a typical comparable measure would be
8 total cost per kWh sold. It is sometimes appropriate to compare costs in relation
9 to the number of customers served. In contrast to financial performance
10 measures, service level measures, such as availability factors or forced outage
11 rates, often are calculated in units of measurement that can be compared directly
12 across utilities without the need for any further normalization.

13
14 After a common basis of comparison has been established, it is necessary to
15 construct an appropriate panel of companies against which financial or service
16 level performance can be compared – the benchmark group. The criteria by
17 which companies are selected for inclusion in the benchmark group will depend
18 upon the objective of the benchmarking exercise. For example, one objective of a
19 benchmarking study may be to evaluate the Company’s performance relative to
20 the electric industry broadly. In this case, it is necessary to create a benchmark
21 group that is based on a meaningful screen for comparability and yet includes a
22 large number of companies. It also may be informative to compare the subject
23 company’s performance to additional benchmark groups comprised of fewer

1 companies who closely resemble the subject company in certain aspects. The
2 intent of FPL's benchmarking is to derive a high-level evaluation of the
3 Company's performance.

4 **Q. What was your role in the development of a benchmarking study of FPL's**
5 **costs?**

6 A. I was involved in the development of the Company's plans for conducting a
7 benchmarking study of non-fuel O&M expenses, and gross plant. Based on my
8 review of the Company's prior benchmarking analysis, I provided guidance to
9 FPL on the proper approach to benchmarking, including metrics, data sources,
10 and composition of the benchmark groups. I also evaluated the reasonableness of
11 the Company's service level benchmarks.

12 **Q. What was your role in evaluating the benchmarking studies of FPL's service**
13 **level measures?**

14 A. I have reviewed benchmarking studies of FPL's nuclear and fossil plant
15 operational performance and distribution system reliability. I also have evaluated
16 the reasonableness of benchmark studies of various service level measures that
17 appear in the testimony of other FPL witnesses.

18 **Q. Why is it important to benchmark both cost and service level performance?**

19 A. Because a certain level or quality of service has an associated cost, these two
20 components are interdependent. In evaluating one component, it is necessary to
21 assess the other as well. Customers benefit from high service levels. However, if
22 the expenses incurred to achieve such levels are too high, the benefits to
23 consumers from better service may be offset by the increased cost of service.

1 Similarly, although consumers will benefit from lower rates if costs are driven
2 down, if the cost reductions also result in inadequate service quality, the net result
3 may not benefit consumers.

4 **Q. What is the appropriate time frame in which to benchmark a company's**
5 **financial or operational performance?**

6 A. It is desirable to look at long-term trends in cost management and operational
7 performance, so as to minimize the effects of random events that are outside of
8 the utility's control that may affect a single year's results. A multi-year average is
9 a more reliable measure of long-term performance than a single-year observation.
10 FPL and the companies in the benchmark group are subject to random events that
11 affect their performance in any particular year. FPL has examined performance
12 over a six-year period starting with 1998, the year before FPL's first revenue
13 sharing plan. This provides an extended period during which the current
14 regulatory treatment of the Company has been in place.

15 **Q. Please describe the general structure of FPL's benchmarking analysis.**

16 A. The Company has benchmarked financial and service measures for the period
17 1998 through 2003. Although 2004 data are available for FPL, they generally are
18 not available for the benchmark companies at this time. Expense and other
19 financial data are obtained from the FERC Form 1. Data for the comparison
20 companies in the service level benchmarks are obtained from industry groups and
21 consulting firms that collect it. I discuss the results of the analyses in terms of
22 absolute and percentage differences between FPL and the benchmark groups.
23

1 I first discuss the results of the benchmarking of cost measures. I then discuss my
2 evaluation of the benchmarking of selected service level measures. These service
3 level measures are broad, high-level indicators of FPL's performance. Finally, I
4 comment on any additional benchmarks included in the testimony of other
5 Company witnesses.

6
7 **FPL'S COST PERFORMANCE**

8 *FPL's Non-Fuel Operation and Maintenance Expenses*

9 **Q. Have the Company's expense levels been benchmarked relative to other**
10 **utilities?**

11 A. Yes. FPL's total non-fuel O&M expenses have been compared to the non-fuel
12 O&M expenses of a benchmark group of electric utilities. Fuel and purchased
13 power expenses have been excluded from the O&M expense measure.

14 **Q. What criteria were used to construct the benchmark group?**

15 A. The proper analytical approach for a benchmarking study is to populate the
16 comparison group with firms that resemble the subject firm. To that end, all
17 electric utilities with more than 500,000 retail customers in 2003 are considered
18 comparable for the purpose of benchmarking total non-fuel O&M expenses. FPL
19 had 4.1 million retail customers in 2003. From this group, utilities were excluded
20 if a major divestiture of generation had occurred during the study period. The
21 resulting benchmark group contains 34 electric utility operating companies. It is
22 also useful in some instances to compare performance to alternative benchmark
23 groups based on different inclusion criteria, such as geography or a more narrow

1 definition of comparable scale. I discuss the results of alternative benchmark
2 comparisons for non-fuel O&M expenses, and the other financial measures that
3 have been benchmarked, later in my testimony. The benchmark groups for these
4 various comparisons are shown on my Document No. JHL-3.

5 **Q. What data were used in the expense benchmarking?**

6 A. For FPL and the benchmark group, expense data for the period 1998 through 2003
7 were collected from the publicly available expense data reported to the FERC
8 through the Form 1. All electric utilities subject to FERC jurisdiction are required
9 to report O&M expenses following standard accounting procedures. In addition
10 to data for the 1998-2003 period obtained from FERC, actual expense data for
11 2004 and forecasts for 2005-2007 also were available for FPL.

12 **Q. What are the results of the expense benchmarking?**

13 A. The benchmarking shows that FPL has been successful in reducing non-fuel
14 O&M expenses per customer between 1998 and 2003, and that it has performed
15 significantly better than the benchmark group in doing so.

16
17 FPL's total non-fuel O&M, normalized by the number of customers, declined
18 from \$315 in 1998 to \$303 in 2003. In contrast, the average non-fuel O&M
19 expenses per customer for the benchmark group increased from \$494 in 1998 to
20 \$539 in 2003. FPL's non-fuel O&M expenses per customer were 41% lower than
21 the benchmark group over that six-year period. Moreover, FPL's non-fuel O&M
22 expenses declined to \$291 per customer in 2004. These results are shown on my
23 Document No. JHL-4.

1 FPL's non-fuel O&M expenses per customer are consistently well below the
2 average for the comparison group throughout the six-year comparison period.
3 This large gap is strong evidence of FPL's consistent record of success in
4 controlling non-fuel O&M expenses, but it tends to obscure how FPL performed
5 relative to the benchmark group over just the six-year period of the analysis.
6 Therefore, in order to focus more on the relative change in non-fuel O&M
7 expenses per customer over the six-year period, FPL's non-fuel O&M expenses,
8 indexed to their 1998 levels, are compared to the indexed average for the
9 benchmark group. That is, the 1998 expenses for both FPL and the benchmark
10 group are shown as 100%, with the subsequent years as percentage changes from
11 those 1998 levels. My Document No. JHL-5 shows that FPL has outperformed
12 the benchmark group on this indexed basis. Whereas the average expense per
13 customer for the benchmark has risen above the 100% index, FPL's expense per
14 customer has remained steadily below 100%. In other words, the benchmark
15 group has seen its average non-fuel O&M expense per customer increase by 9.0%
16 between 1998 and 2003, while FPL's has declined by 3.7%. The Company's
17 indexed non-fuel O&M per customer fell again in 2004.

18
19 FPL's non-fuel O&M expenses also were compared to the benchmark group with
20 the expenses normalized on the basis of kWh sales rather than the number of
21 customers. Again, FPL compares very favorably. My Document No. JHL-6
22 shows that FPL's non-fuel O&M expenses per kWh declined 7.8%, from 1.36¢ in
23 1998 to 1.26¢ in 2003, while the benchmark group rose 10.9%, from 1.60¢ to

1 1.78¢ over that period. On average, FPL's non-fuel O&M expenses per kWh
2 were 22% lower than the benchmark group's over the six-year period. The
3 Company's non-fuel O&M per kWh fell slightly between 2003 and 2004.

4 **Q. Have you reviewed the trend in FPL's non-fuel O&M expenses before 1998?**

5 A. Yes. I have looked at the trend of non-fuel O&M expenses beginning in 1991, the
6 first year of the Company's major cost reduction initiative, and continuing
7 through 2004. The data demonstrate that the Company has achieved consistent
8 and substantial reductions in non-fuel O&M expenses over that period. Between
9 1991 and 2004, FPL's non-fuel O&M expenses per customer have fallen 31%,
10 which is 3% annually on a compounded basis.

11
12 FPL's success in reducing costs is all the more impressive inasmuch as the
13 Company has experienced very rapid growth over the same period. Between
14 1991 and 2004, FPL grew by 31%, adding almost 1 million new customers. As
15 Mr. Green mentions in his testimony, FPL has added 1.6 million customers over
16 the past 20 years. FPL's customer growth over the past two decades is equivalent
17 to the total customer base of some of the largest U.S. utilities and only 12 other
18 utilities had more than 1.6 million customers in 2003.

19 **Q. Has FPL forecasted non-fuel O&M expenses for 2006 and 2007?**

20 A. Yes. As part of the Company's filing in this rate case, it has forecasted total non-
21 fuel O&M expenses, total customers, and total kWh sales for 2006 and 2007.

1 **Q. How do FPL's forecasted non-fuel O&M expenses for 2006 and 2007**
2 **compare to the benchmark group in the last year for which data are**
3 **available?**

4 A. The most recent year for which data on the benchmark companies are available is
5 2003. FPL's per-customer and per-kWh non-fuel O&M forecasts for 2006 and
6 2007 are below the benchmark averages for 2003. This is shown on my Document
7 Nos. JHL-4 and JHL-6.

8 **Q. Have the benefits to FPL customers from the Company's cost reduction**
9 **efforts been quantified?**

10 A. Yes. Forecasts of FPL's total non-fuel O&M expenses were prepared as if the
11 Company (hypothetically) operated at the average expense level of the benchmark
12 group. For 2003, if FPL operated at the expense level of the average peer utility
13 in the benchmark group, the Company would have incurred additional non-fuel
14 O&M expenses of at least \$500 million, 40% more than actual 2003 expense
15 levels.

16
17 *FPL's Capital*

18 **Q. Has a measure of FPL's total capital investment been compared to the**
19 **capital investments of other utilities?**

20 A. Yes. In assessing the Company's overall financial performance, from the
21 customers' perspective, it is helpful to examine both non-fuel O&M and capital
22 costs. This is important because tradeoffs can be made between the two. For
23 example, a utility could choose to make greater capital investments that might

1 lower non-fuel O&M costs. Conversely, a utility that reduced its capital
2 expenditures might experience relatively higher non-fuel O&M costs.

3
4 For the period 1998 through 2003, FPL's total capital investment – as measured
5 by gross plant reported in the FERC Form 1 – normalized for number of
6 customers served and by kWh sold, was compared to a benchmark group
7 consisting of the same 34 utilities identified in the non-fuel O&M expense
8 benchmark exercise.

9 **Q. What are the results of the benchmarking of gross plant?**

10 A. FPL again compares very favorably to the benchmark group. My Document Nos.
11 JHL-7 and JHL-8 show, respectively, the gross plant per customer and gross plant
12 per kWh for FPL and the benchmark group over the period 1998-2003. FPL's
13 capital costs are consistently below the benchmark group throughout this period
14 by both measures. Between 1998 and 2003, FPL's average gross plant per
15 customer was approximately \$2,200 less than the benchmark average, a 30%
16 lower level of gross plant. Over the same period, FPL's average gross plant per
17 kWh sold was 1.37¢ (6%) lower than the benchmark average. This suggests that
18 the Company has been able to employ capital more efficiently, on average, than
19 the benchmark group. Moreover, FPL's gross plant per customer has increased
20 only 11.6% over the 1998-2003 period while the benchmark group experienced a
21 12.9% increase. Similarly, FPL's gross plant per kWh went up only 6.8% over
22 that period, compared to the benchmark group's 14.2% increase. The Company's

1 gross plant per customer fell 0.3% in 2004, to \$5,134; gross plant per kWh
2 increased 2.7% to 21.89¢.

3 **Q. Has FPL forecasted gross plant for 2006 and 2007?**

4 A. Yes. As part of the Company's filing in this rate case, it has forecasted gross
5 plant for 2006 and 2007.

6 **Q. How do FPL's gross plant forecasts for 2006 and 2007 compare to the
7 benchmark group in the last year for which data are available?**

8 A. The most recent year for which data on the benchmark companies are available is
9 2003. As one can see on my Document Nos. JHL-7 and JHL-8, FPL's 2006 and
10 2007 gross plant forecasts, on a per-customer and a per-kWh basis, are below the
11 benchmark averages for 2003.

12 **Q. Does FPL's O&M and gross plant benchmarking suggest a more efficient use
13 of capital?**

14 A. Yes. As I will discuss later in my testimony, the Company's benchmarking
15 indicates that it has improved service levels over the past several years and has
16 delivered a higher level of service, on average, than other comparable utilities. At
17 the same time, the Company has reduced both expense levels and capital costs
18 compared to its peers.

19

20 *Sensitivities*

21 **Q. Were any supplemental analyses conducted?**

22 A. Yes. To test the sensitivity of the benchmarking results to the composition of the
23 comparison group, three alternative benchmark groups were constructed.

