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Speaker

Charles J. Beck
Deputy Public Counsel

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 Kimberly H. Dismukes

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

CJB:bsr

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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

KIMBERLY H. DISMUKES

On Behalf of the Citizens of the State of Florida

Harold McLean
Public Counsel

Office of Public Counsel
c/o The Florida Legislature
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Attorney for the Citizens
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REDACTED

TESTIMONY
OF
KIMBERLY H. DISMUKES

On Behalf of the
Florida Office of the Public Counsel

Before the
Florida Public Service Commission

Docket Nos. 050045-EI & 050188-EI

Q. WHAT IS YOUR NAME AND ADDRESS?

A. Kimberly H. Dismukes, 6455 Overton Street, Baton Rouge, Louisiana 70808.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am a partner in the firm of Acadian Consulting Group, which specializes in the field of public utility regulation. I have been retained by the Office of the Public Counsel (OPC) on behalf of the Citizens of the State of Florida to analyze portions of Florida Power & Light Company's (FPL or the Company) application for a rate increase.

Q. DO YOU HAVE AN APPENDIX THAT DESCRIBES YOUR QUALIFICATIONS IN REGULATION?

A. Yes. Appendix I, attached to my testimony, was prepared for this purpose.

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

A. Yes. Exhibit KHD-1 contains 16 schedules that support my testimony.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. I first address affiliate transactions between FPL and its affiliates, focusing on the costs allocated to FPL from its affiliates and on costs allocated from FPL to its affiliates. In this section I also discuss other adjustments that I recommend concerning transactions between FPL and its affiliates. Second, I discuss other revenue requirement adjustments I am recommending related to advertising expenses and charitable contributions.

I. Affiliate Transactions

Q. WHY IS IT IMPORTANT TO CLOSELY EXAMINE AFFILIATE TRANSACTIONS?

A. In a situation involving the provision of services between affiliated companies, the associated transactions and costs do not represent arms-length dealings. Cost allocation techniques and methods of charging affiliates should be frequently reviewed and analyzed to ensure that the company's regulated operations are not subsidizing the non-regulated operations. Because of the affiliation between FPL and the affiliates that contribute to expenses included on the books of FPL, the arms-length bargaining of a normal competitive environment is not present in their transactions. Although each of the affiliated companies is supposedly separate, relationships between FPL and these affiliates are still close; they all belong to one corporate family.

In the absence of regulation, there is no assurance that affiliate transactions and allocations will not translate into unnecessarily high charges for FPL's customers. Even when the methodologies for cost allocation and pricing have been explicitly stated, close scrutiny of affiliate relationships is still warranted. Regardless of whether or not FPL explicitly establishes a methodology for the allocation and distribution of affiliate costs, there is an incentive to misallocate or shift costs to regulated companies so that the unregulated companies can reap the benefits.

Q. DOES THE COMMISSION HAVE ANY GUIDELINES WHICH CONTROL THE PRICING ARRANGEMENTS BETWEEN UTILITIES AND THEIR AFFILIATES?

A. Yes. The Commission's Rules set forth the criteria to be followed by electric utilities when transacting with affiliates. Rule 25-6.1351 details the Commission's policy. It excludes affiliate transactions related to the purchase of fuel and related transportation services that are subject to the Commission's review in cost recovery proceedings. The section of the Commission's Rule that details the pricing between affiliates is as follows:

> (3) Non-Tariffed Affiliate Transactions
>
> (a) The purpose of subsection (3) is to establish requirements for non-tariffed affiliate transactions impacting regulated activities. This subsection does not apply to the allocation of costs for services between a utility and its parent company or between a utility and its regulated utility affiliates or to services received by a utility from an affiliate that exists solely to provide services to members of the utility's corporate family. All affiliate transactions, however, are subject to regulatory review and approval.
>
> (b) A utility must charge an affiliate the higher of fully allocated costs or market price for all non-tariffed services and products purchased by the affiliate from the utility. Except, a utility may charge an affiliate less than fully allocated costs or market price if the charge is above incremental cost. If a utility charges less than fully allocated costs or market price, the utility must maintain documentation to support and justify how doing so benefits regulated operations. If a utility charges less than market price, the utility must notify the

Division of Economic Regulation in writing within 30 days of the utility initiating, or changing any of the terms or conditions, for the provision of a product or service. In the case of products or services currently being provided, a utility must notify the Division within 30 days of the rule's effective date.

(c) When a utility purchases services and products from an affiliate and applies the cost to regulated operations, the utility shall apportion to regulated operations the lesser of fully allocated costs or market price. Except, a utility may apportion to regulated operations more than fully allocated costs if the charge is less than or equal to the market price. If a utility apportions to regulated operations more than fully allocated costs, the utility must maintain documentation to support and justify how doing so benefits regulated operations and would be based on prevailing price valuation.

(d) When an asset used in regulated operations is transferred from a utility to a nonregulated affiliate, the utility must charge the affiliate the greater of market price or net book value. Except, a utility may charge the affiliate either the market price or net book value if the utility maintains documentation to support and justify that such a transaction benefits regulated operations. When an asset to be used in regulated operations is transferred from a nonregulated affiliate to a utility, the utility must record the asset at the lower of market price or net book value. Except, a utility may record the asset at either market price or net book value if the utility maintains documentation to support and justify that such a transaction benefits regulated operations. An independent appraiser must verify the market value of a transferred asset with a net book value greater than $1,000,000. If a utility charges less than market price, the utility must notify the Division of Economic Regulation in writing within 30 days of the transfer. (Rule 25-6.1351.)

The Commission has also expressed its opinion on affiliate transactions and the precedent that should be followed when examining affiliate transactions.

By their very nature, related party transactions require closer scrutiny. Although a transaction between related parties is not per se unreasonable, it is the utility's burden to prove that its costs are reasonable. Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982). This burden is even greater when the transaction is between related parties. In GTE Florida, Inc. v. Deason, 642 So. 2d 545 (Fla. 1994) (GTE), the Court established that the standard to use in evaluating affiliate transactions is whether those transactions exceed the going market rate or are otherwise inherently unfair. (In re: Investigation of rates of Aloha Utilities, Inc. in Pasco County for possible overearnings for the Aloha Gardens water and wastewater systems and the Seven Springs water system. Order No. PSC-01-1374-PAA-WS; Issued: June 27, 2001.)

Q. WOULD YOU PLEASE DESCRIBE THE FPL GROUP, INC. ORGANIZATION?

A. FPL Group, Inc. (FPL Group), the parent company of FPL, has numerous subsidiaries and affiliates. Schedule 1 of my exhibit contains a summary organizational chart of FPL Group and its affiliates. Its primary subsidiaries include:

1) FPL, the regulated electric company that provides electric service to customers in Florida.

2) FPL Group Capital, Inc., (FPL Group) which owns the capital stock of and provides the funding for FPL Group's non-utility companies.

3) FPL Energy, LLC (FPL Energy or FPLE) is a wholesale generator producing electricity from natural gas, wind, solar, hydroelectric power and nuclear energy. FPLE produces more energy from wind than any other company in the U.S., and operates the two largest solar fields in the world. FPLE currently has projects in operation or under construction in 22 states.

4) FPL FiberNet, LLC (FiberNet) leases fiber-optic network capacity on a wholesale basis in Florida. Its customers include FPL, Internet service providers, as well as telephone, cable TV and other telecommunications companies.

5) FPL Energy Services, Inc. (FPL Energy Services or FPLES) markets the sale of natural gas and offers products and services to residential and commercial customers.

6) FPL Group Resources, LLC identifies, evaluates and transacts natural gas business activities. This includes the pursuit of a Liquefied Natural Gas import project into Florida, creation of a gas merchant business, and pipeline and storage investments.

7) Palms Insurance Company, Limited (Palms) is an insurance company primarily engaged in reinsuring liability insurance coverage for FPL Group and its subsidiaries.

Schedule 2 of my exhibit contains a list of all of FPL Group's subsidiaries and affiliates. As shown on this schedule, their unregulated affiliates are substantial.

Q. HOW ARE COSTS CHARGED BETWEEN FPL AND ITS NONREGULATED AFFILIATES?

A. FPL provides services to affiliates in the form of direct project activities and shared administrative functions. Direct activities are charged to affiliates through specific work orders. Specific activities which are direct charged include: due diligence, construction projects, transition teams, fleet team support below management level, support for capital projects, and services to plants that are not operated by FPL Energy.

Shared functions are allocated to affiliates through six different management fees. These six management fees are:

1) Affiliate Management Fee which consists of FPL corporate staff that benefit the affiliates. These costs include accounting, auditing, finance, information management, corporate communications, and legal services. Costs included in this category are generally allocated using the Massachusetts Formula. Other specific drivers are used to allocate information management and human resources.

2) Power Generation Business Unit Management Fee which includes support provided to FPLE by FPL. These costs are allocated based upon installed megawatts.

3) Energy Marketing & Trading Management Fee which includes costs for support provided to FPLE by this business unit of FPL. Costs are allocated based upon installed megawatts.

4) Integrated Supply Chain (ISC) Management Fee which includes procurement and materials management functions provided by FPL to FPLE. Costs are allocated based upon installed megawatts.

5) Nuclear Business Unit Management Fee which includes the provision of nuclear operations, fuels, management, and assurance support to FPLE Seabrook by FPL.

6) ISC Seabrook Management Fee which is where FPL provides procurement and material management support to FPLE Seabrook. Costs are allocated based upon installed megawatts.

Costs are also charged to FPL from FPL Group, Inc. These costs are allocated to FPL also using the Massachusetts Formula. (Response to OPC POD 38.)

Q. HAVE THE FPL GROUP NONREGULATED ACTIVITIES CHANGED IN RECENT YEARS?

A. Yes, there has been significant growth in the FPL Group's nonregulated activities in the last several years. For example, revenues from nonregulated activities have increased from $381,000,000 to $1,788,000,000 from 1999 to 2004—an increase of over 369%, or 74% per year. This compares to FPL's revenues which have increased from $6,057,000,000 in 1999 to $8,734,000,000 in 2004—representing an increase of 44%, or 8.8% per year. (http://www.fplgroup.com/reports/pdf/2004_statistics.pdf.)

Although FPL Group has many directly affiliated nonregulated companies, its most active and largest affiliate is FPLE which owned hundreds of affiliated companies in 2004.

Q. HOW DO THE AFFILIATES AFFECT THE COSTS FPL INCLUDED IN THE TEST YEAR?

A. FPL is allocated costs or revenues from FiberNet, FPL Energy Services, and FPL Group, Inc. FPL is also charged for direct assignments from these affiliates. In addition, FPL allocates certain costs to its affiliates. For example, the Affiliate Management Fees (AMF) are costs incurred by FPL that benefit its unregulated affiliates. These costs are allocated to four affiliates of FPL: FPLE, Palms Insurance, FPLES, and FiberNet. Schedule 1, the summary organizational chart, shows in bold and underlined lettering the affiliates that are allocated costs. As is evident from this organizational chart, there are several affiliates owned by FPL Group, Inc. which are not allocated any costs from FPL or FPL Group. Both the charges to and from affiliates need to be closely examined by the Commission to ensure that the regulated operations are not subsidizing the nonregulated affiliates.

Q. WOULD YOU PLEASE DESCRIBE THE MASSACHUSETTS FORMULA USED BY FPL TO ALLOCATE THE AFFILIATE MANAGEMENT FEE AND THE CHARGES FROM FPL GROUP?

A. The Massachusetts Formula used by FPL consists of the weighted average of three statistics: payroll, revenues, and gross property plant and equipment. Each of the three components of the Massachusetts Formula is given equal weight. Schedule 3 of my exhibit depicts the Massachusetts Formula used by FPL for the projected 2006 test year. As shown, for costs attributable to all affiliates that are allocated on the basis of the Massachusetts Formula, the majority of the costs—**Begin Confidential** [redacted] **End Confidential**—are attributed to FPL.

Q. **DO YOU AGREE WITH THE ALLOCATION METHOD USED TO ALLOCATE MANAGEMENT FEES TO FPL AND ITS AFFILIATES DURING THE PROJECTED TEST YEAR?**

A. No, I do not. There are several problems with the allocation factors used by the Company to distribute the management fee to its affiliates. First, the allocation factors are largely size-based and therefore, regardless of the benefits received from the services provided, the majority of the management fees are allocated to the largest company—FPL.

Second, for several of the Management Fees the allocation factors used during the test year are stale. They are based upon data from 2003, 2004 or 2005. (Response to OPC Interrogatory 282.) In addition, the Company's workpapers and cost allocation manual do not explain the process used to allocate some of the AMF to its unregulated affiliates. Also, the Company failed to provide adequate workpapers to support some of the allocation factors that it used.

Third, the Company was unable to provide the amount of costs charged to FPL from FPL Group for the projected test year. This makes it very difficult to examine whether or not these charges are reasonable.

Fourth, there are several affiliates that are not allocated an AMF or charged costs from FPL Group.

Q. WOULD YOU PLEASE ADDRESS YOUR FIRST CONCERN ABOUT THE COMPANY'S MANAGEMENT FEE ALLOCATION?

A. Yes. My first concern is that the allocation method is largely size-based. As shown on Schedule 4, FPL consistently receives over **Begin Confidential** [redacted] **End Confidential** of these costs charged through the management fees. While FPL obviously represents a large share of the FPL Group family of affiliates, the benefits received by each affiliate is not necessarily proportional to the size of the company. This size-based allocation factor fails to reflect the benefit that the affiliates of FPL receive from the shared services. In other words, use of the 3-factor formula implicitly assumes that the larger the affiliate the greater its received benefit from the performance of a particular function within FPL.

For example, the corporate communications department of FPL provides the following services: annual report, internal communication, external media, and executive presentations. The general counsel department provides shareholder services and environmental services. The financial section includes costs associated with executive salaries and expenses, accounts payable and cash management and banking, corporate taxes, trust fund investments, planning and analysis, and corporate budgeting. (Response to OPC POD 38.)

The size-based allocation factor ignores the possibility that relatively new competitive companies, like FPLE, FiberNet, FPLES, FPL Group Resources, and others, might benefit disproportionately from these corporate functions that are provided by FPL. During the projected test year 2006, FPLE's non-Seabrook operations were allocated **Begin Confidential** [redacted], **End Confidential** FPLES was allocated **Begin Confidential** [redacted] **End Confidential** and FiberNet was allocated just **Begin Confidential** [redacted] **End Confidential** of these costs. Thus, for example, FPLE was allocated **Begin Confidential** [redacted] **End Confidential** of the cost of corporate communication services. The amounts charged to FPLES, FiberNet, and Palms amount to just Begin **Confidential** [redacted] and [redacted] **End Confidential** respectively. Converting these amounts to a cost per employee helps to examine if the allocations are reasonable. On a per employee basis, the amounts charged to FPLE, FPLES, FiberNet, and Palms are: **Begin Confidential** [redacted] **End Confidential** and not available for Palms because it does not have any employees. The cost per employee for these same functions for FPL amounts to **Begin Confidential** [redacted] **End Confidential** —much more than the cost per employee charged to the affiliates.

A related problem with the allocation methodology used by FPL concerns the way FPL allocates the costs associated with its executives. The Company first determines who these individuals are; it then assigns them to either FPL or a shared category if they perform services for other affiliates. The ratio of shared executives to total is used to split the costs that will then be allocated between FPL and its affiliates. For example, if there are 20 executives and 5 are considered shared, then 25% of the cost of all executives is assigned to the shared category with 75% assigned to FPL. This 25% of the executive's cost is the amount that is the starting point for the application of the allocation factors using the Massachusetts Formula. The allocation factors from the Massachusetts formula are then used to allocate the shared costs. There are at least two problems with this approach.

First, there are more senior executives that are shared than non-senior executives, yet no distinction is made between the two groups, despite the fact that the salaries and costs of the senior group should be higher than the non senior group. This tends to under allocate costs to the affiliates and over allocate costs to FPL.

Second, there are instances where the executives serve in an executive capacity for both FPL and FPLE, yet the vast majority of the costs are borne by FPL. For example, Mr. Hay serves as the Chief Executive Officer of FPL and as Chief Executive Officer of FPLE and other FPLE affiliates. Despite serving as CEO both companies, only 4.20% of Mr. Hay's salary and related costs are charged to FPLE. This seems like an exceedingly small share given the capacity that he serves for both companies.

Q. ONE OF YOUR CONCERNS RELATED TO THE CHARGES FROM FPL GROUP. WHY COULDN'T THE COMPANY PROVIDE THE AMOUNT OF COSTS CHARGED TO FPL FROM FPL GROUP FOR THE PROJECTED TEST YEAR?

A. In response to OPC's Interrogatory 22, the Company indicated that "amounts for 2005 and 2006 are estimated in the AMF, however, FPL does not budget to the level where the FPL Group only amounts can be identified." (Response to OPC Interrogatory 22.)

In addition to not being able to produce this information in discovery, the amounts charged to FPL from FPL Group, Inc. are not shown on MFR Schedule C-30 which is supposed to detail affiliate charges. According to the Company, because these costs are recorded at FPL and then allocated to the affiliates, they are not shown in the MFRs on Schedule C-30.

The inability to separately identify and examine the amount of FPL Group costs that are charged to FPL makes it difficult, if not impossible, to evaluate the reasonableness of these charges. The Commission can not make a finding that the amounts are reasonable without knowing what they are.

Q. WOULD YOU PLEASE ADDRESS YOUR NEXT CONCERN ABOUT THE STALE NATURE OF THE COMPANY'S AFFILIATE MANAGEMENT FEE ALLOCATION FACTORS?

A. Yes. Some of the Company's allocation factors used for the projected test year are stale—they are based upon old data that is not consistent with the projected 2006 test year. There has been substantial growth in FPLE, an unregulated affiliate, during the years 2004, 2005, and projected into 2006 and beyond. In some instances, the Company's proposed allocation factors do not reflect the growth that has taken place during 2004, much less the growth anticipated in 2005 and 2006.

While the Company did use 2006 data for part of the AMF and the Power Generation Business Unit Management Fee, it used stale data for all other affiliate management fees. For the Integrated Supply Chain Management Fee to FPLE and FPLE Seabrook, the Company used 2003 data. For the Nuclear Management Fee provided to FPLE Seabrook, the Company used 2004 data. For the Energy Marketing and Trading Management Fee provided to FPLE, the Company used 2005 data. (Response to OPC Interrogatory 282.) With respect to these management fees, the allocation method used by the Company is based upon installed megawatts. Therefore, with the growth that has been experienced and is expected for FPLE, failure to update these allocation factors for projected plant additions can understate the allocation to FPLE.

In addition, the Company failed to provide the workpapers which support the allocation factors used for Human Resources and Information Management costs which are charged to FPL. While the Company provided the allocation factors, it did not provide the numerators and denominators of the allocation factors. The data that was supplied indicates that the information dates back to 2004 or earlier. Using outdated allocation factors will have a tendency to understate costs to affiliates, if they are growing at a rate faster than the utility.

Q. WOULD YOU DESCRIBE FPLE IN GREATER DETAIL?

A. Yes. FPLE is a wholesale generating subsidiary of FPL Group. It owns wind projects as well as solar and gas projects, and the Seabrook nuclear plant which it purchased in 2002. FPL Energy has a presence in 24 states and has more than 11,500 megawatts of generation assets in operation. According to FPL Group, FPL Energy will pursue four major areas of focus in 2005. First, is to expand its U.S. wind energy portfolio. Second, it will continue efforts to extract maximum value from its current wholesale power. Third, it will uprate the capacity at the Seabrook nuclear power plant which it anticipates should provide it a major source of additional revenue. Fourth, it plans to continue upgrading its portfolio of assets. This may include divesting or acquiring power plants.

(http://www.fplgroup.com/reports/contents/2004_shareholders.shtml.)

