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June 27, 2005

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket Nos. 050045-EI & 050188-EI

Dear Ms. Bayo:

Enclosed for filing, on behalf of the Office of Public Counsel, are the original and 25 copies of the Direct Testimony of Donna DeRonne, C.P.A.

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

Sincerely,

Charles J. Beck

Charles J. Beck
Deputy Public Counsel

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company.	)))	Docket No. 050045-EI
In re: 2005 comprehensive depreciation study by Florida Power & Light Company.	)))))	Docket No. 050188-EI Dated: June 27, 2005

DIRECT TESTIMONY

OF

DONNA DERONNE, C.P.A.

On Behalf of the Citizens of the State of Florida

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DIRECT TESTIMONY OF DONNA DERONNE

ON BEHALF OF THE CITIZENS OF FLORIDA

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DOCKET NOS. 050045-EI & 050188-EI

I. INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

A. My name is Donna DeRonne. I am a Certified Public Accountant licensed in the State of Michigan and a senior regulatory consultant at the firm Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES, PLLC.

A. Larkin & Associates, PLLC, is a Certified Public Accounting and Regulatory Consulting Firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin & Associates, PLLC has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings, including numerous electric, water and wastewater, gas and telephone utility cases.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION?

A. Yes, I have testified before the Florida Public Service Commission on several prior occasions. I have also testified a before several other state regulatory commissions.

Q. HAVE YOU PREPARED AN EXHIBIT DESCRIBING YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. I have attached Appendix I, which is a summary of my regulatory experience and qualifications.

Q. ON WHOSE BEHALF ARE YOU APPEARING?

A. Larkin & Associates, PLLC, was retained by the Florida Office of Public Counsel (OPC) to review the rate request of Florida Power & Light Company (FPL or Company). Accordingly, I am appearing on behalf of the Citizens of Florida (Citizens).

Q. ARE ANY ADDITIONAL WITNESSES APPEARING ON BEHALF OF THE FLORIDA OFFICE OF PUBLIC COUNSEL IN THIS CASE?

A. Yes. Hugh Larkin, Jr. and Helmuth W. Schultz, III, also of Larkin & Associates, are presenting testimony. Additionally, Patricia Merchant, Kim Dismukes, David Dismukes, J. Randall Woolridge and Michael Majoros are also presenting testimony.

Q. HOW WILL YOUR TESTIMONY BE ORGANIZED?

A. I first present the overall financial summary, calculating the overall revenue requirement recommended by Citizens in this case. The overall financial summary presents the results of the recommendations of each of the Citizens witnesses in this case. I then address various adjustments I am sponsoring in this proceeding.

II. OVERALL FINANCIAL SUMMARY

Q. HAVE YOU PREPARED AN EXHIBIT IN SUPPORT OF YOUR TESTIMONY?

A. Yes. I have prepared Exhibit__(DD-1), consisting of Schedules A, A-1, B-1, C-1 through C-12 and D. The schedules presented in Exhibit__(DD-1) are also consecutively numbered at the bottom of each page.

Q. WHAT DOES SCHEDULE A, ENTITLED "REVENUE REQUIREMENT" SHOW?

A. Schedule A presents the revenue requirement calculation, at this time, giving effect to all of the adjustments I am recommending in this testimony, along with the impacts of the recommendations made by Citizens witnesses Hugh Larkin, Jr., Helmuth W. Schultz, III, Patricia Merchant, Kim Dismukes, David Dismukes, Michael Majoros and J. Randall Woolridge. The calculation of the net operating income multiplier (or gross revenue conversion factor) is presented on my Schedule A-1. The adjustments presented on Schedule A which impact rate base can be found on Schedule B-1. The OPC adjustments to net operating income are listed on Schedule C-1. Schedules C-2 through C-12 provide supporting calculations for the adjustments I am sponsoring to net operating income, which are presented on Schedule C-1.

Q. WOULD YOU PLEASE BRIEFLY DISCUSS SCHEDULE D?

A. Schedule D presents Citizens recommended capital structure and overall rate of return based on the recommendations of Citizens witness J. Randall Woolridge. The purpose of the first revision to FPL's proposed capital structure on Schedule D is to revise the capitalization ratios between long term debt, short term debt and equity on FPL's MFR Schedule D-1a to the capitalization ratios recommended by Citizens witness J. Randall Woolridge. On Schedule D, I then apply the adjustments necessary to reflect the impact of the adjustments to deferred income taxes sponsored by Citizens witness Hugh Larkin, Jr. and to synchronize Citizens recommended rate base with the overall capital structure. The detailed calculations of these adjustments along with the allocation of the adjustments to the different components of the capital structure are presented on page 2 of Schedule D. On page 1 of Schedule D, I then applied Dr. Woolridge's recommended cost rates to the final recommended capital ratios, resulting in an overall recommended rate of return of 5.97%.

Q. WHAT IS THE RESULTING REVENUE REQUIREMENT FOR FLORIDA POWER & LIGHT COMPANY?

A. As shown on Schedule A, the OPC's recommended adjustments in this case result in a revenue decrease for Florida Power & Light Company of $724,725,000.

III. NET OPERATING INCOME MULTIPLIER

Q. ARE YOU RECOMMENDING ANY MODIFICATIONS TO THE NET OPERATING INCOME MULTIPLIER PROPOSED BY THE COMPANY?

A. Yes, I am recommending two revisions to the net operating income multiplier (i.e., gross revenue conversion factor) proposed by FPL. In determining its proposed factor, FPL included a bad debt rate of 0.168%. Later in this testimony, under the heading of bad debt expense, I am proposing a bad debt rate for the 2006 projected test year of 0.135%. On Schedule A-1, I replace the Company's proposed bad debt rate of 0.168% with a more appropriate rate of 0.135% in determining the net operating income multiplier.

The second revision pertains to the impact on the effective state income tax rate resulting from the manufacturers deduction under the American Jobs Creation Act of 2004. The

Act allows for a 3% deduction from taxable income in 2005 and 2006 attributable to domestic production activities, including the production of electricity. The deduction increases to 6% in 2007 and 9% in 2010. In its filing, FPL reflected a deduction in its income tax calculations for both federal and state income tax purposes associated with the manufacturers deduction allowed under the Act. It also reduced the effective federal income tax rate in the gross income multiplier from 35% to 34.51% in order to acknowledge the impact on the multiplier resulting from the Act. However, FPL did not include the impact on the state income tax rate included in its net operating income multiplier. According to a workpaper provided by the Company, the state income tax rate in the multiplier was not adjusted for the manufacturers deduction as the state of Florida had not yet indicated if it would be adopting the section of the Code allowing for the deduction[1]. In response to AARP Interrogatory No. 16, the Company indicated that Senate Bill 1798 was approved by the Governor on June 1, 2005, making the deduction applicable for state income tax purposes. The response also provided the impact on the effective state income tax rate included in the multiplier, resulting in reducing the effective state income tax rate from 5.50% to 5.42%. On Schedule A-1, I reduced the state income tax rate to 5.42% to reflect the impact of the Act.

These revisions result in a net operating income multiplier of 1.617809 as compared to FPL's proposed multiplier of 1.61971. The revised multiplier is used in calculating the Citizens' proposed revenue sufficiency on Schedule A.

[1]Bates No. FPL047057

IV. RECOMMENDED ADJUSTMENTS

Q. WOULD YOU PLEASE DISCUSS EACH OF THE ADJUSTMENTS TO FPL'S FILING YOU ARE SPONSORING?

A. Yes, I will address each adjustment I am sponsoring below.

Rate Case Expense

Q. ACCORDING TO COMPANY MFR SCHEDULE C-10, FPL HAS PROJECTED TO INCUR $8,950,000 OF RATE CASE EXPENSE, WHICH IT IS PROPOSING TO AMORTIZE IN RATES OVER A TWO YEAR PERIOD. IS FPL'S PROPOSAL TO RECOVER $8.95 MILLION OF RATE CASE EXPENSE FROM RATEPAYERS REASONABLE?

A. No, it is not. Ratepayers should not be forced to fund an excessive level of rate case expense associated with a case that is so clearly imprudent and unreasonable. FPL has requested an increase in base rates of approximately $384.6 million. As demonstrated on Schedule A, Citizens analysis shows that base rates should be reduced by $724,725,000. Even the Company's own information shows that it is overearning. According to FPL's April 2005 Rate of Return Surveillance Report, FPL indicates that its pro forma return on common equity is 12.91%. Based on the OPC's analysis and the Company's own surveillance reports, FPL is not a company in need of an increase in base rates. Ratepayers should not be forced to pay for the costs incurred by FPL in both filing and attempting to defend an unjustified and unsupported increase in base rates.

Q. CONSIDERING THE RETURN ON COMMON EQUITY EARNED BY FPL THUS FAR IN 2005, SHOULD THE COMPANY BE PERMITTED TO DEFER THE RATE CASE COSTS IT IS INCURRING FOR FUTURE RECOVERY?

A. No, it should not. The costs associated with the current rate case are being incurred and paid by FPL in the current period, 2005. It is anticipated that any new rates resulting from this case will be implemented on or by January 1, 2006. Thus, the rate case costs to be incurred by FPL should be recorded and expensed during 2005, not deferred. In its April 2005 Rate of Return Surveillance Report, the Company reported an FPSC adjusted average return on common equity of 12.81% and a proforma adjusted return on common equity of 12.91%. If FPL were to expense the costs it has projected to incur for the rate case in the current period (i.e., 2005), it would still be earning a proforma adjusted rate of return of over 12.75%. In the current case, FPL has requested a rate of return on equity of 11.8% prior to its ROE bonus, and 12.3% including the bonus for past performance. Considering FPL's earnings in the current period in which it is proposing to defer the rate case expense it is incurring, it is not appropriate to defer these costs to charge to ratepayers in the future. Thus, I recommend FPL's proposed deferral and amortization of rate case expense be disallowed and FPL be required to expense the costs in the current period as incurred. Earnings realized by FPL in 2005 year to date provide FPL a more than adequate means of recovering its rate case costs in the current period.