1 To determine whether the Western energy crisis had any effect on the
2 benchmarking results, non-fuel O&M expenses and gross plant were compared to
3 a benchmark group of utilities with more than 500,000 customers, excluding all
4 utilities in the Western Electricity Coordinating Council (WECC) region. The
5 WECC is the westernmost of the 10 North American Electric Reliability Council
6 (NERC) regional reliability councils. The WECC covers 13 western U.S. states.
7 NERC is a non-profit organization that establishes voluntary reliability and
8 resource planning standards and monitors and enforces compliance with its
9 standards. NERC's members are the ten Regional Reliability Councils whose
10 members, in turn, come from all segments of the U.S. electric industry including
11 investor-owned utilities, federal and state power agencies, rural electric
12 cooperatives, and municipal utilities.

13
14 To determine if local or regional conditions such as the economy or geography
15 might influence the overall results, an additional benchmark group of regional
16 utilities that operate in the Southeast was created.

17
18 A third alternative benchmark group, comprised of holding companies with more
19 than 2 million customers in 2003, also was created to test whether the Company's
20 perceived scale economies may have biased the benchmark study. FPL had 4.1
21 million retail customers in 2003.

1 **Q. Please briefly describe the results of the sensitivity tests.**

2 A. The results of sensitivities based on the three alternative panels I have described
3 are shown on my Document Nos. JHL-9 through JHL-12. The results generally
4 are qualitatively identical to the underlying benchmark study. This demonstrates
5 that the results of the comparison of FPL's cost performance to the larger
6 benchmark group I discussed earlier in my testimony are reasonable and robust.

7

8 **FPL'S SERVICE LEVEL PERFORMANCE**

9 **Q. Were broad measures of service level benchmarked, in addition to the cost**
10 **benchmarking?**

11 A. Yes. As I discussed previously, to deliver the most value to the Company's
12 customers, FPL must achieve a balance between the costs incurred to provide
13 service and service quality. Although customers benefit from high service levels,
14 if the cost of service is too high the benefits to customers from better service may
15 be more than offset by the increased cost of service. Conversely, although
16 reduced costs will benefit customers through lower rates, if the cost reductions
17 also result in insufficient service quality, the net result may not benefit consumers.
18 In this section I discuss my review of the benchmarking of several high-level,
19 comprehensive service level measures. In a subsequent section I discuss my
20 review of service level benchmarking studies for specific functional areas that
21 appear in the testimony of several Company witnesses.

1 **Q. What service level benchmarking did you review?**

2 A. I reviewed the benchmarking of measures of generation reliability for FPL's
3 nuclear and fossil plants and the distribution System Average Interruption
4 Duration Index (SAIDI), a measure of distribution system performance. The
5 Company regularly uses these benchmark measures to evaluate the performance
6 of individual business units. Moreover, regulators, including the Florida Public
7 Service Commission, frequently use these (or comparable) benchmarks in their
8 evaluation of utility performance.

9

10 *Nuclear Generation Reliability and Performance*

11 **Q. What measures of nuclear plant reliability and operating performance did
12 you examine?**

13 A. I reviewed a benchmark study of operating performance as measured by the
14 World Association of Nuclear Operators (WANO) index. I also reviewed
15 benchmark studies of the unit capability factor and forced loss rate of FPL's
16 nuclear plants.

17 **Q. Please describe the results of FPL's benchmarking of the WANO index.**

18 A. WANO is a non-profit, non-regulatory organization comprised of every
19 organization in the world that operates a nuclear electricity generating plant.
20 WANO's objectives include improving nuclear plant safety, reliability and
21 performance levels. The WANO index is a composite of several individual
22 performance measures tracked by WANO. FPL's WANO index score was
23 benchmarked against a comparison group comprised of all U.S. nuclear

1 generation plants with two or more units, between 1998 and 2003. The multiple-
2 unit screen on the benchmark group is more stringent because multiple-unit
3 nuclear facilities tend to perform better than single unit facilities for many
4 reasons. For example, multiple-unit sites can enjoy greater economies of scale
5 than single unit sites. In addition, multiple-units at the same site may enable the
6 utility to more readily learn about and improve operating practices. The following
7 results are shown graphically on my Document No. JHL-13.

8
9 The WANO index is measured on a percentage point scale. The value that
10 indicates best performance is 100%. The Company's nuclear plants have
11 performed much better than the benchmark group throughout the study period, as
12 measured by the WANO index. For example, FPL's 2003 WANO score was
13 95.6%, 4.9% better than the benchmark average of 91.1%. Over the most recent
14 three-year period, 2001-2003, FPL's average WANO score was 98.1%, 6.8%
15 better than the benchmark average of 91.9%. Over the full study period, 1998-
16 2003, FPL's average WANO score was 97.5%, 7.3% better than the benchmark
17 average of 90.9%. For every year during the period 1998-2003, FPL's WANO
18 score was between 4.5 and 9.9 percentage points better than the benchmark
19 average.

20
21 As Mr. Stall discusses in his testimony, FPL's nuclear plants recently have
22 experienced challenges that have negatively impacted the Company's WANO
23 index in the 2003-2004 period. Nevertheless, the Company's WANO score

1 improved slightly in 2004, to 95.7%. Mr. Stall compares the WANO scores of
2 FPL's individual nuclear units to other comparable units that have faced similar
3 challenges. He concludes that the Company's performance is comparable to other
4 utilities facing similar challenges.

5 **Q. Please describe the results of FPL's benchmarking of the nuclear unit**
6 **capability factor.**

7 A. FPL benchmarked the aggregate unit capability factor of its nuclear plants against
8 a benchmark group comprised of all regulated U.S. nuclear generation plants.
9 The source of FPL's data for the benchmark group was the Institute of Nuclear
10 Power Operations (INPO). INPO is a non-profit, non-regulatory industry
11 organization that collects cost and performance data for electric utilities. All U.S.
12 organizations that operate commercial nuclear power plants are INPO members.
13 The following results are shown graphically on my Document No. JHL-14.

14
15 The unit capability factor is measured on a percentage point scale. The value that
16 indicates best performance is 100%. The unit capability factor benchmark
17 indicates that FPL's nuclear plants have performed better than other utilities. The
18 unit capability factor for FPL's nuclear plants was 91.5% in 2004, whereas the
19 benchmark average was 90.3%. Over the most recent three-year period, 2002-
20 2004, FPL's average nuclear unit capability factor was 92.5%, whereas the
21 benchmark average was 90.0%. Over the 7-year study period, 1998-2004, FPL's
22 average unit capability factor was 92.4%, whereas the benchmark average was

1 87.0%. For every year during the period 1998-2004, FPL's unit capability factor
2 was between 1.1 and 14.1 percentage points above the benchmark average.

3 **Q. Please describe the results of FPL's benchmarking of the nuclear forced loss**
4 **rate.**

5 A. FPL benchmarked the aggregate forced loss rate of its nuclear plants against a
6 benchmark group comprised of all regulated U.S. nuclear generation plants,
7 between 1999 and 2004. The source of FPL's data for the benchmark group was
8 INPO. Data for the benchmark group for 1998 were not available. The following
9 results are shown graphically on my Document No. JHL-15.

10
11 The forced loss rate is measured on a percentage point scale. The value that
12 indicates best performance is 0%. The Company's nuclear forced loss rate
13 compares very favorably to the benchmark group. The forced loss rate for FPL's
14 nuclear plants was 2.2% in 2004, whereas the benchmark average was 2.3%.
15 Over the most recent three-year period, 2002-2004, FPL's average nuclear forced
16 loss rate was 1.6%, whereas the benchmark average was 2.5%. Over the full
17 study period, 1999-2004, FPL's average forced loss rate was 1.4%, whereas the
18 benchmark average was 3.7%. For every year during the period 1999-2004, FPL's
19 forced loss rate was between 0.1 and 5.2 percentage points below the benchmark
20 average.

21

1 *Fossil Generation Reliability and Performance*

2 **Q. What measures of reliability and operating performance did FPL use for its**
3 **fossil plants?**

4 A. FPL benchmarked the Equivalent Availability Factor (EAF) and the Equivalent
5 Forced Outage Rate (EFOR) of its fossil plants.

6
7 **Q. Please describe the results of FPL's benchmarking of the fossil EAF.**

8 A. Because there are efficiencies of scale and scope, and a large comparison group is
9 more reliable, FPL benchmarked the aggregate EAF of its fossil plants, weighted
10 by capacity, against a benchmark group comprised of all U.S. utilities with more
11 than 5,000 MW of owned capacity and an aggregate capacity factor greater than
12 25%. The EAF excludes maintenance outages. The source of FPL's data for the
13 benchmark group was NERC. The following results are shown graphically on my
14 Document No. JHL-16.

15
16 The EAF is measured on a percentage point scale. The value that indicates best
17 performance is 100%. FPL's fossil plants demonstrated superior performance,
18 relative to the benchmark group. The EAF for FPL's fossil plants was 90.1% in
19 2003, whereas the benchmark average was 84.9%. Over the most recent three-
20 year period, 2001-2003, FPL's average fossil EAF was 92.8%, whereas the
21 benchmark average was 85.3%. Over the full study period, 1998-2003, FPL's
22 average EAF was 93.3%, whereas the benchmark average was 85.1%. For every
23 year during the period 1998-2003, FPL's EAF was between 5.2 and 9.5

1 percentage points above the benchmark average. The Company's fossil EAF
2 improved in 2004 to 93.7%.

3 **Q. Please describe the results of FPL's benchmarking of the fossil EFOR.**

4 A. FPL benchmarked the aggregate, capacity-weighted EFOR of its fossil plants
5 against a benchmark group comprised of the same U.S. utilities used in the EAF
6 benchmark. The following results are shown graphically on my Document No.
7 JHL-17.

8
9 The EFOR is measured on a percentage point scale. The value that indicates best
10 performance is 0%. Similar to the fossil EAF benchmark, FPL's fossil EFOR
11 compared very favorably to the comparison group. The EFOR for FPL's fossil
12 plants was 3.0% in 2003, whereas the benchmark average was 8.7%. Over the
13 most recent three-year period, 2001-2003, FPL's average fossil EFOR was 2.3%,
14 whereas the benchmark average was 8.1%. Over the full study period, 1998-
15 2003, FPL's average EFOR was 2.1%, whereas the benchmark average was 8.2%.
16 For every year during the period 1998-2003, FPL's EFOR was between 5.3 and
17 6.9 percentage points below the benchmark average. The Company's fossil
18 EFOR improved in 2004 to 1.1%.

19

20 *Distribution System Reliability*

21 **Q. What measure of distribution system reliability did FPL benchmark?**

22 A. FPL benchmarked SAIDI, which is a comprehensive measure of customers'
23 average annual outage time. SAIDI captures both the duration and frequency of

1 interruption, or total number of minutes of interruptions, experienced by a typical
2 customer.

3 **Q. Please describe the results of FPL's benchmarking of SAIDI.**

4 A. FPL compared its SAIDI measures against a benchmark group comprised of all
5 U.S. utilities responding to the Edison Electric Institute's Distribution Reliability
6 Survey. The following results are shown graphically on my Document No. JHL-
7 18.

8
9 The unit of measurement for SAIDI is the total annual duration of service
10 interruptions, measured in minutes, experienced by the average customer. FPL
11 has demonstrated considerably higher distribution reliability, as measured by
12 SAIDI, relative to the comparison group. FPL's SAIDI was 68.2 minutes in
13 2003, whereas the benchmark average was 137.8 minutes. Over the most recent
14 three-year period, 2001-2003, FPL's average SAIDI was 68.7 minutes, whereas
15 the benchmark average was 140.9 minutes. Over the full study period, 1998-
16 2003, FPL's average SAIDI was 75.3 minutes, whereas the benchmark average
17 was 124.9 minutes. In 1998 FPL's SAIDI was 1.2 minutes shorter than the
18 benchmark average. For every year during the period 1999-2003, FPL's SAIDI
19 was between 35.6 and 83.5 minutes shorter than the benchmark average. FPL's
20 SAIDI also has improved by 32% over the study period. The Company's SAIDI
21 score rose slightly in 2004, to 69.7 minutes.

1 **Q. Are FPL's SAIDI results affected by anomalies caused by unique local**
2 **conditions or random localized events?**

3 A. FPL is a very large and diverse system. Thus the impact of a localized random
4 event in the FPL service territory is unlikely to affect the Company's aggregate
5 performance. Moreover, the design of FPL's benchmarking analysis limits the
6 impact of localized random events in several ways. First, as I mentioned earlier,
7 performance is evaluated over a multi-year period. Second, the benchmark group
8 contains a large number of utilities. For example, EEI reported that it gathered
9 reliability data on 68 utilities for the 2003 survey. Given the large number, the
10 impact of a localized random event in one of the benchmark companies' service
11 territories is unlikely to affect the performance of the comparison group.

12

13 **ADDITIONAL BENCHMARKING INCLUDED IN TESTIMONY OF OTHER FPL WITNESSES**

14 **Q. Did you review benchmarking studies conducted by other FPL witnesses?**

15 A. Yes. I reviewed the benchmarking studies presented in the testimonies of Mr.
16 Stall, Mr. Yeager, Ms. Williams, Ms. Santos, and Mr. Escoto.

17 **Q. Please discuss your evaluation of Mr. Stall's testimony.**

18 A. In his testimony, Mr. Stall discusses the operating, safety, and financial
19 performance of FPL's nuclear units. He benchmarks several operational and
20 safety measures against the performance of other U.S. nuclear plants, as compiled
21 by INPO and NERC.

22

1 Mr. Stall has relied on publicly available data from trusted sources, including
2 INPO and NERC, to construct his benchmark groups. In my opinion Mr. Stall's
3 analysis and the conclusions he draws are reasonable and reliable.

