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April 5, 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: Supplemental Rebuttal Testimony of Florida Power & Light Company for
Authority to Recover Prudently Incurred Storm Restoration Costs Related to the
2004 Storm Season that Exceed the Storm Reserve Balance
Docket No. 041291-EI

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are an original
and 15 copies of FPL's Supplemental Rebuttal Testimony and Exhibit of FPL witness K.
Michael Davis. This testimony is being filed in conjunction with FPL's Response in Opposition
to the Office of Public Counsel's Motion to Consolidate and Response to the Office of Public
Counsel's Motion for Leave to File Supplemental Testimony, filed electronically this same date.

Sincerely,

R. Wade Litchfield
for R. Wade Litchfield

- CMP _____
- COM 5
- CTR org
- ECR _____
- GCL 1 RWL:ec
- OPC _____ Enclosures
- MMS _____
- RCA _____
- SCR _____
- SEC 1
- OTH _____ an FPL Group company

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FPSC-BUREAU OF RECORDS

DOCUMENT NO.
03352-05
4-5-05

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **FLORIDA POWER & LIGHT COMPANY**
3 **SUPPLEMENTAL REBUTTAL TESTIMONY OF K. MICHAEL DAVIS**
4 **DOCKET NO. 041291-EI**
5 **APRIL 5, 2005**

6
7 **Q. Please state your name and business address.**

8 A. My name is K. Michael Davis, my business address is 9250 West Flagler Street,
9 Miami, Florida 33174.

10 **Q. Did you previously submit direct, rebuttal and supplemental direct testimony**
11 **in this proceeding?**

12 A. Yes.

13 **Q. Are you sponsoring an exhibit as part of your supplemental rebuttal**
14 **testimony?**

15 A. Yes. It is Exhibit KMD-6, Comparison of Revenue Requirements.

16 **Q. What is the purpose of your supplemental rebuttal testimony?**

17 A. The purpose of my testimony is to rebut Mr. Majoros' proposal to use the
18 identification of a theoretical depreciation reserve surplus in FPL's recently filed
19 depreciation study as a basis for offsetting the deficit balance in the Storm
20 Damage Reserve that is approved for recovery by the Commission and his
21 conclusion that this is proper regulatory accounting. In fact, Mr. Majoros'
22 proposal violates FPSC policy and orders as well as Generally Accepted
23 Accounting Principles (GAAP), Securities and Exchange Commission (SEC)

DOCUMENT NO.
03352-05
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1 guidance, and Federal Energy Regulatory Commission (FERC) policy and orders.
2 In addition, my testimony will show that Mr. Majoros' proposal is economically
3 disadvantageous to FPL's customers because it will require them to continue
4 paying for the costs of 2004 storms for more than 20 years, increasing the revenue
5 requirements on a net present value basis by \$144 million.

6 **Q. What has FPL done to address the theoretical depreciation reserve surplus?**

7 A. The depreciation study that FPL recently filed has properly included the effects of
8 the theoretical depreciation reserve surplus in the development of prospective
9 depreciation rates. As a result, those rates are lower than they would have been
10 without the surplus. This will have the dual effect of reducing the depreciation
11 expense that customers will pay through base rates and of eliminating the
12 theoretical depreciation reserve surplus over the remaining life of the affected
13 assets.

14 **Q. Is FPL's treatment of the theoretical depreciation reserve surplus consistent
15 with Commission policy, orders and GAAP?**

16 A. Yes. As I explain later in my testimony, flowing through the effects of the surplus
17 in this manner over the remaining useful lives of the assets to which the surplus
18 relates is appropriate ratemaking and consistent with Commission policy, orders
19 and GAAP.

20 **Q. Does Mr. Majoros agree with FPL's treatment of the theoretical depreciation
21 reserve surplus?**

22 A. No.

23

1 **Q. What does Mr. Majoros propose instead?**

2 A. Mr. Majoros' proposal is to utilize the theoretically determined \$1.24 billion book
3 depreciation reserve excess identified in FPL's depreciation filing on March 17,
4 2005, to offset any Storm Damage Reserve deficit that is approved for recovery
5 by the Commission. He defines this depreciation reserve excess to be the amount
6 of money that FPL has charged to and collected from its customers in excess of
7 current requirements. He then asserts that regulatory accounting principles permit
8 such an offset.