Q. IF THE COMMISSION DISAGREES WITH YOUR RECOMMENDATION THAT RATE CASE COSTS INCURRED BY FPL BE EXPENSED IN THE CURRENT PERIOD WITH NO DEFERRAL AND NO FUTURE AMORTIZATION IN RATES, ARE ANY ADJUSTMENTS TO FPL'S PROECTED RATE CASE EXPENSE WARRANTED?

A. Yes. First of all, the Company has provided very little support for the $8.95M projected rate case expense it has included in the filing. Company MFR Schedule C-10 merely provides the following breakdown: Outside Professional Consultants - $4,000,000 and Legal Services (Outside Legal Firms) - $2,450,000. According to the response to OPC Interrogatory No. 1, the remaining $2.5 million consists of "…estimates for incremental overtime, shipping, travel, hearing logistics, document processing etc." The response also indicated that there were no specific fixed fees and/or hourly fees from consultants used to develop the projected rate case amount. FPL has not supported its projected $8.95M cost.

Additionally, in response to OPC POD No. 23, the Company provided copies of agreements it has with several outside consultants and legal counsel for participation on behalf of FPL in the current rate case. These have been identified as confidential by FPL. Based on the response, I am concerned that some of the rates being charged to FPL's outside consultants are excessive.

Q. PLEASE EXPLAIN.

*****BEGIN CONFIDENTIAL*****

A. [redacted][2]. [redacted][3]. [redacted]

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2 [redacted].
3 [redacted].

[redacted][4].

*****END CONFIDENTIAL*****

If the Commission allows FPL to defer the costs, I recommend that the actual invoices supporting the actual costs incurred by FPL be closely scrutinized. The actual invoices and support, once provided, should be used as a base amount as opposed to the $8.95M rough estimate requested by FPL. I also recommend that 50% of the projected hourly costs associated with the outside consultants and counsel retained by FPL be shared 50/50 between ratepayers and shareholders. FPL is free to retain the level of experts is chooses; however, ratepayers should not be burdened with excessive or unreasonable rate case costs.

Q. FPL'S FILING INCLUDES $6,438,000 IN RATE BASE FOR PROJECTED 2006 AVERAGE UNAMORTIZED RATE CASE EXPENSE. IF THE COMMISSION ALLOWS FPL TO DEFER RATE CASE COSTS CURRENTLY BEING INCURRED FOR RECOVERY, SHOULD THE COMPANY BE PERMITTED TO EARN A RETURN BOTH OF AND ON THOSE COSTS?

A. No. If the Commission determines that the rate case costs being incurred during 2005 should be deferred for recovery beginning in 2006, the Company should not be allowed to earn a return both of and on those funds. As previously pointed out, in the current period FPL is earning a return that is more than adequate to cover its rate case costs during 2005. To allow the costs to be deferred and to require ratepayers to also pay a

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[4] [redacted].

return on those funds when current earnings are sufficient to cover such costs would be unfair.

Q. ARE THERE ANY ADDITIONAL REASONS TO QUESTION THE AMOUNT OF RATE CASE EXPENSE PROJECTED BY FPL?

A. According to a workpaper provided in response to OPC POD 47[5], $550,000 of the projected $8.95 million of rate case expense will be incurred in 2006. I was able to confirm that at least $250,000 of the amount is included in the projected 2006 base O&M expense for the Regulatory Affairs Department based on a document provided in response to OPC POD 7.[6] Presumably the remaining $300,000 is included in the 2006 base O&M expense for another business unit, such a general counsel. It does not seem reasonable that $550,000 of rate case expense associated with the current rate case will be incurred by FPL in 2006 when the Company projects that the new base rates resulting from this case will be implemented on or by January 1, 2006.

Q. IS THE TWO YEAR AMORTIZATION PERIOD PROPOSED BY THE COMPANY REASONABLE?

A. No, it is not. It has been over 20 years since FPL's last fully litigated base rate case. To now assume that FPL will need to return for an increase within two years is not reflective of past history or reasonable. Consequently, if the Commission determines that some level of rate case expense should be granted to FPL for recovery (which I do not recommend), the actual amount incurred should first be reduced to revise excessive billing rates, then the minimum amortization period should be set at four years.

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[5] Bates No. FPL046525.
[6] Bates No. FPL080430.

Q. WHAT ADJUSTMENTS ARE NECESSARY TO REFLECT YOUR RECOMMENDATION THAT RATE CASE EXPENSE BE BOOKED BY FPL IN THE CURRENT PERIOD AND NOT DEFERRED FOR AMORTIZATION IN RATES?

A. The necessary adjustments are shown on Schedule C-2. Test year expenses should be reduced by $4,475,000 and rate base should be reduced by $6,438,000.

Uncollectible Expense

Q. WHAT AMOUNT HAS THE COMPANY INCLUDED IN THE FILING FOR UNCOLLECTIBLE EXPENSE?

A. FPL included $14,691,374 of net write-offs based on a projected bad debt factor of 0.168%, offset by a $143,049 accrual adjustment, resulting in a net uncollectible expense of $14,548,325. The Company also included the projected 0.168% bad debt factor in determining its net operating income multiplier.

Q. IS THE 0.168% BAD DEBT FACTOR USED BY FPL IN PROJECTING THE FUTURE RATE YEAR AMOUNT CONSISTENT WITH HISTORIC BAD DEBT RATES REALIZED BY FPL?

A. No, it is not. FPL MFR Schedule C-11 provided the bad debt factor, calculated as the net uncollectible write-offs to gross revenues from sales of electricity, for each year, 2001 through 2004. I have presented the bad debt factor and the amounts used by FPL to calculate those factors, for each year 2001 through 2004 on Schedule C-3, attached to this testimony. As shown on the schedule, the bad debt factors vary from year to year and range from a low of 0.128% to a high of 0.158% in 2004. Each of the annual rates are considerably lower than the 0.168% rate projected by FPL for the 2006 projected test year. Additionally, according to MFR Schedule C-11, the 2004 net write-offs used in the calculation of the 2004 bad debt factor included a $1.1 million charge for delayed write-offs associated with the storms. Consequently, the 2004 bad debt factor is higher than FPL's typical circumstances due to the significant storm activity occurring during 2004. If the $1.1 million charge associated with the storms is removed, the bad debt factor for 2004 would calculate to 0.145%.

Q. HOW DID THE COMPANY DETERMINE ITS PROJECTED TEST YEAR FACTOR OF 0.168%?

A. There is no explanation in FPL's filing of how the factor was determined. Some of FPL witness Barrett's workpapers provided in response to OPC POD 7 indicate that the factor is projected using a regression forecast that changes based on the level of revenues, and it is not a 1 to 1 relationship.[7] The actual calculations were not provided, nor was any testimony provided describing how the amount was determined.

Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO THE PROJECTED AMOUNT OF UNCOLLECTIBLE EXPENSE AND THE PROJECTED BAD DEBT FACTOR?

A. Yes. As shown on Schedule C-3, the bad debt factor for FPL varies from year to year. I recommend that FPL's projected 2006 bad debt factor be replaced by the three-year average factor calculated using the years 2001 through 2003, resulting in a bad debt factor of 0.135%. As the level of bad debt expense to revenues varies from year to year, use of an average rate is appropriate to reflect a normalized level in rates going forward. I specifically excluded 2004 to remove the impact of the delayed write-offs associated with the storms so that a normalized level can be reflected in base rates. As shown on

[7] Bates Nos. FPL057137 and FPL051968.

Schedule C-3, replacing FPL's proposed 0.168% factor with my recommended factor of 0.135% results in projected net write-offs of $11,809,927, which is a $2,881,447 reduction to the amount included in the filing. As shown on Schedule A-1, I have also replaced FPL's bad debt factor with my recommended bad debt factor for purposes of calculating the net operating income multiplier in this case.

<u>Information Management – Nuclear Passport Replacement</u>

Q. ARE YOU AWARE OF ANY PROJECTED LARGE NON-RECURRING COSTS INCLUDED IN THE COMPANY'S BASE O&M FORECAST FOR 2006?

A. Yes. Included within the forecasted 2006 base O&M expenses for the Information Management (IM) Business Unit is $6,940,000 for a Nuclear Passport Replacement Project. This project is to replace the Nuclear Passport system (work management, materials, etc.) and is included in the 2006 base O&M expense in the filing. There is an additional $6.5 million projected for the IM business unit associated with the project and projected to be recorded as capital (i.e., not O&M) in 2006. According to the IM Business Unit budget, the related O&M cost is not anticipated to recur after 2007.

Q. WHAT IS THE NUCLEAR PASSPORT REPLACEMENT PROJECT?

A. The response to AARP Interrogatory 5 describes the project as follows:

> "The Nuclear Passport upgrade project will provide tools to support Nuclear improvement initiatives in the areas of Equipment Reliability, Configuration Management, Work Management, Business Planning and Corrective Action programs. The project's benefits will result from optimizing nuclear maintenance activities, such as improving work week and outage planning, streamlining the configuration design, improving the approval and engineering change process, and reducing inventories…"

Q. DOES THIS PROJECT HAVE A LARGE IMPACT ON THE TOTAL IM BUSINESS UNIT O&M EXPENSE BUDGET FOR 2006?

A. Yes, it does. Based on the actual, budgeted and forecasted costs for the IM business unit, this project is projected to have a significant impact on the total IM business unit O&M costs. The table below presents actual and budgeted IM business unit costs for the period 2003 through 2007:

2003 Actual[8]	$78,216,000
2004 Actual/Forecast[9]	$78,600,000
2005 Budgeted[10]	$77,262,000
2006 Forecasted[11]	$87,919,000
2007 Forecasted[12]	$81,580,000

Clearly the 2006 projected test year O&M expense for the Information Management Business Unit is considerably higher than the preceding years and projected subsequent year levels, with the projected O&M expense associated with the nuclear passport replacement project of $6,940,000 having a significant impact. If the nuclear passport replacement project were removed from the 2006 forecasted O&M, the resulting 2006 forecast would be $80,979,000, which is more in line with the historic trend and future projections.