4 **Q. Please discuss your evaluation of Mr. Yeager's testimony.**

5 A. Mr. Yeager testifies on several topics, including the operating and safety
6 performance of FPL's fossil-fuel units. In evaluating the operating performance
7 of FPL's fossil units, he reports the results of the fossil EAF and EFOR
8 benchmarking study I discussed previously in my testimony. Mr. Yeager also
9 compares FPL's aggregate fossil heat rate against a benchmark group, compiled
10 by Platts. To evaluate the safety performance of FPL's fossil plants, Mr. Yeager
11 compares the OSHA recordable injury rate for the Company's fossil operations to
12 an industry average for other utilities' fossil operations that is compiled by EEI.
13 Based on the results of his benchmarking, Mr. Yeager concludes that since 1998
14 the operating and safety performance of FPL's fossil plants consistently has
15 exceeded industry averages.

16
17 Mr. Yeager has relied on publicly available data from trusted sources, including
18 NERC, EEI, and Platts, to construct his benchmark group. In my opinion Mr.
19 Yeager's analysis and the conclusions he draws are reasonable and reliable.

20 **Q. Please discuss your evaluation of Ms. Williams' testimony.**

21 A. Ms. Williams' testimony addresses the performance of FPL's distribution system,
22 workplace safety, and customer service. In her evaluation of FPL's distribution
23 system reliability, Ms. Williams compares the Company's SAIDI against the EEI

1 benchmark group that I discussed earlier in my testimony. She also reviews the
2 historic performance of other distribution reliability measures. Ms. Williams
3 concludes that FPL's SAIDI is better than the peer group average and distribution
4 reliability has improved over the past several years.

5
6 In my opinion, Ms. Williams' benchmarking and the conclusions she draws are
7 reasonable and reliable.

8 **Q. Please discuss your evaluation of Ms. Santos' testimony.**

9 A. Ms. Santos' testimony covers FPL's customer service business unit. She reports
10 that FPL's call center and customer care center have been recognized for
11 operational excellence in independent, third-party studies conducted by a
12 university research group and a consultancy. In her testimony, Ms. Santos also
13 describes the results of the 2004 PA Consulting benchmarking study, which was
14 based on 2003 year ending data and consisted of 35 electric and gas utilities. For
15 four of the metrics cited in the testimony – average speed of answer, call
16 abandonment rate, cost per call, and write-off rate – FPL performed much better
17 than the group average.

18
19 Ms. Santos has reported the results of an independent, third-party benchmarking
20 study of FPL's customer service performance. I have reviewed the PA
21 Consulting study and consider it reasonable and reliable. In my opinion Ms.
22 Santos' analysis and the conclusions she draws are reasonable and reliable.

1 **Q. Please discuss your evaluation of Mr. Escoto's testimony.**

2 A. Mr. Escoto's testimony covers the Company's compensation and benefits
3 expenses. In his testimony, Mr. Escoto compares the growth of FPL's total
4 compensation in recent years, including payroll and benefits, to the Consumer
5 Price Index (CPI) and World at Work market index. In addition, Mr. Escoto
6 compares several measures of FPL's compensation, including total salary &
7 wages, cash compensation, and total benefits to benchmark groups of other
8 utilities. Mr. Escoto finds that the growth rate of FPL's total compensation was
9 lower than that of the two indices and that various measures of the Company's
10 compensation compare very favorably to other comparable utilities.

11

12 Mr. Escoto has compared FPL's compensation expenses to several publicly
13 available data sources, including data published by the U.S. government. In my
14 opinion Mr. Escoto's analysis and the conclusions he draws are reasonable and
15 reliable.

16

17

SUMMARY

18 **Q. Please summarize your testimony.**

19 A. I have conducted an independent review of the Company's benchmarking studies.
20 I find FPL's benchmarking approach to be reasonable and the conclusions drawn
21 from the results reliable. Across many measures of operational performance, the
22 Company's benchmarking demonstrates that it has achieved high levels of
23 performance and has made important improvements in service levels over the past

1 several years. FPL's benchmarking of financial performance indicates that the
2 Company has been able to reduce or control costs at the same time that it has
3 improved service quality. The Company's non-fuel O&M expense history of
4 controlling and reducing operating expenses has persisted for a period of more
5 than 13 years.

6

7 I also have reviewed the additional benchmarking and comparative studies
8 conducted by other Company witnesses, including their conclusions. The studies

9 I have reviewed are reasonable as are the conclusions drawn by the witnesses.

10 **Q. Does this conclude your direct testimony?**

11 **A. Yes.**

List of Documents Sponsored By John H. Landon

JHL Documents	
JHL-2	John H. Landon Curriculum Vitae
JHL-3	Cost Peer Group Composition – Industry (34 Utilities), Non-WSCC (29 Utilities), Regional (16 Utilities), and Large Holding Company (8 Utilities) Peer Groups
JHL-4	Non-Fuel O&M Expense Per Customer – FPL vs. Industry Average
JHL-5	Non-Fuel O&M Expense Per Customer (Indexed) – FPL vs. Industry Average
JHL-6	Non-Fuel O&M Expense Per kWh – FPL vs. Industry Average
JHL-7	Total Asset Base Per Customer – FPL vs. Industry Average
JHL-8	Total Asset Base Per kWh – FPL vs. Industry Average
JHL-9	Non-Fuel O&M Expense Per Customer – FPL vs. Non-WSCC, Regional, and Large Holding Company Peer Averages
JHL-10	Non-Fuel O&M Expense Per kWh – FPL vs. Non-WSCC, Regional, and Large Holding Company Peer Averages
JHL-11	Total Asset Base Per Customer – FPL vs. Non-WSCC, Regional, and Large Holding Company Peer Averages
JHL-12	Total Asset Base Per kWh – FPL vs. Non-WSCC, Regional, and Large Holding Company Peer Averages
JHL-13	World Association of Nuclear Operators (WANO) Index – FPL vs. Industry Average
JHL-14	Nuclear Generation Unit Capability Factor – FPL vs. Industry Average
JHL-15	Nuclear Generation Forced Loss Rate – FPL vs. Industry Average
JHL-16	Fossil Generation Equivalent Availability Factor – FPL vs. Industry Average
JHL-17	Fossil Generation Equivalent Forced Outage Rate – FPL vs. Industry Average
JHL-18	Distribution System Average Interruption Duration Index (SAIDI) – FPL vs. Industry Average

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Dr. Landon has served as an economic consultant to the electric utility, coal, and uranium industries for over 20 years. His consulting experience has been wide-ranging and includes analysis of deregulation, strategic planning, competition, ratemaking, transmission governance, performance-based regulation, statistical benchmarking, demand-side management, cost allocation, and pricing. Dr. Landon has testified more than 100 times before federal district courts, state courts, the Securities and Exchange Commission, the Federal Energy Regulatory Commission, and various state commissions, and has prepared numerous expert reports and affidavits. He has authored or co-authored more than 20 articles published in academic and trade journals, two book chapters, and several monographs.

His litigation work has involved damages assessments, forecasting, merger analysis, market definition and market power, valuation, antitrust liability, cost allocation, and pricing.

Prior to joining Analysis Group, Dr. Landon was Senior Vice President at NERA, Inc. Previously, he held positions as Associate Professor of Economics at the University of Delaware and Case Western Reserve University. Dr. Landon holds a Ph.D. in Economics from Cornell University.

PROFESSIONAL ACTIVITIES

Member of the Governor of Delaware's Economic Advisory Committee

Director of the Center for Policy Studies at the University of Delaware

A Director of the Delaware Econometric Model Group

Senior Research Associate in the Research Program in Industrial Economics at Case Western Reserve University

Member of the American Economic Association

Associate Member of the American Bar Association

TESTIMONY PROVIDED FOR THE FOLLOWING CLIENTS:

- **Nevada Power Company/Sierra Pacific Power Company**
Before the Federal Energy Regulatory Commission, Direct Testimony of John H. Landon, Ph.D., Docket No. EL04-1-000, September 9, 2004.
- **Nevada Power Company/Sierra Pacific Power Company**
Before the Public Utilities Commission of Nevada, Prefiled Direct Testimony of John H. Landon, Ph.D., July 1, 2004.
- **Sierra Pacific Power Company**
Before the Public Utilities Commission of Nevada, Prefiled Rebuttal Testimony of John H. Landon, Ph.D., March 24, 2004.
- **Nevada Power Company**
Before the Public Utilities Commission of Nevada, Prefiled Rebuttal Testimony of John H. Landon, Ph.D., March 17, 2004.
- **Sierra Pacific Power Company**
Before the Public Utilities Commission of Nevada, Prefiled Direct Testimony of John H. Landon, Ph.D., December 1, 2003. Prefiled Rebuttal Testimony, March 29, 2004.
- **Nevada Power Company**
Before the Public Utilities Commission of Nevada, Prefiled Direct Testimony of John H. Landon, Ph.D., September 28, 2003. Prefiled Rebuttal Testimony, February 2, 2004.
- **Arizona Public Service Company**
Before the Arizona Corporation Commission, Docket Nos. E-01345A-03, June 27, 2003.
- **Public Service Company of Oklahoma**
On behalf of Public Service Company of Oklahoma, Cause No. PUD 200200038, November 5, 2002, (Direct Testimony), January 14, 2003 (Rebuttal Testimony) and January 23, 2003 (Surrebuttal Testimony).
- **Commonwealth Edison Company**
Before the Illinois Commerce Commission, Docket No. 02-0479, July 2002, (Direct Testimony) and September 6, 2002 (Rebuttal Testimony).
- **Southern California Edison Company**
On behalf of Southern California Edison Company in the matter of arbitration between Southern California Edison Company v. California Department of Water Resources, June 27, 2002. (Direct Testimony)
- **Arizona Public Service Company**
Before the Arizona Corporation Commission, Docket Nos. E-01345A-01-0822, December 12, 2001.

- **Oklahoma Gas and Electric Company**
Before the Arkansas Public Service Commission, Docket No. 00-190-U, September 29, 2000.
(Direct Testimony) October 24, 2000 (Rebuttal).
- **Public Service Company of New Mexico**
Before the New Mexico Public Regulation Commission, Case No. 3137, May 31, 2000.
- **Eastern Edison Company**
Before the Superior Court, Commonwealth of Massachusetts, Boston, Massachusetts, on behalf
of Eastern Edison Company, March 29, 2000.
- **Florida Power & Light Company**
Before the Florida Public Service Commission, Docket No. 991462-EU, Petition for
determination of need for electrical power plant in Okeechobee County by Okeechobee
Company, L.L.C., February 18, 2000. (Direct and Supplemental Testimonies)
- **Sierra Pacific Power Company/Nevada Power Company (Nevada Power)**
Comments on proposed Code of Conduct rules filed with the State of Nevada Public Utilities
Commission, PUCN Docket No. 97-8001 (Provider of Last Resort), January 26, 2000.
- **Ohio Power Company and Columbus Southern Power Company**
Before the Public Utilities Commission of Ohio, Case Nos. 99-1729-EL-ETP, 99-1730-EL-ETP,
December 30, 1999 (Direct Testimony); April 18, 2000 (Supplemental Direct Testimony).
- **Christian Hellwig vs. Autodesk, Inc.**
Before the Superior Court of the State of California for the County of Marin, Case No. 174842,
December 14, 1999.
- **Public Service Company of New Mexico**
Comments on proposed Code of Conduct rules filed with the New Mexico Public Regulation
Commission, NMPRC Case No. 3106, September 27, 1999.
- **Arizona Public Service Company**
Before the Arizona Corporation Commission, Docket Nos. E-01345A-98-0473, E-01345A-97-
0773, and RE-00000C-94-0165, July 21, 1999. (Direct, Rebuttal and Surrebuttal Testimonies)
- **Appalachian Power Company**
Before West Virginia Public Service Commission in West Virginia PSC Case No. 98-0452-E-
GI, July 7, 1999. (Direct and Rebuttal Testimonies)
- **Ameren Corporation and Union Electric Company**
Comments on behalf of Ameren Corporation and Union Electric Company filed with the State of
Missouri Public Service Commission concerning proposed affiliate transactions rules for
electric, gas, and steamheating utilities (Proposed Rule 4 CSR 240-20.015) and marketing
affiliate rules for gas utilities (Proposed Rule 4 CSR 240-20.016). (Direct Comments filed June
30, 1999 and Reply Comments filed July 30, 1999)

- **GTE Corporation and Bell Atlantic Corporation Merger**
Before the Public Utilities Commission of the State of California, Application 98-12-005, June 21, 1999. (Report and Rebuttal Testimony)
- **Kathleen Betts v. United Airlines, Inc.**
Before the United States District Court, Northern District of California, Case No. C97-4329 CW, March 25, 1999.
- **Commonwealth Edison Company**
Before the Illinois Commerce Commission, Docket Nos. 98-0147 and 98-0148, October 1998. (Direct and Rebuttal Testimonies)
- **The McGraw-Hill Companies**
Before the United States District Court for the District of Colorado, Civil Action No. 96-Z-1087, October 1998.
- **Nevada Power Company**
Before the Public Utilities Commission of Nevada, Docket No. 97-5034, September 1998.
- **Arizona Public Service Corporation**
Before the Arizona Corporation Commission, Docket No. RE-00000C-94-165, August 1998.
- **Arizona Public Service Corporation**
Before the Arizona Corporation Commission, Docket No. E-01345A-98-0245, July 1998.
- **The Detroit Edison Company**
Before the Michigan Public Service Commission, July 1998.
- **Delmarva Power & Light Company**
Before the Maryland Public Service Commission, Case No. 8738, July 1, 1998.
- **Nevada Power Company**
Before the Public Utilities Commission of Nevada, Docket No. 97-5034, July 1998.
- **Nevada Power Company**
Before the Public Utilities Commission of Nevada, Docket No. 97-8001, June 1998.
- **Delmarva Power & Light Company**
Before the Delaware Public Service Commission, PSC Docket No. 97-394F, May 1998.
- **The McGraw-Hill Companies, Inc.**
Before the District Court, City and County of Denver, State of Colorado, Case No. 96-CV-6977, May 1998.
- **Southern California Edison Company**
Before the Public Utilities Commission of the State of California, Application Nos. 97-11-004, 97-11-011, 97-12-012, May 1998.