9 **Q. What is the practical effect of Mr. Majoros' proposal?**

10 A. The practical effect of Mr. Majoros' proposal has two dimensions. The first is to
11 take costs previously included in cost of service primarily as a component of
12 nuclear production costs and, in a single period, recast them as storm damage
13 costs. This is comparable to the transfer of a depreciation reserve accumulated in
14 one FERC function to another FERC function. The second practical effect of his
15 proposal is to defer and amortize the Storm Damage Reserve deficit over a period
16 in excess of 20 years. Both of these effects have adverse consequences to FPL's
17 customers that I will address later in my testimony.

18 **Q. Do you agree with Mr. Majoros?**

19 A. No. There are three reasons that I disagree with Mr. Majoros. First, Mr. Majoros
20 is attempting to use a theoretical depreciation reserve surplus calculated at one
21 point in time to offset entirely unrelated storm costs. Second, it is neither proper
22 nor appropriate from a regulatory accounting perspective to make a lump sum
23 adjustment to a depreciation reserve designed for long-lived assets that remain in

1 service on FPL's system. Mr. Majoros' proposal goes beyond this and suggests
2 using a reserve accumulated primarily for nuclear production assets to reduce or
3 absorb a deficit balance in another reserve account, in this case the Storm Damage
4 Reserve. Doing so would violate FPSC policies and orders, GAAP, SEC
5 guidance and FERC policies and orders. Third, Mr. Majoros' proposal is not
6 sound economically because it will cost FPL's customers more on a net present
7 value basis compared to the surcharge FPL is requesting. Using an 8% discount
8 rate, on a net present value basis, Mr. Majoros' proposal would cost customers
9 \$144 million more than FPL's proposed storm surcharge. In fact, the discount rate
10 required for customers to break even is approximately 15%. That is to say that
11 customers would have to be able to earn at least 15% per year on their
12 investments over the 22 year recovery period in order to break even. As can be
13 seen by the magnitude of the discount rate required for FPL's customers to break
14 even, Mr. Majoros' proposal is simply not economically sound.

15

16 **Theoretical Depreciation Reserves**

17 **Q. What is a theoretical depreciation reserve?**

18 A. A theoretical depreciation reserve is a calculated rather than an actual reserve
19 which is used as a guide in analyzing the actual reserve condition. It is not an
20 exact measurement for determining the condition of the actual reserve. It is
21 calculated at a point in time based on current or proposed depreciation
22 parameters. Mr. Majoros is taking this "snapshot" theoretical reserve concept and
23 somehow concluding that there is an actual cash "excess" in the accumulated

1 provision for depreciation that can be used to offset the negative balance in the
2 accumulated provision for storm damage reserve. This is analogous to his
3 viewing one frame from a motion picture and concluding he has seen the entire
4 film including the ending.

5 **Q. Can you explain the difference between the accumulated provision for**
6 **depreciation and the accumulated provision for storm damage reserve?**

7 A. Yes. The accumulated provision for depreciation is the cumulative effect of the
8 recovery over time, through depreciation charges, of plant in service. This reserve
9 account reduces plant in service included in rate base and, as a consequence, the
10 return requirements associated with base rates. The accumulation in this account
11 is the result of a systematic and rational recovery of plant in service over its
12 estimated useful life through the depreciation process. The systematic recognition
13 of this cost is reflected in the income statement as depreciation expense in
14 Account 403.