In early 2005, FPLE announced the acquisition and development of several new ventures that are not included in the allocation factors. For example, FPL Group announced on March 28, 2005, that it had entered into an agreement for the acquisition of GEXA Corp which serves approximately 800 MWs of load in Texas.

> FPL Group, Inc. (NYSE:FPL) and GEXA Corp. (Nasdaq:GEXA) announced today that FPL Group, Inc. for the benefit of its wholly-owned subsidiary, FPL Energy, LLC, has entered into a definitive agreement for the acquisition of GEXA Corp., one of the fastest growing retail electricity providers in Texas, serving approximately 800 megawatts of load associated with over 100,000 small commercial and residential customers throughout the state.
>
> Under terms of the agreement, which values GEXA at approximately $80.6 million, each of GEXA's outstanding shares (on a fully-diluted basis) will be exchanged for $6.88 per share payable in FPL Group, Inc. common stock. The acquisition, which will be accounted for as a purchase, is expected to be accretive to FPL Group's 2005 earnings and is expected to close by early third quarter 2005. (http://www.fplgroup.com/news/contents/05033.shtml.)

More recently, on June 20, 2005 FPL Group, Inc. announced that on Friday, June 17, 2005 it completed, for the benefit of its wholly-owned subsidiary, FPL Energy, the acquisition of Gexa Corp.

(http://www.fplgroup.com/news/contents/05068.shtml.)

Similarly, on May 3, 2005, FPL Energy announced that it had begun commercial operation of its 106.5 MW Weatherford Wind Energy Center, located near Weatherford, Oklahoma, and plans to expand the project by 40.5 MWs. (http://www.fplenergy.com/news/contents/05040.shtml)

On April 5, 2005, FPL Energy announced that it will build, own and operate a new wind farm in Texas—the Horse Hollow Wind Energy Center. "The 220.5-megawatt Horse Hollow Wind Energy Center will be comprised of 147 1.5-megawatt wind turbines....Initial site work on the project is underway with full-scale construction expected to begin in the next few weeks and be completed no later than December 2005."(http://www.fplenergy.com/news/contents/05034.shtml.)

On February 1, 2005, FPL Energy and affiliates of Carlyle/Riverstone announced that they had purchased an ownership interest for an effective 141 MW of solar power generation in California. According to the news release:

> Under terms of the agreement, FPL Energy, along with certain FPL Energy affiliates, and Carlyle/Riverstone purchased majority interest in five 30-megawatt Solar Energy Generating System (SEGS III-VII) assets in the Mojave Desert. FPL Energy will operate the SEGS plants and hold a 45 percent ownership interest in the projects. Carlyle/Riverstone, as co-general partner, will own a 49 percent interest in the projects with the remainder being held by a group of limited partners. All of the power generated from the SEGS projects is sold to Southern California Edison under long-term contracts. Financial terms of the transaction were not disclosed.
>
> "The acquisition of the SEGS projects is a continuation of our strategy to own and operate high quality power generation facilities and further solidifies our position as the leader in clean, renewable energy generation," said Jim Robo, president of FPL Energy. "With these new projects, we are now the largest generator of solar power in the U.S. with 310 MW's. In addition, FPL Energy is the largest wind generator in the U.S. with more than 2,750 MW's in operation." (http://www.fplenergy.com/news/contents/05008.shtml)

Failure to include the addition of the capacity that is expected to be added by FPLE understates the costs allocated to it and overstates the costs charged to FPL's customers. Likewise, failure to include the investment, revenues and payroll associated with the facilities and companies that will be acquired or constructed by FPLE understates the allocation of costs to FPLE.

Q. THERE APPEAR TO BE SEVERAL AFFILIATES THAT ARE NOT CHARGED A MANAGEMENT FEE BY FPL. IS THIS A PROBLEM?

A. Yes. There are several subsidiaries of FPL Group which are not allocated any costs. As noted previously, as shown on Schedule 1, only those affiliates which are in bold and underlined lettering are allocated part of FPL's shared service costs and costs allocated from FPL Group.

For example, the Company did not allocate any costs to FPL Group Resources, Inc. In response to OPC's Interrogatory 329, the Company gave the following reason for not allocating any costs to this affiliate: "FPL Group Resources, Inc. does not have any revenues or property, plant & equipment. In January 2004, the company had three employees and currently it has six employees. Therefore, its impact is immaterial." (Response to OPC Interrogatory 329.) While the AMF is not charged to this affiliate, FPL does charge it for the use of office space, indicating that there are operations and support provided to this affiliate. (Response to OPC Interrogatory 82.) In addition, although the affiliate apparently does not have any assets or revenues, there is work being performed on its behalf. In response to

AARP's Interrogatory 2, when asked about a Strategic Plan for the Engineering & Construction Division for the year 2005 which discussed an LNG project, the Company explained that: "The referenced document includes budgeted activities for FPL, FPL Energy and FPL Group Resources as Engineering & Construction manages construction projects for all these entities. The reference to the LNG (Liquefied Natural Gas) Project is for an FPL Group Resources project. The projected test year does not include any engineering and construction costs for this project. (Response to AARP Interrogatory 2.) Again, while there may not be any direct costs of this project included in the projected test year, there may be administrative support costs that should have been allocated to this affiliate.

FPL's response provides a good example of why allocating costs based upon factors which are largely driven by the size of a company's operations may not be appropriate. In this instance, although FPL Group Resources apparently has no material operations, it has employees and it is pursuing opportunities for the future.

For example, on May 25 of this year it announced that it had signed a MOU with SGR Holdings "to jointly construct, own and operate the Southern Pines Energy Center, a new salt-dome natural gas storage project to be located in Greene County, Mississippi." Construction of the project is expected to begin in the summer of 2005 and begin commercial operation in the first quarter of 2007. (http://www.fplgroup.com/news/contents/05052.shtml.)

Similarly, in July 2004, it announced that it had an agreement to supply liquefied natural gas to a proposed LNG terminal. According to the news release:

> FPL Group Resources LLC, a subsidiary of FPL Group, Inc. (NYSE: FPL) and Ras Laffan Liquefied Natural Gas Company Limited (II) (RasGas (II)), a joint venture between Qatar Petroleum and ExxonMobil RasGas Inc. (an ExxonMobil affiliate), today announced signature of a Heads of Agreement (HOA) to supply liquefied natural gas (LNG) from Qatar to a proposed LNG terminal and regasification facility located at South Riding Point on Grand Bahama Island.
>
> Under terms of the HOA, an affiliate of FPL Group Resources and RasGas (II) have entered into an exclusive relationship and expect to complete an LNG sale and purchase agreement for approximately 800,000 million British Thermal Units (MMBtu) per day of LNG, or approximately 6 million tons per annum to be delivered over a 25-year period beginning in mid 2008.
>
> ....
>
> "Today's announcement is another important step in bringing an additional supply of much needed natural gas to South Florida," said Brad Williams, vice president, Gas Projects, for FPL Group Resources....
>
> ....
>
> The HOA is subject to the FPL Group Resources affiliate successfully competing to provide regasified LNG to Florida Power & Light Company and other Florida customers and obtaining certain regulatory approvals. Florida Power & Light is expected to issue a Request for Proposals seeking a supply of gas from LNG as a new fuel source to generate electricity for its customers.
>
> As previously announced, FPL Group Resources recently executed a precedent agreement with Seafarer Bahamas Pipeline Ltd. and Seafarer US Pipeline Inc., subsidiaries of the El Paso Corporation for transportation of regasified LNG from the proposed LNG terminal on Grand Bahama Island.
>
> (http://www.fplgroup.com/news/contents/04060.shtml.)

More recently, in November 2004, the companies involved in this Seafarer joint venture, El Paso, Houston-based Tractebel North America and FPL Group Resources, filed for approval with the FERC their plan to build a pipeline from a proposed LNG terminal at Grand Bahama Island to Palm Beach County, Florida. (Platt's Inside FERC, January 10, 2005.)

Other examples of affiliates that are not charged the AMF or costs from FPL Group include FPL Group Interstate Pipeline Co., LLC which was formed on November 15, 2004, and owns FPL Group's interests in interstate natural gas pipelines; FPL Energy ATB, LLC which was incorporated on August 13, 2004, and was formed to hold, for tax purposes, intangible assets (soft costs) related to Texas assets; and FPL Group Foundation, Inc. formed as a nonprofit corporation for charitable purposes.

In addition, new companies (over 15) have been added to the FPL Group family for new wind projects, and for other ventures, like SL Ship, Inc. formed May 19, 2005, to own 100% of the beneficial interests in the vessel Sea Land Quality, and ESI Sierra, LLC, formed March 21, 2005, with a name change to FPL Energy Texas, LLC, which was formed to schedule daily ERCOT power demands. (Response to OPC Interrogatory 333.)

As described above, the functions performed by FPL and FPL Group for the benefit of these affiliates include human resource management, corporate communications, legal services, accounting, information management, tax management, and finance. All of these companies benefit from the general corporate functions performed by FPL regardless of their size or degree of operations.

Q. **YOU HAVE IDENTIFIED SEVERAL PROBLEMS WITH THE COMPANY'S ALLOCATION OF ITS AFFILIATE MANAGEMENT FEES. DO YOU HAVE**

A RECOMMENDATION ON HOW THE COMMISSION CAN CORRECT FOR THESE PROBLEMS?

A. Yes, I do. First, to overcome the problem associated with the Company's use of stale allocation factors, I recommend that the Commission update the allocation factors and bring them to a 2006 level for each of the affiliates that is allocated a portion of the affiliate management fees based upon installed megawatts. This will make the level of the management fee allocations consistent with the projected 2006 test year. Similarly, it will help offset the problem identified with respect to FPLE and its substantial growth relative to the Company. However, it was not possible to update the Massachusetts Formula for companies and projects added by the unregulated affiliates as the information to do so was not readily available.

To address the problems associated with the size-based nature of the allocation factor, the fact that several affiliates are not allocated any of the management fees, and the problems associated with the added projects and acquisitions of FPLE that may not be included in the allocation factors, I recommend that the Commission assign an additional 5% allocation factor to this group of nonregulated affiliates. This would help offset the fact that the small affiliates of FPL, like FPLE and FPLES, receive significant benefits for the services provided under the management fee, yet these benefits are not reflected in the allocation methodology. Likewise, allocating this group 5% of the management fee will also offset the fact that there are affiliates that are not allocated a management fee, yet obviously benefit from these functions.

Q. WOULD YOU PLEASE DISCUSS YOUR RECOMMENDATION FOR THE ALLOCATION OF THE AFFILIATE MANAGEMENT FEE?

A. Yes. The administrative and general services provided by FPL and FPL Group to its nonregulated affiliates are extremely valuable to the affiliates. Due to their much smaller size than FPL, they receive significant benefits from having FPL and FPL Group perform these administrative and general functions. If these nonregulated affiliates were required to provide these functions on their own, their costs would be significantly higher. However, the allocation method used by the Company understates the costs that should be allocated to these affiliates.

The Company's allocation methodology and the accounts to which allocation factors are applied and the reasoning for FPL's methodology are not always clear. Within the AMF there are several accounts which FPL claims do not benefit certain segments of FPLE. Therefore, FPL excludes from the allocation to FPLE certain cost pools. However, the Company has not explained its logic, nor has it explained why these functions would benefit the other affiliates but not segments of FPLE. In the absence of documentation supporting the Company's proposal, I have allocated the AMF to all affiliates without excluding certain affiliate segments.

As explained earlier, the allocation factors used to distribute costs for the Human Resource[1] department and Information Management[2] are outdated and not supported by source documentation. To help offset the deficiencies in the allocation

[1] The majority of the human resources costs are allocated based upon head count.
[2] These accounts are allocated based upon factors such as number of workstations, documents processed, and workforce allocations.

factors used for Human Resources and Information Management, I have used a composite allocation factor which consists of a 50% weighting of the factor used by the Company and a 50% weighting of the Massachusetts Formula allocation factor.

As shown on Schedule 5, the changes that I recommend concerning the allocation of the AMF reduce charges to the Company in the projected year 2006 by $14,309,779.

Q. WOULD YOU PLEASE DISCUSS YOUR RECOMMENDED ALLOCATION OF THE AFFILIATE FEES THAT USE INSTALLED MEGAWATTS AS AN ALLOCATION FACTOR AND THE CHANGES THAT YOU RECOMMEND?

A. Yes. As indicated earlier, I have updated the installed MWs used as the allocation factor to include projects that have been or will be added to the operations of FPL and FPLE.

For the Integrated Supply Chain Management Fee that is allocated to FPLE for fossil support, it was necessary to estimate the charges for 2006 by using the data supplied by the Company for 2005, as the Company did not supply workpapers for 2006. Then the allocation percentage was changed to reflect projected capacity additions by both FPL and FPLE for projects added in 2005 and those expected to be added in 2006. The Company's allocation factor used MW data for 2003. Adjustments that I made to the installed capacity for both FPL and FPLE included removal of plants that were no longer in service and the addition of plants that would be added. For example, for FPLE I removed a plant that had been decommissioned

(Altamont Power) and added the High Sierra plant. For FPL I added the Manatee plant which was not included in the Company's calculation. In addition, the cost pools for wind contract management were charged 100% to FPLE. The Company had allocated a portion of these cost pools to FPL. Because FPL does not operate wind projects, it is more appropriate to charge these costs to FPLE. As shown on Schedule 6, the changes that I recommend reduce the Integrated Supply Chain Management Fee to FPL by $127,904.

For the Energy Management and Trading Service Fee charged to FPLE, I updated the MWs used to allocate the costs to include plant additions and retirements through 2006. As depicted on Schedule 7, these changes reduce the amount allocated to FPL by $31,615.

With respect to the Integrated Supply Chain Service Fee charged to FPLE Seabrook and the Nuclear Service Fee charged to FPLE Seabrook I made two changes. First, the Company's methodology failed to account for the uprate to Seabrook (owned by FPLE) planned for 2005 which adds 71 MWs to FPLE's resources. Therefore, I added the MWs associated with the uprate. Second, I corrected an error in the Company's method for calculating MWs for the St. Lucie plant. The Company had used an installed MW capacity for St. Lucie of 839 times two or 1,678 MWs; however, the correct capacity is 839 MW plus 714 MWs or 1,533 MWs. As shown on Schedules 8 and 9, the adjustments that I recommend reduce the charges to FPL by $37,777 for the Integrated Supply Fee-FPLE Seabrook, and by $204,834 for the Nuclear Service Fee charged to FPLE Seabrook. Schedule 10 reflects the charges to FPLE from the Power Generation department of FPL. I did not make any adjustments to this fee, but have included the schedule for completeness.

Q. **ARE THERE AFFILIATE COSTS CHARGED TO FPL THAT YOU WOULD LIKE TO ADDRESS?**

A. Yes. There are costs charged to FPL by FiberNet that should be adjusted. With respect to costs allocated from FiberNet, for the projected test year, costs were allocated using fiber miles, fiber capacity, and DS3 capacity. I am recommending one modification to the methodology employed to allocate these costs to FPL. As shown on Schedule 11, the allocation of costs to FPL is based upon the assets owned by FiberNet. A large portion of the costs allocated to FPL are based upon the return on the assets used by FPL. In developing the amount to charge FPL, the Company used a return on investment of 13.97%. I have modified this return to be consistent with the pre-tax overall cost of capital recommended by Mr. Woolridge of 8.56%. As shown on this schedule, this change results in a reduction to charges for the year 2006 of $1,343,816.

Q. **WOULD YOU PLEASE ADDRESS ALLOCATIONS FROM FPL ENERGY SERVICES?**

A. Yes. Prior to the projected test year the Company attributed a portion of the gross margin on gas sales to FPL's retail customers. However, for the projected test year, FPL discontinued this practice. During 2003, gas margins attributed to FPL's retail customers were **Begin Confidential** [redacted] **End Confidential** in 2004 the amount was **Begin Confidential** [redacted] **End Confidential** and for 2005 the

Company projects margins attributable to FPL of **Begin Confidential** [redacted], **End Confidential** and **Begin Confidential** [redacted] **End Confidential** is projected for 2006.

According to the Company, it maintains the accounts for FPLES's gas customers which are divided into in-territory and outside of territory. The associated gas margins are the difference between the revenues and cost of goods sold for in-territory customers. This margin was transferred to FPL for in-territory customers and has been accounted for as revenue above the line for ratemaking purposes prior to the projected 2006 test year. (Response to OPC Interrogatory 57.)

The revenues from these gas margins were reflected in the MFR's for the historical period 2004 as above the line revenue attributable to FPL's retail operations. However, according to the Company, for 2006, the gas margins are shown as $0 because "this program" is considered an FPL Energy Services activity in 2006. (Response to OPC Interrogatory 319.) In its response the Company claimed that: "This determination was made after reviewing how this program was currently being deployed and its impact on the provision of electric service. As there is no impact, the revenues are not included. This change was made in 2006 because the Company does not believe it is appropriate to make changes during the current Stipulation agreement and timed the changes to coincide with the end of the current agreement." (Ibid.)

In response to OPC's Interrogatory 209 the Company indicated that in 2006, the natural gas sales business of FPL is being transferred to FPLES. (Response to OPC Interrogatory 209.) The Company's response to this interrogatory raises serious questions about the transaction that is proposed to occur in 2006. If FPL is transferring its natural gas sales business to FPLES, this transfer should take place at the higher of cost of market in accordance with the Commission's affiliate transaction rules. Any gain on from the transfer should be investigated so that it can be attributed properly. The Company appears to be removing a profitable revenue producing operation from the regulated operations and moving it to an unregulated affiliate. Such a transaction should be closely scrutinized by the Commission. Any gain from the transfer attributed to ratepayers should be used to offset the current proposed rate increase.

Q. DO YOU BELIEVE THE COMPANY'S EXPLANATION FOR MOVING THE GAS MARGIN REVENUES TO ITS UNREGULATED AFFILIATE IS REASONABLE?

A. No, I do not. The Company's response to OPC's discovery is inadequate for justifying the proposed ratemaking change or these gas margins. FPL has not demonstrated that there have been any changes in the operations of FPL or FPLES from 2003, 2004, and 2005 to 2006 that would justify removing these revenues from FPL's regulated operations. FPL has not demonstrated that there have been any changes in the functions performed by FPL in connection with these gas sales and margins. The Company has not explained what analysis if any was undertaken to support the proposed change. Finally, the Company has not fully disclosed to the Commission the nature of the proposed transfer. Accordingly, I recommend that the gas margin revenue attributable to FPL's retail customers be included in the 2006 projected test year. As shown on Schedule 12, $2,746,000 in revenue should be attributed to FPL.

Q. WHAT IS SHOWN ON SCHEDULE 13?

A. Schedule 13 shows that there are costs charged to FPL from FPL Group. However, the Company could not identify the amount of the charges for the purposes of the projected test year. Therefore, it made it impossible to examine these charges relative to what has been charged in prior years. Nevertheless, I have included this schedule for completeness.

Q. ARE THERE ANY OTHER AFFILIATE ISSUES THAT YOU WOULD LIKE TO ADDRESS?

A. Yes. There are three other issues involving affiliate relationships that I would like to address. The first concerns over the counter swaps made by FPL's Energy Marketing and Trading division on behalf of FPLES. During the years 2002, 2003, and 2004, the amount of over the counter swap settlements invoiced to FPLES were: $993,535, $433,281, and $151,303. For the year 2005 to date FPL invoiced FPLES $324,100 for these swaps. In response to OPC's Interrogatory 266, the Company indicated that it did not charge FPLES for this service because the charges to FPLES were offset by payments to the swap counterparty resulting in no revenue impact to FPL. (Response to OPC Interrogatory 266.) While there may be no revenue impact to FPL for making these swaps on behalf of FPLES, this does not mean that the service should be provided free of charge. I recommend that the Commission make an adjustment to increase FPL revenue by $78,000, [3] which represents an administrative fee of 10% for performing

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[3] In response to OPC Interrogatory 266, the 2005 figure did not have a date associated with it. For purposes of calculating the adjustment, I have assumed that the to-date figure is through May 2005. Therefore, the annualized figure is $324,100/5*12 = $777,840.

this service on behalf of its unregulated affiliate. The revenue adjustment was developed by annualizing the 2005 amount and multiplying by 10%.