- **Commonwealth Edison Company**
Before the Illinois Commerce Commission, Docket No. 98-0013, March, 1998. (Direct, Rebuttal and Surrebuttal Testimonies)
- **Arizona Public Service Corporation**
Before the Arizona Corporation Commission, Docket No. U-0000-94-165, February 4, 1998.
- **Silvaco Data Systems**
Before the Superior Court for the State of California, November 7, 1997.
- **Entergy Gulf States, Inc.**
Public Utility Commission of Texas, April 4, 1997 and October 24, 1997.
- **Delmarva Power & Light Company**
Before the Maryland Public Service Commission, Delaware Docket No. 79-229, August 19, 1997.
- **The McGraw-Hill Companies, Inc.**
Before the United States District Court for the District of Colorado, Civil Action No. 94-WM-1697, July 17, 1997.
- **Donaldson, Lufkin & Jenrette**
In the matter of the arbitration between Donaldson, Lufkin & Jenrette Securities Corporation and Lori Zager, NYSE No. 1996-005868, April 11, 1997.
- **Louisiana Pacific**
Superior Court of the State of California, County of Humboldt, Case No. 94DRO166, February 10, 1997.
- **Hoffmann-La Roche, Inc.**
Superior Court of the State of California, County of Santa Clara, Case No. CV 746366, February 4, 1997.
- **Arizona Public Service Company**
Arizona Corporation Commission, Docket No. R-0000-94-165, November 27, 1996.
- **MidAmerican Energy Company**
Iowa State Utilities Board, Docket No. APP-96-1 and RPU-96-8 (Consolidated), October 30, 1996.
- **California Tennis Club**
Superior Court of the State of California, County of San Francisco, Case No. 972651, September 27, 1996.
- **El Paso Electric Company**
United States District Court, District of New Mexico, Civil Action No. 95-485-LCS, July 2 and 3, 1996.

- **Nevada Power Company**
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- **Arizona Public Service Company**
Arizona Corporation Commission, Docket No. U-1345-95-491, March 1 and April 4, 1996.
- **Fireman's Insurance Companies**
Insurance Commissioner of the State of California, Case No. RB-94-002-00, February 9, 1996.
- **Nevada Power Company**
American Arbitration Association in the matter Nevada Cogeneration Associates #1 and Nevada Cogeneration Associates #2 v. Nevada Power Company, AAA Case No. 79 Y 199 0064 95, December 6 and 7, 1995.
- **Beverly Enterprises-California, Inc.**
Superior Court of the State of California, County of San Francisco, Case No. 962589, November 6 and 7, 1995.
- **PECO Energy Company**
Pennsylvania Public Utility Commission, Docket No. I-940032, November 6, 1995.
- **Southern California Gas Company**
Private arbitration panel in the matter Marathon Oil Company v. Southern California Gas Company, May 18, 1995.
- **Southern Company Services, Inc.**
Federal Energy Regulatory Commission, Docket Nos. ER94-1348-000 and EL94-85-000, November 7, 1994.
- **American Electric Power Service Corporation**
Federal Energy Regulatory Commission, Docket No. ER93-540-001, August 26, 1994 and January 18, 1995.
- **Florida Power & Light Company**
Florida Public Service Commission, Docket No. 930548-EG, May 19, May 25 and June 6, 1994.
- **PECO Energy Company and Susquehanna Electric Company**
Federal Energy Regulatory Commission, Docket No. ER94-8-000, January 21, 1994.
- **El Paso Electric Company and Central & South West Services, Inc.**
Federal Energy Regulatory Commission, Docket No. EC94-7-000, January 10 and December 12, 1994.
- **Benziger Family Ranch Associates, dba Glen Ellen Winery, et al.**
Superior Court of California, Sonoma County, Case No. 187834, June 23, 1993.

- **The Montana Power Company**
Montana Public Service Commission, Docket No. 93.6.24, June 21, 1993 and October 15, 1993.
- **Consumers Power Company**
Michigan Public Service Commission, Case No. U-10335, May 10, 1993.
- **Detroit Edison Company**
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- **Florida Power & Light Company**
Florida Public Service Commission, Docket No. 920606-EG, December 15, 1992 and January 20, 1993.
- **Intermedics, Inc.**
United States District Court, Northern District of California, Civil Action No. 90-20233 JW (WDB), December 2, 1992.
- **Eaton Corporation, et al.**
Superior Court of California, Sonoma County, Case No. 179105, August 24, 1992.
- **Florida Power & Light Company**
Florida Public Service Commission, Docket No. 920520-EQ, August 5, 1992.
- **Florida Power & Light Company**
Florida Public Service Commission, Docket No. 891324-EU, March 12, 1991.
- **Iowa Public Service Company**
Iowa State Utilities Board, Docket No. SPU-88-7, February 28, 1989 and September 1, 1989.
- **Arizona Public Service Company**
Arizona Corporation Commission, Docket No. U-1345-88-180, November 7, 1988 and January 17, 1989.
- **Delmarva Power and Light Company**
Delaware Public Service Commission, Docket No. 88-16, June 3, 1988, February 10, 1989 and April 24, 1989.
- **Florida Power Corporation**
Florida Public Service Commission, Docket No. 860001-EI-G, Investigation Into Affiliated Cost-Plus Fuel Supply Relationships of Florida Power Corporation, May 2, 1988.
- **Cambridge Electric Light Company and Commonwealth Electric Company**
Massachusetts Department of Public Utilities, Docket Nos. DPU87-2C and DPU87-3C, January 29, 1988.

- **Gulf States Utilities Company**
Nineteenth Judicial District Court, State of Louisiana, Case No. 324,224, Division "I",
January 28, 1988.
- **Utah Power and Light Company, PacifiCorp, PC/UP&L Merging Corporation**
Federal Energy Regulatory Commission, Docket No. EC88-2-000, January 8, 1988 and
February 24, 1988.
- **Illinois Power Company**
Illinois Commerce Commission, Docket No. 87-0695, November 19, 1987, June 10, 1988 and
July 22, 1988.
- **Canal Electric Company**
Federal Energy Regulatory Commission, Docket No. ER86-704-001, October 15, 1987.
- **Minnesota Power and Light Company**
Minnesota Public Utilities Commission, Docket No. E-015/GR-87-223, September 16, 1987.
- **Gulf States Utilities Company**
Texas Public Utility Commission, Docket Nos. 6755 and 7195, *April 13, 1987*.
- **Gulf States Utilities Company**
Louisiana Public Service Commission, Docket No. U-17282, March 23, 1987 and May 26, 1987.
- **Arizona Public Service Company**
Arizona Corporation Commission, Docket No. U-1345-85-367, February 13, 1987 and March
16, 1987.
- **Delmarva Power and Light Company**
Delaware Public Service Commission, PSC Regulation Docket No. 14 (Concerning Gas and
Electric Fuel Adjustment Clauses), December 1, 1986 and December 21, 1987.
- **Southern California Edison Company**
United States District Court, Central District of California, Civil Action No. 78-0810-MRP,
August 26-28, 1986.
- **Florida Power and Light Company**
Florida Public Service Commission, Docket No. 860786-EI, August 15, 1986 and September 5,
1986.
- **Jersey Central Power and Light Company**
New Jersey Board of Public Utilities, BPU Docket No. 8511-1116, August 7, 1986.
- **Florida Power and Light Company**
Florida Public Service Commission, Docket No. 850673-EU, Generic Investigation of Standby
Rates, July 16, 1986 and July 30, 1986.

- **Commonwealth Edison Company**
Federal Energy Regulatory Commission, Docket Nos. ER86-76-001 and ER86-230-001,
June 23, 1986.
- **Gulf States Utilities Company**
Federal Energy Regulatory Commission, Docket No. ER85-538-001, January 6, 1986 and April
25, 1986.
- **Arizona Public Service Company**
Arizona Corporation Commission, Docket No. U-1345-85-156, November 15, 1985, February 3,
1986 and February 18, 1986.
- **Eastern Utility Associates Power Corporation**
Federal Energy Regulatory Commission, Docket No. EL85-46-000, September 20, 1985.
- **Southern California Edison Company**
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August 20, 1985.
- **Baltimore Gas and Electric Company**
Maryland Public Service Commission, Case No. 7871, August 1, 1985 and December 16, 1985.
- **Central Vermont Public Service Corporation**
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- **Delmarva Power and Light Company**
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- **Florida Power and Light Company**
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- **Central and South West Services, Inc.**
Federal Energy Regulatory Commission, Docket No. ER82-545, et al., April 11, 1985.
- **Gulf States Utilities Company**
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- **Gulf States Utilities Company**
Federal Energy Regulatory Commission, Docket No. ER84-568-000, February 22, 1985.
- **Gulf States Utilities Company**
Texas Public Utility Commission, Docket No. 5820, October 15, 1984.
- **Central and South West Services, Inc.**
Federal Energy Regulatory Commission, Docket No. ER84-31-000, August 6, 1984.
- **Delmarva Power and Light Company**
Delaware Public Service Commission, Docket No. 84-21, July 3, 1984 and July 10, 1985.

- **Houston Lighting and Power Company**
Texas Public Utility Commission, Docket No. 5779, June 7, 1984.
- **Gulf States Utilities Company**
Louisiana Public Service Commission, Docket No. V-16038, June 7, 1984.
- **Gulf States Utilities Company**
Texas Public Utility Commission, Docket No. 5560, April 23, 1984.
- **Pennsylvania Power Company**
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- **American Electric Power System Companies**
Federal Energy Regulatory Commission, Docket No. E-9206, November 21, 1983 and November 5, 1984.
- **Appalachian Power Company**
Public Service Commission of West Virginia, Case No. 83-384-E-GI, November 2, 1983.
- **Investor-Owned Electric and Gas Utilities of Iowa**
Iowa State Commerce Commission, Docket No. RMU-83-17, October 27, 1983.
- **Appalachian Power Company**
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- **Ohio Edison Company**
Federal Energy Regulatory Commission, Docket No. ER82-79 (Phase II), April 15, 1983.
- **Ohio Power Company**
Federal Energy Regulatory Commission, Docket Nos. ER82-553 and ER82-554, March 25, 1983, May 20, 1983 and June 27, 1983.
- **Pennsylvania Power Company**
Pennsylvania Public Utility Commission, Docket No. R-821918C002, January 21, 1983.
- **Indiana and Michigan Electric Company**
United States District Court, Northern District of Indiana, Civil Action No. F78-148, March 1982.
- **Louisiana Power and Light Company**
Federal Energy Regulatory Commission, Docket Nos. EL81-13 and ER81-457, September 4, 1981 and September 13, 1981.
- **Philadelphia Electric Company**
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- **Appalachian Power Company**
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Docket No. 050045-EI
John H. Landon, Exhibit _____
Document No. JHL-2, page 19 of 19
John H. Landon Curriculum Vitae

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Cost Peer Group Composition – Industry (34 Utilities), Non-WSCC (29 Utilities), Regional (16 Utilities), and Large Holding Company (8 Companies) Peer Groups