15
16 The accumulated provision for storm damage reserve is a funded reserve under
17 FPSC Rule No. 25-6.0143, Use of Accumulated Provision Accounts 228.1, 228.2
18 and 228.4. Under Account 228.1 Accumulated Provision for Property Insurance
19 this rule states: “This account may be established to provide for losses through
20 accident, fire, flood, storms, nuclear accidents and similar type hazards to the
21 utility’s own property or property leased from others, which is not covered by
22 insurance.” This account has nothing to do with the accumulation of depreciation,
23 and it is not included in FPL’s rate base since it is a funded reserve and earns its

1 own return. It is an operating reserve established to recover current and future
2 costs not covered by insurance. The accruals related to this account are reflected
3 as a component of operations and maintenance expense in account 924, property
4 insurance. As a result of an extraordinary storm season, in late 2004 the balance
5 in the Storm Damage Reserve changed from a positively funded reserve to protect
6 the Company and its customers from potential storm losses, to an unfunded deficit
7 balance that the Company has temporarily financed through short term borrowing
8 pending the outcome of this proceeding.

9 **Q. Mr. Majoros refers in his testimony to a \$1.24 billion book depreciation**
10 **reserve excess which he defines as “the amount of money that FPL has**
11 **charged to and collected from its ratepayers in excess of current**
12 **requirements.” Do you agree with his definition?**

13 **A.** No. The \$1.24 billion amount to which Mr. Majoros refers is actually the result of
14 comparing a theoretical depreciation reserve balance generated as a result of
15 current assumptions used in the depreciation study as if those assumptions had
16 always been used in determining the annual depreciation expense, with the actual
17 depreciation expense accumulated on the basis of studies previously filed with
18 and approved by the Commission in prior years. The excess is primarily the
19 result of newly approved NRC license extensions for the nuclear generating
20 facilities which result in a change in the estimate of the useful lives of these units.
21 As I explain later in my testimony, changes in the estimated useful lives of
22 depreciable assets should be reflected in the current and future periods as a
23 prospective change to depreciation rates and not by adjusting the accumulated

1 provision for depreciation in a single period. Since the theoretical reserve is
2 based on the proposed assumptions used in the depreciation filing, it ignores
3 changes that may—and based on past experience, are likely to—occur in the
4 future. For example, if circumstances change and the nuclear units are not
5 operated through the end of the license extension period, this surplus will be
6 reduced or eliminated. In addition, the theoretical reserve calculation ignores the
7 fact that FPL will be incurring substantial capital costs in the near future in the
8 nuclear function in order to operate these units into their extended lives. The
9 impact of these additional capital costs will reduce the theoretical depreciation
10 reserve surplus. Although such future events are not reflected in the computation
11 of the theoretical reserve, they are appropriately a factor to be considered in
12 evaluating the excess. For these reasons and in spite of the systematic and
13 rational approach used in depreciation studies, FPL’s theoretical reserve balances
14 can fluctuate significantly over time generating theoretical deficiencies and
15 surpluses due to changes in circumstances and assumptions.

16 **Q. Has FPL’s theoretical depreciation reserve surplus/deficiency fluctuated over**
17 **time?**

18 A. Yes. As an example, prior to the NRC license extensions, FPL calculated the
19 depreciation expense for its nuclear plants over their original license periods.
20 This approach yielded a deficiency in the reserve for the nuclear function that was
21 reflected in FPL’s 1997 depreciation study. In 1998, FPL proposed and the FPSC
22 approved a consolidation of the Property Retirement Unit Catalog. In FPL’s 2001
23 depreciation study, the prior deficiency became a surplus. Additionally, the

1 license extensions approved by the NRC for the Turkey Point and St. Lucie
2 nuclear units have the effect of increasing the estimated useful lives of the units
3 and adding to the theoretical depreciation reserve surplus. The extent to which
4 that surplus survives or becomes a deficit depends on future events and
5 circumstances including the impact of the substantial capital costs expected in the
6 nuclear function. These are just a few examples of how theoretical reserves can
7 fluctuate over time due to changes in assumptions, estimates and actual events.
8 That is why I made the analogy to viewing one frame from a motion picture film
9 and assuming that you not only have seen the whole picture but know how it ends.
10 These fluctuations are precisely why the Commission requires depreciation rates
11 to be reviewed at least every four years and why the effects of a change in useful
12 life is recognized over the life of the remaining useful life of the asset.