Q. WOULD YOU PLEASE ADDRESS THE NEXT AFFILIATE ISSUE?

A. Yes. During December 2002 the Company purchased six turbines via FPL Group Capital (the affiliate that holds most of the unregulated affiliates). These turbines were originally purchased by FPL Energy. The purchase price of the turbines was $119.9 million, apparently the same price paid by FPL Energy. In May of 2003 FPL purchased another turbine from FPL Capital Group that had also been purchased by FPLE on December 27, 2002. The purchase price of this turbine was $25.1 million.

In response to OPC Interrogatory 335, the Company explained that FPL Group had a bulk purchase agreement with GE that gave FPL Group companies the ability to individually contract for turbines. The seven turbines were originally ordered by FPL Energy for use in its operations. FPL purchased the turbines from FPL Energy and reimbursed FPL Energy (via FPL Group Capital due to financing structure) for the costs incurred. The equipment purchased by FPL from FPLE in 2002 is being installed as part of the expansions of FPL Manatee and Martin plants. According to the Company, the single unit purchased in 2003 was purchased for use as spare parts. (Response to OPC Interrogatory 335.)

Q. IS THE COST ASSOCIATED WITH THESE TURBINES INCLUDED IN THE PROJECTED TEST YEAR?

A. Yes. The costs of all seven turbines are included in rate base for the projected test year. The first six turbines purchased are part of the Martin and Manatee plant expansions. The seventh turbine is also included in rate base for the projected test year as spare parts.

Q. DO YOU HAVE ANY CONCERNS ABOUT THESE PURCHASES FROM FPLE?

A. Yes. Anytime a purchase of this magnitude is made from an unregulated affiliate, it should be carefully examined. From the information provided, these turbines were originally purchased for use by FPLE. For unstated reasons they were subsequently sold to FPL. According to notes to FPL Group's Financial Statements for the year 2002, FPL Group amended its long-term agreement for the supply of gas turbines from GE. FPL Group indicated that it remained committed to purchase seven gas turbines through 2003, and parts, repairs and on-site service through 2011. While six of the turbines were designated to be used at FPL, the use of the seventh gas turbine had not been determined as of year end 2002. Based upon the discussion in the Annual Report, at the time of the purchase, the use of the seventh turbine had not been determined. Subsequently, it was apparently determined that the seventh turbine should be used by FPL for spare parts and charged to ratepayers.

Q. WHAT IS THE COMMISSION'S POLICY WITH RESPECT TO THE PURCHASE OF ASSETS FROM AFFILIATED COMPANIES?

A. The Commission's rules require that when an asset is purchased from an unregulated affiliate, the utility must record the asset at the lower of market price or net book value. The Commission provides an exception which would allow a utility to record the asset at either market price or net book value if the utility maintains documentation to support the benefits to the regulated operations. However, an independent appraiser must verify the market value of assets transferred with a net book value greater than $1,000,000. (Rule 25-6.1351.)

Q. HAS THE COMPANY FOLLOWED THE REQUIREMENTS OF THE COMMISSION'S RULES?

A. Not in my opinion. The Company has provided no justification or even notification as part of the instant rate proceeding that the turbines purchased from FPLE for use in the Manatee and Martin plants comply with the Commission's rules. Likewise, it has not demonstrated that the turbines included in rate base were transferred at the lower of cost or market. Moreover, there has been no independent appraisal of the market value of any of the assets purchased from FPLE. In response to OPC POD 118 requesting all documents that demonstrate that all assets transferred to FPL from affiliates were transferred at the lower of cost or market, the Company produced some documents applicable to the purchase of the turbines, but they were not studies demonstrating that the cost complied with the Commission's requirements.

Q. DO YOU HAVE A RECOMMENDATION REGARDING THE TREATMENT OF THE SEVEN TURBINES INCLUDED IN RATE BASE THAT WERE PURCHASED BY FPL FROM ITS AFFILIATE FPLE?

A. Yes. I am making no recommendation with respect to the six turbines purchased for use at the Manatee and Martin plants. Nevertheless, this should not be interpreted as an endorsement of the price paid for the turbines or that the Company's treatment comports with the Commission rules on affiliate transactions.

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I am recommending that the Commission remove from rate base the $25,088,173 associated with the seventh turbine that is supposed to be used for spare parts. The Company has not complied with the Commission's affiliate transaction rules. The Company has not demonstrated that the spare parts could not be purchased at a lower cost for use when needed. The Company has provided no analyses or studies which demonstrate that the assets did not exceed the going market price for a comparable use of the turbine. In short, FPL has failed to demonstrate that the inclusion of the turbine in rate base is reasonable and beneficial to ratepayers.

Q. WHAT IS THE AMOUNT OF THE ADJUSTMENT THAT YOU RECOMMEND?

A. At this time I am only able to provide the amount that should be removed from plant in service. There should also be disallowances for accumulated depreciation, depreciation expense and related property taxes. However, when asked to provide the financial impact on rate base, expenses, and revenue of the acquisition of the turbines, the Company responded: "FPL has not performed the requested calculation nor does it perform such a calculation in the regular course of business. Notwithstanding, FPL responds that the price of the turbines purchased in 2002 is included in the "MAJOR PLANT EQUIPMENT" line item of the construction budgets for the Martin and Manatee plant expansions, as provided in OPC's 4th Request for Production of Documents No. 174. The cost reimbursement to FPL Group Capital in 2002 was $119,872,348, which is included in the historical and projected test years, net of depreciation. The cost reimbursement to FPL Group

Capital in 2003 was $25,088,173, which is included in the historical and projected test years, net of depreciation." (Response to OPC Interrogatory 335.)

My recommendation to reduce plant in service by $25,088,173 should be viewed as conservative as the associated expenses have not been removed from the test year.

Q. IS THERE ANOTHER AFFILIATE MATTER THAT YOU WOULD LIKE TO ADDRESS?

A. Yes. During 2004, FPL purchased transmission substation assets from FPL Energy Seabrook, LLC, as subsidiary of FPL Energy. The purchase price was the net book value of $20.9 million. According to the Company's Annual Report, the substation assets were transferred in order to qualify for cost recovery opportunities in New England that are limited to transmission providers. When asked what these cost recovery opportunities were, the Company responded that the answer was not applicable because the assets were not included in the test year rate base. (Response to OPC Interrogatory 269.) I disagree.

Q. HOW WERE THESE ASSETS TREATED DURING THE PROJECTED TEST YEAR?

A. The operation of the substation was treated as a division of FPL named the New England Division (NED). According to the Company the assets and revenues were treated as nonjurisdictional. (Response to OPC 322.) The Company also removed the direct expenses associated with the operation of the substation. However, FPL failed to remove the station equipment maintenance expenses and supervision expenses related to both the operation and maintenance expenses. In addition, there were no administrative and general expenses, property taxes or payroll taxes attributed to the operation of this division. Interestingly, FPL did remove some administrate and general and substation maintenance expenses from the data supplied with its 2004 MFRs, but did not do the same for 2006.

Q. HAVE YOU CORRECTED FOR THE FAILURE TO PROPERTY ATTRIBUTE RELATED EXPENSES AND GENERAL PLANT TO THE NEW ENGLAND SUBDIVISION?

A. Yes I have. Schedule 15 of my exhibit sets forth the adjustments that are necessary to properly remove the maintenance and supervision expenses, administrative and general expenses, and property and payroll taxes. As shown on this schedule the adjustments that I recommend reduce test year expenses by $2,571,061.

II. Other Revenue Requirement Adjustments

Q. WHAT IS THE COMPANY REQUESTING CONCERNING ADVERTISING EXPENSES?

A. FPL is requesting to recover $3.399 million dollars in projected advertising expenses for the 2006 test year.

Q. WHAT HAS BEEN THE COMMISSION'S PRACTICE CONCERNING THE RECOVERY OF ADVERTISING EXPENSES?

A. The Commission has consistently allowed utilities to recover only the costs of advertising that is utility related and at the same time informational, educational, or related to consumer safety. Costs of advertising that is judged to be of a general image-building or promotional nature have consistently been disallowed by the Commission. This policy has been stated in a number of Commission decisions. For example, in a recent Indiantown Gas Company rate case the Commission stated: "Consistent with prior Commission decisions, only advertising that is utility related and informational or educational in nature is included in rates." (In re: Petition for rate increase by Indiantown Gas Company. Order No. PSC-04-0565-PAA-GU; Issued: June 2, 2004.)

Even costs for advertising that the Commission finds to be informational or instructional, however, are still subject to scrutiny. The Commission has disallowed advertising expenses when the utility has not satisfied the Commission of the reasonableness of the costs. In a Tampa Electric Company ruling the Commission did not allow the company to recover the total amount of advertising dollars it sought stating "In addition, we do not believe the company adequately justified the increase budgeted for safety, information, and other advertising." (In re: Petition of Tampa Electric Company for an increase in rates and charges and approval of a fair and reasonable rate of return. Order No. 12663; Issued: November 7, 1983.)

Similarly, in FPL's 1981 rate case the Commission found:

> For most classifications of advertising expenses, our review indicates that the Company has included in its projections reasonable amounts for those categories of advertising which are recoverable through base rates. However, the Company has proposed to include for "information, instructional, consumer affairs and other" an amount which exceeds 1980 expenditures by 69%. Given its assumed inflation rate of 9%, the Company failed, in our estimation, to justify an increase of this magnitude. Therefore, we have reduced advertising expenses by the amount by which the 1981 projections in

> this category exceed the 1980 expenditures, adjusted for a 9% inflation rate. The jurisdictional amount of the adjustment is $123,789. (In re: Petition of Florida Power & Light Company for authority to increase its rates and charges. Order No. 10306; Issued: September 23, 1981.)

Q. HAVE YOU REVIEWED THE PROPOSED ADVERTISING EXPENSES RELATIVE TO THE COMPANY'S HISTORIC ADVERTISING EXPENSES?

A. Yes. Advertising expenses for 2002 averaged $.68 per customer, in 2003 they averaged $ .59 per customer; in 2004, this had increased 12.8% to $ .65 per customer. The advertising costs proposed by FPL for 2006 equal $ .78 per customer. This is equivalent to an average increase of 11.8% in both 2005 and 2006. The increase in advertising costs from 2003 to 2004 might be explained in part by the four hurricanes that struck Florida in 2004. In response, the Company may have increased its safety and hurricane preparedness advertising, and also developed advertising campaigns thanking consumers for their patience and other utilities for their assistance. However, four hurricanes in one year are not a normal occurrence, and should not be built into recurring rates. The adjustments that I recommend below bring the Company's projected expenses more in line with the levels spent in 2004, but allow for some increase.

Q. WHAT ADVERTISING EXPENSES IS THE COMPANY PROPOSING TO RECOVER?

A. The Company's Schedule C-14 Advertising Expenses filed with its MFRs shows total jurisdictional advertising expenses for the projected test year 2006 of $1.994 million. These expenses are all in Account 909 Customer Accounts Expenses, Informational and Instructional Expenses. In response to OPC Interrogatory No. 217, however, FPL stated that Schedule C-14, as filed, was incorrect, and that the total expenses for Account 909 were actually $3.399 million. Of this total amount, $2.296 million was attributed to sub account 909.999 Base Initiatives and $1.103 million to sub account 909.300 Informational & Customer. (Response to OPC Interrogatory 217.) FPL explained that the purpose of Base Initiatives was "to educate FPL customers about staying safe around power lines. A subset of base initiative advertising is to communicate pre-hurricane season preparedness." (Response to OPC Interrogatory 216.)

Q. WHAT DOCUMENTATION HAS THE COMPANY PROVIDED TO SUPPORT THESE PROJECTED EXPENSES?

A. OPC POD 249 requested "copies of written advertisements, scripts for radio and television advertisements, and any other marketing/advertising materials that were associated with the informational and instructional advertising expenses included in the historical test year." In response, FPL provided 24 documents. Twenty-two of these are monthly customer newsletters, "Energy News: For Customers of Florida Power & Light Company" sent to its residential customers for the months of February through December 2004. Each month, the Company issued the newsletter in both a four page English edition and a two page Spanish edition.

The other two documents provided in this response are English and Spanish versions of a four page bill insert dated January 2004. This has articles on the then upcoming rate reduction, time-of-use rates, service charges, programs for special needs customers, and a description of the information contained on the Company's electric bills.

Q. DID FPL PROVIDE OTHER DOCUMENTATION IN ADDITION TO NEWSLETTERS AND BILL INSERTS?

A. Not in response to OPC POD 249. Although the request specifically asked for radio and television advertising scripts, and "any other marketing/advertising materials" associated with the informational and instructional advertising for the historical test year, the only documents provided were the newsletters and inserts described above. As these items were the only ones provided, I have used them in my analysis of the Company's advertising for instructional and informational purposes.

Q. ARE YOU SATISFIED THAT THE MARKETING MATERIAL PRODUCED IN RESPONSE TO OPC POD NO. 249 IS FOR "INSTRUCTIONAL AND INFORMATIONAL" PURPOSES?

A. Not entirely. While information provided on the billing inserts is either of an informational or instructional nature regarding customers' bills and service, the same cannot be said of all of the newsletters. Many of the newsletters contain information that, while it may be of use to customers, is not related to their electrical service. For example, the March 2004 Energy News has information on how to receive state and federal information of interest to seniors, the April newsletter has a general article about Earth Day, the July newsletter has a piece on how to report suspected elder abuse, both the August and September newsletters urge customers to register to vote in the upcoming November 2 election, while the October, November and December newsletters all contain appeals for donations to the Red Cross Storm Relief Fund. I estimate, based upon an examination of the space used, that these and similar articles occupy more than 14% of the newsletters provided in support of the 2004 expenses in sub account 909.300.

In addition, a large percentage of the information contained in the newsletters relates to safety. There are articles on tree trimming, avoidance of downed power lines, safety with ladders and power lines, hurricane preparedness, holiday safety tips, OSHA power line rules, and padmount transformer safety.

Q. HAVE YOU ANALYZED THE COMPANY'S PROJECTED ADVERTISING EXPENSES?

A. Yes, I have. Articles concerning non-utility related issues occupied more than 14% overall of the newsletters and inserts provided by the Company as support for its 2004 Instructional & Informational marketing expenses. The Company has provided no information to lead me to believe that the newsletter will have a different format or emphasis in 2006 than it had in 2004. It is therefore reasonable to assume that the 2006 newsletter will have an equal number of items not directly related to the customers' electric service. I have therefore reduced the projected Informational & Instructional Advertising expenses by 14%. This adjustment of ($154,420) reduces total advertising expenses in sub account 909.300 to $948,580.

I have applied the same percentage to the Company's projected expenses for sub account 909.999 Base Initiatives absent documentation supporting these advertising costs. As the advertising classified by the Company as Instructional &

Informational contains material that is not directly related to consumers' electric service, it is also likely that the Base Initiative advertising contains material not directly related to consumer safety. I have therefore applied the 14% derived from my analysis of the Instructional & Informational advertising material to sub account 909.999 as well. This equates to a reduction of $321,440 and adjusted advertising expenses of $1,974,560 to this sub account. These adjustments total $475,860 and result in projected advertising expenses for 2006 of $2,923,140, or $.67 per customer.

Q. WOULD YOU DISCUSS THE COMPANY'S PROPOSED TREATMENT OF CHARITABLE CONTRIBUTIONS ?

A. Yes. FPL has included projected charitable contributions of $1.548 million in its proposed base rates. These dollars are shown as an adjustment to net operating income on Schedule C-3 of the Company's MFR.

Schedule C-18 of the Company's MFR shows that the total $1,545,000 is shared among five programs: $615,000 to the United Way, $500,000 to Habitat for Humanity, $250,000 in Educational Matching Gifts, $75,000 for Environmental Education, $50,000 to Junior Achievement, and $55,000 to Care-to-Share. While each of these programs may be a worthwhile charitable endeavor, I do not believe that it is the obligation of the ratepayers to support them. Ratepayers should not be forced to contribute to charities selected by the utility.

Mr. Olivera states that the contributions provide "direct and tangible benefits to the utility's operations and its ability to provide high quality service." In support of this statement he gives three examples. The first such benefit is that contributions to environmental organizations help promote "a spirit of cooperation between FPL and such groups and also afford FPL the opportunity to have meaningful dialogue and to team with such groups on issues and projects of common concern." (Olivera Direct Testimony, p. 25.) The contribution of $75,000 to the World Wildlife Fund, however, is described in response to an OPC interrogatory as supporting an educational outreach program with a focus "on engaging and motivating young people to take a more active role in conservation and to protect endangered species and their natural habitats." (Response to OPC Interrogatory No. 210.)

The second benefit given by the Company is that "the siting of facilities and occasional inconveniences caused by the construction and/or improvement of the company's infrastructure often are more easily understood in communities where FPL is seen as an active partner and participant in community interests and affairs." (Olivera Direct Testimony, p. 25.) Again, while there may be benefits associated with the contributions, such contributions should be a personal choice of customers.

The third benefit cited by the Company is that "contributions made to help less fortunate customers, such as the Company's Care-to-Share program, accomplish an important humanitarian objective and also reduce receivables and write-offs." The Care to Share program was the recipient of $55,000 from FPL in each of the years 2002 through 2004, while customer contributions averaged $520,000 each year. Customers already help other customers by providing 90% of this program's funding; I do not believe those that chose not to contribute should be required to contribute by having these amounts included in their rates.

The other contributions the Company wishes to make with ratepayer dollars are $615,000 to the United Way, $500,000 to Habitat for Humanity; $250,000 in matching gifts to educational institutions, and $50,000 to a Junior Achievement program. Mr. Olivera describes these contributions as "highly focused toward specific community issues that are directly related to the Company's business objectives that, in turn, ultimately benefit customers." (Olivera Testimony, pp. 24-25.)

I do not see how the description "highly focused toward specific community issues" can be applied to the grant to the Junior Achievement program. The Company explained this contribution as follows:

> This community investment is associated with the building of Junior Achievement's Enterprise Village and Finance Park. Junior Achievement is an in-school program that educates and inspires young people to value free enterprise, business and economics to improve the quality of their livers. FPL support will allow students to visit an interactive village that reinforces the economic and business concepts learned in the classroom by allowing them to take on the role of meter reader, energy advisor or other member of commerce. The program provides financial and volunteer support for public education.

The $500,000 contribution to Habitat for Humanity was described by the Company as having two components. It will sponsor the construction of six homes in the FPL service territory, and also will cover the cost "of upgrading Habitat for Humanity homes to the energy conservation measures associated with its BuildSmart home certification program." (Response to OPC Interrogatory 210.)

Lastly, FPL proposes that ratepayers underwrite $250,000 in matching gifts to educational institutes. The Company states that this "supports the education system in the state of Florida and many of the schools and universities important to our customers." (Ibid.) As FPL employees come from a variety of backgrounds, they contribute to schools and universities throughout the United States. The 2002 matching gifts included $10,000 to Cornell $4,000 to Harvard, $20,000 to Stetson University, and $40,000 to Marymount University, none of which is in the state of Florida. I suspect that most ratepayers, like most FPL employees, prefer to give money to their own alma mater. I see no reason why the utility should charge ratepayers for contributions to schools which they never attended and with which they are not in any way affiliated. FPL states that "These payments combined with other forms of support help enhance FPL relationships with educational institutions and benefit recruiting, research & development and employee training efforts." (Ibid.) But the Company gives no details on these relationships. FPL also argues that "Matching gift programs are also viewed by prospective and existing employees as a benefit of employment and help to attract and retain a quality workforce." (Ibid.) This may very well be true, in which case the utility and its shareholders should be willing to foot the bill in order to attract and keep those employees most capable of increasing shareholder value.