Q. ARE YOU RECOMMENDING AN ADJUSTMENT ASSOCIATED WITH THE NUCLEAR PASSPORT REPLACEMENT PROJECT?

A. Yes. Since this is a large, non-recurring project, I recommend that the associated O&M expense be amortized over a four-year period for ratemaking purposes. If these costs are not amortized over a four year period, then FPL would be permitted to collect this non-

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[8] Bates No. FPL022789
[9] Bates Nos. FPL024044 & FPL079177
[10] Bates No. FPL079099
[11] Id.
[12] Bates No. FPL079117

recurring cost level annually until such time as rates are reset. As shown on Schedule C-4, I recommend a four year amortization of the costs, resulting in a $5,205,000 reduction in projected 2006 O&M expense.

Q. ARE THERE ANY ADDITIONAL REASONS THAT THE FULL PROJECTED O&M EXPENSE ASSOCIATED WITH THIS PROJECT SHOULD NOT BE INCORPORATED INTO BASE RATES?

A. Yes. According to the Information Management Business Plan, dated October 28, 2004, provided in response to OPC POD 48, the Nuclear Passport system is a potential increase in 2006 that remains discretionary. (Bates No. FPL024041) In response to AARP Interrogatory No. 6, the Company indicates that the O&M costs are for project initiation efforts associated with data conversion, system migration efforts and employee training that would occur in 2006, creating a peaking of O&M expenses for the projected test year.

<u>Directors & Officers Liability Insurance Expense</u>

Q. HOW DOES THE AMOUNT OF EXPENSE INCLUDED IN THE PROJECTED TEST YEAR FOR DIRECTORS AND OFFICERS LIABILITY INSURANCE COMPARE TO PRIOR YEARS?

A. As shown below, the expense incurred, and projected to be incurred, by FPL for Directors & Officers (D&O) liability insurance has increased significantly since 2002. Presented below are the amounts recorded in Account 925 for the expense associated with D&O liability insurance, by year.

2000	$ 582,534
2001	$ 553,376
2002	$ 742,075

2003	$5,361,318
2004	$7,395,184
2005	$8,221,689
2006	$8,468,340 (projected)

Q. WHAT FACTORS HAVE CAUSED THE SIGNIFICANT INCREASE IN D&O LIABILITY INSURANCE RATES?

A. In his direct testimony, FPL witness Moray Dewhurst indicates that there have been rapid price increases associated with D&O liability insurance, and that the Risk and Insurance Management Society Inc. Benchmark Survey shows that D&O premiums have increased by an average of 206% in the twelve month period beginning in the second quarter of 2002. His testimony also indicates that the D&O insurance liability costs make up the largest portion of FPL's total projected non-nuclear insurance cost increases. As demonstrated by the amounts presented above, the D&O liability insurance costs incurred by FPL have increased by significantly more than the 206% average indicated in Mr. Dewhurst's testimony, increasing from $742,075 in 2002 to $8,468,340 in the projected test year. This is an increase of 1041% over a four-year period. In other words, projected D&O liability insurance expense is projected to be 1041% higher in 2006 than it was in 2002.

As evident from the average percentage increase of 206% indicated in Mr. Dewhursts testimony and from prior cases in which I have participated, large increases in D&O liability insurance premiums have been typical across the nation. The increases are largely attributable to the recent accounting scandals of entities such as Enron, Global Crossing and Worldcom. The fallout of mistakes and improprieties of shareholders and management of certain corporations is increasing the costs of D&O liability insurance.

Additionally, FPL has presented claims to its D&O liability insurance providers. In response to OPC Interrogatory No. 150, the Company agrees that claims against a policy are a factor that may cause premiums to increase, but also responded that it is impossible to attribute a specific amount of the premium increase to claims against the policy. Considering the large amount by which the percentage increase in D&O liability insurance costs incurred by FPL exceeded the average increases, it is likely that the claims have impacted the amount of premiums paid by FPL for coverage.

Q. ARE YOU AWARE OF ANY SHAREHOLDER LITIGATION AGAINST FPL SINCE THE TIME THE D&O LIABILITY INSURANCE PREMIUMS BEGAN TO INCREASE SIGNIFICANTLY?

A. Yes. According to FPL's 2004 Annual Report, FPL's O&M expense decreased by $21 million in 2004 associated with the settlement of shareholder litigation. According to FPL's response to OPC Interrogatory No. 55, shareholders filed a derivative action against FPL in 2002. The response states that: "The suit was intended for the shareholders to reclaim accelerated LTIP payments made to FPL executives upon shareholder approval of the proposed merger with Entergy in December 2000 which was subsequently terminated." It is between 2002 and 2003 that the most significant increase in the premiums paid by FPL occurred.

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO THE LEVEL OF EXPENSE INCLUDED IN THE PROJECTED TEST YEAR FOR DIRECTORS AND OFFICERS LIABILITY INSURANCE?

A. Yes. The purpose of D&O liability insurance is to protect shareholders from the shareholders' own decisions. Shareholders elect the Board of Directors who are responsible for the appointment of officers of the Company. The covered officers and directors are compensated to provide quality leadership and to serve the Company with integrity. Ratepayers do not choose who manages the Company and who serves on the Board of Directors. It is the shareholders who make the ultimate decision. Additionally, ratepayers will not be the ones compensated by insurance companies for losses incurred by shareholders for managements and directors mistakes or improprieties. As a result, shareholders should be responsible for their decisions regarding the management of the Company. The costs associated with the protection of the shareholders' investment should be born by shareholders. I have removed the projected rate year expense associated with D&O liability insurance of $8,463,000 on Schedule C-5. This results in a reduction to jurisdictional O&M expense of $8,424,000. Ratepayers should not be responsible for these costs.

<u>Automated Meter Reading Program Costs</u>

Q. THE PREFILED TESTIMONY OF MARLENE SANTOS ADDRESSES FPL'S AUTOMATED METER READING PLANS. WOULD YOU PLEASE COMMENT ON HER TESTIMONY?

A. According to Ms. Santos' testimony, the Company will begin deploying approximately 50,000 Automatic Meter Reading (AMR) meters in 2005 using two different communication technologies. This first pilot phase is projected to be completed in mid-2006 with subsequent system wide deployment taking five to eight years.

Q. WHAT COSTS HAS FPL INCLUDED IN THE PROJECTED 2006 TEST YEAR ASSOCIATED WITH THE INITIAL PILOT PHASE OF THE AMR PROJECT?

A. The response to OPC Interrogatory No. 147 indicates that the projected test year includes $15.4 million in plant in service, $1.6 million in accumulated depreciation, $1.1 million in depreciation expense and $1.6 million in O&M expense. The response also indicates that only $19,721 of cost savings are reflected in the filing. The associated project cost savings are projected to increase significantly in 2007, 2008 and beyond as the AMR program is fully implemented, with the savings ultimately outweighing the associated costs.

Q. CONSIDERING THE COSTS OF THE INITIAL PILOT PROGRAM GREATLY EXCEED THE BENEFIT IN THE PROJECTED TEST YEAR, SHOULD AN ADJUSTMENT BE MADE TO MATCH THE COSTS WITH THE FUTURE SAVINGS THAT WILL RESULT FROM THE PROGRAM?

A. Absolutely. As the costs in the projected 2006 test year are for a pilot program, whose costs greatly exceeds the resulting initial benefit, I recommend the amount projected to be included in plant in service be transferred to CWIP to recover an Allowance for Funds Used During Construction until such time as the system-wide deployment is implemented. To do otherwise would result in a mismatch in rates of the costs of the program from the benefits that will ultimately result. Additionally, based on a budget variance report provided in response to OPC POD 49, the AMR project implementation has been delayed, with a $4.653 under-run in projected costs as of December 2004.[13] Consequently, the level of costs included in the projected 2006 test year are also questionable as to whether that level will actually be incurred during that period.

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[13] Bates No. FPL019962

Q. WHAT ADJUSTMENTS ARE NECESSARY TO REMOVE THE COSTS ASSOCIATED WITH THE AMR PILOT PROGRAM FROM THE PROJECTED TEST YEAR?

A. The necessary adjustments are shown on Schedule C-6. Citizens Hugh Larkin, Jr. is recommending an adjustment to plant in service for an overstatement of the projected beginning balances. His recommended adjustment for the overstatement of plant in service effectively removes the $4,653,000 that the Company was under budget for the AMR program capital costs as of December 31, 2004 and also impacts accumulated depreciation and depreciation expense. This results in $10,747,000 remaining in plant in service in the projected 2006 test year. As shown on Schedule C-6, plant in service should be reduced an additional $10,747,000, accumulated depreciation should be reduced $1,117,000, depreciation expense should be reduced $768,000, and O&M expense should be reduced by $1.6 million.

<u>Executive Department Contingency</u>

Q. ARE YOU RECOMMENDING THE REMOVAL OF ANY ADDITIONAL EXPENSES INCLUDED IN FPL'S 2006 FORECASTS?

A. Yes. In response to OPC PODs 51 and 52, the Company provided a breakdown of its 2006 forecast by business unit and components within each business unit. The Company also provided a schedule reconciling the amounts contained in the response with MFR Schedule C-4 for the projected test year. Included in the listing was $1.7 million in the financial business unit identified as "Ongoing Activities."[14] AARP Interrogatory No. 7(e) asked the Company to provide a detailed description of the cost and to explain how

[14] Bates No. FPL145276

the amount was determined. The response indicated that the cost fell under the Executive Department budget responsibility code and that it was a "Provision for unplanned corporate level expenses as may arise from time to time. Amount based on management judgment and the need for a material level of contingency funds (less than 3% of total Executive O&M budget)." No further detail was provided. Considering the lack of support or a reasonable description for this $1.7 million contingency, I recommend that the amount be removed from the projected test year. This $1.7 million is removed on Schedule C-1, page 2.

<u>Distribution Vegetation Management Expense</u>

Q. DID YOU REVIEW THE COMPANY'S BUDGET FOR VEGETATION MANAGEMENT EXPENSE?

A. Yes. Vegetation management costs are budgeted by the Company's Power Systems business unit. The budget submissions for the Power Systems business unit were provided in response to OPC PODs 7 and 48.