13

14

Accounting and Regulatory Principles

15 **Q. You stated that Mr. Majoros' proposal violates FPSC policy and orders as**
16 **well as GAAP, SEC guidance, and FERC policy and orders. Would you**
17 **please explain why?**

18 A. Yes. I will discuss each item below.

19 **Q. Can you please explain how Mr. Majoros' proposal is contrary to FPSC**
20 **policy?**

21 A. Yes. The FPSC has rules covering the depreciation process which specify in
22 detail the methods to be used and the information required for filing studies with
23 the FPSC. These rules are very specific about keeping plant and reserve balances

1 separated by FERC function and do not allow utilities to transfer reserves between
2 account or subaccount without their prior approval. The FPSC policy as
3 established in its orders goes even further by stating in Order No. PSC-98-0027-
4 FOF-EI in Docket No. 970410-EI, issued on January 5, 1998:

5 “In conclusion, we will not consider reserve transfers between
6 functions because they may result in pricing issues. Further, we
7 will continue to consider reserve transfers between plant
8 accounts within the same production unit and between units
9 within the same production site.”

10 In reaching this conclusion, the FPSC referred to Order No. PSC-94-1199-FOF-
11 EI, issued September 30, 1994 in Docket No. 931231-EI and stated that:

12 “This Order clearly shows that our approach to reserve transfers
13 is to make them between accounts within the same function and
14 not between accounts across functions.”

15 Mr. Majoros’ proposed use of theoretical depreciation reserve surpluses primarily
16 to the nuclear function as an offset to storm damage costs primarily incurred in
17 non-nuclear functions is contrary to the FPSC’s policy that transfers of
18 depreciation reserves should be within the same function. In fact, it is even
19 farther afield of this FPSC policy because it would use a theoretical *depreciation*
20 *reserve* excess to offset costs in a totally unrelated *non-depreciation* reserve.

1 **Q. Mr. Davis, have you considered the effect Mr. Majoros' proposal would have**
2 **on the jurisdictionalization of the storm damage deficit recovery?**

3 A. Yes. Because Mr. Majoros' proposal would recover storm damage costs via an
4 increase in plant in service and this recovery primarily affects the nuclear
5 function, the recovery of these costs will be based on the jurisdictional factor
6 applied to nuclear. The retail jurisdictional factor for nuclear is greater than that
7 used for FPL's proposed storm surcharge. Therefore, if the Commission adopted
8 Mr. Majoros' proposal, it would result in a shift of cost responsibility from
9 wholesale to retail customers.

10 **Q. Mr. Davis, are there any other aspects of the FPSC's policy on depreciation**
11 **that Mr. Majoros' proposal violates?**

12 A. Yes. The FPSC's policy has been to preserve the long term nature of the
13 depreciation recovery process by requiring that both theoretical reserve surpluses
14 and deficiencies be used to adjust depreciation rates on a prospective basis, rather
15 than running the differences through the current income statement. The FPSC
16 also recognizes the fallacy of a "snapshot" view of the status of depreciation
17 reserves and requires that a study be filed for each category of depreciable
18 property at least once every four years (i.e., continuing the viewing of the "motion
19 picture").

20 **Q. Can you please explain why Mr. Majoros' proposal is contrary to GAAP?**

21 A. Yes. As described in Accounting Research Bulletin (ARB) No. 43, Chapter 9 C,
22 paragraph 5:

1 “The cost of a productive facility is one of the costs of the
2 services it renders during its useful economic life. Generally
3 accepted accounting principles require that this cost be spread
4 over the expected useful life of the facility in such a way as to
5 allocate it as equitably as possible to the periods during which
6 services are obtained from the use of the facility. This procedure
7 is known as depreciation accounting, a system of accounting
8 which aims to distribute the cost or other basic value of tangible
9 capital assets, less salvage (if any), over the estimated useful life
10 of the unit (which may be a group of assets) in a systematic and
11 rational manner. It is a process of allocation, not a valuation.”