Q. HOW WERE THE COMPANY'S CHARITABLE CONTRIBUTIONS TREATED IN PREVIOUS YEARS?

A. For the past twenty-five years, at a minimum, the Commission has consistently disallowed the recovery of charitable contributions through rates. Schedule C-18 of the Company's MFRs states, for the historical test year ended December 31, 2004:

> Because of prior Commission decisions, the company did not include any expenses for lobbying, civic, political and related activities or for civic/charitable contributions in determining net operating income for 2004. All are accounted for "below the line." (Schedule C-18 MFR)

The most recent review of FPL's rates in Docket No. 001148-EI resulted in a rate reduction of $250 million annually. The settlement was stipulated to and approved by the Commission in Order No. PSC-02-0501-AS-EI of April 11, 2002. The order has no discussion of the treatment accorded charitable contributions in the negotiations leading to the settlement.

Prior to the 2002 rate review, the OPC petitioned the Commission for a full revenue requirements rate case of FPL in January 1999. This docket also resulted in a Stipulation and Settlement agreed to by all parties that reduced FPL's rates, in this case by $350 million annually. The Stipulation and Settlement was approved by the Commission in Order No. PSC-99-0519-EI of March 17, 1999. Again, there is no discussion in the Stipulation of the role of the Company's charitable contributions in determining the annual rate reduction.

Prior to 1999, FPL's rates were last increased in 1984, and later revised in 1985. In Order No. 13537 of July 24, 1984, the Commission discussed all adjustments it made to the Company's filing. It removed all charitable contributions stating:

> Consistent with our decisions in FPL's last two rate cases, we remove from operating expenses $556,000 of charitable contributions in 1984 and $434,000 in 1985. FPL may, of course, continue to make contributions to charities; our decision merely provides that the

> stockholders, and Federal and State governments make the contributions, not the ratepayers. (FPSC, Docket No. 8304650EI, Order No. 13537, July 24, 1984.)

The orders in the "last two rate cases" cited in the above quotation were issued in 1981 and 1982. In both these proceedings, the Company sought to recover charitable contributions from ratepayers. In the first of these cases, the Commission stated in its order:

> The Company has included as an operating expense $386,411 in charitable contributions. In earlier rate cases, we have held that it is within our discretion and authority to allow charitable contributions in reasonable amounts as operating expenses for ratemaking purposes, and the decision to include or exclude [*63] them is discretionary with the Commission. However, there are policy considerations which argue both for and against the inclusion of such expenses for ratemaking purposes. In this case, FP&L Witness Tallon asserted that the Company's customers are the beneficiaries of the work that charitable organizations accomplish. However, upon consideration, we disagree that such contributions are "truly contributions from the corporation" rather than from the customers. We are persuaded that such contributions are instead more in the nature of involuntary contributions by ratepayers. As a matter of policy, we do not believe such contributions should be borne by ratepayers.... Accordingly, we have removed from operating expenses the entire amount of contributions to charities projected for the test period. (FPSC, Order No. 10306, September 23, 1981.)

In its order in the Company's rate case the following year the Commission echoed this decision, stating: "Consistent with our decision on this issue in FPL's last rate case, we remove from operating expenses $328,942 of charitable contributions. FPL may, of course, continue to make contributions to charities, our decision merely provides that the stockholders make the contributions, not the ratepayers." (FPSC, Order No. 11437, December 22, 1982.)

Q. WHAT HAS BEEN THE COMMISSION'S POLICY REGARDING CHARITABLE CONTRIBUTIONS IN OTHER UTILITY RATE CASES?

A. In recent orders which I have been able to locate in which charitable contributions are an issue, the Commission's policy has consistently been not to allow charitable contributions to be included in operating expenses. This policy has been followed for water and wastewater utilities, gas utilities, and telephone utilities, as well as electric utilities. While there is rarely a lengthy discussion of the issue, when a utility has sought to recover charitable contributions from ratepayers, the Commission has disallowed it. For example, in a recent rate case involving Indiantown Gas Company, the Commission disallowed the inclusion of charitable contributions in the company's operating expenses and stated:

> We have consistently held that charitable contributions are not included in operating expense. We have found that ratepayers should not have their choices of contribution to a charity usurped by the utility. Order No. 24049, issued January 31, 1991, in Docket No. 892131-TL, In Re: Petition of the Citizens of the State of Florida to permanently reduce the authorized ROE of United Telephone Company of Florida, and Docket No. 891239-TL, In Re: Investigation into United Telephone Company of Florida's Authorized ROE and earnings. p. 22 (FPSC, Order No. PSC-04-0565-PAA-GU, June 4, 2004)

Earlier that same year, the City Gas Company of Florida was granted an increase in rates, but without the charitable contributions it had included in its MFR schedule of Office Supplies and Expense. The Commission commented: "Consistent with our past practices, we find it is more appropriate for charitable contributions to be borne by the stockholders, rather than the rate payer " (FPSC, Order No. PSC-04-

0128-PAA-GU; Order 04-0127, February 9, 2004.)

Q. WHAT ADJUSTMENT HAVE YOU MADE REGARDING THE COMPANY'S CHARITABLE CONTRIBUTIONS?

A. I recommend removing the $1,548,000 of charitable contributions from the Company's test year expenses. This adjustment is in accordance with Commission policy on charitable contributions and its prior treatment of such contributions in FPL's earlier rate cases. Moreover the Company has not demonstrated that there are any differences between the charitable contributions requested in its last rate case that were rejected by the Commission. When asked to explain the difference between the types of charitable/civic contributions requested in the previous rate case and current proceeding, the Company declined to respond stating that the information sought was not relevant. (Response to OPC Interrogatory 211.)

Q. WHAT IS THE TOTAL AMOUNT OF THE ADJUSTMENTS THAT YOU RECOMMEND?

A. The total amount of the adjustments that I recommend is depicted on Schedule 16. As shown, my recommendations increase revenue by $2.8 million, reduce expenses by $20.7 million and reduce plant in service by $25.1.

Q. DOES THIS COMPLETE YOUR TESTIMONY PREFILED ON JUNE 27, 2005?

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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William Keating
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APPENDIX I

QUALIFICATIONS OF KIMBERLY H. DISMUKES

APPENDIX I

KIMBERLY H. DISMUKES

QUALIFICATIONS

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated from Florida State University with a Bachelor of Science degree in Finance in March, 1979. I received an M.B.A. degree with a specialization in Finance from Florida State University in April, 1984.

Q. WOULD YOU PLEASE DESCRIBE YOUR EMPLOYMENT HISTORY IN THE FIELD OF PUBLIC UTILITY REGULATION?

A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm specializing in the field of public utility regulation. While at Ben Johnson Associates, I held the following positions: Research Analyst from March 1979 until May 1980; Senior Research Analyst from June 1980 until May 1981; Research Consultant from June 1981 until May 1983; Senior Research Consultant from June 1983 until May 1985; and Vice President from June 1985 until April 1992. In May 1992, I joined the Florida Public Counsel's Office, as a Legislative Analyst III. In July 1994 I was promoted to a Senior Legislative Analyst. In July 1995 I started my own consulting practice in the field of public utility regulation.

Q. WOULD YOU PLEASE DESCRIBE THE TYPES OF WORK THAT YOU HAVE PERFORMED IN THE FIELD OF PUBLIC UTILITY REGULATION?

A. Yes. My duties have ranged from analyzing specific issues in a rate proceeding to managing the work effort of a large staff in rate proceedings. I have prepared testimony, interrogatories and production of documents, assisted with the preparation of cross-examination, and assisted counsel with the preparation of briefs. Since 1979, I have been actively involved in more than 170 regulatory proceedings throughout the United States.

I have analyzed cost of capital and rate of return issues, revenue requirement issues, public policy issues, market restructuring issues, and rate design issues, involving telephone, electric, gas, water and wastewater, and railroad companies. I have also examined performance measurements, performance incentive plans, and the prices for unbundled network elements related to telecommunications companies.

Q. WOULD YOU PLEASE DESCRIBE YOUR WORK INVOLVING PERFORMANCE MEASUREMENTS AND PERFORMANCE INCENTIVE PLANS?

A. I have assisted the Staff of the Louisiana Public Service Commission in establishing BellSouth's performance measurements and performance incentive plan. My involvement in this area began in August 1988 and continues through the present. In this capacity I assisted the Staff by holding nine technical workshops consisting of 26 days of collaborative efforts between BellSouth and the CLECs to craft a set of performance metrics that could be used to evaluate BellSouth's performance to the CLEC community. In addition, these efforts also resulted in a performance incentive plan to be used to incent BellSouth to provide CLECs with parity service.

I also assisted the Staff of the Public Service Commission of Nevada in holding workshops to craft performance metrics for Nevada Bell, Sprint, and GTE (now Verizon). My assistance with the Staff of the Public Service Commission of Nevada began in April 1998 and concluded in April 2000. The collaborative efforts of the CLECs, the ILECs, the Staff, and the BCP resulted is a set of performance metrics for each ILEC in Nevada. I filed testimony in Docket No. 97-9022 addressing a few issues that could not be resolved through the collaborative efforts of the parties to that proceeding.

Through my work in Louisiana and Nevada I have become familiar with various performance measurement plans and performance incentive plans of other ILECs including Bell Atlantic-New York, Southwestern Bell Texas, Missouri, Oklahoma, Kansas, and BellSouth Georgia and Florida.

Q. WHAT IS YOUR EXPERIENCE CONCERNING COST OF CAPITAL?

A. In the area of cost of capital, I have analyzed the following parent companies: American Electric Power Company, American Telephone and Telegraph Company, American Water Works, Inc., Ameritech, Inc., CMS Energy, Inc., Columbia Gas System, Inc., Continental Telecom, Inc., GTE Corporation, Northeast Utilities, Pacific Telecom, Inc., Southwestern Bell Corporation, United Telecom, Inc., and U.S. West. I have also analyzed individual companies like Connecticut Natural Gas Corporation, Duke Power Company, Idaho Power

Company, Kentucky Utilities Company, Southern New England Telephone Company, and Washington Water Power Company.

Q. HAVE YOU PREVIOUSLY ASSISTED IN THE PREPARATION OF TESTIMONY CONCERNING REVENUE REQUIREMENTS?

A. Yes. I have assisted on numerous occasions in the preparation of testimony on a wide range of subjects related to the determination of utilities' revenue requirements and related issues.

I have assisted in the preparation of testimony and exhibits concerning the following issues: abandoned project costs, accounting adjustments, affiliate transactions, allowance for funds used during construction, attrition, cash flow analysis, conservation expenses and cost-effectiveness, construction monitoring, construction work in progress, contingent capacity sales, cost allocations, decoupling revenues from profits, cross-subsidization, demand-side management, depreciation methods, divestiture, excess capacity, feasibility studies, financial integrity, financial planning, gains on sales, incentive regulation, infiltration and inflow, jurisdictional allocations, non-utility investments, fuel projections, margin reserve, mergers and acquisitions, pro forma adjustments, projected test years, prudence, tax effects of interest, working capital, off-system sales, reserve margin, royalty fees, separations, settlements, used and useful, weather normalization, and resource planning.

Companies that I have analyzed include: Alascom, Inc. (Alaska), Arizona Public Service Company, Arvig Telephone Company, AT&T Communications of the Southwest (Texas), Blue Earth Valley Telephone Company (Minnesota), Bridgewater Telephone Company (Minnesota), Carolina Power and Light Company, Central Maine Power Company, Central Power and Light Company (Texas), Central Telephone Company (Missouri and Nevada), Consumers Power Company (Michigan), C&P Telephone Company of Virginia, Continental Telephone Company (Nevada), C&P Telephone of West Virginia, Connecticut Light and Power Company, Danube Telephone Company (Minnesota), Duke Power Company, East Otter Tail Telephone Company (Minnesota), Easton Telephone Company (Minnesota), Eckles Telephone Company (Minnesota), El Paso Electric Company (Texas), Entergy Corporation, Florida Cities Water Company (North Fort Myers, South Fort Myers and Barefoot Bay Divisions), Florida Power and Light, General Telephone Company (Florida, California, and Nevada), Georgia Power Company, Jasmine Lakes Utilities, Inc. (Florida), Kentucky Power Company, Kentucky Utilities Company, KMP Telephone Company (Minnesota), Idaho Power Company, Louisiana Gas Service Company, Oklahoma Gas and Electric Company (Arkansas), Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company (Missouri), Lehigh Utilities, Inc. (Florida), Mad Hatter Utilities, Inc. (Florida), Mankato Citizens Telephone Company (Minnesota), Michigan Bell Telephone Company, Mid-Communications Telephone Company (Minnesota), Mid-State Telephone Company (Minnesota), Mountain States Telephone and Telegraph Company (Arizona and Utah), Nevada Bell Telephone Company, North Fort Myers

Utilities, Inc., Northwestern Bell Telephone Company (Minnesota), Potomac Electric Power Company, Public Service Company of Colorado, Puget Sound Power & Light Company (Washington), Sanlando Utilities Corporation (Florida), Sierra Pacific Power Company (Nevada), South Central Bell Telephone Company (Kentucky), Southern Union Gas Company (Texas), Southern Bell Telephone & Telegraph Company (Florida, Georgia, and North Carolina), Southern States Utilities, Inc. (Florida), Southern Union Gas Company (Texas), Southwestern Bell Telephone Company (Oklahoma, Missouri, and Texas), Sprint, St. George Island Utility, Ltd., Tampa Electric Company, Texas-New Mexico Power Company, Tucson Electric Power Company, Twin Valley-Ulen Telephone Company (Minnesota), United Telephone Company of Florida, Virginia Electric and Power Company, Washington Water Power Company, and Wisconsin Electric Power Company.

Q. **WHAT EXPERIENCE DO YOU HAVE IN RATE DESIGN ISSUES?**

A. My work in this area has primarily focused on issues related to costing. For example, I have assisted in the preparation of class cost-of-service studies concerning Arkansas Energy Resources, Cascade Natural Gas Corporation, El Paso Electric Company, Potomac Electric Power Company, Texas-New Mexico Power Company, and Southern Union Gas Company. I have also examined the issue of avoided costs, both as it applies to electric utilities and as it applies to telephone utilities. I have also evaluated the issue of service availability fees, reuse rates, capacity charges, and conservation rates as they apply to water and wastewater utilities.

Q. HAVE YOU TESTIFIED BEFORE REGULATORY AGENCIES?

A. Yes. I have testified before the Arizona Corporation Commission, the Connecticut Department of Public Utility Control, the Florida Public Service Commission, the Georgia Public Service Commission, Louisiana Public Service Commission, the Missouri Public Service Commission, the Public Utilities Commission of Nevada, the Public Utility Commission of Texas, and the Washington Utilities and Transportation Commission. My testimony dealt with revenue requirement, financial, policy, rate design, cost study issues unbundled network pricing, and performance measures concerning AT&T Communications of Southwest (Texas), Cascade Natural Gas Corporation (Washington), Central Power and Light Company (Texas), Connecticut Light and Power Company, El Paso Electric Company (Texas), Florida Cities Water Company, Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company (Missouri), Houston Lighting & Power Company (Texas), Lake Arrowhead Village, Inc. (Florida), Lehigh Utilities, Inc. (Florida), Louisiana Gas Service Company, Jasmine Lakes Utilities Corporation (Florida), Mad Hatter Utilities, Inc. (Florida), Marco Island Utilities, Inc. (Florida), Mountain States Telephone and Telegraph Company (Arizona), Nevada Bell Telephone Company, North Fort Myers Utilities, Inc. (Florida), Southern Bell Telephone and Telegraph Company (Florida, Louisiana and Georgia), Southern States Utilities, Inc. (Florida), Sprint of Nevada, St.

George Island Utilities Company, Ltd. (Florida), Puget Sound Power & Light Company (Washington), and Texas Utilities Electric Company.

I have also testified before the Public Utility Regulation Board of El Paso, concerning the development of class cost-of-service studies and the recovery and allocation of the corporate overhead costs of Southern Union Gas Company and before the National Association of Securities Dealers concerning the market value of utility bonds purchased in the wholesale market.

Q. **HAVE YOU BEEN ACCEPTED AS AN EXPERT IN THESE JURISDICTIONS?**

A. Yes.

Q. **HAVE YOU PUBLISHED ANY ARTICLES IN THE FIELD OF PUBLIC UTILITY REGULATION?**

A. Yes, I have published two articles: "Affiliate Transactions: What the Rules Don't Say", Public Utilities Fortnightly, August 1, 1994 and "Electric M&A: A Regulator's Guide" Public Utilities Fortnightly, January 1, 1996.

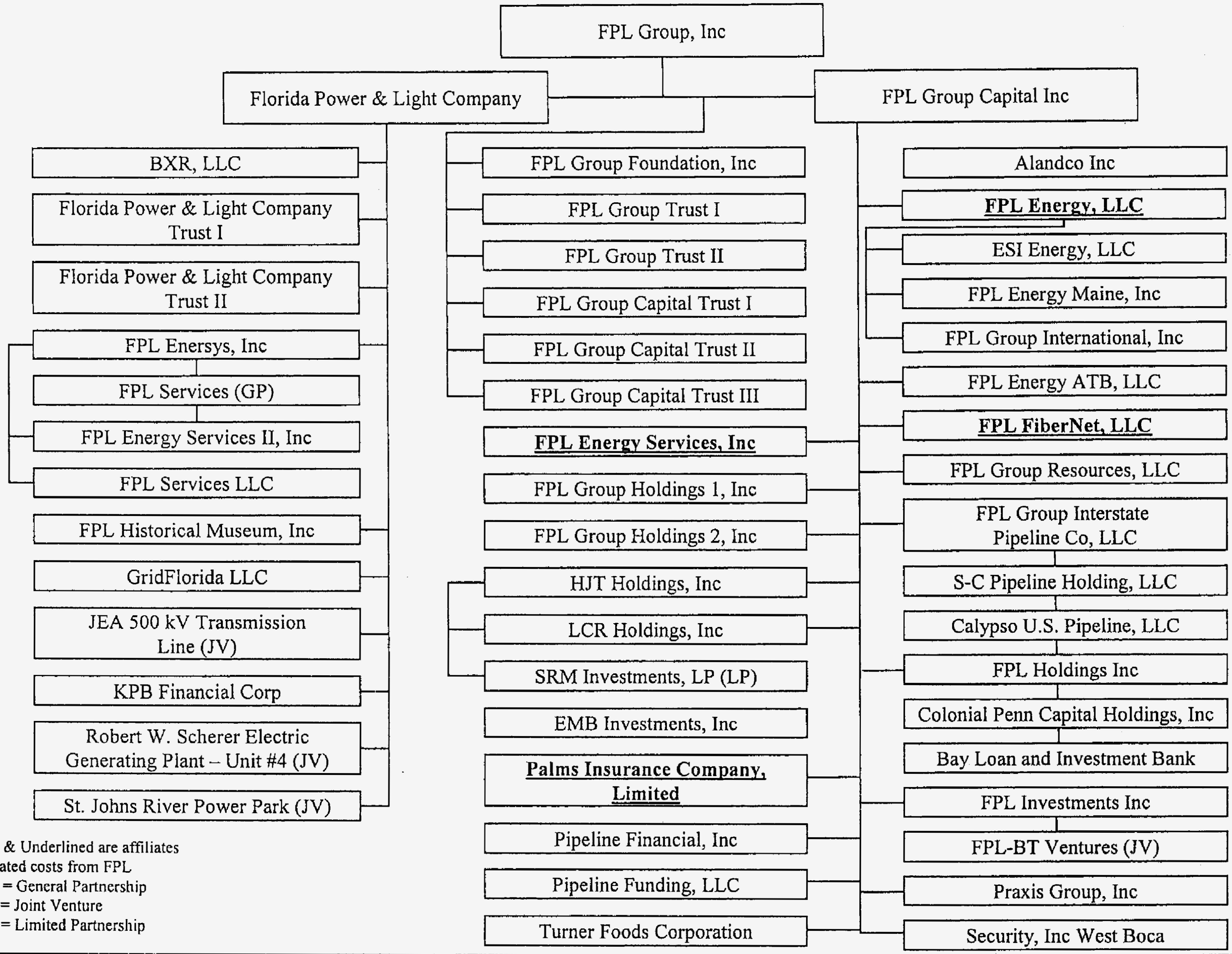
Q. **DO YOU BELONG TO ANY PROFESSIONAL ORGANIZATIONS?**

A. Yes. I am a member of the Eastern Finance Association, the Financial Management Association, the Southern Finance Association, the Southwestern Finance Association, and the Florida and American Water Association.