Q. WHAT DID THE BUDGETS SHOW WITH REGARDS TO THE DISTRIBUTION VEGETATION MANAGEMENT COSTS?

A. The information provided showed a substantial projected increase in distribution vegetation management expense in 2006. According to the Power Systems Distribution 2005 Business Plan, FPL projected a $7.243 increase in distribution vegetation management costs between 2005 and 2006.[15] This is a projected increase of 17.72% between 2005 and 2006 and increases the actual 2004 expense of $38,561,000 to $48,128,000 (an increase of 24.81%). Additionally, in response to Staff Interrogatory

[15] Bates Nos. FPL080289 and FPL029468

No. 38, FPL provided the budgeted and actual distribution vegetation management expense for the period 1998 through projected 2006. Schedule C-7, attached to this testimony, provides a comparison of the distribution vegetation management expense, by year, for the period 1998 through 2004 and projected for 2005 and 2006. As shown on that schedule, the average actual percentage change from year to year was 5.31% for the period shown. This is considerably higher than the projected increase contained in the 2006 projection.

Q. DID THE COMPANY PROVIDE ANY DIRECT TESTIMONY ON THE SUBSTANITAL PROJECTED INCREASE?

A. FPL witness Geisha Williams briefly describes distribution vegetation management under her reliability initiatives discussion. She indicates that FPL significantly enhanced its distribution vegetation management program beginning in 1997, with distribution trimmed vegetation increasing from 7,500 miles of line trimmed in 1998 to 9,300 miles in 2004. She also indicates that the Company is on a 3-year cycle for all feeders and is accelerating the pace for laterals. She does not directly address the projected $7.243 million increase in projected distribution vegetation management costs between 2005 and 2006.

Q. IN YOUR OPINION, HAS FPL DEMONSTRATED THAT THE SUBSTANTIAL INCREASE IN DISTRIBUTION VEGETATION MANAGEMENT EXPENSE CONTAINED IN ITS 2006 FORECAST AND IN THE FILING IS NECESSARY?

A. No, it has not. No evidence has been presented showing that the substantial increase is supported. In fact, information has been presented in the Company's filing that demonstrates that the current line clearing levels have allowed FPL to improve its reliability. Ms. Geisha's direct testimony, at pages 3 and 4, addresses the "significant improvements in FPL's reliability..." She states that there has been a 30% reduction in the customers' average annual outage time since 1998, with the 2003 and 2004 System Average Interruption Duration Index (SAIDI) being the best in Florida. She indicates that FPL's distribution performance ranks among the industry leaders and is 50% <u>better</u> than the industry average. In the prior case, Docket No. 001148-EI, FPL witness John Shearman indicated on page 8 of his prefiled testimony that FPL's SAIDI performance was 35% better than the industry average. As FPL is now 50% better than the industry average, FPL has improved significantly compared to the industry average.

Ms. Williams' direct testimony also indicates that since 1998, the System Average Interruption Frequency Index (SAIFI) has decreased by more than 20% and the Customer Average Interruption Duration Index has declined by 10%.

FPL witness John Landon also addresses the SAIDI in his direct testimony, at page 25, stating as follows:

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

Q. WHAT DO YOU RECOMMEND WITH REGARDS TO DISTRIBUTION VEGETATION MANAGEMENT EXPENSE?

A. Based on the reliability concerns of customers, I recommend that the full amount requested for distribution vegetation management expense by FPL for the projected test year of $48,128,000 be allowed for inclusion in rates, but that FPL be required to report to the Commission on a regular basis, such a quarterly, on the actual expenditures. In the event FPL does not actually spend the amount it receives in rates for vegetation management costs, I recommend that the amount under-spent be deferred and returned to ratepayers. Considering the substantial projected increase coupled with the lack of supporting detail, such a deferral would be appropriate in this instance.

As shown on Schedule C-7, if the average annual percentage increase in distribution vegetation management of 5.31% is applied to the actual 2004 expense for 2005 and 2006, the result would be a projected test year expense level of $42,767,000. This amount is $5,361,000 below the projected level of $48,128,000 included in the Company's filing. This average annual increase in expenditures of 5.31% was calculated over the majority of the same period that FPL witness John Landon indicates the SAIDI improved for FPL by 32%. Allowing the increases proposed by FPL which exceeds the annual level of increase realized by FPL during the period of significant improvement should allow for substantial additional improvement in service reliability.

<u>Gain on Disposition of Plant</u>

Q. IN DETERMINING THE AMOUNT OF AMORTIZATION OF THE GAIN ON SALES OF LAND AND PROPERTY, WHAT AMOUNTS DID FPL INCLUDE FOR PROJECTED GAINS/LOSSES ON SALES FOR 2005 AND 2006?

A. Zero. FPL MFR Schedule C-29 – Gains and Losses on Disposition of Plant or Property shows $0 projected gains and losses for 2005 and 2006. FPL was asked in OPC Interrogatory No. 97 why no projected sales or gains on sales were included for those years in Schedule C-29. The response was: "Due to the uncertainty regarding the properties to be sold, the selling price of such properties and the timing of such sales, no new sales of property were projected for 2005 and 2006."

Q. IS IT LIKELY THAT FPL WILL HAVE NO PEROPERTY SALES DURING 2005 OR 2006?

A. No, it is not. FPL's response to Interrogatory No. 98 lists several properties offered for sale or planned for potential sale by FPL. Additionally, FPL has consistently realized gains on sales of properties. Schedule C-8 presents the net gains of disposition of plant or property realized by FPL for the period 1998 through 2000 and 2002 through 2004. The amounts by year were derived from FPL's filing in Docket No. 001148-EI and in the current case.

Q. IN THE FPL'S PRIOR EARNINGS REVIEW IN DOCKET NO. 001148-EI, DID FPL INCLUDE $0 PROJECTED GAINS ON SALES FOR THE INTERIM YEAR AND THE PROJECTED RATE YEAR?

A. No, in the prior case, FPL included projected gains on sales for interim year and the projected test year in that case in determining the amount of amortization of gains on sales to include in that docket.

Q. SHOULD AN ADJUSTMENT BE MADE IN THE CURRENT CASE TO INCLUDE ESTIMATED AMOUNTS OF GAIN ON SALES FOR 2005 AND 2006 IN

DETERMINING THE AMORTIZATION OF GAIN ON SALE TO INCLUDE IN THE DETERMINATION OF NET OPERATING INCOME?

A. Yes. FPL's inclusion of $0 gain on sales and disposition of properties is inconsistent with the fact that several properties are currently offered for sale and inconsistent with the fact that the Company has regularly realized such gains. I recommend that the three-year average of gains on sales and dispositions of property realized by FPL over the period 2002 through 2004, excluding the impacts of a gain on involuntary conversion received in 2003, be used in projecting the gains for 2005 and 2006. As shown on Schedule C-10, this results in additional gains of $3,738,000 over the two-year period and a $748,000 increase in the projected five-year amortization of gain on sales. This $748,000 increase in the amortization of gains on sales is carried forward to Schedule C-1, page 2 of 2.

Revision to Proposed Depreciation Rates

Q. CITIZENS WITNESS MICHAEL MAJOROS HAS RECOMMENDED REVISIONS TO FPL'S PROPOSED DEPRECIATION RATES. HAVE YOU PREPARED ANY SCHEDULES THAT CALCULATE THE IMPACT OF HIS RECOMMENDATIONS ON THE PROJECTED TEST YEAR DEPRECIATION EXPENSE CONTAINED IN FPL'S FILING?

A. Yes. Schedule C-9 provides the impact of Michael Majoros' recommended depreciation rates on FPL's projected test year depreciation expense. The detailed calculations are presented on pages 2 through 4 of the schedule. The calculations only include the plant accounts in which Mr. Majoros has recommended a change in FPL's proposed depreciation rate. For example, as Mr. Majoros has not recommended any changes in FPL's proposed depreciation/amortization rates for intangible plant, those accounts are excluded in my calculations. The calculations include adjustments to ensure that the amounts that will be collected through clauses and not base rates are excluded in the adjustments. As shown on page 1 of Schedule C-9, projected test year depreciation expense should be reduced by $12,083,000 on a jurisdictional basis in order to reflect the impact of Mr. Majoros' recommended depreciation rates. Projected test year accumulated depreciation should also be reduced by $6,041,000 on a jurisdictional basis.

<u>Impact of Adjustments to Plant in Service on Depreciation</u>

Q. CITIZENS WITNESS HUGH LARKIN, JR. IS RECOMMENDING SEVERAL ADJUSTMENTS TO FPL'S PROJECTED TEST YEAR PLANT IN SERVICE BALANCES. SHOULD AN ADJUSTMENT BE MADE TO REFLECT THE IMPACT OF HIS REDUCTIONS TO PROJECTED PLANT IN SERVICE THE ON THE DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION FOR THE PROJECTED TEST YEAR?

A. Yes. On Schedule C-10, I calculate the impact of the various adjustments sponsored by Citizens witnesses to plant in service on depreciation expense and accumulated depreciation contained in the future test year. On the schedule, I applied overall composite depreciation rate recommended by Citizens witness Mr. Majoros of 3.80% to Mr. Larkin's recommended adjustment for the overstatement of projected plant in service. I also apply this same composite depreciation rate to the adjustment to plant in service for turbine spare parts recommended by Citizens witness Kim Dismukes. I then applied Mr. Majoros' recommended composite rate for Other Production Plant to Mr. Larkin's recommended adjustment to reflect the revised projections for Martin Unit 8 and Manatee Unit 3. As shown on Schedule C-10, the result is an $8,738,000 reduction to projected test year depreciation expense and a $4,369,000 reduction to accumulated depreciation.

Income Tax Expense

Q. HAVE YOU ADJUSTED INCOME TAX EXPENSE TO REFLECT THE IMPACT OF THE ADJUSTMENTS SPONSORED BY CITIZENS WITNESSES TO NET OPERATING INCOME?

A. Yes. On Schedule C-11, I calculate the impact on income tax expense, including both federal and state, resulting from the recommended adjustments to revenues and operating expenses. The result is carried forward to the Net Operating Income Summary on Schedule C-1, page 2.