12 This is the process used by FPL to calculate depreciation expense for its
13 depreciable assets. Mr. Majoros proposes to contaminate this depreciation
14 process by introducing an unrelated cost into the accumulated reserve for
15 depreciation and requiring that the unrelated cost be spread over the useful life of
16 the asset. Furthermore, the accounting treatment of a change in the estimated
17 useful life of a depreciable asset is addressed in Accounting Principles Board
18 Opinion No. 20, Accounting Changes (APB 20). APB 20 specifically addresses
19 changes in accounting estimates and states in paragraphs 10 and 31:

20 “Changes in estimates used in accounting are necessary
21 consequences of periodic presentations of financial statements.
22 Preparing financial statements requires estimating the effects of
23 future events. Examples of items for which estimates are

1 necessary are uncollectible receivables, inventory obsolescence,
2 service lives and salvage values of depreciable assets.....The
3 Board concludes that the effect of a change in accounting
4 estimate should be accounted for in (a) the period of change if
5 the change affects that period only or (b) the period of change
6 and future periods if the change affects both.”

7 Mr. Majoros’ proposal is in direct contradiction to APB 20. He would use a
8 theoretical depreciation reserve surplus that relates to life extensions affecting
9 FPL’s system for many years into the future to offset a storm reserve deficit that
10 relates only to the past.

11 **Q. Can you please explain why Mr. Majoros’ proposal is contrary to SEC**
12 **guidance?**

13 A. Yes. In reviewing the financial statements of Microsoft Corporation, the SEC
14 determined in Accounting and Auditing Enforcement Release No. 1563, dated
15 June 3, 2002, that Microsoft acted without regard to the GAAP requirement that
16 changes in depreciable lives of assets be accounted for prospectively rather than
17 retrospectively when it charged the cumulative effect of a change in the life of
18 personal computers (from 3 years to 1 year) and buildings (from 30 years to 15
19 years) directly to depreciation expense as accelerated depreciation in one year.
20 The SEC determined that the accelerated depreciation account was not in
21 compliance with GAAP. Mr. Majoros’ proposed use of accumulated depreciation
22 as an offset of storm costs would effectively recognize the benefit of the change in

1 the estimated useful lives of nuclear production assets in one period, which is
2 precisely what the SEC objected to in the enforcement action against Microsoft.

3 **Q. Can you please explain why Mr. Majoros' proposal is contrary to FERC**
4 **policy?**

5 A. Yes. The FERC Code of Federal Regulations, System of Accounts, under
6 Definitions, for Depreciation Accounting, under the heading "Method", states
7 that:

8 "Utilities must use a method of depreciation that allocates in a
9 systematic and rational manner the service value of depreciable
10 property over the service life of the property."

11 Additionally, in a letter to Florida Power Corporation, FERC described the
12 general policy guidance regarding depreciation. FERC stated that:

13 "Under [FERC's] Uniform System of Accounts, depreciation is
14 viewed as an allocation process. It allocates the costs of
15 depreciable property in a systematic and rational manner over
16 the property's estimated service life. There are several
17 acceptable methods that can be used to allocate the cost of an
18 asset over the period expected to benefit from its use, but the
19 method most widely used by utilities and the one most readily
20 accepted by the Commission is the straight-line remaining life
21 method. Under this method, over and under accruals of
22 depreciation recorded in past accounting periods are corrected

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over the remaining life of the related property by adjusting the
book depreciation rates prospectively.”

Not only is Mr. Majoros not using an acceptable depreciation method but, as I
previously noted, he is attempting to contaminate the depreciation process with a
totally unrelated cost.

Consistent with its policy on depreciation, FERC issued an order in Docket Nos.
ER96-2637-000 and FA96-49-000 addressing a South Carolina Public Service
Commission decision which allowed the transfer of a surplus reserve from the
transmission and distribution functions to the nuclear function. Specifically, the
Order concluded that the company’s transfer of depreciation reserves from
transmission and distribution plant was improper under GAAP and the FERC
Uniform System of Accounts and required correcting journal entries. Mr.
Majoros is proposing that an accumulated provision for depreciation primarily in
the nuclear function be used to offset a deficit in the Storm Damage Reserve,
which is a result of costs primarily incurred in non-nuclear functions. Not only is
this clearly contrary to what FERC has already decided is improper as described
above but he is recommending offsetting a funded reserve (storm damage) with an
unrelated and unfunded reserve (depreciation).