Table of Contents

Office of Public Counsel
Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 1

FPL Group, Inc.
Summary Organizational Chart



Bold & Underlined are affiliates allocated costs from FPL
(GP) = General Partnership
(JV) = Joint Venture
(LP) = Limited Partnership

Office of Public Counsel
Exhibit OPC___KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 2

Florida Power & Light Company
Response to OPC Interrogatory 23
FPL Group Affiliates

Q.

Affiliates. Please provide a summary description of the services and products sold by each affiliate, subsidiary and division of the FPL Group and provide the date of incorporation of the affiliate.

A.

Please see response to OPC First Set of Interrogatories, No. 92 and attached document.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Acme POSDEF Partners, L.P.	8/20/1992	Managing General Partner in a limited partnership called POSDEF Power Company, L.P.
Alandco I, Inc.	9/21/1989	Inter-company real estate development
Alandco Inc.	7/1/1981	Engaged in the investment in and development of real estate operations within the State of Florida.
Alandco/Cascade, Inc.	8/17/1983	Engaged in general real estate investment and development in Florida
Alpha Joshua (Prime), Inc.	10/10/1989	Coporation is a partner in a partnership which owns a 220 KV transmission line in California used by Mojave 16 & 18 projects (Seawest) This is a holding company and not an energy affiliate.
Alpha Joshua, Inc.	3/25/1988	Participant in electric energy transmission assets. This is strictly a holding company and not a FERC energy affiliate.
Alpha Mariah (Prime), Inc.	12/7/1990	Corporation owns stock in Sagebrush Partnership which owns the transmission line used by the Mojave 3 & 5 Project (Seawest). This entity is a holding company and not an energy affiliate.
Altamont Infrastructure Company LLC	1/23/1998	Operating and maintaining various assets related to, and necessary for, the operation of wind plants constructed on the Altamont Pass.
Altamont Power 1998 LLC	6/8/1998	Developing and operating a wind power project located on the Altamont Pass
Altamont Power LLC	5/8/1998	Developing and operating a wind power project located on the Altamont Pass (Flowind)
Androscoggin Reservoir Company	7/19/1909	Owns and operates the Aziscohos Dam at the base of Aziscohos Lake controlling water flow on the Androscoggin River.
Babcock-Ultrapower Jonesboro (Partnership Interest Sold)	10/30/1984	24.5 MW Wood Fired Plant.
Babcock-Ultrapower West Enfield (Partnership Interest Sold)	10/30/1984	24.5 MW Wood Fired Plant.
BAC Investment Corp.	12/11/1998	Manages intangible assets.
Backbone Mountain Windpower LLC	4/19/2000	Construct, own and operate a wind generation facility.
Backbone Windpower Holdings, LLC	4/18/2002	This entity has been formed to facilitate 100% of the acquisition of the interests in Backbone Mountain Power, LLC.
Badger Windpower, LLC	11/6/2000	Formed to own and operate a wind energy project located in Iowa County, Wisconsin.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Bastrop Energy Partners, L.P. (Partnership Interests Sold - See Note)	3/30/2000	Limited partnership involved in a gas-fired electric generation facility in Bastrop County, TX
Bay Loan and Investment Bank	12/19/1984	Engaged in commercial lending and the acceptance of time deposits.
Bayswater Peaking Facility, LLC	3/2/2001	Formed to generate peaking power for Long Island Power Authority Network.
Beta Joshua Inc.	7/16/2003	Participant in electric energy transmission assets. This is strictly a holding company and not a FERC energy affiliate.
Beta Mariah (Prime), Inc.	12/7/1990	Corporation owns stock in Sagebrush Partnership which owns the transmission line used by the Mojave 3 & 5 Project (Seawest). This is strictly a holding company, not a FERC energy affiliate.
Beta Willow (Prime), Inc.	10/10/1989	Coporation is a partner in a partnership which owns a 220 KV transmission line in California used by Mojave 16 & 18 projects (Seawest). This is strictly a holdings company, not a FERC energy affiliate.
Beta Willow, Inc.	3/25/1988	Participant in electric energy transmission assets. This is strictly a holding company and not a FERC energy affiliate.
Big Sandy Acquisitions, LLC	4/26/2001	Owner of Big Sandy project - gas-fired merchant facilities. This is not a FERC energy affiliate.
Birch Limited Partnership	12/31/1986	80 MW Waste Coal Project.
Blythe Energy Acquisitions, LLC	4/26/2001	Owner of Blythe project - gas-fired merchant facility.
Blythe Energy, LLC	7/15/1998	Owns and operates a nominal 520 MW power generation facility in Blythe, California
Blythe Project Management, LLC	4/26/2001	Construction agent for Blythe project - gas-fired merchant facility.
Boulder Valley Power, LLC	7/14/2003	Formed in connection with FPLE's Nevada development opportunity. This development opportunity involves construction of a natural gas-fired electric generation plant in Nevada, in conjunction with parties such as Newmont Mining and Sierra Pacific.
Boulevard Associates, LLC	6/22/2001	Formed to acquire land options
BXR, LLC	9/23/2004	Enters in to land leases
Calhoun Power Company I, LLC	7/19/2000	To develop an electrical power generation project in Alabama
Calhoun Power Company II Transmission Co., LLC	6/26/2001	Formed to undertake transmission activities related to the potential Calhoun II project.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Calhoun Power Company II, LLC	7/24/2001	Formed to develop, own and operate a natural gas fired power plant in Alabama
Calypso U.S. Pipeline, LLC	6/24/2002	Particpant in Liquid Natural Gas pipeline project.
Cameron Ridge LLC	5/8/1998	Participant in wind power project located in Tehachapi, California
CH Ormesa LP, Inc.	3/16/1992	Participant in geothermal electric power producing project
CH Ormesa, Inc.	3/16/1992	Participant in geothermal electric power producing project
CH POSDEF LP, INC.	6/25/1992	Participant in Port of Stockton electric power producing project
CH POSDEF, INC.	6/25/1992	Participant in Port of Stockton electric power producing project
Chaplin's Acreage Transmission Company LLC	2/26/2001	Project level entity involved in operations of electric power transmission.
Cherokee County Cogeneration Corp.	11/1/1993	Participates in the Cherokee gas-fired cogeneration project.
Cherokee County Cogeneration Partners, L.P.	11/1/1993	Manufacture and sell electrical power to a North Carolina utility under a power purchase contract.
Cherokee Falls Development Company, LLC	4/18/2001	Power generation.
Cherokee Falls Power Development Company, LLC	3/7/2001	Holds assets related to the transmission interconnection of an expansion of the existing Cherokee Cogeneration Partners site. This is strictly a holding company and not a FERC energy affiliate.
Colonial Penn Capital Holdings, Inc.	3/5/1985	Holding company
Coosa River Development Company, LLC	5/2/2001	Develop a site near the Coosa River in Georgia
Coosa River Transmission Company, LLC	5/2/2001	Transmission company. This is strictly a holding company and not a FERC energy affiliate.
Delaware Mountain Wind Farm, LP	12/17/1998	Entity owns and operates a 30 MW wind farm in Culberson City, Texas.
Diablo Winds, LLC	6/29/2004	Lease of land rights and power purchase agreements from Altamont Power, LLC
Doswell Funding Corporation	7/10/1998	None - Shelf Corporation
Doswell I, LLC	12/21/2004	General Partner of Doswell Limited Partnership.
Doswell Limited Partnership	3/17/2003	Participant in Doswell Electric Generating Project in Virginia
Double C Limited	1/14/1988	49.8 MW natural gas cogen facility. Also a joint venture partner in Kern Front Pipeline Joint Venture.
Eastview Transmission Company, LLC	4/12/2001	Electric Power Transmission.□ Project was Sold.□ This is not a FERC energy affiliate.
Ebensburg Investors Limited Partnership	3/27/1992	A Limited and General Partner in a General Partnership called Ebensburg Power Company.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Ebensburg Power Company	12/9/1986	47.3 MW combined solid waste cogeneration facility.
EMB Investments, Inc.	12/4/1996	Manages intangible assets
ESCA, LLC	4/29/1999	The sole purpose of this Company shall be to participate as general partner in Coso Finance Partners (CFP) in connection with CFP's development and operation of phases A, B and C for the geothermal resource and the rights under the Navy contract
ESI Altamont Acquisitions, Inc.	1/29/1997	Participant in wind assets in Tehachapi/Altamont area.
ESI Bay Area GP, Inc.	8/29/1996	Participates in a project to generate electric energy through the use of wind-powered turbines (US Wind Project). This is strictly a holding company and not a FERC energy affiliate.
ESI Bay Area, Inc.	8/30/1989	Participates in a project to generate electric energy through the use of wind-powered turbines (US Wind Project). This is strictly a holding company and not a FERC energy affiliate.
ESI BH Limited Partnership	6/5/1991	A General Partner in a General Partnership called Brady Power Partners.
ESI Brady, Inc.	5/24/1991	Participates in the development of geothermal projects to generate electricity (Brady Hot Springs Project) This is strictly a holding company and not a FERC energy affiliate.
ESI California Holdings, Inc.	12/11/1989	Holding company for subsidiaries doing business in California.
ESI Calistoga GP, Inc.	1/6/1997	Participant in the Calistoga Geotherma Project.□ Not a FERC energy affiliate. Project sold 10-19-1999 - legal entity not liquidated.
ESI Calistoga LP, Inc.	1/6/1997	Participant in the Calistoga Geothermal Project.□ Project was sold on 10/19/1999. This is not a FERC energy affiliate.
ESI Cannon Acquisitions LLC	8/28/1998	Acquiring, developing and operating wind power projects in Tehachapi, California
ESI CC Limited Partnership	1/7/1988	A General Partner in a Limited Partnership called Double "C" Limited
ESI Cherokee County, L.P.	12/10/1996	Holds ownership interest in Cherokee County Cogeneration Partners, LP in Gaffney, South Carolina.
ESI Cherokee GP, Inc.	3/15/1995	Participant in the Cherokee gas-fired cogeneration project in South Carolina.
ESI Cherokee Holdings, Inc.	12/4/1996	Participant in the Cherokee gas-fired cogeneration project in South Carolina.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
ESI Cherokee LP, Inc.	3/15/1995	Participant in the Cherokee gas-fired cogeneration project in South Carolina.
ESI Cherokee MGP, Inc.	12/4/1996	Participant in the Cherokee gas-fired cogeneration project in South Carolina.
ESI Doswell GP, LLC	12/21/2004	Participates in combined cycle gas-fired electric generation (Combined Cycle IPP)
ESI Double "C", Inc.	12/18/1987	Particpates in Kern cogeneration projects
ESI Ebensburg, Inc. (Name Changed - See Remarks)	8/25/1988	Particpates in Ebensburg Power Project.
ESI Energy, Inc. (Merged - See Remarks)	7/11/1985	Holding company of subsidiaries involved in geothermal, cogeneration, waste-to-energy projects and leveraged leases.
ESI Energy, LLC	9/9/1999	Holding company of subsidiaries involved in geothermal, cogeneration, waste-to-energy, wind and solar projects.
ESI Geothermal Inc.	6/12/1987	Participates in the development of geothermal projects (COSO).
ESI HS Limited Partnership (Partnership Interest Sold - See Remarks)	1/7/1988	A General Partner in a General Partnership called High Sierra Limited.
ESI Kern Front, Inc.	12/18/1987	Participates in cogeneration projects (Kern) in California
ESI KF Limited Partnership	1/8/1988	A General Partner in a General Partnership called Kern Front Limited.
ESI Lake Benton Holdings, Inc.	7/17/1997	Entity will be used to acquire 136 existing wind towers for subsequent sale to the New Mexico wind project.
ESI LP, LLC	12/21/2004	Participates as a limited partner in multiple projects
ESI Mojave LLC	4/16/1997	Member of a Limited Liability Company that participates in the Mojave 16, 17, 18 Project
ESI Mojave, Inc.	3/21/1997	Member of a Limited Liability Company that participates in the Mojave 16, 17, 18 Project
ESI Montgomery County GP, Inc.	6/25/1999	Formed to become the general partner of ESI Montgomery County, LP
ESI Montgomery County LP, Inc.	6/25/1999	Formed to become the limited partner of ESI Montgomery County, LP
ESI Montgomery County, LLC	6/25/1999	Will temporarily become the new limited partner in Montenay Montgomery, LP by being the survivor of a merger with ESI Montgomery County, Inc. on 8/3/99. Then will become a holding company by contributing 50% of its interest in Montenay Montgomery, LP to
ESI Montgomery County, LP	7/1/1999	Participant in waste-to-energy cogen facility

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
ESI Multitrade LP, Inc.	1/14/1994	Limited Partner ownership interest in a wood-fired electric generating project (Multitrade)
ESI Northeast Energy Acquisition Funding, Inc.	11/13/1997	Formed to acquire generation assets of Bellingham and Sayreville Projects in New England
ESI Northeast Energy Funding, Inc.	11/13/1997	Formed to acquire generation assets of the Bellingham and Sayreville Projects in New England.
ESI Northeast Energy GP, Inc.	11/13/1997	Formed to acquire generation assets of the Bellingham and Sayreville Projects in New England.
ESI Northeast Energy LP, Inc.	11/13/1997	Formed to acquire generation assets of the Bellingham and Sayreville Projects in New England.
ESI Northeast Fuel Management, Inc.	1/12/1998	Formed to perform fuel management services for Bellingham and Sayreville plants
ESI Ormesa Debt Holdings LLC	3/3/1998	To purchase partnership interests in Star Group IE Geothermal Partners and provide administrative services for the operator of the Ormesa plants
ESI Ormesa Equity Holdings LLC	2/20/1998	Ownership of partnership interest in Star Group IE General Partners, owner, under a leveraged lease, of a geothermal plant in Imperial City, California
ESI Ormesa Holdings I LLC	12/10/1997	Participant in geothermal project
ESI Ormesa Holdings, Inc.	12/10/1997	Formed to Acquire interest in Ormesa I.
ESI Ormesa IE Equity, Inc.	2/24/1980	To acquire ownership of Ormesa IE.
ESI Ormesa IH Equity LLC	7/29/1999	Geothermal project.
ESI Pittsylvania, Inc.	11/5/1992	Formed to participate as General Partner in a wood-fired electric generating project in Virginia (Multitrade) Project was Sold. This is not a FERC energy affiliate.
ESI Prairie Winds GP, L.L.C.	5/5/1997	Owns and operates a wind farm. This is not an energy affiliate.
ESI Prairie Winds LP, L.L.C.	5/5/1997	Owns and operates a wind farm. This is not an Energy Affiliate.
ESI Sierra, Inc. (GP Interest Sold - See Remarks)	12/18/1987	Formed to participate in cogeneration projects (Kern)
ESI Sierra, LLC	3/21/2005	Formed to hold Florida Corporation merger entity - ESI Sierra, Inc. until sale. Entity not used for merger. □ Shelf Company
ESI Silverado Holdings, LLC	3/13/1997	Formed to participate in the Stock Purchase Agreement for Silverado Geothermal Resources, Inc.
ESI Sky River Limited Partnership	5/30/1990	A General Partner in a General Partnership called Sky River Partnership.
ESI Sky River, Inc.	5/23/1990	Formed to participate in a wind power generating system

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
ESI Tehachapi Acquisitions, Inc.	6/12/1997	Formed to participate in Flo-Wind Project
ESI Tractebel Acquisition Corp.	1/12/1998	Formed to fund investment in electric generation project in the Northeast.
ESI Tractebel Funding Corp.	11/3/1994	Agent for public debt offering.
ESI Tractebel Urban Renewal Corporation	5/15/1989	Participant in gas-fired electric generating facilities in Massachusetts and New Jersey
ESI Vansycle GP, Inc.	12/26/1996	Formed to participate in the wind power project known as the Vansycle Project.
ESI Vansycle LP, Inc.	12/26/1996	Formed to participate in the wind power project known as the Vansycle Project.
ESI Vansycle Partners, L.P.	12/27/1996	29.4 MW wind facility to be constructed.
ESI VG Limited Partnership	6/14/1989	A General Partner in a General Partnership called Victory Garden Phase IV Partnership.
ESI Victory, Inc.	6/7/1989	Formed to participate in a project to generate electric energy through the use of wind-powered turbines (Victory Gardens-ZOND).
ESI West Texas Energy LP, LLC	3/25/1999	As part of CSW structure, this entity will be a 99% limited partner in West Texas Wind Energy Partners, LP
ESI West Texas Energy, Inc.	1/28/1998	Member of West Texas Wind Energy Partners LLC which will develop a wind project in Texas.
Flint Valley Energy Development Company, LLC	5/17/2001	Electric power production. This is not an energy affiliate.
Flint Valley Energy Transmission Company, LLC	5/17/2001	Transmission Company. This is not an energy affiliate.
Florida Power & Light Company	12/28/1925	Electric utility company
Florida Power & Light Company Trust I	6/2/2004	Statutory Trust to issue Trust Secutities.
Florida Power & Light Company Trust II	6/2/2004	Statutory Trust formed to issue Trust Secutities.
Fountain Square Associates	6/10/1988	
FPL Energy American Wind Holdings, LLC	4/11/2003	Holds membership interest in various limited liability companies.
FPL Energy American Wind, LLC	4/11/2003	Holds membership interests in various limited liability companies, partnership interests and various other assets.
FPL Energy Anderson, LLC	7/24/2001	Generation power project
FPL Energy ATB, LLC	8/13/2004	Formed to hold, for tax purposes, intangibile assets (soft costs) related to our Texas assets.
FPL Energy Bastrop GP, LLC	2/25/2004	This entity was formerly a partner in a partnership formed for the Pecan project (Bastrop Energy Partners, L.P.)□ □

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Energy Bastrop LP, LLC	3/23/2000	This entity was formerly a partner in a partnership formed for the Pecan project (Bastrop Energy Partners, L.P.)□
FPL Energy Bellingham, Inc.	5/10/1999	Formed to purchase 1% controlling member interests of IDC Bellingham, LLC
FPL Energy Bellingham, LLC	5/10/1999	Will purchase 99% non-controlling member interests of IDC Bellingham, LLC.
FPL Energy Blue Mountain, LLC	2/7/2001	To hold assets for a new wind turbine project in the Pacific Northwest
FPL Energy Blythe, LLC	11/6/2000	Single-purpose Delaware LLC that owns 100% membership interests in Blythe Energy, LLC
FPL Energy Boulder Valley, LLC	11/4/2002	Administrator of the Boulder Valley project entity with Newmont Mining Corporation.
FPL Energy Bulldog Wind, LLC	10/28/2004	Develop, own and operate a wind-generated electric facility.
FPL Energy Burleigh County Wind, LLC	3/14/2005	Formed to own and operate a 49.5 MW Wind Farm in North Dakota
FPL Energy Cabazon Wind, LLC	9/22/2003	Participant in ownership and operation of wind-powered electric generation project
FPL Energy Caithness Funding Corporation	2/18/1998	A jointly-owned corporation used to finance SEGS VIII and SEGS IX
FPL Energy Cal Hydro, LLC	10/29/1999	The project entity for acquisition of PG&E Hydro assets.
FPL Energy California Wind, LLC	3/10/1999	Formed to be sole member of FPL Energy Pacific Crest Partner, LLC and sole member of ESI Cannon Acquisitions, LLC.□ This is strictly a holding company and not a FERC energy affiliate.□
FPL Energy Callahan Wind GP, LLC	5/7/2004	Construction, operation and ownership of Callahan Divide wind project.
FPL Energy Callahan Wind LP, LLC	5/7/2004	Construction, operation and ownership of Callahan Divide wind project.
FPL Energy Callahan Wind, LP	5/7/2004	Construction, operation and ownership of Callahan Divide, a 114 megawatt wind project in Taylor County, TX
FPL Energy Cape, LLC	2/23/2000	Two 21MW G.E. Frame Fire Generator Sets in Portland, Maine.
FPL Energy CO2 Operations, Inc.	11/19/1998	Formed to operate CO2 Plant in Bellingham
FPL Energy Colorado Wind, LLC	1/11/2005	Zoning issues
FPL Energy Construction Funding Holdings LLC	4/1/2002	An Investment Holding Company