Interest Synchronization

Q. WHAT IS THE PURPOSE OF YOUR INTEREST SYNCHRONIZATION ADJUSTMENT ON SCHEDULE C-12?

A. The interest synchronization adjustment synchronizes the adjusted rate base and cost of capital with the income tax calculation. On MFR Schedule C-2, FPL included an adjustment to synchronize its proposed rate base and weighted cost of debt with the interest expense included in its income tax expense calculation. The adjustment on MFR Schedule C-2 adjusts for the difference between the amount of tax deductible interest expense calculated based on application of FPL's proposed weighted cost of debt to rate base and the interest expense deducted in its adjustment to income tax expense.

Citizens proposed rate base and weighted cost of debt differ from the Company's proposed amounts. Thus, our recommended interest deduction for determining rate year income tax expense will differ from the interest deduction used by FPL in its filing.

Schedule C-12 shows the calculation of the additional income tax expense which would be experienced as a result of the interest deduction being less for tax purposes based on Citizens proposed rate base and weighted cost of debt.

Q. DOES THIS COMPLETE YOUR PREFILED TESTIMONY?

A. Yes, it does.

DOCKET NOS. 050045-EI and 050188-EI
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S. Mail or hand-delivery to the following parties on this 27th day of June, 2005.

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Charles J. Beck

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Docket Nos. 050045-EI &
050188-EI

APPENDIX I

QUALIFICATIONS OF DONNA DERONNE, C.P.A.

APPENDIX I

QUALIFICATIONS OF DONNA DERONNE, C.P.A.

Q. WHAT IS YOUR OCCUPATION?

A. I am a certified public accountant and regulatory consultant in the firm of Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I graduated with honors from Oakland University in Rochester, Michigan in 1991. I have been employed by the firm of Larkin & Associates, PLLC, since 1991. As a certified public accountant and regulatory consultant with Larkin & Associates, PLLC, my duties have included the analysis of utility rate cases and regulatory issues, researching accounting and regulatory developments, preparation of computer models and spreadsheets, the preparation of testimony and schedules and testifying in regulatory proceedings. I have also conducted five training programs on behalf of the Department of Defense - Navy Rate Intervention Office on measuring the financial capabilities of firms bidding on Navy assets and one training program on calculating the revenue requirement for municipal owned water and wastewater utilities. A partial listing of cases which I have participated in are included below:

Performed Analytical Work in the Following Cases:

Docket No. 92-06-05	The United Illuminating Company State of Connecticut, Department of Public Utility Control
Docket No. R-00922428	The Pennsylvania American Water Company Pennsylvania Public Utility Commission
Cause No. 39498	PSI Energy, Inc. Before the State of Indiana - Indiana Utility Regulatory Commission
Docket No. 6720-TI-102	Wisconsin Bell, Inc. Wisconsin Citizens' Utility Board
Docket No. 90-1069 (Remand)	Commonwealth Edison, Inc. Before the Illinois Commerce Commission
Docket Nos. 920733-WS & 920734-WS	General Development Utilities, Inc. - Port Labelle and Silver Springs Shores Divisions. Before the Florida Public Service Commission
Case No. PUE910047	Virginia Electric and Power Company (State Corporation Commission)
Docket No. U-1565-91-134	Sun City Water Company Residential Utility Consumer Office
Docket No. 930405-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. UE-92-1262	Puget Sound Power & Light Company Before the Washington Utilities & Transportation Commission
Docket No. R-932667	Pennsylvania Gas & Water Company Before the Pennsylvania Public Utility Commission
Docket No. 7700	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. R-00932670	Pennsylvania American Water Company Pennsylvania Public Utility Commission

Case No. 78-T119-0013-94	Guam Power Authority vs. U.S. Navy Public Works Center, Guam - Assisting the Department of Defense in the investigation of a billing dispute.
Case No. 90-256	South Central Bell Telephone Company Before the Kentucky Public Service Commission
Case No. 94-355	Cincinnati Bell Telephone Company Before the Kentucky Public Service Commission
Docket No. 7766	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Docket No. 94-0097	Citizens Utilities Company, Kauai Electric Division Before the Public Utilities Commission of the State of Hawaii
Docket No. 5863*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. E-1032-95-433	Citizens Utilities Company - Arizona Electric Division Before the Arizona Corporation Commission
Docket No. R-00973947	United Water Pennsylvania Before the Pennsylvania Public Utilities Commission
Docket No. 95-0051	Hawaiian Storm Damage Reserve Case Before the Public Utilities Commission of the State of Hawaii
Application Nos. 96-08-070, 96-08-071, 96-08-072	Pacific Gas & Electric Company, Southern California Edison Company & San Diego Gas & Electric Co.; Phases I & II; Before the California Public Utilities Commission
Docket No. E-1072-97-067	Southwestern Telephone Company Before the Arizona Corporation Commission
Docket No. 920260-TL	BellSouth Telecommunications Inc. - Florida On Behalf of the Florida Office of Public Counsel

Docket No. R-00973953	PECO Energy Company Before the Pennsylvania Public Utilities Commission
Docket No. 5983	Green Mountain Power Corporation Before the Vermont Public Service Board
Case No. PUE-9602096	Virginia Electric and Power Company Before the Commonwealth of Virginia State Corporation Commission
Docket No. 97-035-01	PacifiCorp, dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. G-34930705	Black Mountain Gas Division - Northern States Power Before the Arizona Corporation Commission
Docket No. T-01051B-99-105*	US West/Qwest Corporation Before the Arizona Corporation Commission
Docket No. 98-10-019	Verizon Audit Report on Behalf of California Office of Ratepayers Advocates
Docket No. 991437-WU*	Wedgefield Utilities, Inc. Before the Florida Public Service Commission
Docket No. 99-057-20*	Questar Gas Company Before the Utah Public Service Commission
Docket No. 6596	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. ER02080614	Rockland Electric Company Before the New Jersey Board of Public Service
Docket No. 5841/5859	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Formal Case No. 1016	Washington Gas Light Company Before the Public Service Commission of the District of Columbia
Application No. 02-12-028	San Diego Gas & Electric Company Before the California Public Utilities Commission

Docket No. 03-2035-02**	PacifiCorp - Utah Operations Before the Public Service Commission of Utah
Docket No. 2004-0007-0011-0001	Intercoastal Utilities, Inc. Before the St. Johns County Water & Sewer Authority

Submitted Testimony in the Following Cases

Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Case No. 94-0035-E-42T	Monongahela Power Company Before the Public Service Commission of West Virginia
Case No. 94-0027-E-42T	Potomac Edison Company Before the Public Service Commission of West Virginia
Case No. 95-0003-G-42T*	Hope Gas, Inc. Before the West Virginia Public Service Commission
Case No. 95-0011-G-42T*	Mountaineer Gas Company Before the West Virginia Public Service Commission
Docket No. 950495-WS	Southern States Utilities Before the Florida Public Service Commission
Docket No. 960451-WS	United Water Florida Before the Florida Public Service Commission
Docket No. 5859	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board

Docket No. 97-12-21	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 98-01-02	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 98-07-006	San Diego Gas and Electric Company Public Utilities Commission of the State of California
Docket No. 99-04-18 Phase I	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 99-04-18 Phase II	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 99-09-03 Phase I	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 99-09-03 Phase II	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 99-035-10	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 00-12-01	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 6460*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 01-035-01*	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. G-01551A-00-0309	Southwest Gas Corporation Arizona Corporation Commission
Docket No. 01-05-19	Yankee Gas Services Company State of Connecticut Department of Public Utility Control

Docket No. 01-035-23 Interim (Oral testimony)	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 01-035-23**	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 010503-WU	Aloha Utilities, Inc. - Seven Springs Water Division Before the Florida Public Service Commission
Docket No. 000824-EI*	Florida Power Corporation Before the Florida Public Service Commission
Docket No. 001148-EI**	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 01-10-10	United Illuminating Company Connecticut Department of Public Utility Control
Docket No. 02-057-02*	Questar Gas Company Public Service Commission of Utah
Docket No. 020384-GU*	Tampa Electric Company d/b/a Peoples Gas System Before the Florida Public Service Commission
Docket No. 020010-WS	The Woodlands of Lake Placid, L.P. Before the Florida Public Service Commission
Docket No. 020071-WS	Utilities, Inc. of Florida Before the Florida Public Service Commission
Docket No. 03-07-02	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 030438-EI*	Florida Public Utilities Company Before the Florida Public Service Commission
Docket No. 03-11-20	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 030102-WS	The Woodlands of Lake Placid, L.P. Before the Florida Public Service Commission

Docket No. 04-06-01*	Yankee Gas Services Company State of Connecticut, Department of Public Utility Control
Docket No. 6946 & 6988	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 04-035-42*	PacifiCorp Before the Public Service Commission of Utah

* Case Settled
** Testimony not filed/submitted due to settlement

FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 050045-EI

SCHEDULES OF DONNA DERONNE
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Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Revenue Requirement
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Revenue Requirement

Schedule A

Line No.	Description	Per Company Amount (A)	Per OPC Amount (B)	Col. (B) Reference
1	Jurisdictional Adjusted Rate Base	$ 12,410,522	$ 11,751,473	Schedule B-1
2	Required Rate of Return	8.22%	5.97%	Schedule D
3	Jurisdictional Income Required	$ 1,019,999	$ 701,893	Line 1 x Line 2
4	Jurisdictional Adj. Net Operating Income	$ 782,562	$ 1,149,860	Schedule C-1
5	Income Deficiency (Sufficiency)	$ 237,437	$ (447,967)	Line 3 - Line 4
6	Earned Rate of Return	6.31%	9.78%	Line 4 / Line 1
7	Net Operating Income Multiplier	1.619710	1.617809	Schedule A-1
8	Revenue Deficiency (Sufficiency)	$ 384,580	$ (724,725)	Line 5 x Line 7

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Net Operating Income Multiplier

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Net Operating Income Multiplier