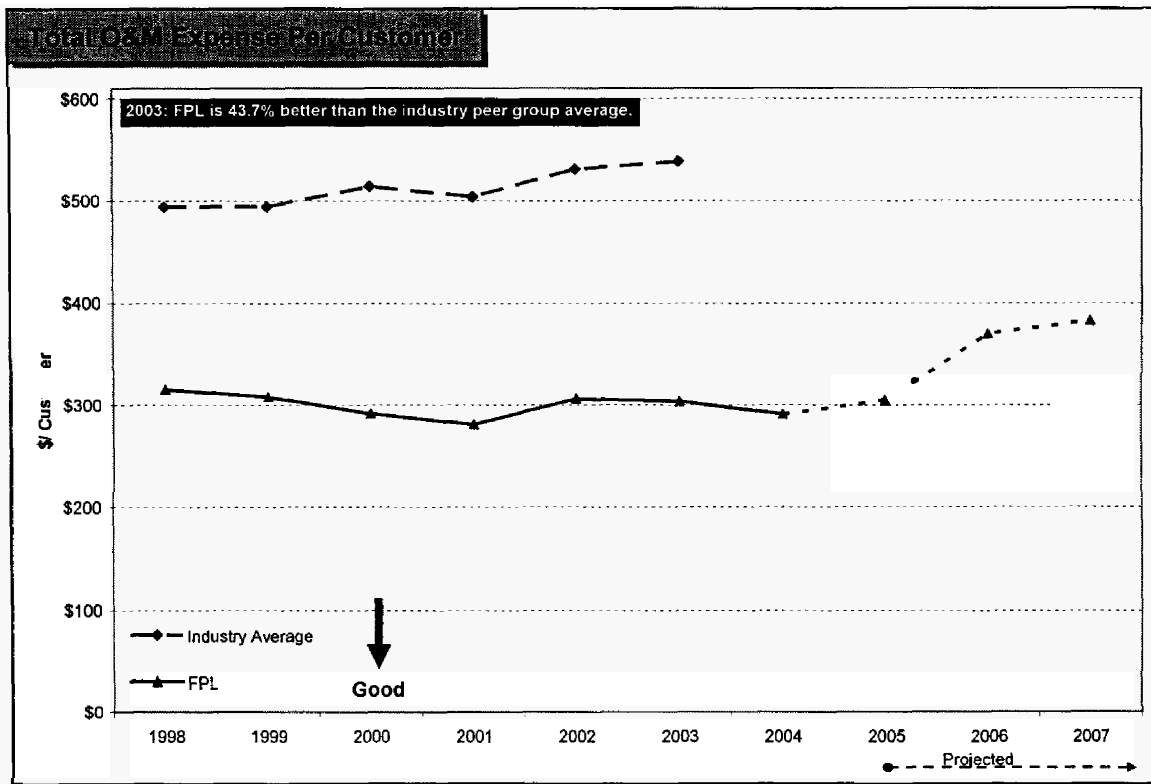
Utility Company	Industry Peer Group	Alternate Peer Group # 1 Non-WSCC	Alternate Peer Group # 2 Regional (Southeast)
AEP Texas Central Co.	✓	✓	
Alabama Power Co.	✓	✓	✓
Appalachian Power Co.	✓	✓	
Arizona Public Service Co.	✓		
Carolina Power & Light Co.	✓	✓	✓
Cincinnati Gas & Electric Co.	✓	✓	
CLECO Power LLC			✓
Columbus Souther Power Co.	✓	✓	
Consumers Energy Co.	✓	✓	
Dayton Power & Light Co.	✓	✓	
Detroit Edison Co.	✓	✓	
Dominion Virginia Power Co.	✓	✓	
Duke Power Co.	✓	✓	✓
Entergy Arkansas Inc.	✓	✓	✓
Entergy Gulf States Inc	✓	✓	✓
Entergy Louisiana Inc.	✓	✓	✓
Entergy Mississippi Inc.			✓
Entergy New Orleans Inc.			✓
Florida Power Corp.	✓	✓	✓
Georgia Power Co.	✓	✓	✓
Gulf Power Co.			✓
Indiana Michigan Power Co.	✓	✓	
Interstate Power & Light	✓	✓	
Kentucky Utilities Co.	✓	✓	
Midamerican Energy Co.	✓	✓	
Mississippi Power Co.			✓
Nevada Power Co.	✓		
Northern States Power Co.	✓	✓	
Ohio Power Co.	✓	✓	
Oklahoma Gas & Electric Co.	✓	✓	
Portland General Electric Co.	✓		
PSI Energy Inc.	✓	✓	
Public Service Co. of Colorado	✓		
Public Service Co. of Oklahoma	✓	✓	
Puget Sound Energy Inc.	✓		
Savannah Electric & Power Co.			✓
South Carolina Electric & Gas Co.	✓	✓	✓
Tampa Electric Co.	✓	✓	✓
Union Electric	✓	✓	
Wisconsin Electric Power Co.	✓	✓	

Alternate Peer Group # 3 Large Holding Companies
American Electric Power (AEP)
DTE Energy
Dominion Resources
Duke Energy
Entergy
Progress Energy
Southern Company
Xcel Energy

Footnote:

1. Industry Peer Group consists of IOUs with a 2003 customer base greater than 500,000 –AND- excludes companies that have divested a significant portion of their generation assets and shifted related expenses to other, unregulated companies.
2. Non-WSCC Peer Group consists of Industry Peer Group less utilities operating under the Western Systems Coordinating Council (WSCC)
3. Regional Peer Group consists of IOUs with a 2003 customer base greater than 100,000 –AND- which provide service in Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, or South Carolina.
4. Large Holding Company Peer Group consists of utility holding companies with a combined 2003 customer base greater than 2,000,000 –AND- excludes companies with affiliates that have divested a significant portion of their generation assets.

Non-Fuel O&M Expense Per Customer FPL vs. Industry Average



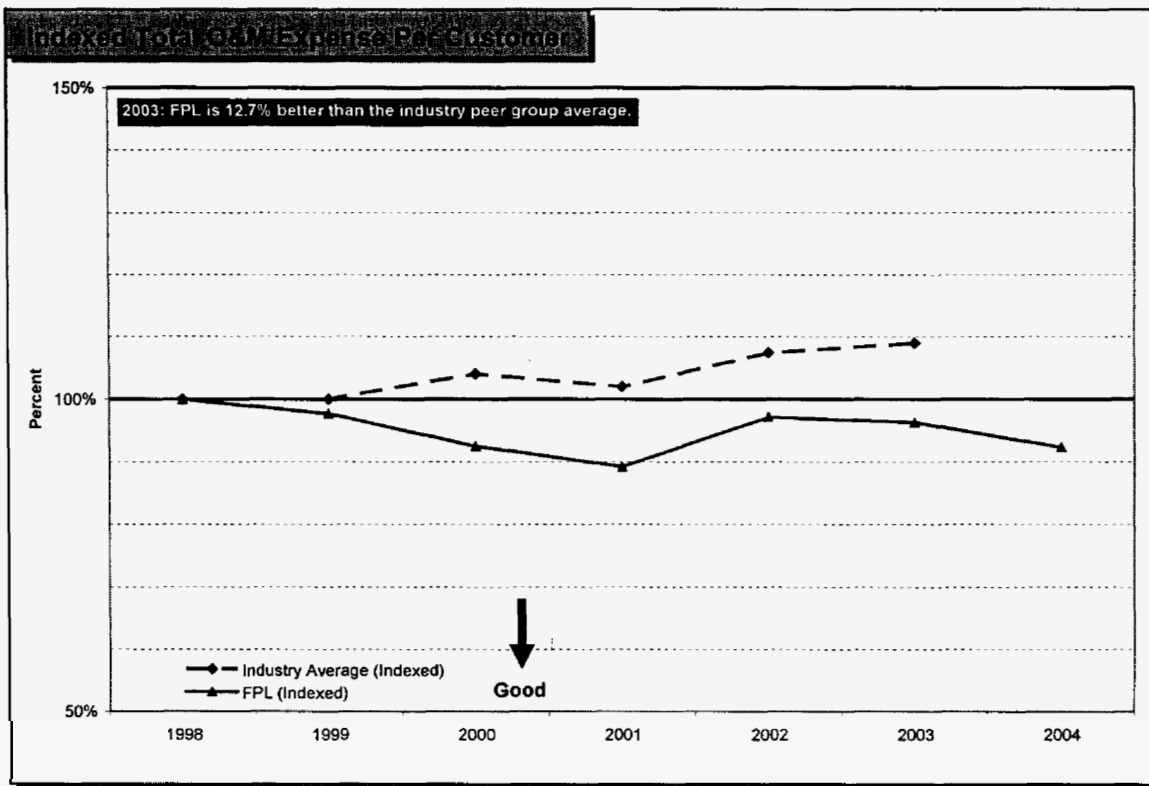
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Industry Average	\$ 494	\$ 494	\$ 514	\$ 504	\$ 531	\$ 539	NA	NA	NA	NA
FPL	\$ 315	\$ 308	\$ 291	\$ 281	\$ 306	\$ 303	\$ 291	\$ 304	\$ 370	\$ 383

	1998	1999	2000	2001	2002	2003
Difference	\$ (179)	\$ (187)	\$ (223)	\$ (223)	\$ (225)	\$ (235)
% Difference	-36.3%	-37.7%	-43.3%	-44.3%	-42.4%	-43.7%

Footnotes:

1. Source: FERC Form 1
2. Excludes Fuel and Purchased Power

Non-Fuel O&M Expense Per Customer (Indexed) FPL vs. Industry Average

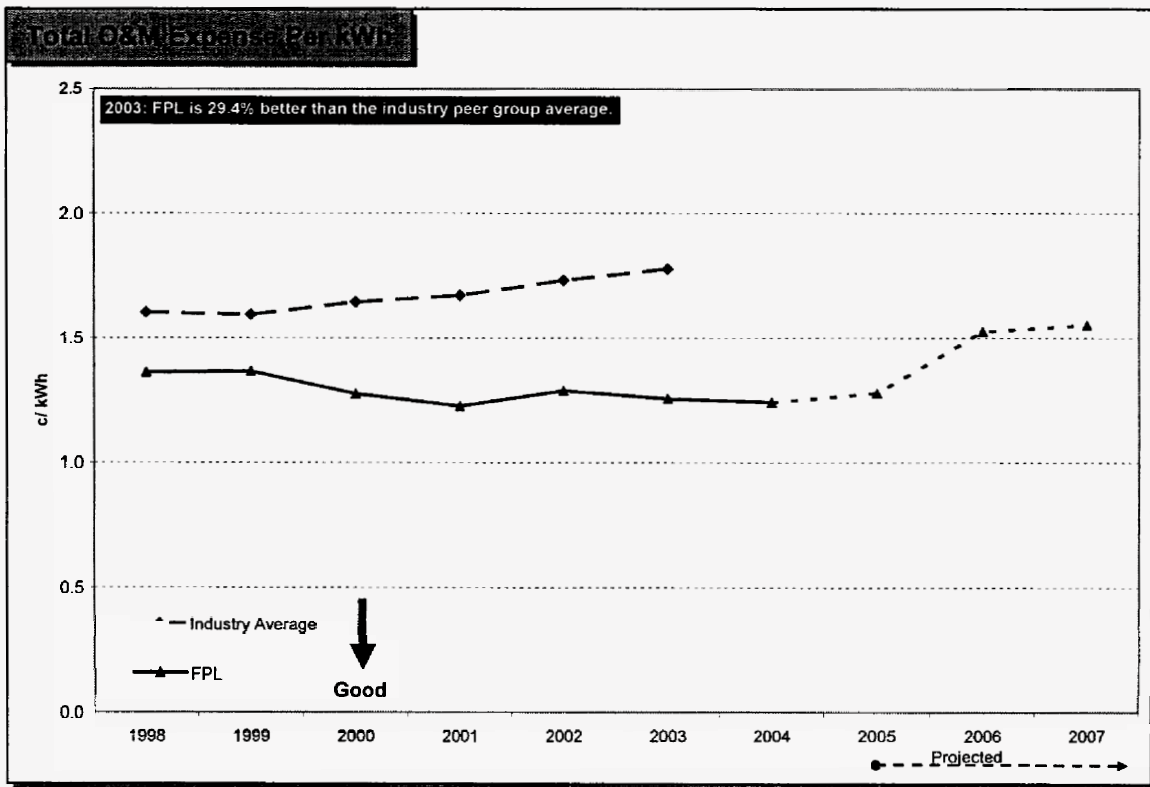


	1998	1999	2000	2001	2002	2003	2004
Industry Average	\$494	\$494	\$514	\$504	\$531	\$539	NA
FPL	\$315	\$308	\$291	\$281	\$306	\$303	\$291
Industry (Indexed)	100%	100%	104%	102%	107%	109%	NA
FPL (Indexed)	100%	98%	93%	89%	97%	96%	92%

Footnotes:

1. Source: FERC Form 1
2. Excludes Fuel and Purchased Power
3. Costs indexed to 1998 performance
4. Data table contains total O&M expense per customer and indexed total O&M expense per customer

Non-Fuel O&M Expense Per kWh FPL vs. Industry Average



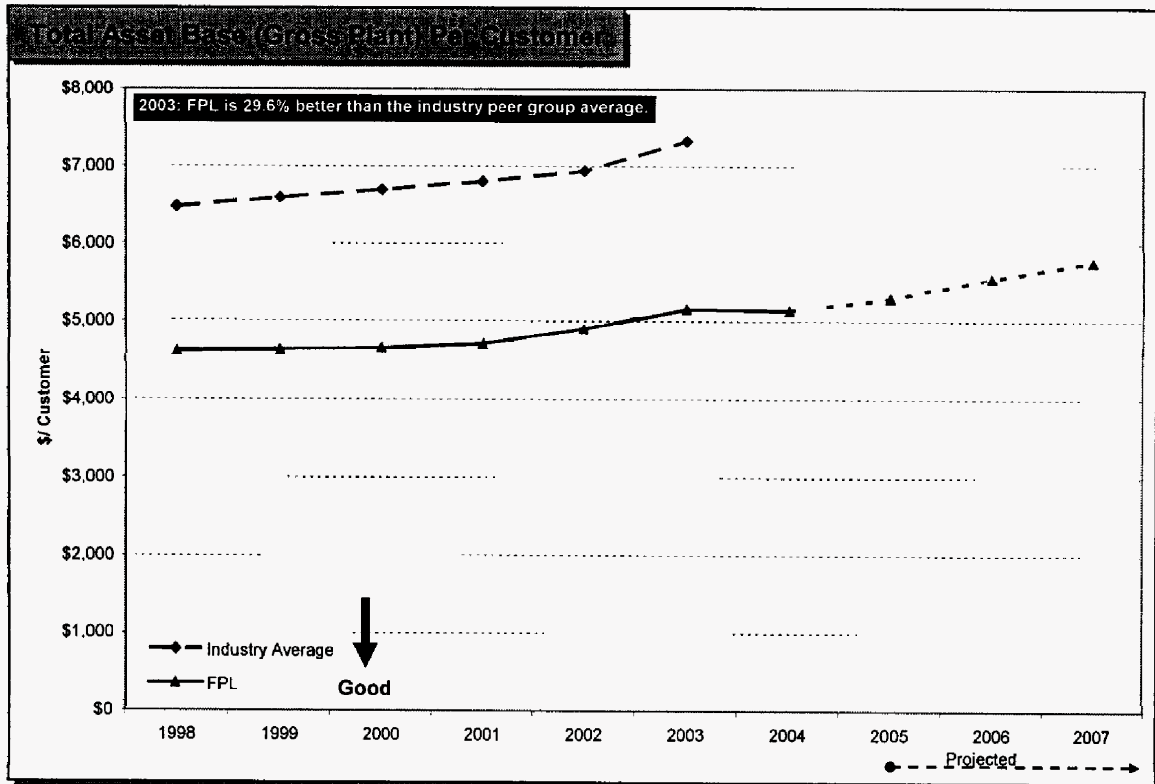
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Industry Average	1.60	1.59	1.64	1.67	1.73	1.78	NA	NA	NA	NA
FPL	1.36	1.37	1.27	1.23	1.29	1.26	1.24	1.28	1.53	1.55