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Energy Construction Funding LLC	4/1/2002	An Investment Holding Company
FPL Energy Cowboy Wind, LLC	1/23/2004	The entity would develop, construct, own and operate a wind energy facility in Oklahoma.
FPL Energy Cyclone Wind, LLC	2/1/2005	Construct, own and operate a wind farm
FPL Energy Delaware Mountain GP, LLC	5/31/2002	Established to acquire and hold the 1% GP interest in the Delaware Mountain wind project.
FPL Energy Delaware Mountain LP, LLC	5/31/2002	Established to acquire and hold the 99% LP interest in the Delaware Mountain wind project.
FPL Energy Doswell Holdings, Inc.	7/10/1998	Formed to own stock of PFL Energy Doswell Funding Corporation.
FPL Energy East Mesa Holdings LLC	6/9/1998	Hold assets of Republic Geothermal, Inc. in the State of California.
FPL Energy East Mesa LLC	9/15/1998	To hold partnaership interest in Ormesa Geothermal.
FPL Energy Equipment Facility, LLC	7/26/2000	Act as agent on behalf of financing trust
FPL Energy Everett LLC	12/4/1998	Ownership of wind powered electric generating facility
FPL Energy Forney GP, LLC	2/25/2004	Formed to act in partnerships that will develop: (i) and approximately 1650 MW combined cycle electric power generation facility and (ii) a natural gas pipeline for the transportation of natural gas to the facility.
FPL Energy Forney LP, LLC	9/1/2000	Formed to enter partnerships that will develop: (i) an approximately 1650 MW combined cycle electric power generation facility and (ii) a natural gas pipeline for the transportation of natural gas to the power generation facility
FPL Energy Geo East Mesa Partners, Inc.	11/2/1994	Formed to acquire geothermal assetws from Geo East Mesa.
FPL Energy Gray County Wind, LLC	2/12/2001	Will be the holding company for Gray County Wind, LLC
FPL Energy Great Plains Wind, LLC	7/20/1999	To develop wind power generation facilities in the great plains states
FPL Energy Green Power Wind, LLC	9/22/2003	Participant in ownership and operation of wind-powered electric generation project
FPL Energy GRP 91-2, LLC	2/8/2000	Holding company for Green Ridge 91-2, LLC
FPL Energy GRP 92, LLC	2/8/2000	Holding company for Green Ridge 92, LLC.
FPL Energy Hancock County Wind, LLC	11/8/2000	Formed to participate in a wind farm in State of Iowa.
FPL Energy Horse Hollow Wind GP, LLC	11/5/2004	Construction, operation and ownership of 320 MW wind farm in Taylor County, TX
FPL Energy Horse Hollow Wind LP, LLC	11/5/2004	Construction, operation and ownership of 320 MW wind farm in Taylor County, TX

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Energy Horse Hollow Wind, LP	11/5/2004	Construction, operation and ownership of 320 MW wind farm in Taylor County, TX
FPL Energy Illinois Wind, LLC	5/22/2001	Participant in wind farm. This is not an energy affiliate.
FPL Energy Indian Mesa GP, LLC	5/31/2002	Established to acquire and hold the 1% GP interest in the Indian Mesa wind project.
FPL Energy Indian Mesa LP, LLC	5/31/2002	Established to acquire and hold the 99% LP interest in the Indian Mesa wind project.
FPL Energy Island End GP, LLC	9/30/1999	Will become the general partner of a limited partnership for the Decaf project.
FPL Energy Joshua Falls, LLC	1/24/2002	Member in Joshua Falls Energy Center, LLC which holds an option on a site in Campbell County, Virginia and may develop a gas-fired facility there.
FPL Energy Kansas Wind, LLC	5/10/2002	Formed to participate in a wind project
FPL Energy Kelley, LLC	7/24/2001	Generation power plant.□ This is not an energy affiliate.
FPL Energy Louisiana Holdings, Inc.	10/23/2001	Build, operate and broker natural gas-fired facility.
FPL Energy Maine Hydro LLC	4/3/1998	Owns generating facilities of the Maine-Hydro power plant..
FPL Energy Maine Operating Services LLC	4/1/1999	Operation and maintenance of power plant.
FPL Energy Maine, Inc.	12/31/1997	Formed to acquire generation assets from Central Maine Power
FPL Energy Marcus Hook LLC	8/27/1998	Formed to be limited partner in FPL Energy Marcus Hook, L.P.
FPL Energy Marcus Hook, L.P.	11/17/1999	Formed to become the project entity for the 700 MWgas-fired power generation facility located in Marcus Hook, Pennsylvania
FPL Energy Mason LLC (Assets Donated)	4/8/1998	Formed to acquire ownership in the Mason Power Plant.FPL Energy Mason LLC donated to National Council For Community Development, Inc. certain parcels of land in Wiscasset, Maine known as "Mason Station".
FPL Energy MH50 GP, LLC	12/21/1998	Formed to become the general partner of FPL Energy MH50, L.P. which will own the 50MW plant in Marcus Hook, PA.
FPL Energy MH50 LP, LLC	12/21/1998	Formed to become the limited partner of FPL Energy MH50, L.P which will own the 50MW plant in Marcus Hook, PA.
FPL Energy MH50, L.P.	12/21/1998	Owns 50 MW electric generation plant in Marcus Hook, Pa.
FPL Energy MH700, LLC	11/15/1999	Formed to become the general partner in FPL Energy Marcus Hook, L.P., a 700 MWgas-fired power generation facility, located in Marcus Hook, Pennsylvania
FPL Energy Mississippi Holdings, LLC	3/30/2001	Participates in electric power generation

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Energy Mojave Operating Services, LLC	3/2/1999	Management of operations and maintenance for the Mojave 16, 17, 18 and the Mojave 3, 4, 5 projects.
FPL Energy Montana, LLC	6/10/2003	Formed to develop a windfarm.
FPL Energy Montezuma Wind, LLC	1/28/2005	Construct, own and operate a wind energy plant in Solano County, California.
FPL Energy Morwind, LLC	1/25/2000	Formed to be one of the members of TPC Windfarms, LLC
FPL Energy National Wind Holdings, LLC	1/3/2005	Participant in National Wind Portofolio Financing
FPL Energy National Wind Investments, LLC	1/3/2005	Participant in National Wind Portfolio Financing
FPL Energy National Wind Portfolio, LLC	1/3/2005	Participant in National Wind Portofolio Financing
FPL Energy National Wind, LLC	1/3/2005	Participant in National Wind Portfolio Financing
FPL Energy New Mexico Holdings, LLC	4/11/2003	Formed to participate in windfarm project.
FPL Energy New Mexico III, LLC	12/3/2003	Formed to become a 102MW wind generation project (wind farm) in McKinley County, New Mexico
FPL Energy New Mexico Wind Financing, LLC	10/27/2003	Formed to participate in windfarm project.
FPL Energy New Mexico Wind Holdings II, LLC	10/27/2003	Formed to participate in windfarm project.
FPL Energy New Mexico Wind II, LLC	10/27/2003	Formed to participate in windfarm project.
FPL Energy New Mexico Wind, LLC	3/29/2001	Owns and operates a wind farm.
FPL Energy New York, LLC	3/12/2001	Holding company for Bayswater Peaking Facility, LLC (a peaking power project for Long Island Power Authority Network)
FPL Energy North Carolina Holdings, LLC	4/18/2001	Power Generation
FPL Energy North Dakota Wind II, LLC	12/19/2001	Formed to build and operate a wind project in North Dakota.
FPL Energy North Dakota Wind, LLC	7/29/2002	Formed to build and operate a wind project in North Dakota.
FPL Energy Northwest Oklahoma Wind, LLC	2/3/2005	Formed to hold easements for future windpower expansion.
FPL Energy Oklahoma Wind Finance, LLC	9/9/2003	Formed to manage intangible assets.
FPL Energy Oklahoma Wind, LLC	3/29/2001	Owns and operates a wind farm.
FPL Energy Operating Services, Inc.	2/7/1994	Operating and maintenance services and fuel procurement for electric power generating plants.
FPL Energy Pacific Crest Partner, LLC	10/14/1998	Formed to be 50% member of Pacific Crest Power, LLC - the Cannon project entity
FPL Energy Paris GP, LLC	2/25/2004	General partner in Lamar Power Partners, L.P a 1,000 MW natural gas plant in Lamar County, TX.
FPL Energy Paris LP, LLC	2/11/1999	lIMITED partner in Lamar Power Partners, L.P a 1,000 MW natural gas plant in Lamar County, TX.
FPL Energy Pecos Wind I GP, LLC	12/21/2001	Formed to own GP interest in FPLE Pecos Wind I, LP.
FPL Energy Pecos Wind I LP, LLC	6/28/2000	Entity strictly owns a limited partnership interest in FPL Energy Pecos Wind I LP

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Energy Pecos Wind I, LP	6/28/2000	Entity owns and operates a wind energy production facility.
FPL Energy Pecos Wind II GP, LLC	12/21/2001	Formed to own GP interest in FPLE Pecos Wind II, LP.
FPL Energy Pecos Wind II LP, LLC	6/28/2000	Entity strictly owns a limited partnership interest in FPL Energy Pecos Wind II LP
FPL Energy Pecos Wind II, LP	6/28/2000	Entity owns and operates a wind energy production facility
FPL Energy Pennsylvania Wind, LLC	5/31/2002	Established to acquire and hold 100% of the stock of Pennsylvania Windfarms, Inc. which owns and operates a 10.4 MW windfarm in Somerset County, PA.
FPL Energy Power Marketing, Inc.	6/25/1998	Formed to market wholesale power
FPL Energy PRG, LLC	11/15/1999	Formed to become the general partner in Philadelphia Refinery Generation, L.P.
FPL Energy Project Management, Inc.	3/17/1999	Employee Services
FPL Energy Rockaway Peaking Facilities, LLC	5/8/2003	Holding company for peaking projects located in Far Rockaway, NY.
FPL Energy Sacramento Power, LLC	10/25/1999	Formed to be the project entity for an acquisition of assets in California.
FPL Energy Seabrook, LLC	2/27/2002	Formed to purchase 88.2 percent interest in 1,161- megawatt Seabrook Nuclear Generating Station in New Hampshire
FPL Energy SEGS III-VII GP, LLC	11/30/2004	Participant in solar electric generating system
FPL Energy SEGS III-VII LP, LLC	11/30/2004	Participant in solar electric generating system
FPL Energy Services II, Inc.	10/30/1996	Development of energy management systems for commercial, industrial and institutional companies.
FPL Energy Services, Inc.	6/1/1988	To market sale of natural gas, offer products and services to residential and commercial customers.
FPL Energy Sky River Wind, LLC	5/7/2003	To own and operate wind-powered electric generating facilities and any other purposee permitted by law.
FPL Energy Solar Funding Corp.	5/29/1998	Formed to hold stock of FPL Energy Caithness Funding Corporation
FPL Energy Solar Partners III-VII, LLC	2/17/2005	Service company for FPL Energy SEGS III-VII GP & LP and Luz III thru VII providing O & M services.
FPL Energy Sooner Wind, LLC	9/11/2002	The Company will be the lessee and operator of a windpower production facility in Oklahoma.
FPL Energy South Carolina Holdings, LLC	4/18/2001	Power Generation
FPL Energy South Dakota Wind, LLC	9/13/2002	Formed to build and operate a wind project in South Dakota.
FPL Energy Spruce Point LLC	4/1/1999	Formed to become provider of services for fossil and hydroelectric generation facilities.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Energy Stateline Holdings, L.L.C.	11/5/2003	Own and operate a windpower generating facility.
FPL Energy Stateline II Holdings, LLC	11/6/2003	participant in a wind-powered electric generation project.
FPL Energy Stateline II, Inc.	11/21/2003	Holds real estate interests in a wind-powered electric generating project.
FPL Energy Story County Wind, LLC	3/15/2005	Formed to own and operate a wind farm in Iowa.
FPL Energy STP GP, LLC	7/25/2003	Formed for the purpose of owning interests in three nuclear plants owned by British Energy: Clinton, Oyster Creek and Three Mile Island.
FPL Energy STP LP, LLC	5/27/2004	Ownership of Power Plants
FPL Energy STP, LP	5/27/2004	Ownership of Power Plants
FPL Energy Tennessee Holdings, LLC	5/17/2001	Formed to become the holding company for Flint Valley Energy Development Company.
FPL Energy Terra, LLC	5/23/2001	Formed to acquire and house land rights in California
FPL Energy Upton Wind I GP, LLC	12/21/2001	Entity owns GP interest in FPL Energy Upton Wind I, LP
FPL Energy Upton Wind I LP, LLC	12/22/2000	Entity strictly owns a limited partnership interest in FPL Energy Upton Wind I LP.
FPL Energy Upton Wind I, LP	1/3/2001	Entity owns and operates a wind energy production facility
FPL Energy Upton Wind II GP, LLC	12/21/2001	Entity owns GP interest in FPL Energy Upton Wind II, LP
FPL Energy Upton Wind II LP, LLC	12/22/2000	Entity strictly owns a limited partnership interest in FPL Energy Upton Wind II LP.
FPL Energy Upton Wind II, LP	1/3/2001	Entity owns and operates a wind energy production facility
FPL Energy Upton Wind III GP, LLC	12/21/2001	Entity owns GP interest in FPL Energy Upton Wind III, LP
FPL Energy Upton Wind III LP, LLC	12/22/2000	Entity strictly owns a limited partnership interest in FPL Energy Upton Wind III LP.
FPL Energy Upton Wind III, LP	1/3/2001	Entity owns and operates a wind energy production facility
FPL Energy Upton Wind IV GP, LLC	12/21/2001	Entity owns GP interest in FPL Energy Upton Wind IV, LP
FPL Energy Upton Wind IV LP, LLC	12/22/2000	Entity owns an interest in FPL Energy Upton Wind IV, LP
FPL Energy Upton Wind IV, LP	1/3/2001	Entity owns and operates a wind energy production facility
FPL Energy Valley Power, LLC	4/26/2001	Acquisition and development of electric generation facility in California.
FPL Energy Vansycle L.L.C.	9/29/1998	Ownership of wind powered electric generating facility
FPL Energy VG Wind, LLC	5/7/2003	To own and operate wind-powered electric generating facilities and any other purpose permitted by law.
FPL Energy Virginia Funding Corporation	6/27/2001	Formed to act as agent for Doswell Limited Partnership, Senior Secured Bond.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Energy Virginia Holdings, Inc.	6/27/2001	Formed to act as shareholder of FPL Energy Virginia Funding Corporation, a Delaware corporation
FPL Energy Virginia Power Services, Inc.	2/7/1994	Formed to perform operating and maintenance services at Multitrade projects
FPL Energy Waymart GP, LLC	1/30/2003	To acquire an ownership interest in a Pennsylvania wind project.
FPL Energy Waymart LP, LLC	1/30/2003	To acquire an ownership interest in a Pennsylvania wind project.
FPL Energy Westside Power, LLC	4/26/2001	Acquisition and development of electric generation facility in California.
FPL Energy White Oak, LLC	10/25/2000	Participating in a simple cycle peaking project.
FPL Energy Wildcat Wind, LLC	8/31/2004	Participant in wind-powered electric generating project in Kansas
FPL Energy Wind Financing, LLC	10/27/2003	Participant in wind-powered electric generating project.
FPL Energy Wind Funding Holdings, LLC	10/27/2003	Participant in wind-powered electric generating project.
FPL Energy Wind Funding, LLC	10/27/2003	Participant in wind-powered electric generating project.
FPL Energy WindRidge Acquisitions, LLC	12/14/1999	Formed to become holding company for WindRidge LLC.
FPL Energy Wisconsin Holdings, LLC	12/14/1999	Formed to become the holding company for FPL Energy Wisconsin Wind, LLC
FPL Energy Wisconsin Wind, LLC	1/27/1999	Formed to supply approximately 20 MW of renewable wind energy to Wisconsin Electric Company and Alliant Gas and Electric. This is not an energy affiliate.
FPL Energy WPP 93 GP, LLC	9/23/2003	Formed in connection with the acquisition of the assets currently held by LG&E.
FPL Energy WPP 93 LP, LLC	9/23/2003	Formed in connection with the acquisition of the assets currently held by LG&E.
FPL Energy WPP94 GP, LLC	6/24/2004	Formed to hold partnership interest in Windpower Partners 1994, L.P., which owns a Texas windplant.
FPL Energy WPP94 LP, LLC	6/24/2004	Formed to hold partnership interest in Windpower Partners 1994, L.P., which owns a Texas windplant.
FPL Energy Wyman IV LLC	4/8/1998	Formed to acquire ownership of the Wyman IV power plant.
FPL Energy Wyman LLC	4/8/1998	Formed to acquire ownership of the Wyman power plant.
FPL Energy Wyoming, LLC	11/7/2002	To facilitate the acquisition of 100% of the membership interests in Uinta County Wind Farm, LLC.
FPL Energy, Inc. (Merged - See Remarks)	1/13/1998	Formed to participate in the northeastern United States energy market and clean-fuel generation.
FPL Energy, LLC	9/9/1999	Formed to participate in the United States energy market and clean-fuel generation.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Enersys, Inc.	11/3/1987	Formed to investigate and pursue opportunities for development or acquisition of energy systems.
FPL ES Holdings, Inc.	7/30/1998	Inactive - Shelf Company
FPL FiberNet, LLC		Formed to engage in wholesale telecommunication transactions.
FPL Group Capital Inc	8/1/1985	Owns the capital stock of and provides the funding for non-utility companies.
FPL Group Capital Trust I	2/27/2003	A grantor trust established to issue Preferred Trust Securities.
FPL Group Capital Trust II	2/27/2003	A grantor trust established to issue Preferred Trust Securities.
FPL Group Capital Trust III	6/2/2004	A grantor trust established to issue Preferred Trust Securities.
FPL Group Foundation, Inc.	12/18/1987	Formed to become a nonprofit corporation for charitable purposes.
FPL Group Holdings 1, Inc.	7/8/1996	Inactive.
FPL Group Holdings 2, Inc.	7/8/1996	Inactive.
FPL Group International Brazil (Cayman) I, Inc.	11/8/1996	Participates in power project in Brazil.
FPL Group International Brazil (Cayman) II, Inc.	11/8/1996	Participates in power project in Brazil.
FPL Group International South America II, Inc.	10/23/1996	Participates in power project in Brazil.
FPL Group International South America, Inc.	10/23/1996	Participates in power project in Brazil.
FPL Group International, Inc.	4/17/1996	To invest in international power projects.
FPL Group Interstate Pipeline Co., LLC	11/15/2004	Owns FPL Group's interests in interstate natural gas pipelines.
FPL Group Resources Bahamas Asset Holdings, LTD.	11/19/2004	Organized for the purpose of transacting any or all lawful business for which corporations may be organized under the Bahamas laws.□
FPL Group Resources Bahamas Micro Pipeline, LTD.	11/19/2004	Organized for the purpose of transacting any or all lawful business for which corporations may be organized under the Bahamas laws.□
FPL Group Resources Bahamas Micro Terminal, LTD.	11/19/2004	Organized for the purpose of transacting any or all lawful business for which corporations may be organized under the Bahamas laws.□
FPL Group Resources Bahamas One, LTD.	11/19/2004	Organized for the purpose of transacting any or all lawful business for which corporations may be organized under the Bahamas laws.□