Schedule A-1

Line No.	Description	Percent	
1	Revenue Requirement	100.0000%	
2	Gross Receipts Tax Rate	0.0000%	
3	Regulatory Assessment Rate	0.0720%	
4	Bad Debt Rate, per OPC	0.1354%	Schedule C-3
5	Net Before Income Taxes	99.7926%	
6	State Income Tax Rate (Effective)	5.4200%	(1)
7	State Income Tax	5.4088%	
8	Net Before Federal Income Tax	94.3838%	
9	Federal Income Tax Rate (Effective)	34.5100%	
10	Federal Income Tax	32.5719%	
11	Revenue Expansion Factor	61.8120%	
12	Net Operating Income Multiplier	1.617809	

Above amounts are from the Company's filing, with the exception of the bad debt rate, which as based on the OPC recommended rate, and the effective state income tax rate, which was provided by FPL in response to AARP Interrogatory No. 16.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Adjusted Rate Base
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Adjusted Rate Base

Schedule B-1
Page 1 of 2

Line No.	Rate Base Components	Adjusted Juris. Total Amount per Company (A)	Citizens Adjustments (B)	Adjusted Juris. Total Amount per Citizens (C)
1	Plant in Service	$ 23,394,793	$ (219,341)	$ 23,175,452
2	Accumulated Depreciation & Amortization	11,700,179	(272,140)	11,428,039
3	Net Plant in Service	11,694,614		11,747,413
4	Construction Work in Progress	522,642	(522,642)	-
5	Plant Held for Future Use	135,593	(78,735)	56,858
6	Nuclear Fuel	-		-
7	Accumulated Amortization of Nuclear Fuel	-		-
8	Total Net Plant	12,352,849		11,804,271
9	Total Working Capital	57,673	(110,471)	(52,798)
10	Other Rate Base Adjustments	-		-
11	Total Rate Base	$ 12,410,522	$ (659,049)	$ 11,751,473

Source/Notes
Col. A: Company MFR Schedule B-1
Col. B: See Schedule B-1, page 2

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Adjusted Rate Base-Summary of Adjustments

Adjusted Rate Base-Summary of Adjustments
(Thousands of Dollars)

Schedule B-1
Page 2 of 2

Line No.	Adjustment Title	Witness Reference	Total Adjustment	Jurisdictional Separation Factor	Jurisdictional Amount
	Plant in Service Adjustments				
1	Overstatement of Projected Plant in Service	H. Larkin, Sch.B-1	$(132,739)	0.991691	$ (131,636)
2	Revised Projections for Martin 8 & Manatee 3	H. Larkin, Sch.B-1	(52,700)	0.991691	$ (52,262)
3	Remove Automated Meter Reading Costs	D.DeRonne, Sch. C-6	(10,747)	1.000000	$ (10,747)
4	Turbine - Spare Parts	K. Dismukes	(25,088)	0.984390	(24,696)
5	*Total Plant in Service*		$(196,186)		$ (219,341)
6					
7					
8	**Accumlated Depreciation Adjustments**				
9	Overstatement of Projected Accum. Deprec. Balance	H. Larkin, Sch. B-1	$(140,465)	0.991462	$ (139,266)
10	Reduction to Dismantlement Costs	H. Larkin, Sch. B-1	(440)	0.984389	(433)
11	Flow-Back of Excess Depreciation Reserve	M. Majoros	(121,992)	0.991462	(120,950)
12	Revision to Proposed Depreciation Rates	D.DeRonne, Sch. C-9		Various	(6,041)
13	Impact of Adjustments to PIS on Depreciation	D.DeRonne, Sch. C-10	(4,369)	0.991691	(4,333)
14	Remove Automated Meter Reading Costs	D.DeRonne, Sch. C-6	(1,117)	1.000000	(1,117)
15	*Total Accumulated Depreciation*		$(268,382)		$ (272,140)
16					
17					
18	**Construction Work in Progress**				
19	Remove Construction Work in Progress	H. Larkin, Sch. B-1	$ 525,110		$ (522,642)
20	*Total Construction Work in Progress*		$ 525,110		$ (522,642)
21					
22					
23	**Plant Held for Future Use**				
24	Reduction to PHFFU	H. Larkin, Sch. B-1	$ (79,312)	0.992731	$ (78,735)
25					
26	*Total Plant Held for Future Use*		$ (79,312)		$ (78,735)
27					
28					
29	**Working Capital Adjustments**				
30	Adjustment to Working Capital	H. Larkin, Sch. B-1			$ (104,033)
33	Remove Unamortized Rate Case Expense	D.DeRonne, Sch. C-2	(6,438)	1.000000	(6,438)
34	*Total Working Capital*				$ (110,471)

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Adjusted Net Operating Income
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Adjusted Net Operating Income

Schedule C-1
Page 1 of 2

Line No.	Description	Adjusted Jurisdictional Total per Company (A)	Citizens Adjustments (B)	Adjusted Jurisdictional Total per Citizens (C)
1	Revenues from Sales	3,757,025	41,375	3,798,400
2	Other Operating Revenues	131,208		131,208
3				
4	**Total Operating Revenues**	3,888,233		3,929,608
5				
6	**Operating Expenses**			
7	Fuel and Interchange (Non-recoverable)	20,958		20,958
8	Purchased Power (Non-recoverable)	-		-
9	Other Operation & Maintenance	1,570,233	(293,962)	1,276,271
10	Depreciation & Amortization	924,323	(264,283)	660,040
11	Taxes Other Than Income	299,798	(1,804)	297,994
12	Income Taxes	291,326	234,870	526,196
13	Gain/Loss on Disposition of Utility Plant	(967)	(744)	(1,711)
14				
15	Total Operating Expenses	3,105,671		2,779,748
16				
17	Net Operating Income	782,562		1,149,860

Source/Notes

Col. B: See Schedule C-1, Page 2

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Net Operating Income-Summary of Adjustments

Net Operating Income-Summary of Adjustments
(Thousands of Dollars)

Schedule C-1
Page 2 of 2

Line No.	Adjustment Title	Witness/Reference	Total Adjustment	Jurisdictional Separation Factor	Jurisdictional Amount
	Operating Revenue Adjustments				
1	Increase in Base Revenues from Retail Sales	D. Dismukes	$ 38,551	1.000000	$ 38,551
2	FPL Energy Services Revenue to FPL	K. Dismukes	2,746	1.000000	2,746
3	FPLES Administrative Fee	K. Dismukes	78	1.000000	78
4	subtotal				$ 41,375
5					
6	**Other O & M**				
7	Base Payroll Adjustment	H. Schultz, Sch.1	(8,659)	0.989045	$ (8,564)
8	Overtime Payroll Adjustment	H. Schultz, Sch.2	(947)	0.989045	(937)
9	Excess Incentive Compensation Payroll Adjustment	H. Schultz, Sch.3	(4,671)	0.989045	(4,620)
10	Incentive Compensation Sharing	H. Schultz, Sch.3	(11,677)	0.989045	(11,549)
11	Long-Term Incentive Compensation	H. Schultz, Sch.4	(29,717)	0.989045	(29,391)
12	Health Care Adjustment	H. Schultz, Sch.5	(2,436)	0.989045	(2,409)
13	Pension Credit Adjustment	H. Schultz, Sch.6	(4,812)	0.989045	(4,759)
14	Reduction to Storm Fund Accrual	P. Merchant	(85,000)	0.992992	(84,404)
15	Remove GridFlorida Operations Costs in 2006 Forecast	P. Merchant	(59,000)	0.986850	(58,224)
16	Remove FPL Adjustment for "Levelized RTO Costs"	P. Merchant	(45,000)	0.986850	(44,408)
17	Remove Rate Case Expense Amortization	D.DeRonne, Sch. C-2	(4,475)	1.000000	(4,475)
18	Uncollectible Expense Reduction	D.DeRonne, Sch. C-3	(2,881)	1.000000	(2,881)
19	Nuclear Passport Replacement Amortization	D.DeRonne, Sch. C-4	(5,205)	0.990242	(5,154)
20	Directors & Officers Liability Insurance	D.DeRonne, Sch. C-5	(8,463)	0.995437	(8,424)
21	Remove Automated Meter Reading Costs	D.DeRonne, Sch. C-6	(1,600)	0.999370	(1,599)
22	Remove Executive Department Contingency Fund	D.DeRonne - testimony	(1,700)	0.995154	(1,692)
23	Affiliate Management Fee	K. Dismukes	(14,310)	0.988480	(14,145)
24	Integrated Supply Chain Service Fee Allocation to FPL Energy - Fossil	K. Dismukes	(128)	0.988480	(127)
25	Energy, Marketing & Trading Service Fee Allocation to FPL Energy	K. Dismukes	(32)	0.988480	(32)
26	Integrated Supply Chain Service Fee Allocation to FPL Energy - Seabrook	K. Dismukes	(38)	0.992840	(38)
27	Nuclear Service Fee Allocated to FPL Energy - Seabrook	K. Dismukes	(205)	0.992840	(204)
28	Fiber Net Charges to FPL	K. Dismukes	(1,344)	0.995440	(1,338)
29	FPL New England Division (Seabrook Transmission Substation)	K. Dismukes	(2,601)	0.988480	(2,571)
30	Advertising Expenses	K. Dismukes	(476)	1.000000	(476)
31	Remove Charitable Contributions	K. Dismukes	(1,548)	0.995440	(1,541)
32					
33	subtotal				$ (293,962)
35					
36	**Depreciation & Amortization**				
37	Flow-back of Excess Depreciation Reserve	M. Majoros	(243,984)	0.991462	(241,901)
38	Dismantlement Amortization	H. Larkin, Sch. B-1	(880)	0.984389	(866)
39	Revision to Proposed Depreciation Rates	D.DeRonne, Sch. C-9	(11,330)	Various	(12,083)
40	Remove Automated Meter Reading Costs	D.DeRonne, Sch. C-6	(768)	1.000000	(768)
41	Impact of Adjustments to PIS on Depreciation	D.DeRonne, Sch. C-10	(8,738)	0.991691	(8,665)
42	subtotal				$ (264,283)
43					
44	**Taxes Other Than Income**				
45	Payroll Tax Adjustment	H. Schultz, Sch. 7	(1,812)	0.995437	$ (1,804)
46					-
47	subtotal				$ (1,804)
48					
49	**Income Taxes**				
50	Impact of other adjustments	D.DeRonne Sch C-11		Various	$ 232,286
51	Interest Synchronization Adjustment	D.DeRonne Sch C-12		Various	2,584
52	subtotal				$ 234,870
53					
54	**Gain/Loss on Disposition of Utility Plant**	D.DeRonne Sch. C-8	$ (748)	0.994797	$ (744)
55					