	1998	1999	2000	2001	2002	2003
Difference	(0.24)	(0.23)	(0.37)	(0.45)	(0.44)	(0.52)
% Difference	-15.0%	-14.3%	-22.5%	-26.7%	-25.7%	-29.4%

Footnotes:

1. Source: FERC Form 1
2. Excludes Fuel and Purchased Power

Total Asset Base Per Customer FPL vs. Industry Average



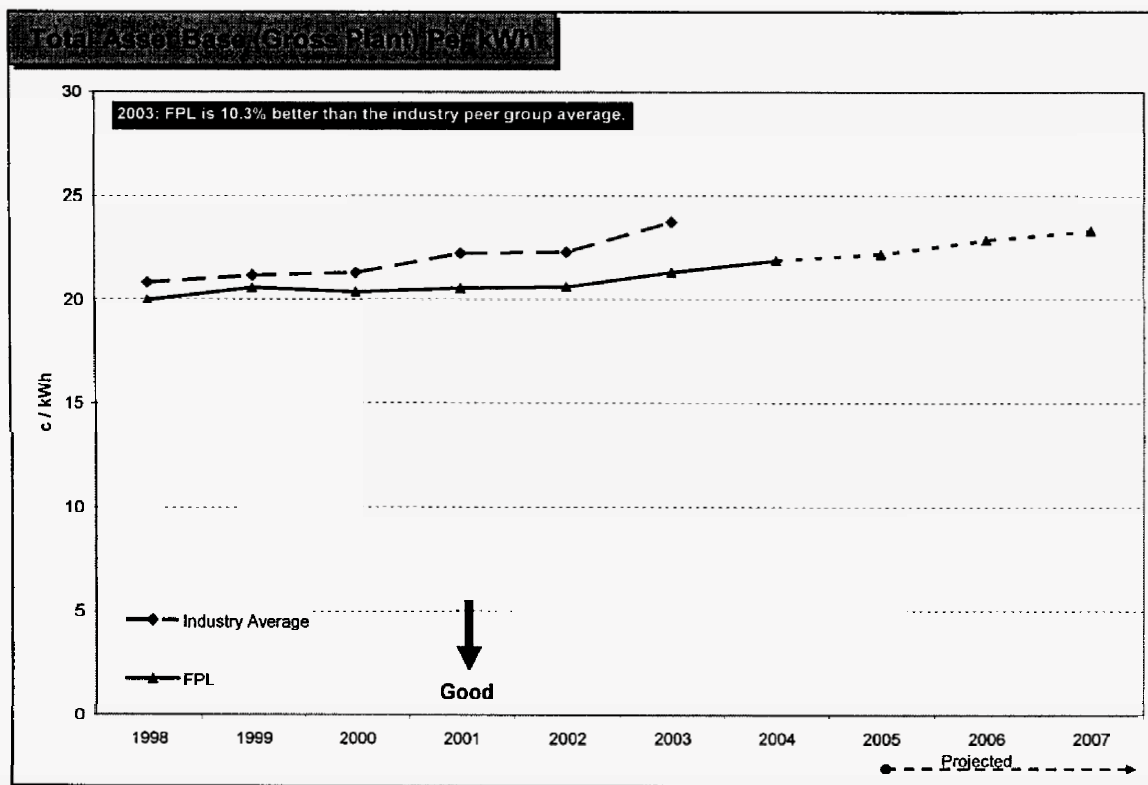
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Industry Average	\$6,476	\$6,592	\$6,692	\$6,803	\$6,936	\$7,314	NA	NA	NA	NA
FPL	\$4,615	\$4,629	\$4,652	\$4,708	\$4,898	\$5,149	\$5,134	\$5,290	\$5,551	\$5,755

	1998	1999	2000	2001	2002	2003
Difference	\$(1,861)	\$(1,963)	\$(2,040)	\$(2,095)	\$(2,039)	\$(2,165)
% Difference	-28.7%	-29.8%	-30.5%	-30.8%	-29.4%	-29.6%

Footnotes:

1. Source: FERC Form 1
2. Asset base defined as total year-end gross plant balance

Total Asset Base Per kWh FPL vs. Industry Average



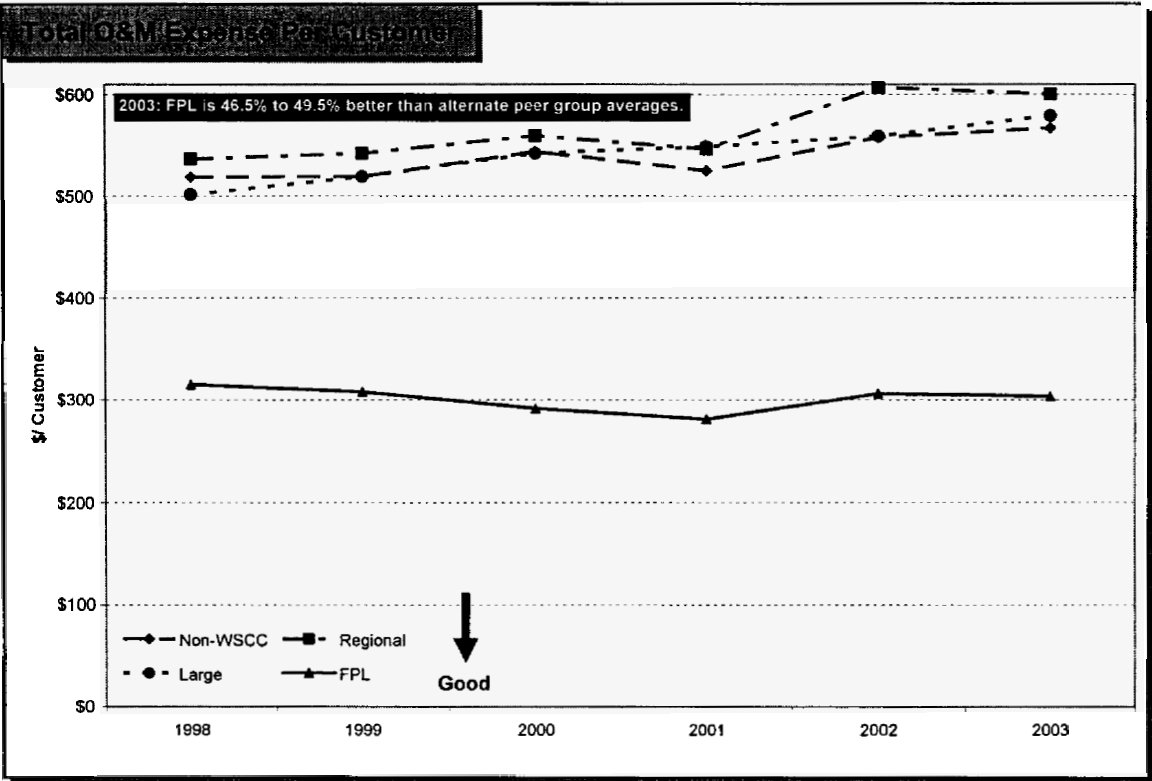
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Industry Average	20.80	21.15	21.29	22.23	22.29	23.75	NA	NA	NA	NA
FPL	19.95	20.55	20.35	20.54	20.61	21.31	21.89	22.19	22.88	23.32

	1998	1999	2000	2001	2002	2003
Difference	(0.85)	(0.60)	(0.93)	(1.69)	(1.68)	(2.44)
% Difference	-4.1%	-2.9%	-4.4%	-7.6%	-7.5%	-10.3%

Footnotes:

1. Source: FERC Form 1
2. Asset base defined as total year-end gross plant balance

Non-Fuel O&M Expense Per Customer FPL vs. Non-WSCC, Regional, and Large Holding Company Peer Averages

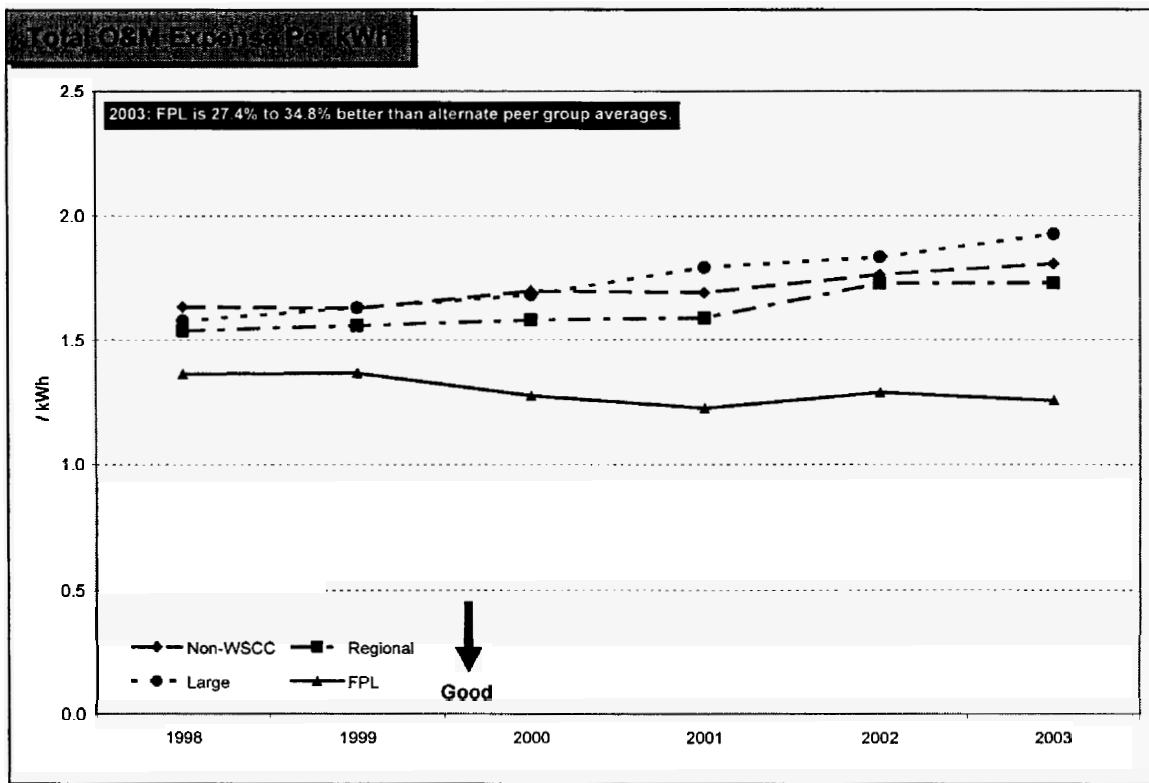


	1998	1999	2000	2001	2002	2003
Non-WSCC	\$519	\$519	\$544	\$525	\$558	\$567
Regional	\$537	\$542	\$560	\$546	\$607	\$600
Large	\$502	\$519	\$542	\$549	\$559	\$579
FPL	\$315	\$308	\$291	\$281	\$306	\$303

Footnotes:

1. Source: FERC Form-1
2. Excludes Fuel and Purchased Power

Non-Fuel O&M Expense Per kWh FPL vs. Non-WSCC, Regional, and Large Holding Company Peer Averages

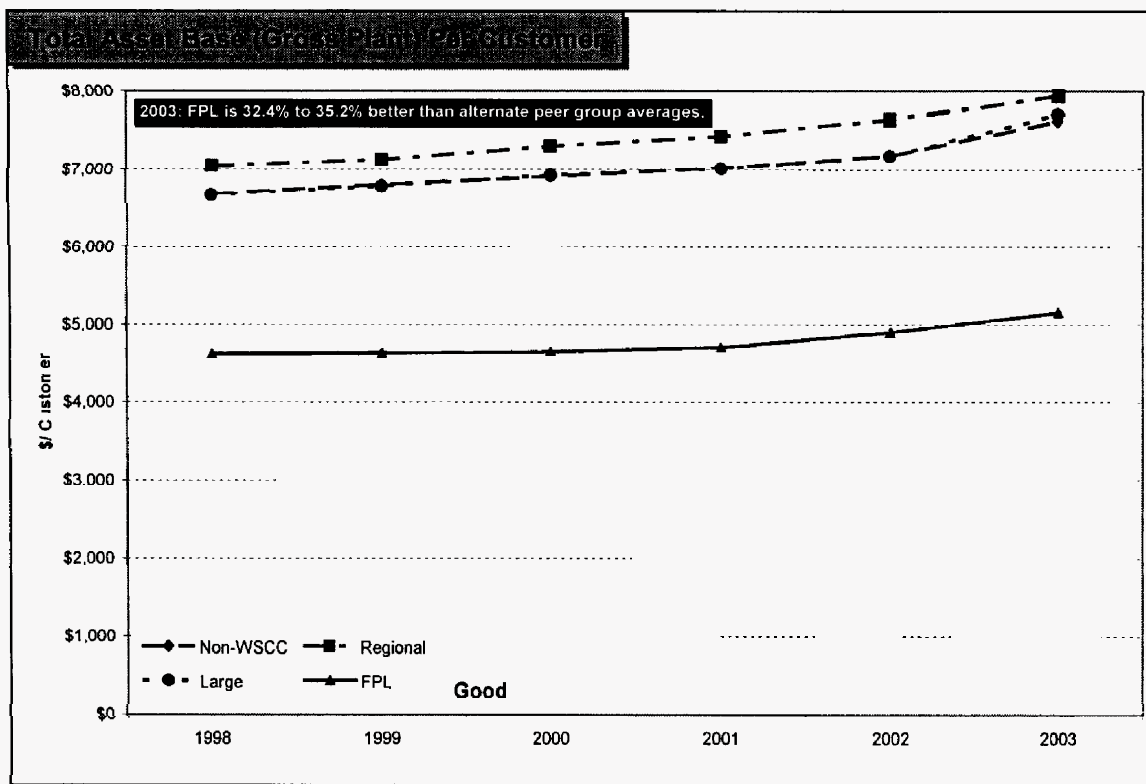


	1998	1999	2000	2001	2002	2003
Non-WSCC	1.63	1.63	1.70	1.69	1.76	1.81
Regional	1.54	1.56	1.58	1.59	1.73	1.73
Large	1.58	1.63	1.68	1.79	1.83	1.93
FPL	1.36	1.37	1.27	1.23	1.29	1.26