1 **Economic Consequences of Mr. Majoros' Proposal**

2 **Q. You indicated earlier in your supplemental rebuttal testimony that one**
3 **practical effect of Mr. Majoros' proposal is to defer and amortize the Storm**
4 **Damage Reserve deficit over a period exceeding 20 years. Please explain.**

5 A. The theoretical depreciation reserve excess (assuming no further changes in
6 circumstances, which I have already shown to be unrealistic) will reduce
7 depreciation expense over the remaining useful lives of the related assets. If the
8 amount of that theoretical excess is reduced by the approved Storm Damage
9 Reserve deficit, the accumulated provision for depreciation would decrease (and
10 the annual depreciation expense would increase over the remaining asset lives).
11 Consequently, it has the same effect as deferring and amortizing the approved
12 Storm Damage Reserve deficit, and earning FPL's allowed rate of return on the
13 unamortized balance over the remaining useful life of the nuclear assets in
14 question.

15 **Q. What are the consequences of such a deferral?**

16 A. Such a deferral will result in an increase in rate base and in the annual return
17 requirements associated with rate base. Also, the resulting amortization of the
18 deferral will increase future cost of service, effectively assigning the costs of the
19 2004 storms to future customers even though they face the same risks of
20 subsequent catastrophic storm losses that our current customers experienced in
21 2004. Under Mr. Majoros' proposal customers twenty years from now would still
22 be paying for the costs of the 2004 hurricane restoration efforts.

1 **Q. Have you calculated the net present value of the difference in revenue**
2 **requirements that FPL's customers would have to support under Mr.**
3 **Majoros' proposal and under FPL's proposed surcharge?**

4 A. Yes. As shown in my Exhibit No. KMD-6, the net present value of the revenue
5 requirements for Mr. Majoros' proposal, at an 8% discount rate, will be \$144
6 million higher than for FPL's proposed surcharge. Exhibit KMD-6 also shows
7 that unless customers can earn an unrealistic 15% each and every year on their
8 investment for the next 22 years, they would be harmed by Mr. Majoros' proposal.
9 This is due to the impact of an increase in rate base of \$533 million on a
10 jurisdictional basis as filed in this docket due to the transfer of nuclear book
11 depreciation reserves to offset the storm damage reserve deficiency. The recovery
12 of this additional rate base over the 22 year composite remaining life of the plant
13 in the nuclear production function in FPL's recently filed depreciation study
14 results in \$1.2 billion in cumulative revenue requirements. In contrast, FPL's 3
15 year storm surcharge for the recovery of the \$533 million in storm damage
16 deficiency costs results in \$552 million in cumulative revenue requirements. The
17 substantial difference between these revenue requirements is a result of pushing
18 current period costs that should be financed with short term capital out into the
19 future (i.e., the 22 year composite remaining life of the plant in the nuclear
20 function) and leaving them outstanding for an extended period, thereby requiring
21 long term financing of the costs at FPL's overall cost of capital.

1 **Q. Please summarize your supplemental rebuttal testimony.**

2 A. Mr. Majoros' proposal to offset the approved Storm Damage Reserve deficit
3 should not be adopted because it is economically disadvantageous to FPL's
4 customers. Further, it violates GAAP and regulatory accounting principles as well
5 as Commission policy. Additionally, it would shift cost responsibility from
6 wholesale to retail customers. FPL has properly addressed the theoretical
7 depreciation reserve surplus by using remaining life depreciation rates over the
8 lives of the assets to which the surplus relates resulting in reduced depreciation
9 rates which are included in base rates.