Notes
Jurisdictional Separation Factors from MFR Schedule C-4 or other schedules within the Company's filing.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Rate Case Expense
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Rate Case Expense

Schedule C-2
Page 1 of 1

Line No.	Description	Amount	Reference
1	Company Rate Case Expense Adjustment	3,925	MFR Sch. C-2
2	Rate Case Expense in 2006 Base O&M	550	(1)
3	Total Rate Case Expense in Test Year	4,475	
4	Citizens Adjustment to Remove Rate Case Expense	(4,475)	
5	Citizens Adjustment to Remove Unamortized Rate Case Expense Balance from Rate Base	(6,438)	MFR Sch. B-2

Source/Notes:
(1) Response to Citizens POD 47, Bates # FPL046525

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Uncollectible Expense
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Uncollectible Expense

Schedule C-3
Page 1 of 1

Line No.	Year	Net Write-Offs	Adjusted Gross Revenues	Bad Debt Factor
1	2001	9,358,982	7,293,225,743	0.128%
2	2002	10,140,606	7,035,177,384	0.144%
3	2003	10,675,767	7,958,720,135	0.134%
4	2004	13,173,982	8,341,481,390	0.158%
5	Total 2001 - 2004	43,349,337	30,628,604,652	0.142%
6	Total 2001 - 2003	30,175,355	22,287,123,262	0.135%
7	2006 Adjusted Gross Revenues, per FPL			8,722,657,950
8	OPC Recommended Bad Debt Rate			0.135%
9	OPC Recommended Bad Debt Expense			11,809,927
10	Bad Debt Expense (Net Write-Offs), per FPL			14,691,374
11	Reduction to Bad Debt Expense			(2,881,447)

Source:
Amounts from Company MFR Sch. C-11.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Nuclear Passport Replacement Amortization
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Nuclear Passport Replacement Amortization

Schedule C-4
Page 1 of 1

Line No.	Description	Amount	
1	Non-Recurring Amount in 2006 Base O&M for Information Management Business Unit for Nuclear Passport Project	6,940	(1)
2	Recommended Amortization period for Normalization	4	Yrs.
3	Recommended Amortization Expense	1,735	
4	Reduction to Information Management Base O&M to Reflect Amortization of Nuclear Passport Replacement Costs	(5,205)	Line 3 - Line 1
5	Information Management Projected 2006 O&M Expense Prior to Adjustment	87,919	OPC POD 51/52 & OPC POD OPC POD 7 - FPL079099
6	IM Projected 2006 Base O&M After Amortization Adjustment	82,714	Line 5 + Line 4
7	Actual 2003 IM O&M Expense	78,216	OPC POD 48 - FPL022789
8	FPL Estimated 2004 IM O&M Expense	78,600	OPC POD 48 - FPL024044 & OPC POD 7 - FPL079117
9	Company Forecasted 2005 IM O&M Expense	77,262	OPC POD 7 - FPL079099
10	Company Forecasted 2007 IM O&M Expense	81,580	OPC POD 7 - FPL079117

(1) Amount from Responses to OPC POD 51/52 - Bates No. FPL145293; OPC POD 48 - Bates No. FPL 024073; OPC POD 7 - Bates No. 079099.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Directors & Officers Liability Insurance Expense
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Directors & Officers Liability Insurance Expense

Schedule C-5
Page 1 of 1

Line No.	Description/Year	D&O Liability Insurance Expense	Percentage Increase
1	2000	582,534	
2	2001	553,376	-5.01%
3	2002	742,076	34.10%
4	2003	5,361,318	622.48%
5	2004	7,395,184	37.94%
6	2005	8,221,689	11.18%
7	2006	8,463,340	2.94%
8	Percentage Change 2002 to 2006		1040.50%
9	Adjustment to remove D&O Liability Insurance Expense	(8,463,340)	

Source:
Lines 1 - 5: Response to OPC Interrogatory 311
Lines 6 - 7: Response to OPC Interrogatory 310 and AARP Interrogatory 7, p. 7.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Remove Automated Meter Reading Costs
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Remove Automated Meter Reading Costs

Schedule C-6
Page 1 of 1

Line No.	Description	Amount	
1	2006 Plant in Service for AMR, per Company	15,400	OPC Interrog. 147
2	Amount Removed by OPC in Overstatement of Plant in Service Adjustment	(4,653)	(1)
3	Additional Reduction to PIS to remove AMR Pilot	(10,747)	
4	Per Company Accumulated Depreciation for AMRs	1,600	OPC Interrog. 147
5	% of PIS Removed in OPC Overstatement of PIS adj.	30.21%	Line 2 / Line 1
6	Additional Reduction to Accum. Deprec. To Remove AMR	(1,117)	L. 4 x (1 - L. 5)
7	Per Company Depreciation Expense for AMRs	1,100	OPC Interrog. 147
8	% of PIS Removed in OPC Overstatement of PIS adj.	30.21%	Line 2 / Line 1
9	Additional Reduction to Depreciation Exp. To Remove AMR	(768)	L. 4 x (1 - L. 5)
10	Removal of AMR O&M Expense	(1,600)	OPC Interrog. 147

(1) Amount the AMR project was under budget as of December 31, 2004 due to delay in project implementation. Response to OPC POD 49, Bates No. 019962.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Distribution Vegetation Management Expense
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Distribution Vegetation Management Expense

Schedule C-7

Line No.	Description	Amount	Annual % Change
1	1998 Actual	28,500	
2	1999 Actual	31,249	9.65%
3	2000 Actual	32,002	2.41%
4	2001 Actual	35,576	11.17%
5	2002 Actual	38,783	9.01%
6	2003 Actual	36,937	-4.76%
7	2004 Actual	38,561	4.40%
8	Average Annual Percentage Change		5.31%
9	2005 Budgeted	40,885	6.03%
10	2006 Projected	48,128	17.72%
11	2004 Actual	38,561	
12	2005 Based on Average % Change	40,610	5.31%
13	2006 Based on Average % Change	42,767	5.31%
14	FPL Projected Vegetation Management Expense	48,128	

Source:
Lines 1 - 7, 9, 10: Staff Interrogatory 38.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Amortization of Projected Gain on Disposition

Amortization of Projected Gain on Disposition
(Thousands of Dollars)

Schedule C-8
Page 1 of 1

Line No.	Description	Gain/(Loss) on Disposition	
1	1998	727	
2	1999	1,101	
3	2000	2,553	
4	2002	2,575	
5	2003	777	(1)
6	2004	2,255	
7	Subtotal - 2002 through 2004	5,607	
8	3-year Average Gain on Disposition	1,869	L. 4 / 3
9	2 Years (2005 & 2006) Annual Sales at Average Level	3,738	L. 5 x 2
10	Amortization over 5 Years of Projected Gain on Dispositions for 2005 and 2006	748	L. 6 / 5

Source/notes:
Lines 1 - 3 from FPL MFR Sch. C-51 in Docket No. 001148-EI.
Lines 4 - 6 from FPL MFR Sch. C-29. Excludes involuntary gains.
(1) Excludes a $4,372,000 involuntary gain from disposition of future use plant in 2003.

Revision to Proposed Depreciation Rates
(Thousands of Dollars)

Line No.	Description	Total Company	Juris. Factor	FPSC Jurisd.	Reference
1	Adjustment to Steam Production Plant Deprec. Exp.	55,437	0.984389	54,572	Page 2
2	Adjustment to Nuclear Prod. Plant Deprec. Exp.	20,106	0.995899	20,023	Page 2
3	Adjustment to Other Production Plant Deprec. Exp.	15,312	0.995899	15,249	Page 3
4	Adjustment to Transmission Plant Deprec. Exp.	(5,660)	0.986850	(5,586)	Page 3
5	Adjustment to Distribution Plant Deprec. Exp.	(56,359)	1.000000	(56,359)	Page 4
6	Adjustment to General Plant Deprec. Exp.	(40,165)	0.995437	(39,982)	Page 4
7	Total Adjustments to Depreciation Expense for Revised Depreciation Rates	(11,330)		(12,083)	
8	Adjustment to Accumulated Deprec. For Change In Deprec. Rates			(6,041)	

The above adjustment reflects the impact of the depreciation rates recommended by Citizens witness M. Majoros.