Footnotes:

1. Source: FERC Form-1
2. Excludes Fuel and Purchased Power

Total Asset Base Per Customer FPL vs. Non-WSCC, Regional, and Large Holding Company Peer Averages

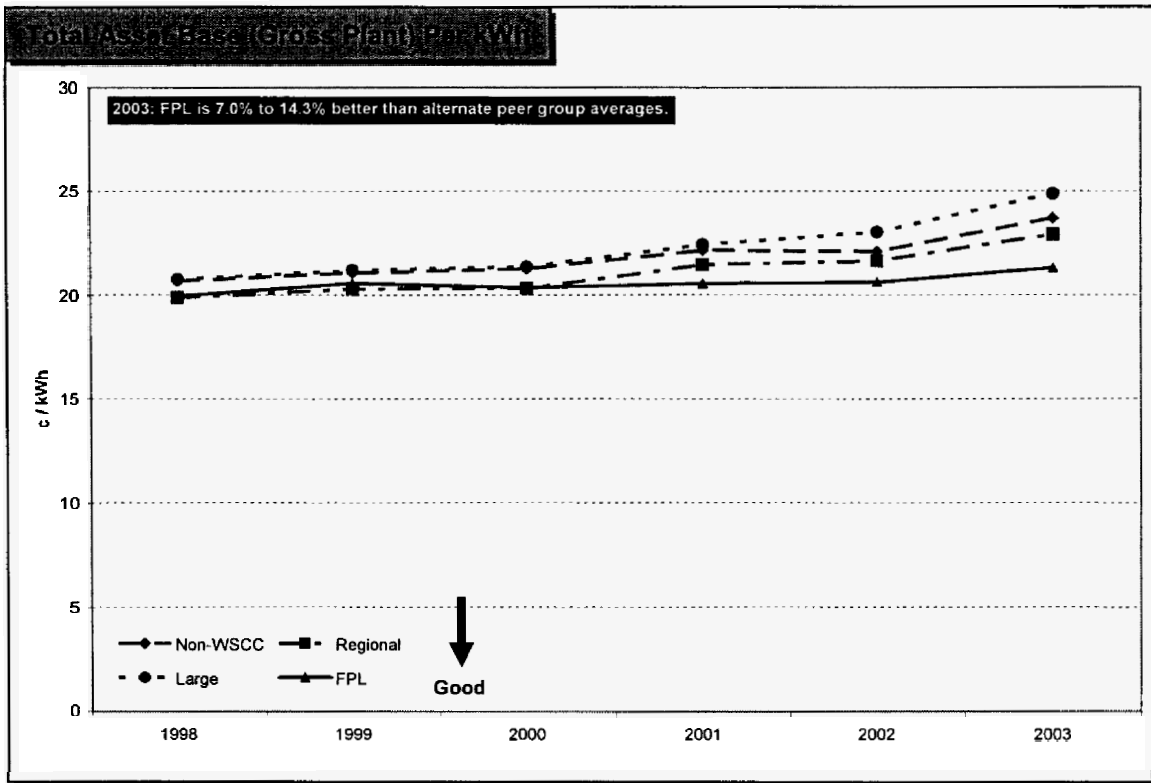


	1998	1999	2000	2001	2002	2003
Non-WSCC	\$6,684	\$6,802	\$6,910	\$7,020	\$7,164	\$7,613
Regional	\$7,047	\$7,122	\$7,294	\$7,416	\$7,635	\$7,941
Large	\$6,674	\$6,781	\$6,923	\$7,010	\$7,161	\$7,695
FPL	\$4,615	\$4,629	\$4,652	\$4,708	\$4,898	\$5,149

Footnotes:

1. Source: FERC Form 1
2. Asset base defined as total year-end gross plant balance

Total Asset Base Per kWh FPL vs. Non-WSCC, Regional, and Large Holding Company Peer Averages

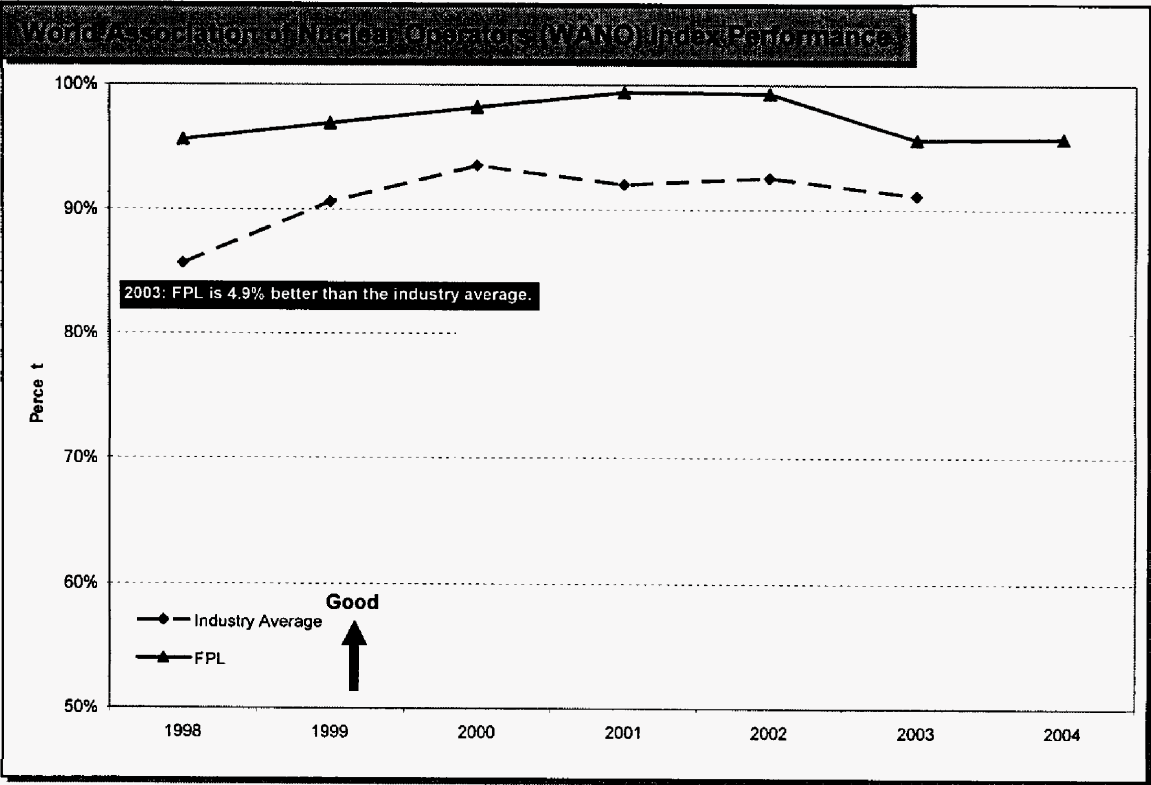


	1998	1999	2000	2001	2002	2003
Non-WSCC	20.69	21.06	21.26	22.17	22.10	23.70
Regional	19.88	20.28	20.31	21.46	21.64	22.92
Large	20.76	21.18	21.36	22.44	23.04	24.87
FPL	19.95	20.55	20.35	20.54	20.61	21.31

Footnotes:

1. Source: FERC Form 1
2. Asset base defined as total year-end gross plant balance

World Association of Nuclear Operators (WANO) Index FPL vs. Industry Average

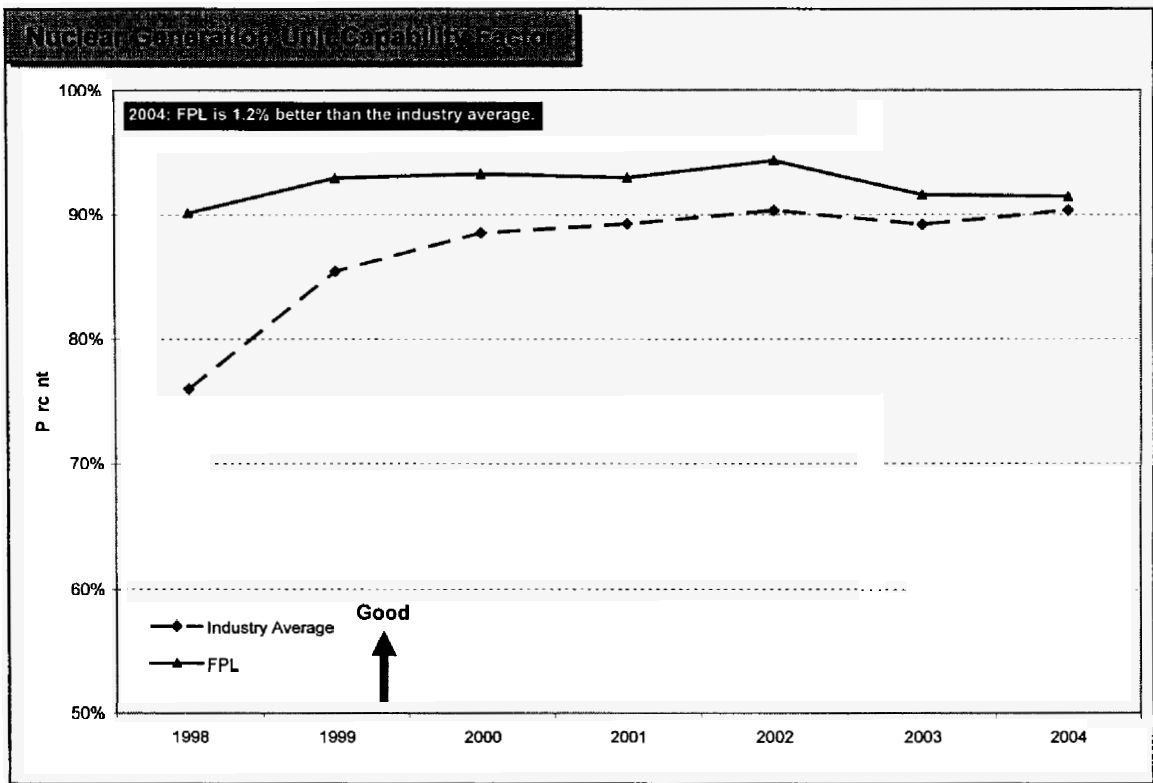


	1998	1999	2000	2001	2002	2003	2004
Industry Average	85.7%	90.6%	93.5%	92.0%	92.5%	91.1%	NA
FPL	95.6%	96.9%	98.2%	99.4%	99.3%	95.6%	95.7%

	1998	1999	2000	2001	2002	2003	2004
Difference	-9.9%	-6.3%	-4.7%	-7.4%	-6.8%	-4.5%	NA
% Difference	-11.6%	-7.0%	-5.0%	-8.0%	-7.3%	-4.9%	NA