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

11 A. Yes.

COMPARISON OF THE REVENUE REQUIREMENTS
OF OPC'S AND FPL'S PROPOSALS
FOR STORM CHARGE RECOVERY

<u>CUSTOMER DISCOUNT RATE</u>	<u>3 YEAR CLAUSE RECOVERY (\$000)</u>	<u>22 YEAR RATE BASE RECOVERY (\$000)</u>	<u>DIFFERENCE (\$000)</u>
NOMINAL (1)	\$552,378	\$1,163,482	(\$611,104)
8.00%	\$474,510	\$618,093	(\$143,583)
10.00%	\$457,894	\$545,713	(\$87,819)
12.00%	\$442,239	\$486,904	(\$44,665)
14.78%	\$421,940	\$421,900	\$39

(1) NOTE: THIS LINE REPRESENTS THE ACTUAL RECOVERY AMOUNTS WITHOUT DISCOUNTING.

COMPARISON OF THE REVENUE REQUIREMENTS
 OF OPC'S AND FPL'S PROPOSALS
 FOR STORM CHARGE RECOVERY

PERIOD In Months	ENDING RESERVE (\$000)	AMORT (\$000)	INTEREST (\$000)	MONTHLY CHARGE
0	533,096		2.32% (1)	
1	518,783	(14,313)	(1,031)	(15,344)
2	504,442	(14,341)	(1,003)	(15,344)
3	490,073	(14,369)	(975)	(15,344)
4	475,677	(14,396)	(947)	(15,344)
5	461,253	(14,424)	(920)	(15,344)
6	446,801	(14,452)	(892)	(15,344)
7	432,321	(14,480)	(864)	(15,344)
8	417,813	(14,508)	(836)	(15,344)
9	403,277	(14,536)	(808)	(15,344)
10	388,713	(14,564)	(780)	(15,344)
11	374,120	(14,592)	(752)	(15,344)
12	359,500	(14,621)	(723)	(15,344)
13	344,851	(14,649)	(695)	(15,344)
14	330,174	(14,677)	(667)	(15,344)
15	315,468	(14,705)	(638)	(15,344)
16	300,734	(14,734)	(610)	(15,344)
17	285,972	(14,762)	(581)	(15,344)
18	271,181	(14,791)	(553)	(15,344)
19	256,361	(14,820)	(524)	(15,344)
20	241,513	(14,848)	(496)	(15,344)
21	226,636	(14,877)	(467)	(15,344)
22	211,731	(14,906)	(438)	(15,344)
23	196,796	(14,934)	(409)	(15,344)
24	181,833	(14,963)	(380)	(15,344)
25	166,841	(14,992)	(352)	(15,344)
26	151,819	(15,021)	(323)	(15,344)
27	136,769	(15,050)	(294)	(15,344)
28	121,690	(15,079)	(264)	(15,344)
29	106,581	(15,109)	(235)	(15,344)
30	91,443	(15,138)	(206)	(15,344)
31	76,276	(15,167)	(177)	(15,344)
32	61,080	(15,196)	(147)	(15,344)
33	45,854	(15,226)	(118)	(15,344)
34	30,599	(15,255)	(89)	(15,344)
35	15,314	(15,285)	(59)	(15,344)
36	(0)	(15,314)	(30)	(15,344)
		(533,096)	(19,282)	(552,378)

(1) NOTE: COMMERCIAL PAPER RATE FROM THE DECEMBER 2004 SURVEILLANCE REPORT

YEAR	RECOVERY	PRESENT VALUE	PRESENT VALUE	PRESENT VALUE	PRESENT VALUE
		8.00%	10.00%	12.00%	14.78%
1	184,126	170,487	167,387	164,398	160,416
2	184,126	157,858	152,170	146,784	139,760
3	184,126	<u>146,165</u>	<u>138,337</u>	<u>131,057</u>	<u>121,783</u>
	552,378	474,510	457,894	442,239	421,940