(Thousands of Dollars)

Line No.	Description	Amount	Reference:
	Steam Production Plant		
1	13-Month Average Steam Production Plant, per FPL	2,973,304	MFR Sch. B-7
2	Less: Scherer Coal Cars (1)	(34,681)	MFR Sch. B-7
3	Steam Production Plant Depreciable Balance	2,938,623	
4	Citizens Recommended Steam Composite Depreciation Rate	4.4%	M. Majoros
5	Steam Production Plant Depreciation Expense	129,299	
6	Steam Production Plant Depreciation Expense, per FPL	69,076	MFR Sch. C-4, p. 8, L. 22 & 24 & MFR Sch. B-9
7	Increase in Steam Production Plant Deprec. Exp.	60,223	
8	% Collected Thru ECRC Clause (2)	7.9%	
9	Adjustment to Steam Production Plant Depreciation Expense	55,437	
10	Jurisdictional Separation Factor	0.984389	MFR Sch. C-4
11	Jurisdictional Adjustment	54,572	
12			
13	Nuclear Production Plant		
14	13-Month Average Nuclear Production Plant, per FPL	3,907,589	
15	Citizens Recommended Nuclear Composite Depreciation Rate	2.6%	M. Majoros
16	Nuclear Production Plant Depreciation Expense	101,597	
17	Nuclear Production Plant Depreciation Expense, per FPL	81,488	MFR Sch. C-4, p. 9 & MFR Sch. B-9
18	Increase in Nuclear Production Plant Deprec. Exp.	20,109	
19	% Collected Thru ECRC Clause (3)	0.018%	
20	Adjustment to Nuclear Production Plant Depreciation Expense	20,106	
21	Jurisdictional Separation Factor	0.995899	MFR Sch. C-4
22	Jurisdictional Adjustment	20,023	
23			

(1) FPL excluded the depreciation calculated on the Scherer Coal Cars on MFR Sch. C-4.
MFR Sch. B-7 indicates that the plant balance is fully depreciated.
(2) Calculated from amounts presented on MFR Sch. C-4, p. 8 - $5,490 / ($5,490 + $63,586)
(3) Calculated from amounts presented on MFR Sch. C-4, p. 8 & 9 - $15 / $81,488

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Revision to Proposed Depreciation Rates
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Revision to Proposed Depreciation Rates

Schedule C-9
Page 3 of 4

Line No.	Description	Amount	Reference:
	Other Production Plant		
1	13-Month Average Other Production Plant, per FPL	3,896,269	MFR Sch. B-7
2	Citizens Recommended Other Production Composite Deprec. Rate	5.2%	M. Majoros
3	Other Production Plant Depreciation Expense	202,606	
4	Other Production Plant Depreciation Expense, per FPL	187,276	MFR Sch. C-4, p. 9, L. 5 & 8 & MFR Sch. B-9
5	Increase in Other Production Plant Deprec. Exp.	15,330	
6	% Collected Thru ECRC Clause (1)	0.116%	
7	Adjustment to Other Production Plant Depreciation Expense	15,312	
8	Jurisdictional Separation Factor	0.984389	MFR Sch. C-4
9	Jurisdictional Adjustment	15,073	
10			
11	Transmission Plant (2)		
12	13-Month Average Transmission Plant, per FPL	2,824,691	MFR Sch. B-7
13	Citizens Recommended Transmission Composite Depreciation Rate	2.4%	M. Majoros
14	Transmission Plant Depreciation Expense	67,793	
15	Transmission Plant Depreciation Expense, per FPL	73,454	MFR Sch. C-4, p. 9, L. 13 & 14 & MFR Sch. B-9
16	Increase (Decrease) in Transmission Plant Deprec. Exp.	(5,661)	
17	% Collected Thru ECRC Clause (3)	0.022%	
18	Adjustment to Transmission Plant Depreciation Expense	(5,660)	
19	Jurisdictional Separation Factor	0.986850	MFR Sch. C-4
20	Jurisdictional Adjustment	(5,586)	

(1) Calculated from amounts presented on MFR Sch. C-4, p.9 - $218 / ($218 + $187,059)
(2) Amounts Exclude Seabrook Transmission.
(3) Calculated from amounts presented on MFR Sch. C-4, p.9 - $16 / ($16 + $73,438)

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Revision to Proposed Depreciation Rates
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Revision to Proposed Depreciation Rates

Schedule C-9
Page 4 of 4

Line No.	Description	Amount	Reference:
	Distribution Plant - Excluding ECCR Clause		
1	13-Month Average Distribution Plant, per FPL	8,711,383	MFR Sch. B-7
2	Citizens Recommended Distribution Composite Depreciation Rate	3.0%	M. Majoros
3	Distribution Plant Depreciation Expense	261,341	
4	Distribution Plant Depreciation Expense, per FPL	317,737	MFR Sch. C-4, p. 9, L. 21-32 & MFR Sch. B-9
5	Increase in Distribution Plant Deprec. Exp.	(56,396)	
6	% Collected Thru ECRC Clause (1)	0.065%	
7	Adjustment to Distribution Plant Depreciation Expense	(56,359)	
8	Jurisdictional Separation Factor	1.000000	MFR Sch. C-4
9	Jurisdictional Adjustment	(56,359)	
10			
11	General Plant		
12	13-Month Average General Plant, per FPL	862,462	MFR Sch. B-7
13	Citizens Recommended General Plant Composite Deprec. Rate	4.7%	M. Majoros
14	General Plant Depreciation Expense	40,536	
15	General Plant Depreciation Expense, per FPL	80,701	MFR Sch. B-9
16	Increase in General Plant Deprec. Exp.	(40,165)	
17	Jurisdictional Separation Factor	0.995437	MFR Sch. C-4
18	Jurisdictional Adjustment	(39,982)	

(1) Calculated from amounts presented on MFR Sch. C-4, p.9 - $205 / $317,737

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Impact of Adjustments to PIS on Depreciation
(Thousands of Dollars)

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Impact of Adjustments to PIS on Depreciation

Schedule C-10
Page 1 of 1

Line No.	Description	Amount	Adjustment	
1	Overstatement of Projected Plant in Service	(132,739)		H. Larkin Sch. B-1
2	Turbine - Spare Parts	(25,088)		K. Dismukes
3	Subtotal	(157,827)		
4	Citizens Overall Composite Depreciation Rate	3.80%		Exh.__(MJM-10)
5	Reduction to Depreciation Expense	(5,997)	(5,997)	
6	Revised Projections for Martin 8 & Manatee 3	(52,700)		H. Larkin Sch. B-1
7	Citizens Other Production Plant Composite Deprec. Rate	5.20%		Exh.__(MJM-10)
8	Reduction to Depreciation Expense	(2,740)	(2,740)	
9	Total Reductions to Depreciation Expense for Adjustments to Plant In Service		(8,738)	
10	Reduction to Accumulated Depreciation		(4,369)	

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Income Tax Expense

Income Tax Expense
(Thousands of Dollars)

Schedule C-11

Line No.	Description	Amount
1	Jurisdictional Operating Income Adjustments (1)	$ 602,168
2	Composite Income Tax Rate (2)	38.575%
3	Adjustment to Income Expense	$ 232,286

Source:
(1) Schedule C-1, Page 2
(2) Calculated using Florida state income tax rate of 5.50% and federal income tax rate of 35%.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Interest Synchronization Adjustment

Interest Synchronization Adjustment
(Thousands of Dollars)

Schedule C-12

Line No.	Description	Amount	Reference
1	Adjusted Jurisdictional Rate Base, per Citizens	$ 11,751,473	Schedule B-1
2	Weighted Cost of Debt	2.10%	Note (1)
3	Interest Deduction for Income Taxes	$ 246,915	
4	Interest Deduction, per Company	$ 253,613	Staff Interrog. 78
5	Increase in Deductible Interest	$ (6,698)	
6	Consolidated Income Tax Rate	38.575%	
7	Reduction (Increase) to Income Tax Expense	$ (2,584)	

Notes
(1) Based on weighted cost of debt and weighted cost of customer deposits, as shown on Schedule D.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Cost of Capital

Cost of Capital
(Thousands of Dollars)

Schedule D
Page 1 of 2

	Per Company	Adjs. To Reflect OPC Cap. Struct. (col. (e), below)	Adjusted Amounts	OPC Rate Base & Def. Inc. Tax Adjustments Page 2	Per Citizens Adjusted Amounts	Ratio	Cost Rate*	Weighted Cost Rate
Long Term Debt	3,751,548	616,222	4,367,770	(357,788)	4,009,982	34.12%	5.45%	1.86%
Preferred Stock				-	-	0.00%	0.00%	0.00%
Customer Deposits	436,358		436,358	(35,744)	400,614	3.41%	5.98%	0.20%
Common Equity	6,200,049	(609,664)	5,590,385	(457,939)	5,132,446	43.67%	8.80%	3.84%
Short Term Debt	61,631	(6,558)	55,073	(4,511)	50,561	0.43%	8.73%	0.04%
Deferred Income Tax	1,911,608		1,911,608	200,975	2,112,583	17.98%	0.00%	0.00%
Investment Tax Credits	49,328		49,328	(4,041)	45,287	0.39%	7.34%	0.03%
Total	12,410,522	0	12,410,522	(659,049)	11,751,473	100.00%		5.97%

Ratio of Debt & Equity Components	Per FPL Amounts (a)	Effective FPL Ratio (b)	Capitalization Ratio Per OPC* (c)	Revised Allocations (d)	Adjs. To Reflect OPC Cap. Struct. (e) = (d - a)
Long Term Debt	3,751,548	37.47%	43.62%	4,367,770	616,222
Common Equity	6,200,049	61.92%	55.83%	5,590,385	(609,664)
Short Term Debt	61,631	0.62%	0.55%	55,073	(6,558)
	10,013,228	100.00%	100.00%	10,013,228	0

The per Company amounts are from MFR Sch. D-1a.
* The Capitalization Ratio and cost rates are sponsored by Citizens Witness J. Randall Woolridge.

Florida Power & Light Company
Projected Test Year Ended December 31, 2006

Docket Nos. 050045-EI & 050188-EI
Donna DeRonne Exhibit No.__
Cost of Capital

Cost of Capital
(Thousands of Dollars)

Schedule D
Page 2 of 2

		Adjusted Amounts to Reflect OPC Capitalzation Ratio Page 1	OPC Adj. to Deferred Income Taxes**	Adjusted Amount	Adjusted Capital Ratio	Allocation of Remaining Rate Base Adjustments	Total OPC Adjustments
1	Long Term Debt	4,367,770		4,367,770	34.12%	(357,788)	(357,788)
2	Preferred Stock	-		-	0.00%	-	-
3	Customer Deposits	436,358		436,358	3.41%	(35,744)	(35,744)
4	Common Equity	5,590,385		5,590,385	43.67%	(457,939)	(457,939)
5	Short Term Debt	55,073		55,073	0.43%	(4,511)	(4,511)
6	Deferred Income Tax	1,911,608	389,469	2,301,077	17.98%	(188,494)	200,975
7	Investment Tax Credits	49,328		49,328	0.39%	(4,041)	(4,041)
8							
9	Total	12,410,522		12,799,991	100.00%		(659,049)
10							
11							
12							
13	Citizens Adjustments to Rate Base		(659,049)				
14	Adjustment to Deferred Income Tax **		389,469				
15	Remaining Amount to Spread to						
16	All components of capital structure		(1,048,518)				

** The adjustments to deferred income taxes are sposored by Citizens Witness Hugh Larkin, Jr.