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

Nuclear Generation Unit Capability Factor FPL vs. Industry Average



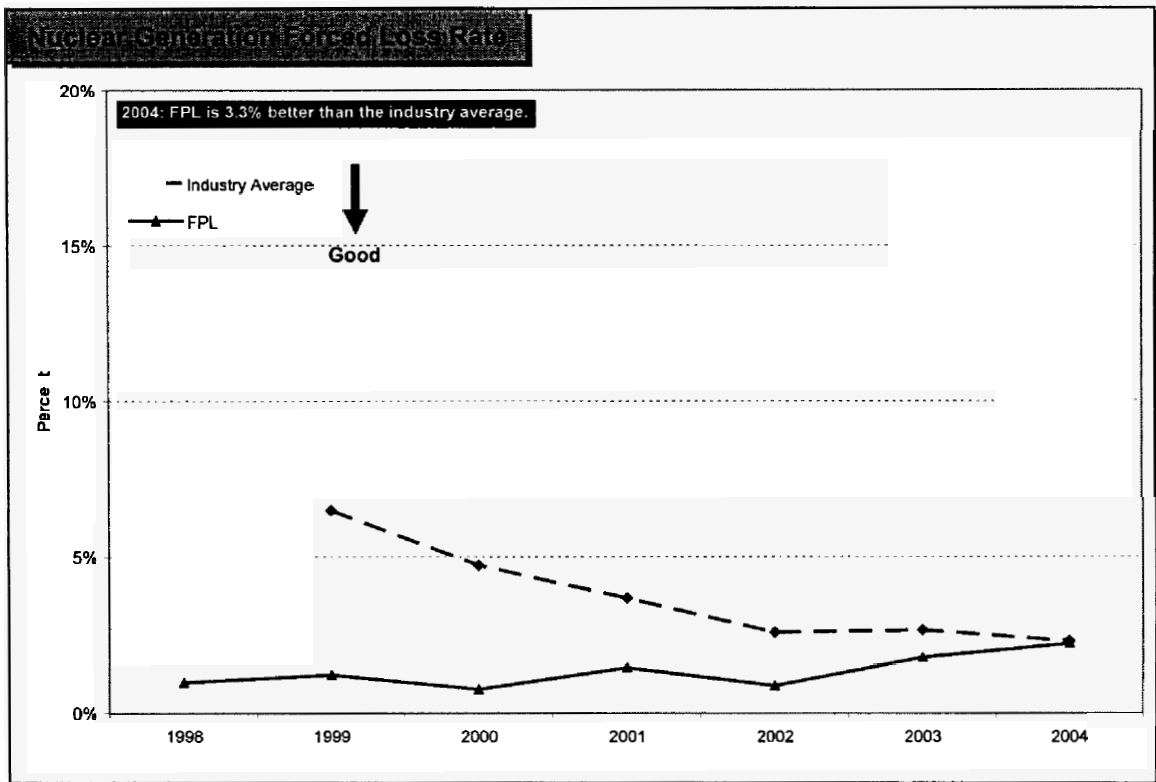
	1998	1999	2000	2001	2002	2003	2004
Industry Average	76.0%	85.4%	88.5%	89.3%	90.3%	89.2%	90.3%
FPL	90.1%	93.0%	93.3%	93.0%	94.4%	91.6%	91.5%

	1998	1999	2000	2001	2002	2003	2004
Difference	-14.1%	-7.5%	-4.8%	-3.7%	-4.0%	-2.4%	-1.1%
% Difference	-18.5%	-8.8%	-5.4%	-4.2%	-4.4%	-2.7%	-1.2%

Footnotes:

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

Nuclear Generation Forced Loss Rate FPL vs. Industry Average



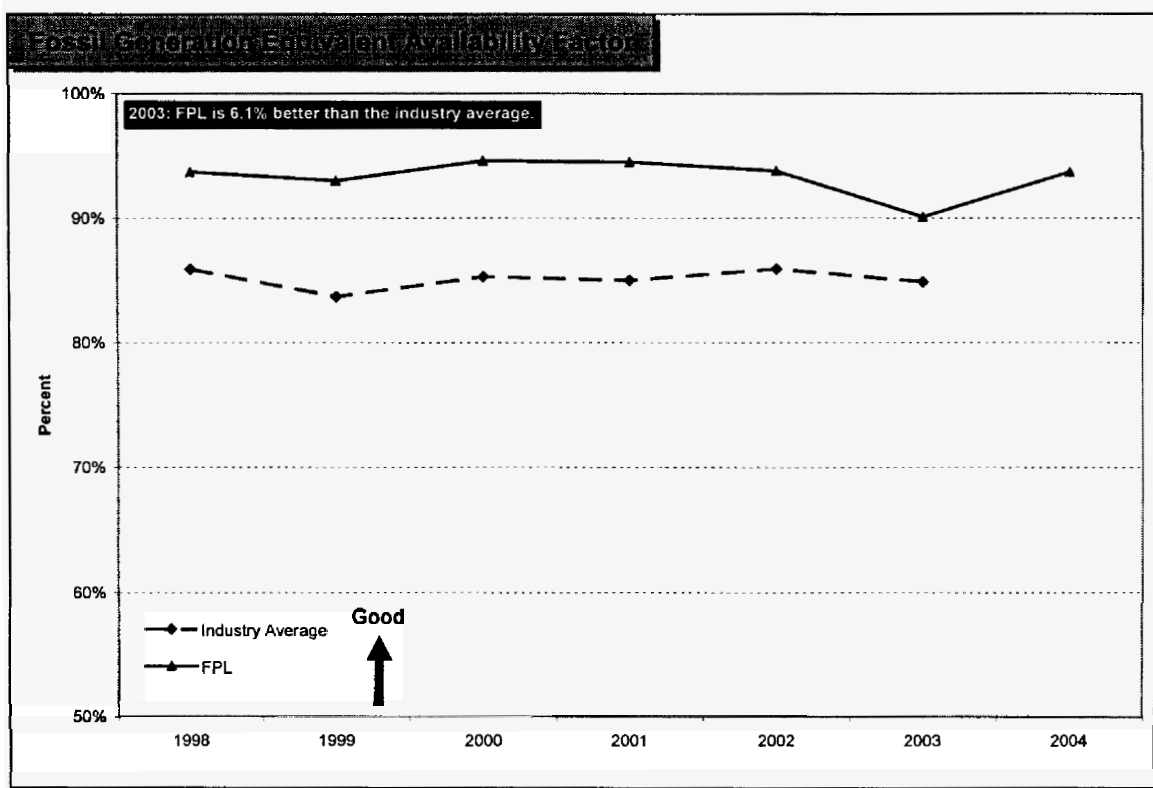
	1998	1999	2000	2001	2002	2003	2004
Industry Average	NA	6.5%	4.7%	3.7%	2.6%	2.7%	2.3%
FPL	1.0%	1.2%	0.8%	1.5%	0.9%	1.8%	2.2%

	1998	1999	2000	2001	2002	2003	2004
Difference	NA	-5.2%	-4.0%	-2.2%	-1.7%	-0.9%	-0.1%
% Difference	NA	-80.9%	-83.8%	-60.2%	-65.7%	-32.6%	-3.3%

Footnotes:

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

Fossil Generation Equivalent Availability Factor FPL vs. Industry Average



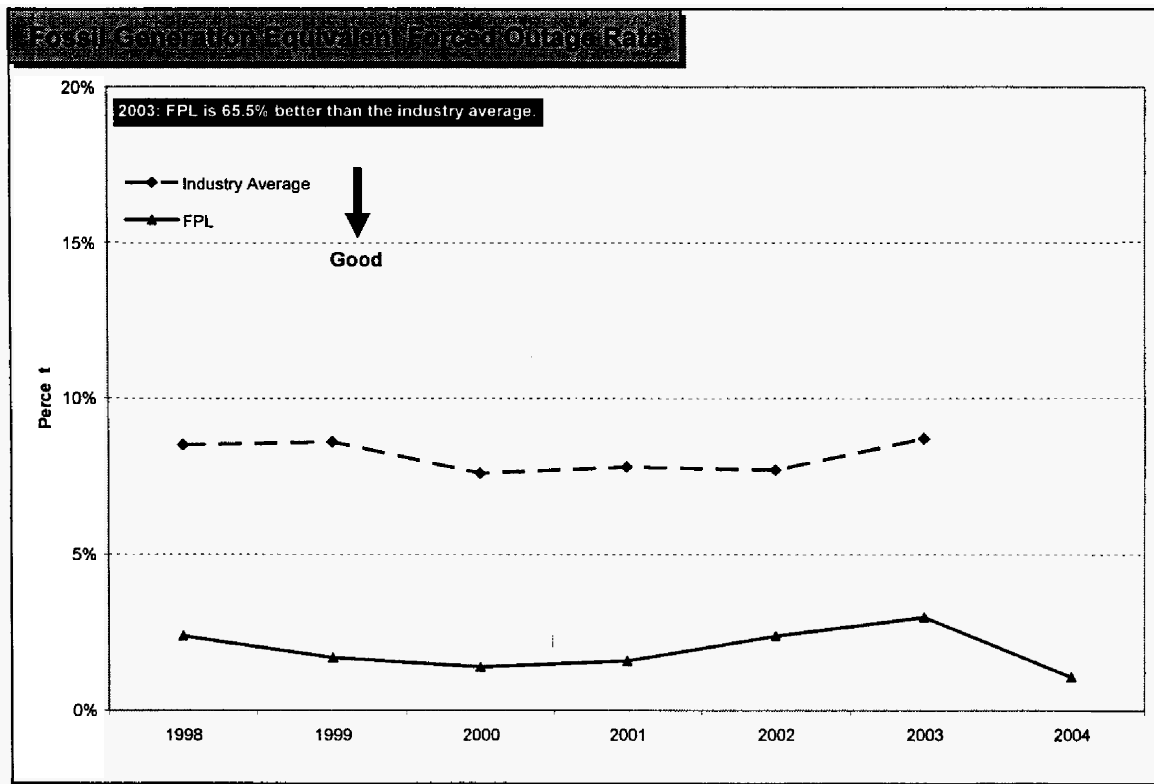
	1998	1999	2000	2001	2002	2003	2004
Industry Average	85.9%	83.7%	85.3%	85.0%	85.9%	84.9%	NA
FPL	93.7%	93.0%	94.6%	94.5%	93.8%	90.1%	93.7%

	1998	1999	2000	2001	2002	2003	2004
Difference	-7.8%	-9.3%	-9.3%	-9.5%	-7.9%	-5.2%	NA
% Difference	-9.1%	-11.1%	-10.9%	-11.2%	-9.2%	-6.1%	NA

Footnotes:

1. Source: NERC
2. Excludes maintenance outages
3. Includes all utilities with greater than 5,000 MW of owned capacity or large investor-owned members of Florida Reliability Coordination Council, and 25% capacity factor or greater.

Fossil Generation Equivalent Forced Outage Rate FPL vs. Industry Average



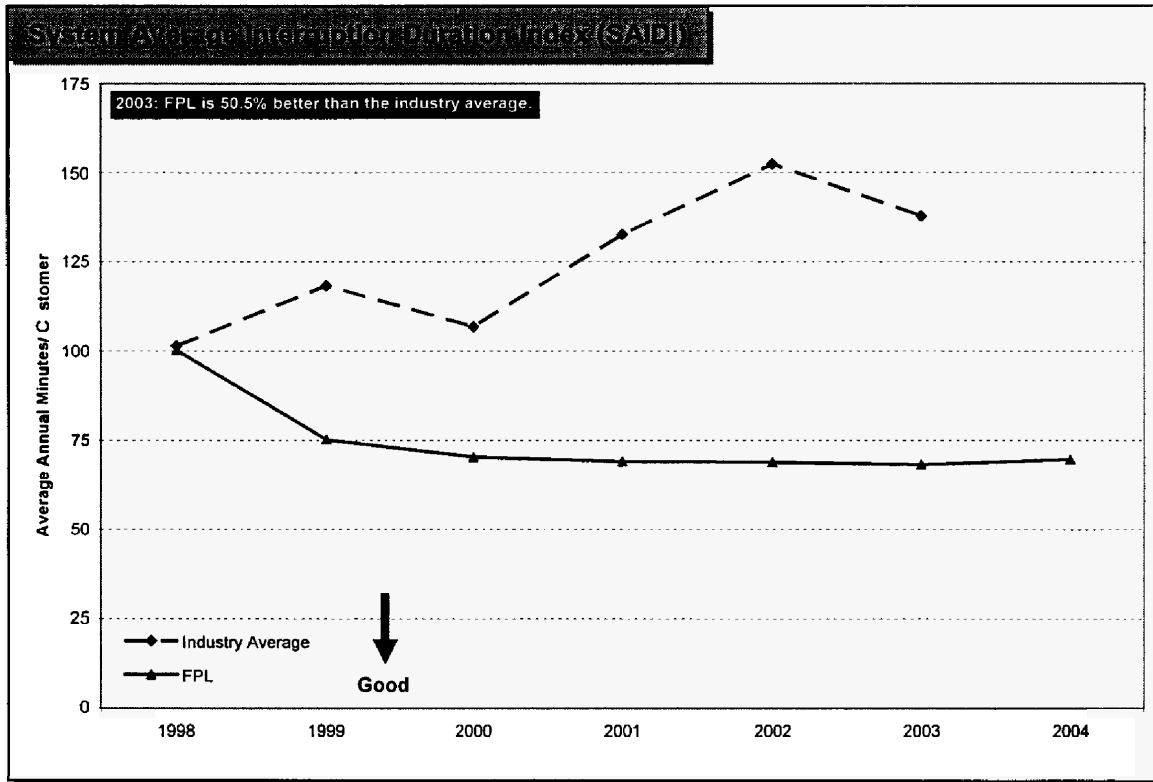
	1998	1999	2000	2001	2002	2003	2004
Industry Average	8.5%	8.6%	7.6%	7.8%	7.7%	8.7%	NA
FPL	2.4%	1.7%	1.4%	1.6%	2.4%	3.0%	1.1%

	1998	1999	2000	2001	2002	2003	2004
Difference	-6.1%	-6.9%	-6.2%	-6.2%	-5.3%	-5.7%	NA
% Difference	-71.8%	-80.2%	-81.6%	-79.5%	-68.8%	-65.5%	NA

Footnotes:

1. Source: NERC
2. Includes all utilities with greater than 5,000 MW of owned capacity or large investor-owned members of Florida Reliability Coordination Council, and 25% capacity factor or greater.

Distribution System Average Interruption Duration Index (SAIDI) FPL vs. Industry Average



	1998	1999	2000	2001	2002	2003	2004
Industry Average	101.4	118.2	106.8	132.6	152.4	137.8	NA
FPL	100.2	75.2	70.3	69.1	68.9	68.2	69.7

	1998	1999	2000	2001	2002	2003	2004
Difference	(1.2)	(43.0)	(36.5)	(63.5)	(83.5)	(69.6)	NA
% Difference	-1.2%	-36.4%	-34.2%	-47.9%	-54.8%	-50.5%	NA

Footnote:

1. Source: EEI Distribution Reliability Survey