COMPARISON OF THE REVENUE REQUIREMENT
OF OPC'S AND FPL'S PROPOSALS
FOR STORM CHARGE RECOVERY

PERIOD In Years	PLANT (\$000)	ENDING RESERVE (\$000)	NET PLANT (\$000)	OTHER (\$000)	RATE BASE (\$000)	AMORT (\$000)	OTHER (\$000)	RETURN ON INVESTMENT (\$000) (1)	REVENUE REQUIREMENT (\$000)
0	0	(533,096)	533,096	0	533,096	24,232		10.75%	
1	0	(508,864)	508,864	0	508,864	24,232	0	56,005	80,237
2	0	(484,633)	484,633	0	484,633	24,232	0	53,400	77,632
3	0	(460,401)	460,401	0	460,401	24,232	0	50,796	75,027
4	0	(436,169)	436,169	0	436,169	24,232	0	48,191	72,422
5	0	(411,938)	411,938	0	411,938	24,232	0	45,586	69,817
6	0	(387,706)	387,706	0	387,706	24,232	0	42,981	67,213
7	0	(363,475)	363,475	0	363,475	24,232	0	40,376	64,608
8	0	(339,243)	339,243	0	339,243	24,232	0	37,771	62,003
9	0	(315,011)	315,011	0	315,011	24,232	0	35,166	59,398
10	0	(290,780)	290,780	0	290,780	24,232	0	32,561	56,793
11	0	(266,548)	266,548	0	266,548	24,232	0	29,956	54,188
12	0	(242,316)	242,316	0	242,316	24,232	0	27,351	51,583
13	0	(218,085)	218,085	0	218,085	24,232	0	24,747	48,978
14	0	(193,853)	193,853	0	193,853	24,232	0	22,142	46,373
15	0	(169,621)	169,621	0	169,621	24,232	0	19,537	43,768
16	0	(145,390)	145,390	0	145,390	24,232	0	16,932	41,163
17	0	(121,158)	121,158	0	121,158	24,232	0	14,327	38,559
18	0	(96,927)	96,927	0	96,927	24,232	0	11,722	35,954
19	0	(72,695)	72,695	0	72,695	24,232	0	9,117	33,349
20	0	(48,463)	48,463	0	48,463	24,232	0	6,512	30,744
21	0	(24,232)	24,232	0	24,232	24,232	0	3,907	28,139
22	0	(0)	0	0	0	24,232	0	1,302	25,534
						533,096		630,386	1,163,482

(1) NOTE: THIS IS THE FPL'S END OF YEAR PRETAX COST OF CAPITAL FROM THE DECEMBER 2004 SURVEILLANCE REPORT (SCHEDULE 4)

Docket No. 041291-EI
 K. Michael Davis, Exhibit No. _____
 Document No. KMD-6, Page 3 of 4
 Revenue Requirement Comparison

COMPARISON OF THE REVENUE REQUIREMENT
OF OPC'S AND FPL'S PROPOSALS
FOR STORM CHARGE RECOVERY

PERIOD In Years	REVENUE REQUIREMENT	PRESENT VALUE 8.00%	PRESENT VALUE 10.00%	PRESENT VALUE 12.00%	PRESENT VALUE 14.78%
1	80,237	74,294	72,943	71,640	69,905
2	77,632	66,557	64,159	61,888	58,926
3	75,027	59,559	56,369	53,403	49,616
4	72,422	53,233	49,465	46,026	41,726
5	69,817	47,517	43,351	39,616	35,046
6	67,213	42,355	37,940	34,052	29,394
7	64,608	37,698	33,154	29,225	24,616
8	62,003	33,498	28,925	25,042	20,582
9	59,398	29,714	25,190	21,419	17,178
10	56,793	26,306	21,896	18,286	14,310
11	54,188	23,240	18,993	15,578	11,895
12	51,583	20,484	16,436	13,240	9,865
13	48,978	18,009	14,187	11,225	8,161
14	46,373	15,788	12,212	9,489	6,732
15	43,768	13,798	10,478	7,996	5,536
16	41,163	12,015	8,958	6,715	4,536
17	38,559	10,421	7,629	5,616	3,702
18	35,954	8,997	6,467	4,675	3,007
19	33,349	7,727	5,453	3,872	2,430
20	30,744	6,596	4,570	3,187	1,952
21	28,139	5,590	3,802	2,605	1,556
22	25,534	4,697	3,137	2,110	1,230
	1,163,482	618,093	545,713	486,904	421,900

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Supplemental Rebuttal Testimony has been furnished by United States Mail this 5th day of April, 2005, to the following:

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