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Group Resources Bahamas Three, LTD.	11/19/2004	Organized for the purpose of transacting any or all lawful business for which corporations may be organized under the Bahamas laws.□
FPL Group Resources Bahamas Two, LTD.	11/19/2004	Organized for the purpose of transacting any or all lawful business for which corporations may be organized under the Bahamas laws.□
FPL Group Resources LNG Holdings, LLC	11/16/2004	Holds project companies for the purpose of natural gas marketing, sales and asset management.
FPL Group Resources Marketing Holdings, LLC	11/18/2004	Owns project companies for the purpose of natural gas marketing, sales and asset management.
FPL Group Resources, LLC	5/2/2003	FPL Group Resources is identifying, evaluating and transacting on natural gas business activities. This includes pursuit of a Liquified Natural Gas import project into Florida, creation of a gas merchant business, pipeline and storage investments, and ot
FPL Group Trust I	6/2/2004	Statutory Trust formed to issue Secutities.
FPL Group Trust II	6/2/2004	Statutory Trust established to issue Trust Securities.
FPL Group, Inc.	9/10/1984	Holding company.
FPL Historical Museum, Inc.	4/14/1995	A not-for-profit corporation formed to collect and preserve tangible objects that help interpret or describe the history of Florida Power & Light Company.
FPL Holdings Inc	4/24/1986	Purchases, owns, leases and maintains the fixed assets of FPL Group
FPL Investments Inc	9/17/1973	Formed to engage in purchase lease-back activites through leveraged-lease transactions.
FPL Leasing I, LLC	2/18/2005	To enter into leveraged leasing transactions.
FPL Mamonal, Inc.	6/27/1996	Formed to own an interest in KMR Colombia I L.P. These interests were sold 12/1/2000.
FPL Services	10/29/1993	Holds commercial contracts for marketing, developing, installing, financing and servicing energy conservation projects at customer's facilities located within service area of FPL.
FPL Services, LLC	4/11/2002	To provide analysis, design , implementation and installation of energy conservation measures through the implementation of energy performance based contracts.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
FPL Tel, LLC	8/18/2003	For purposes of entering into the revised MCI lease documents.
FPL-BT Ventures	1/1/1986	Purchase and lease equipment.
FPLE Forney Pipeline, L.P.	7/25/2000	Formed to develop, construct, own, finance and operate the project.
FPLE Forney, L.P.	1/11/1999	Formed to develop, construct, own, finance and operate the project.
FPLE Pecos Leasing GP, LLC	12/19/2001	Formed to own an interest in the Lessor of the Pecos project assets.
FPLE Pecos Leasing LP, LLC	12/19/2001	Formed to own an interest in the Lessor of the Upton project assets.
FPLE Pecos Wind Leasing Co., LP	1/3/2002	Lessor of Pecos project assets; purchase assets from and lease back to FPLE Pecos Wind I and II, LP.
FPLE Red Bay Development, LLC	5/23/2001	Formed for electric power production
FPLE Rhode Island State Energy GP, Inc.	6/2/2000	Serves as General Partner in FPLE Rhode Island State Energy, L.P., responsible for the Rhode Island State Energy Project (RISE) formerly know as the Hope Project
FPLE Rhode Island State Energy LP, LLC	4/4/2000	Serves as General Partner in FPLE Rhode Island State Energy, L.P., responsible for the Rhode Island State Energy Project (RISE) formerly know as the Hope Project.
FPLE Rhode Island State Energy, L.P.	6/2/2000	Formed to serve as agent to the lenders or as outright owner in order to acquire, construct, equip, operate and maintain the approximately 500 MW combined cycle generating facility to be located near Johnston, Rhode Island, and all activities ancillary th
FPLE Texas Wind I, LLC	12/19/2001	Formed to own an interest in Texas Wind I, LLC, a partnership with Dean & Co.
FPLE Upton Leasing GP, LLC	12/19/2001	Formed to own an interest in the Lessor of the Upton project assets.
FPLE Upton Leasing LP, LLC	12/19/2001	Formed to own an interest in the Lessor of the Upton project assets.
FPLE Upton Wind Leasing Co., LP	1/3/2002	Lessor of Upton project assets; purchase assets from and lease back to FPLE Upton Wind I, II, III and IV, LP.
FPL-I TPP (Cayman)	2/24/2000	Carry on the business of an investment company.
FPL-I TPP II (Cayman)	2/24/2000	Carry on the business of an investment company.
FRM Holdings, LLC	3/9/2005	Holding Company for GEXA Project, a Texas retail electricity provider.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Gray County Wind Energy, LLC	11/14/2000	Participating in a wind energy plant.
Green Ridge Power LLC	1/16/1998	To acquire Altamont assets from Kenetech Windpower
Green Ridge Power Ranch, LLC	1/18/2001	Formed to develop, own and operate wind turbine generators in California.
Green Ridge Services LLC	1/16/1998	Participant in wind power electric generation
GridFlorida LLC	3/8/2001	Transmission company.
Gulf Island Pond Oxygenation Project Partnership		Formed for the purpose of constructing and operating an oxygenation facility intended to address dissolved oxygen violations of the Androscoggin River.
Harper Lake Acquisitions, Inc.	5/1/1997	Formed to acquire assets at Harper Lake.
Harper Lake Company VIII	10/29/1991	Formed to become general partner in Luz Solar Partners Ltd., VIII
Harper Lake Holdings, Inc.	4/30/1997	Formed to acquire senior debt of SEGS 8 and lend to SEGS 8 Investments LLC to acquire subdebt.
Harper Lake Management, Inc.	6/15/1995	To acquire the assets in Harper Lake area adjacent to SEGS VIII and SEGS IX
Hawkeye Power Partners, LLC	1/9/1998	Formed to develop a wind turbine plant in Iowa.
High Desert Land Acquisition LLC	6/3/1998	Formed to purchase assets related to the SEGS Projects from Luz Development and Finance Bankruptcy Estate.
High Sierra Limited (Interest Sold - See Remarks)	1/14/1988	49.8 MW natural gas cogeneration facility. Also a Joint Venture Partner in Kern Front Pipeline Joint Venture.
High Winds, LLC	9/8/1999	Formed to address various issues for California wind projects.
HJT Holdings, Inc.	12/4/1996	Formed to manage intangible assets.
HLC IX Company	10/29/1991	Formed to become general partner in Luz Solar Partners Ltd., IX.
Hyperion IX, Inc.	5/23/1990	Formed to participate in a solar electric generating system (SEGS IX).
Hyperion VIII, Inc.	9/1/1989	Formed to participate in a solar electric generating system (SEGS VIII - Luz).
IDC Bellingham, LLC	5/30/2002	Development of a 700 MW gas-fired power project in Bellingham, Massachusetts
Indian Mesa Wind Farm L.P.	7/19/2000	Entity owns and operates an 82 MW wind farm in Pecos City, Texas.
INTEXCO I LP, LLC	12/1/2000	Formed to hold a limited partner interest in Intexco I, LP.
INTEXCO I, LP	12/22/1999	Formed to become Owner and/or Licensee of certain intellectual property.
Jacksonville Electric Authority	4/2/1982	Agreement for Joint Ownership, Construction & Operation of St. John's River Power Park Coal Units 1 & 2

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Jamaica Bay Peaking Facility, LLC	9/18/2002	Formed to supply the Long Island Power Authority ("LIPA") with generating capacity.
Java Geothermal Company, L.L.C.	10/26/1994	Acquire, hold, protect, manage and dispose of an interest as a member of Karaha Bodas Company, L.L.C., a Cayman Islands limited life company for a project in Indonesia.
Joshua Falls Energy Center, LLC	7/9/2002	Entity owns the rights to develop a natural gas project in Virginia.
Karaha Bodas Investment Corp.	8/30/1996	Participation in geothermal project in Indonesia.
Kennebec Hydro Resources, Inc.	8/17/1983	Holds interest as the General Partner in The Merrimil Limited Partnership
Kennebec Water Power Company		To make improvements in the Kennebec River and its tributory waters for the purpose of storing and increasing the volume of water in the watershed of said river. Participant in hydro-electric project.□
Kern Front Limited	1/14/1988	49.8 MW cogeneration natural gas facility. Also a Joint Venture Partner in Kern Front Pipeline Joint Venture.
Kern Front Pipeline Joint Venture	6/5/1992	Seven mile pipeline.
KM Acquisitions X GP, LLC	1/24/2002	To acquire and hold general partner interests in Luz Solar Partners Ltd.,X.
KM Acquisitions XI GP, LLC	1/24/2002	To acquire and hold general partner interests in Luz Solar Partners Ltd., XI.
KM Acquisitions XII GP, LLC	1/24/2002	To acquire and hold general partner interests in Luz Solar Partners Ltd., XII.
KM Acquisitions XIII GP, LLC	1/24/2002	To acquire and hold general partner interests in Luz Solar Partners Ltd., XIII.
KM Acquisitions, LLC	8/23/2001	Transmission activities in connection with solar generating facilities.
KMR Colombia I, L.P. (PARTNERSHIP INTERESTS SOLD)	7/1/1996	Invest and operate 100 MW gas fired electrical generating facility located in Colombia.
KMR Colombia II, L.P. (PARTNERSHIP INTERESTS SOLD)	10/2/1996	Invest and operate 200 MW combined cycle electrical generating facility located in Colombia.
KPB Financial Corp.	11/17/1993	Formed to manage intangible assets.
KW San Gorgonio Transmission, Inc.	11/6/1997	Formed to participate in a project to generate electric energy through the use of wind-powered turbines. This is not an energy affiliate.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Lake Benton Power Partners II, LLC	2/5/1998	Owns 103.5 megawatt wind energy project in Pipestone County, Minnesota
Lamar Power Partners, L.P.	7/14/1998	Owns and operates 1,000 MW natural gas plant in Lamar County, TX.
LCR Holdings, Inc.	12/4/1996	Formed to manage intangible assets.
LET Holdings, LLC	8/23/2001	Manager of banking accounts for FPL Energy subsidiaries.
Limerick Partners, LLC	11/16/2001	Owns and operates electric generating facility.□ Not a FERC energy affiliate.
LQ GP, LLC	3/17/2000	Participant in Windpower Partners 1994, L.P. which owns a wind plant in Culberson, TX
LQC LP, LLC	3/17/2000	Participant in Windpower Partners 1994, L.P. which owns a wind plant in Culberson, TX
Luz Solar Partners Ltd, V	7/16/1985	Solar Electric Generating Project
Luz Solar Partners Ltd. IX	4/9/1986	80 MW Solar Electric Power Plant.
Luz Solar Partners Ltd., III	7/16/1985	Solar Electric Generating Project
Luz Solar Partners Ltd., IV	7/16/1985	Solar electric generating project
Luz Solar Partners Ltd., VI	7/16/1985	Solar Electric Generating Project
Luz Solar Partners Ltd., VII	7/16/1985	Solar Electric Generating Project
Luz Solar Partners Ltd., VIII	4/9/1986	80 MW Solar Electric Power Plant.
Maine Hydro Operating Services, LLC	11/3/2004	Formed to employ people who operate hydro assets in Maine.
MES Financial Corp.	11/17/1993	Formed to manage intangible assets.
Meyersdale Windpower LLC	1/3/2001	Formed to participate in a wind project
Midway Power, LLC	7/11/2000	Formed to develop an electric power generation project in California.
Milan Development Company, LLC	8/14/2001	Electric power production.
Milan Transmission Company, LLC	8/14/2001	Electric power production.
Mill Run Windpower LLC	10/27/1999	Acquired for the purpose of developing and owning wind-powered electric generating facilities.
MNM I LP, LLC	8/27/2001	Owns a Limited Partnership interest in MNM I, L.P.
MNM I, L.P.	8/27/2001	Owner and/or Licensee of certain intellectual property.
Mojave 16/17/18 LLC	3/20/1997	Formed to engage in wind-powered electric projects.
Mojave 3 & 5 Partnership	12/28/1990	15 MW wind farm leased to Seawest Industries, Inc.
Montenay Montgomery Limited Partnership	7/1/1991	29 MW waste-to-energy cogeneration facility.
Multitrade of Pittsylvania County, L.P. (Partnership Interest Sold - See Note)	11/9/1992	79.5 MW wood-fired electric generating project.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
New Albany Energy Development Company, LLC	3/30/2001	Electric Power Generation.□ This is strictly a holding company and not a FERC energy affiliate.
New Albany Energy Transmission Company, LLC	4/12/2001	Electric Power Transmission.□ This entity is not a FERC energy affiliate.
New Mexico Operating Services, LLC	4/19/2004	Provision of operating services for electric power generation facilities.
North American Power Systems, LLC	9/23/2003	Purchase and sale of spare parts.
North Jersey Energy Associates, A Limited Partnership	11/3/1986	300 MW gas fired combined cycle cogeneration plant located in Sayreville, New Jersey.
Northeast Energy Associates, a Limited Partnership	3/31/1986	300 MW gas fired combined cycle cogeneration plant located in Bellingham, Massachusetts.
Northeast Energy, LLC	11/14/1997	Formed to become a limited partner in North Jersey Energy Association, L.P.
Northeast Energy, LP	11/21/1997	To acquire, hold, protect, manage, encumber, exchange, finance, refinance and dispose of interests in Northeast Energy, LLC.
Northern Cross Investments, Inc.	12/3/1997	Formed to manage intangible assets.
Northwest Power Company, L.L.C.	10/26/1995	Formed to participate in natural gas plant in Washington. This is not an energy affiliate.
Oconee River Development Company, LLC	5/17/2001	Electric power production. This is not an energy affiliate.
Oconee River Transmission Company, LLC	5/17/2001	Transmission company. This is not an energy affiliate company.
OTG, LLC	5/23/2002	The company into which unwanted entities are merged.
Pacific Crest Power, LLC	10/2/1998	Formed to develop and operate wind power projects in Tehachapi, California.
Pacific Power Investments, LLC	8/29/2002	Formed to manage intangible assets.
Palms Insurance Company, Limited	2/10/1986	Captive insurance company primarily engaged in reinsuring liability insurance coverage for Group and its subsidiaries.
PBA JAMAICA LIMITED	10/31/1994	To generate electrical power for wholesale supply and sale to the Jamaica Public Service Company Limited. This company relates to the power barge, Antilles. There is no further information available.
Pennsylvania Windfarms, Inc.	10/29/1999	Wind facility in Pennsylvania that generates electricity for wholesale in Somerset, PA
Philadelphia Energy Center, L.P.	11/17/1999	Formed to become the project entity for the 700 MW power generation facility to be located in Marcus Hook, Pennsylvania.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Philadelphia Refinery Generation, LLC	11/4/1998	Formed to become a developer of a potential project with Sun Company in Philadelphia.
Pipeline Financial, Inc.	6/4/2003	Inactive
Pipeline Funding, LLC	9/8/2003	Provide financing for pipeline expansion.
POSDEF Power Company, L.P.	9/22/1992	44MW Cogeneration facility known as the Port of Stockton District Energy Facility.
Praxis Group, Inc.	8/26/1983	Formed to become a holding company.
Red Hill Development Company LLC	4/12/2001	Electric Power Production.□ This is strictly a holding company and not a FERC energy affiliate.
Red River Energy Development, LLC	4/26/2001	Build, operate and broker natural gas-fired facility.
Rhode Island State Energy Statutory Trust 2000	6/7/2000	Financing entity.
Ridgetop Energy, LLC	10/22/1998	Ownership and operation of a wind power electric generating facility.
Ridgetop Power Corporation	1/29/1992	Participant in windpower projects in Tehachapi, California.
Ronald L. Scherer Power Plant	12/31/1990	Undivided ownership interests in power plant as tenants in common with:□ GEORGIA POWER COMPANY□ FLORIDA POWER & COMPANY□ JACKSONVILLE ELECTRIC AUTHORITY□ OGLETHORPE POWER CORPORATION□ CITY OF DALTON□ MUNICIPAL ELECTRIC OF GEORGIA□ GULF POWER COMPANY
Sagebrush	10/31/1989	220 Kv Transmission line.
Sagebrush Partner Fifteen, Inc.	10/10/1989	Formed to become a transmission line for a wind power generating system.
Sagebrush Partner Sixteen, Inc.	10/10/1989	Formed to become a transmission line for a wind power generating system.
Sailfish Natural Gas Company, LLC	11/15/2004	Participant in liquified natural gas pipeline project. This is not an energy affiliate.
Sailfish Natural Gas, Ltd.	1/15/2004	Organized for the purpose of transacting any or all lawful business for which corporations may be organized under the Bahamas laws.
Sandersville Transmission Company, LLC	4/12/2001	Electric Power Transmission.□ This is not a FERC energy affiliate.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
S-C Pipeline Holding, LLC	11/19/2004	Participant in Liquid Natural Gas project.□ This is not a FERC energy affiliate.
Sky River Investment Partners, LLC	3/15/2002	Participant in a wind power generating system
Sky River Partnership	6/8/1990	77 MW Wind Farm. Also holds 100% of shares of Sagebrush Partnership Fifteen, Inc.
Somerset Windpower LLC	12/13/1999	Acquired for the purpose of developing and owning wind-powered electric generating facilities near Somerset, Pennsylvania.
Southern Sierra Power, LLC	8/23/2000	Formed to participate in the Rudnick Project.
Square Lake Holdings, Inc.	10/15/1998	Holds a note receivable from Gen Power Anderson.
SRM Investments, L.P.	12/12/1996	Manages intangible assets.
Sullivan Street Investments, Inc.	12/3/1997	Formed to manage intangible assets.
Summer Shade Transmission Company, LLC	5/17/2001	Transmission company.□ This is not a FERC energy affiliate.
Sunrise Energy Center, LLC	12/1/2000	Formed to become a project entity for 500 MW gas generation facility located in Oceanside, New York.
The Merimil Limited Partnership	4/4/1986	Owner of 7/1 MW Hydro Electric Unit in Maine, formerly owned by Central Maine Power
The Wind Coalition	10/16/2002	A non-profit association formed to promote an economic and regulatory climate which encourages the development of Texas' vast wind energy resource.□ □
Timber Creek Power Company, LLC	2/26/2001	Holds investment in the Chaplin's Acreage project entities.
Tower Associates, LLC	7/12/2001	Enters in to met tower leases and land leases for the purposes of erecting towers in various states
TPC WindFarms LLC	11/16/1998	Formed to participate in Wind Farms.
Turner Foods Corporation	2/24/1989	Formed to become a holding company for subsidiaries which own and operate citrus nurseries in Florida, and provide management services to citrus grove operators.
U. S. Windpower Transmission Corporation	9/11/1985	Electric transmission services. This is not an energy affiliate.
UFG Holdings, Inc.	12/26/1996	Formed for the Doswell 144A financing
Union Development Company, LLC	8/14/2001	Electric power production.□ This is strictly a holding company and not a FERC energy affiliate.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
Union Transmission Company, LLC	8/14/2001	Electric power production. This is not an energy affiliate company.
USW Land Corporation	11/21/1986	Windpower transactions and operations.
Victory Garden Phase IV Partnership	8/24/1989	22 MW wind farm. Also holds 100% shares of stock of Sagebrush Partnership Sixteen, Inc.
Victory Investment Partners, LLC	3/15/2002	Participant in wind power generation
Waymart Wind Farm L.P.	2/22/2002	Owns and operates a wind farm.
West Boca Security, Inc.	8/3/1995	Formed to own note receivable from Ft. Myers Acquisition Limited Partnership (an Olympus Communications L.P. subsidiary partnership). Acquired in redemption of one-third partnership interest in Olympus Communications, L.P.
West Texas Wind Energy Partners, L.P.	4/5/1999	Owner and operator of proposed Southwest Mesa (Texas) windpower generating facility.
White Oak Power Company, LLC	10/25/2000	Participating in a simple cycle peaking project.□ The project is dead - the legal entity has not liquidated.
WindCo LLC	3/24/1998	Development of wind power projects in the Altamont and Tehachapi regions of California
Windpower Partners 1989, L.P.	10/16/1989	71.9 MW Wind farm.□ This is not a FERC energy affiliate.
Windpower Partners 1990, L.P.	12/6/1990	46 MW Wind farm
Windpower Partners 1991, L.P.	5/7/1991	Develop a wind plant located in San Gorgonio Pass and Altamont Pass in California.
Windpower Partners 1991-2, L.P.	12/13/1991	30 MW Wind farm
Windpower Partners 1992, L.P.	12/3/1992	31 MW Wind farm
Windpower Partners 1993, L.P.	8/31/1993	Participant in wind farm
Windpower Partners 1994, L.P.	12/21/1994	Own and operate a wind farm in Culberson County, Texas.
WindRidge LLC	1/10/2000	Formed to develop 20 MW wind energy project located on or near Section 8, north of Oak Creek Road in Kern County, California.
WPRM Acquisition Subsidiary, Inc.	3/9/2006	The purpose for which the corporation is organized is for the transaction of any and all lawful business for which corporations may be incorporated un the Texas Business Corporation Act
WPRM Acquisition Subsidiary, Inc.	3/9/2005	The purpose for which the corporation is organized is for the transaction of any and all lawful business for which corporations may be incorporated under the Texas Business Corporation Act and to acquire GEXA, a Texas retail electricity provider.

COMPANY NAME	DATE INCORPORATED	NATURE OF BUSINESS
WTE Acquisitions, LLC	1/30/2002	Holding company for PPA rights for the Green Power Wind Project

Office of Public Counsel
Exhibit OPC___KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 3

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Florida Power & Light Company
FPL 2006 Massachusetts Formula

Affiliate	Revenues 2006 Forecast	Percent	Gross PP&E 2006 Forecast	Percent	Total Payroll 2006 Forecast	Percent	Average Percent	FPLE	FN	Other	Total
FPL Utility	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]				
FPL Energy	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]			[redacted]
FPLE - OSI	[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]			[redacted]
Palms Insurance	[redacted]	[redacted]		[redacted]		[redacted]	[redacted]			[redacted]	[redacted]
FPLES	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]			[redacted]	[redacted]
FiberNet	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]		[redacted]
Seabrook	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]			[redacted]
Seabrook - OSI					[redacted]	[redacted]	[redacted]	[redacted]			[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Response to OPC POD 90.

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Exhibit OPC ____ KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 4

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Florida Power & Light Company
Affiliate Management Fee Trend

	Total Dollars To Be Allocated	Allocated To Affiliates	Allocated To FPL	Percent Allocation to Affiliates	Percent Allocation to FPL
1999	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2000	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Percent Increase					
Estimated 2001	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Percent Increase					
2002	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Percent Increase					
2003	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Percent Increase					
2004	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Percent Increase					
2005 Projected	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Percent Increase					
2006 Projected	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Percent Increase					
Average Percent Increase	[redacted]	[redacted]	[redacted]		

Source: Response to OPC Interrogatory 22 and POD 131.

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Exhibit OPC ____ KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 5

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Florida Power & Light Company
OPC Recommended 2006 Massachusetts Formula

	Revenues 2006 Forecast (1)	Revenue Factor	Gross PP&E 2006 Forecast (1)	PPE Factor	Total Payroll 2006 Forecast (1)	Payroll Factor	Mass Formula %	FPLE	FN	Other	Total
FPL Utility	[redacted]	[redacted]		[redacted]		[redacted]					
FPL Energy	[redacted]		[redacted]		[redacted]						
FPLE - OSI											
Total FPLE		[redacted]		[redacted]		[redacted]		[redacted]			[redacted]
Palms Insurance	[redacted]	[redacted]					[redacted]			[redacted]	
FPLES	[redacted]	[redacted]		[redacted]		[redacted]				[redacted]	
FiberNet	[redacted]	[redacted]		[redacted]		[redacted]			[redacted]		[redacted]
Seabrook	[redacted]		[redacted]		[redacted]						
Seabrook - OSI											
Total FPLE Seabrook	[redacted]	[redacted]		[redacted]		[redacted]		[redacted]			[redacted]
Total	[redacted]	[redacted]		[redacted]		[redacted]		[redacted]			

(1) Includes the impact of OPC's Recommended Payroll, PPE, and Revenue Adjustments.

Source: Response to OPC POD 90.

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Exhibit OPC ____ KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 5
Page 2 of 2

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Florida Power & Light Company
2006 Affiliate Management Fee OPC Recommended Calculations

	FPL Proposal			OPC Recommendation			OPC Recommended Adjustments
Cost Pool Descriptions	**Cost Pools**	**Factor**	**Costs Allocated to Affiliates**	**Cost Pools**	**Factor**	**Costs Allocated to Affiliates**	**Allocated Costs**
Budget Activities with affiliate benefit - using the Massachusetts formula	[redacted]			[redacted]			[redacted]
Budget Activities with partial affiliate benefit - using the Massachusetts formula							
Power Gen Shared Executives using Rated Megawatts							
Accts Pay & Cash Mgmt without FPLE & Palms							
Environmental Svcs without FiberNet, FPLES, Palms							
FPLE OSI affiliate benefit incl. Seabrook benefit (3)							
Information Management budget activities with affiliate benefit (1) (2)							
Human Resources budget activities with affiliate benefit (1) (2)							
Impact of 5% Allocation for Other Affiliates				[redacted]			
Allocation to FPL							
Adjustment to FPL's Charges							[redacted]
Total Adjustment to FPL's Expenses							[redacted]

(1) The Company used "various" allocation factors for these two cost pools. The ratio shown is a composite of the various allocation factors.
(2) OPC Factors give equal weight to the Company's factor and equal weight to the Massachusetts Formula.
(3) Costs included in this category are included in IM and HR and Staff Costs.

Source: Response to OPC POD 90.

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Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 6

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Florida Power & Light Company
Affiliate Charges
Integrated Supply Chain Service Fee Allocated to FPL Energy-Fossil

Allocation Method	Numerator/Denominator	FERC Account	Account Name	2006 (Projected) Dollars To Be Allocated	2006 (Projected) Dollars Allocated
Allocation based on Rated	N = FPLE Rated Fossil Megawatts	456000	Other Electric Revenues		[redacted]
Megawatts of FPL and FPLE	D = Total Rated Fossil Megawatts	5XXXXX	Various O&M Accounts		
		922130	A&G Ex Transferred - Assoc Com		
		926122	Pension & Welfare Transferred		
		922.000	Admin Expenses Transferred		
				[redacted]	[redacted]
OPC Recommended Allocation				[redacted]	[redacted]
OPC Recommended Allocation Factor					
Difference--Adjustments to FPL 2006 Expenses					[redacted]

N/A = Not Available. Only the total could be determined because the Company did not provide the necessary data by account for 2006.

Source: Response to OPC Interrogatory 22, 119, and 125; Company 10-Year Site Plan;
http://www.fplenergy.com/portfolio/contents/portfolio_by_source.shtml;http://www.fplenergy.com/portfolio/contents/portfolio_by_region.shtml.

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Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 7

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Florida Power & Light Company
Affiliate Charges
Energy, Marketing and Trading Service Fee Allocated to FPL Energy

Allocation Method	Numerator/Denominator	FERC Account	Account Name	2006 (Projected) Dollars To Be Allocated	2006 (Projected) Dollars Allocated
Back Office Fee:					
Allocation based on Rated	N = FPLE Rated Fossil Megawatts	922000	Adm Expenses Transferred		[redacted]
Megawatts of FPL and FPLE	D = Total Rated Fossil Megawatts	922130	A&G Ex Transferred - Assoc Com		
				[redacted]	[redacted]
OPC Recommended Allocation				[redacted]	[redacted]
OPC Recommended Allocation Factor (1)					
Difference--Adjustments to FPL 2006 Expenses					[redacted]

Allocation Method	Numerator/Denominator	FERC Account	Account Name		
Facility Fee:					
Allocation based on	N = FPLE Headcount				
Headcount in PMI to Total EMT/PMI	D = Total Headcount	922000	Adm Expenses Transferred		[redacted]
				[redacted]	[redacted]
OPC Recommended Allocation Factor (1)					
Difference--Adjustments to FPL 2006 Expenses					[redacted]

(1) Although the company documents indicated this account was allocated based upon headcount, the factor is shown to be 100%.

Source: Response to OPC Interrogatory 22; Schedule 6.

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Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 8

REDACTED

Florida Power & Light Company
Affiliate Charges
Integrated Supply Chain Service Fee Allocated to FPL Energy - Seabrook

Allocation Method	Numerator/Denominator	FERC Account	Account Name	2006 (Projected) Dollars To Be Allocated	2006 (Projected) Dollars Allocated
Allocation based on Rated	N = FPLE Rated Nuclear Megawatts	456000	Other Electric Revenues		[redacted]
Megawatts of FPL and FPLE	D = Total Rated Nuclear Megawatts	5XXXXX	Various O&M Accounts		
		922130	A&G Ex Transferred - Assoc Com		
		926122	Pension & Welfare Transferred		
		922.000	Admin Expenses Transferred		
FPL Allocation Factor				[redacted]	[redacted]
OPC Recommended Allocation				[redacted]	[redacted]
OPC Recommended Allocation Factor					
Difference--Adjustments to FPL 2006 Expenses					[redacted]

Source: Response to OPC Interrogatory 22.

Office of Public Counsel
Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 9

REDACTED

Florida Power & Light Company
Affiliate Charges
Nuclear Service Fee Allocated to FPL Energy - Seabrook

Allocation Method	Numerator/Denominator	FERC Account	Account Name	2006 (Projected) Dollars To Be Allocated	2006 (Projected) Dollars Allocated
Allocation based on Rated	N = FPLE Rated Nuclear Megawatts	456000	Other Electric Revenues		[redacted]
Megawatts of FPL and FPLE	D = Total Rated Nuclear Megawatts	922000	Adm Expenses Transferred		
		5XXXXX	Various O&M Accounts		
		922130	A&G Ex Transferred - Assoc Com		[redacted]
		926122	Pension & Welfare Transferred		
				[redacted]	
FPL Allocation Factor					
OPC Recommended Allocation				[redacted]	[redacted]
OPC Recommended Allocation Factor					
Difference--Adjustments to FPL 2006 Expenses					[redacted]

Source: Response to OPC Interrogatory 22 and 119; Company 10-Year Site Plan;
http://www.fplenergy.com/portfolio/contents/portfolio_by_source.shtml; http://www.fplenergy.com/portfolio/contents/portfolio_by_region.shtml.

Office of Public Counsel
Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 10

REDACTED

Florida Power & Light Company
Affiliate Charges
Power Generation Service Fee Allocated to FPL Energy

Allocation Method (1)	Numerator/Denominator	FERC Account	Account Name	2006 (Projected) Dollars To Be Allocated	2006 (Projected) Dollars Allocated
N/A	N/A	456	Other Electric Revenues		[redacted]
		922	Adm Expenses Transferred		
		506	Misc Steam Power Expenses		
		926	Pension & Welfare Transferred		
				[redacted]	

Note: The Company's response to OPC Interrogatory indicates that this is not an allocation, but a direct charge.

(1) Company notation: The PGD Fee amount is broken down into two components: 1) Common Support and 2) Direct Support to FPLE Plants. The Direct Support component of the budgeted Fee amount is provided to the PGD Business Services Group by the individual FPLE plants based on the level of support expected in the subject year. The Common Support component of the budgeted Fee amount consists of two types of costs: time and travel. Travel is estimated based on prior year's actual charges, adjusted for any expected increases or decreases in the subject year. Time costs are calculated by estimating the percentage of time expected to be spent on FPLE fleet-wide projects times the annual salary of each fleet team manager and staff.

Source: Response to OPC Interrogatory 22 and 316.

3:30 PMC:\Documents and Settings\MERCHANT.TRICIA\My Documents\Word\FPL Rate Case\OPC Testimony\Kim Public Testimony\Sch 6 7 8 9 10 11 12 13 14Sch 6 7 8 9 10 11 12 13 14Sch 10 Power Gen Fee

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Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 11

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Florida Power and Light Company
Affiliate Charges
FPL FiberNet Rate on Investment Charges to FPL

Cost Component	Allocation Method	Numerator/Denominator	2006 (Projected) Dollars To Be Allocated	2006 (Projected) Dollars Allocated
Asset Base for ROI 2005 (1)				
Fiber	Exclusive FPL use fiber		[redacted]	
Shared Fiber	Ratio of FPL capacity (DS3's) to FiberNet total capacity (DS3's)	N = FPL capacity ; D = FiberNet total capacity		
Electronics	Exclusive FPL use electronics			
Shared Electronics	Ratio of FPL capacity (DS3's) to FiberNet total capacity (DS3's)	N = FPL capacity ; D = FiberNet total capacity		
Capital Spares				
NOC Assets				
Accumulated Depreciation	Ratio of FPL Asset base to FPL FiberNet total asset base	N = FPL asset base; D = FiberNet total asset base		
Total Allocated Asset Base				
ROI Rate				
ROI				[redacted]
2006 FPL Estimate				[redacted]
Percent Increase 2006 over 2005				[redacted]
OPC Recommended ROI Rate			[redacted]	
OPC Recommended ROI				[redacted]
2006 OPC Estimate				[redacted]
Difference--Adjustments to FPL 2006 Expenses				[redacted]

(1) Analogous detail was not provided for 2006. Therefore, 2006 was estimated.

Source: Response to OPC Interrogatory 22 and 26(b).

Office of Public Counsel
Exhibit OPC___KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 12

Florida Power & Light Company
Affiliate Charges
From FPL Energy Services to FPL

Transaction	Allocation Method Including Numerator/Denominator	2006 (Projected) Dollars To Be Allocated	2006 (Projected) Dollars Allocated
FL Gas Margin	Therms invoiced to customers (In-Territory) / Total therms invoiced to customers (In/Out Territory)	$0	$0
OPC Recommended Allocation			$ 2,746,000
OPC Recommended Allocation Factor (1)			100.00%
Difference--Adjustments to FPL 2006 Revenue			$ 2,746,000
Retail Gas in Territory Revenue 2006			$ 55,349,000
Retail Gas in Territory Expenses 2006			53,615,000
Retail Gas in Territory Gas Margins 2006			$ 1,734,000
Bill Insert Retail Revenue 2006			$ 1,068,000
Bill Insert Retail Expenses 2006			56,000
Bill Insert Retail Net Revenue 2006			$ 1,012,000
Total Net Revenue			$ 2,746,000
Less Allocation of A&G Expenses			
Net Revenue Attributable to FPL Retail			$ 2,746,000

(1) The amount provided by the Company was provided for the in territory retail gas sales.

Source: Response to OPC Interrogatory 2 and 331.

Office of Public Counsel
Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 13

REDACTED

Florida Power & Light Company
Affiliate Charges
From FPL Group, Inc. to FPL

Allocation Method	Numerator/Denominator	FERC Account	Account Name	2006 Total Dollars To Be Allocated	2006 Total Dollars Allocated to FPL
Massachusetts Formula					
See response to OPC 1st Request	N = Property, Plant & Equipment,	920.000	Administrative & General Salaries		[redacted]
for Production of Documents	Revenues & Payroll of Affiliates	926.000	Employee Pensions & Benefits		
# 38: Cost Allocation Manual	D = Total Property, Plant & Equipment,	930.200	Miscellaneous General Expenses		
	Revenues & Payroll				
				[redacted]	[redacted]

Note: Costs for FPL Group Inc. are allocated to FPL using the Massachusetts Formula and are included in the AMF. Amounts for 2006 are estimated in the AMF, however, FPL does not budget to the level where the FPL Group only amounts can be identified.

Source: Response to OPC Interrogatory 22.

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Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 14

REDACTED

Florida Power & Light Company
Affiliate Charges
Affiliate Management Fee Allocated to FPL Group Capital

Allocation Method	Numerator/Denominator	FERC Account	Account Name	2006 (Projected) Dollars To Be Allocated	2006 (Projected) Dollars Allocated
See response to OPC 1st Request for Production # 38: Cost Allocation Manual	N = Property, Plant & Equipment, Revenues & Payroll of Affiliates D = Total Property, Plant & Equipment, Revenues & Payroll	922000	Adm Expenses Transferred		[redacted]
				[redacted]	[redacted]
OPC Recommended Allocation OPC Recommended Allocation Factor				[redacted]	[redacted]
Difference--Adjustments to FPL 2006 Expenses					[redacted]

Source: Response to OPC Interrogatory 22; POD 90.

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Exhibit OPC____KHD-1
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 15

REDACTED

Florida Power & Light Company
Adjustment for FPL New England Division (NED)

Development of Allocation Factor **Account**	**FPL**	**FPL-NED**	**Total**	**Percent of Total FPL-NED**	
Plant in Service	[redacted]	[redacted]	[redacted]	[redacted]	
Expenses	[redacted]	[redacted]	[redacted]	[redacted]	
Revenue	[redacted]	[redacted]	[redacted]	[redacted]	
Weighted Average Allocation Factor				[redacted]	
Transmission Station Equipment Exp	[redacted]	[redacted]	[redacted]	[redacted]	
Allocation of Administrative and General Expenses					
Administrative and General Expenses					[redacted]
FPL-NED Allocation Factor					[redacted]
FPL-NED Administrative and General Expense Allocation					[redacted]
Allocation of Transmission Maintenance Expenses					
Station Equipment Maintenance Expenses					[redacted]
FPL-NED Allocation Factor					[redacted]
FPL-NED Station Maintenance Expense Allocation					[redacted]

Source: MFR Schedules C-4 and B-6.

3:29 PM6/24/2005Sch 15 FPL-NEDSch 15

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Exhibit OPC ____ KHD-I
Docket No. 050045-EI
Witness: Kim Dismukes
Schedule 16

Florida Power & Light Company
Summary of OPC Recommended Adjustments

Adjustments	Total Company Revenue	Total Company Expense	Total Company Rate Base	Jurisdictional Allocation Factor	FPL Jurisdictional Revenue	FPL Jurisdictional Expense	FPL Jurisdictional Rate Base
Affiliate Management Fee NOT FINAL		$(14,309,779)		99.051%		$(14,173,965)	
Integrated Supply Chain Service Fee Allocated to FPL Energy-Fossil		(127,904)		99.051%		(126,690)	
Energy, Marketing and Trading Service Fee Allocated to FPL Energy		(31,615)		99.051%		(31,315)	
Integrated Supply Chain Service Fee Allocated to FPL Energy - Seabrook		(37,777)		99.284%		(37,506)	
Nuclear Service Fee Allocated to FPL Energy - Seabrook		(204,834)		99.284%		(203,368)	
Fiber Net Charges to FPL NOT FINAL		(985,298)		99.544%		(980,808)	
FPLES Gas Margin Revenue				100.000%	[redacted]		
FPLES Administrative Fee	78,000			100.000%	78,000		
Turbine - Spare Parts			$(25,088,000)	98.439%			$ (24,696,351)
Seabrook Nuclear Transmission Facilities Administrative & General Exp NOT FINAL		531,796		99.051%		526,749	
Seabrook Nuclear Transmission Facilities Maintenance Expense NOT FINAL;		1,369,818		98.685%		1,351,804	
Advertising Expenses		(475,860)		100.000%		(475,860)	
Charitable Contributions		(1,548,000)		99.544%		(1,540,936)	
Total	[redacted]	$(15,819,453)	$(25,088,000)		[redacted]	$(15,691,895)	$ (24,696,351)