

MEMORANDUM

July 12, 2005

TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES

FROM: OFFICE OF THE GENERAL COUNSEL (FLEMING) KEF

RE: DOCKET NO. 050045-EI Petition for rate increase by Florida Power & Light Company.

DOCKET NO. 050188-EI 2005 comprehensive depreciation study by Florida Power & Light Company.

Attached is STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS, to be filed in the above-referenced docket.

DATE ORDER SENT ELECTRONICALLY TO CCA _____.

KEF/pz

Attachment

I:2005/050045-PRELIMINARY LIST.kef.doc

DOCUMENT NUMBER-DATE

06547 JUL 12 05

FPSC-COMMISSION CLERK

BEFORE THE 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

FILED: JULY 12, 2005

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

Pursuant to Order No. PSC-05-0347-PCO-EI, issued March 31, 2005, and Order No. PSC-05-0518-PCO-EI, issued May 11, 2005, establishing the prehearing procedures in this docket, the Staff of the Florida Public Service Commission hereby files its Preliminary List of Issues and Positions.

TEST YEAR AND FORECASTING

ISSUE 1: Is FPL's projected test period of the twelve months ending December 31, 2006 appropriate?

POSITION: Staff has no position at this time.

ISSUE 2: Are FPL's forecasts of customer growth, kWh by revenue class, and system KW for the projected test year appropriate?

POSITION: Staff has no position at this time.

ISSUE 3: Are FPL's forecasts of billing determinants by rate class for the projected test year appropriate?

POSITION: Staff has no position at this time.

QUALITY OF SERVICE

ISSUE 4: Is the quality and reliability of electric service provided by FPL adequate?

POSITION: Staff has no position at this time.

ISSUE 5: Is FPL's pole inspection, repair, and replacement program sufficient for the purpose of providing reasonable transmission and distribution system protection?

POSITION: Staff has no position at this time.

DOCUMENT NUMBER-DATE
06547 JUL 12 05
FPSC-COMMISSION CLERK

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

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ISSUE 6: Is FPL's vegetation management program sufficient for the purpose of providing reasonable transmission and distribution system protection?

POSITION: Staff has no position at this time.

DEPRECIATION STUDY

ISSUE 7: Is FPL's \$329.75 million accrued unassigned discretionary balance allocation appropriate based upon the approved settlement agreement in Order No. PSC-02-0502-AS-EI?

POSITION: Staff has no position at this time.

ISSUE 8: Is FPL's \$1.2 billion depreciation reserve excess appropriate and should there be any other corrective reserve allocations?

POSITION: Staff has no position at this time.

ISSUE 9: What are the appropriate depreciation rates and recovery/amortization schedules?

POSITION: Staff has no position at this time.

ISSUE 10: Should the current amortization of investment tax credits and flow back of excess deferred income taxes be revised to reflect the approved depreciation rates and recovery schedules?

POSITION: Staff has no position at this time.

ISSUE 11: What should be the implementation date for FPL's depreciation rates and recovery/amortization schedules?

POSITION: Staff has no position at this time.

RATE BASE

ISSUE 12: Should adjustments be made for the rate base effects of FPL's transactions with affiliated companies?

POSITION: Staff has no position at this time.

ISSUE 13: Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause (ECRC) be included in rate base?

POSITION: Staff has no position at this time.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

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ISSUE 14: Should any portion of capital and expense items requested in the storm docket be included in base rates?

POSITION: Staff has no position at this time.

ISSUE 15: Is FPL's requested level of Plant in Service in the amount of \$23,394,793,000 (\$23,591,644,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

ISSUE 16: What adjustments, if any, should be made to Accumulated Depreciation to reflect the Depreciation Study filed by FPL?

POSITION: Staff has no position at this time.

ISSUE 17: Is FPL's requested level of Accumulated Depreciation and Accumulated Amortization in the amount of \$11,700,179,000 (\$11,803,581,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

ISSUE 18: Is FPL's requested level of Construction Work in Progress (CWIP) in the amount of \$522,642,000 (\$525,110,000 system) for the projected test year appropriate?

POSITION: Staff has no position at this time.

ISSUE 19: Is FPL's requested level of Property Held for Future Use in the amount of \$135,593,000 (\$136,585,000 system) for the projected test year appropriate?

POSITION: Staff has no position at this time.

ISSUE 20: Has FPL properly estimated its accumulated provision for uncollectibles?

POSITION: Staff has no position at this time.

ISSUE 21: What adjustments, if any, should be made to FPL's fuel inventories?

POSITION: Staff has no position at this time.

ISSUE 22: Should unamortized rate case expense be included in working capital?

POSITION: Staff has no position at this time.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

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ISSUE 23: Is \$500,000,000 an appropriate reserve goal for Account 228.1, Accumulated Provision for Property Insurance – Storm Damage?

POSITION: Staff has no position at this time.

ISSUE 24: Has FPL properly estimated the amount of storm damage reserve that will be available for the projected test year?

POSITION: Staff has no position at this time.

ISSUE 25: Should the net overrecovery/underrecovery of fuel, capacity, conservation, and environmental cost recovery clause expenses for the test year be included in the calculation of working capital allowance for FPL?

POSITION: Staff has no position at this time.

ISSUE 26: Is FPL's requested level of Working Capital Allowance in the amount of \$57,673,000 (61,429,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

ISSUE 27: Is FPL's requested level of rate base in the amount of \$12,410,522,000 (\$12,511,188,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

COST OF CAPITAL

ISSUE 28: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

POSITION: Staff has no position at this time.

ISSUE 29: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

POSITION: Staff has no position at this time.

ISSUE 30: What is the appropriate cost rate for short-term debt for the projected test year?

POSITION: Staff has no position at this time.

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ISSUE 31: What is the appropriate cost rate for long-term debt for the projected test year?

POSITION: Staff has no position at this time.

ISSUE 32: In setting FPL's return on equity (ROE) for use in establishing FPL's revenue requirements and authorized range, should the Commission make an adjustment to reflect FPL's performance?

POSITION: Staff has no position at this time.

ISSUE 33: What is the appropriate cost rate for common equity to use in establishing FPL's revenue requirement for the projected test year?

POSITION: Staff has no position at this time.

ISSUE 34: What is the appropriate capital structure for FPL?

POSITION: Staff has no position at this time.

ISSUE 35: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

ISSUE 36: Are FPL's estimated revenues for sales of electricity by rate class appropriate?

POSITION: Staff has no position at this time.

NET OPERATING INCOME

ISSUE 37: Is FPL's requested level of Total Operating Revenues in the amount of \$3,888,233,000 (\$3,931,068,000 system) for the projected test year appropriate?

POSITION: Staff has no position at this time.

ISSUE 38: Should an adjustment be made to FPL's requested level of security expenses related to the increased threat of terrorist attacks since September 11, 2001?

POSITION: Staff has no position at this time.

ISSUE 39: Should adjustments be made for the net operating income effects of FPL's transactions with affiliated companies?

POSITION: Staff has no position at this time.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

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ISSUE 40: Is it appropriate to include \$104 million of costs related to GridFlorida RTO in the projected test year?

POSITION: Staff has no position at this time.

ISSUE 41: What is the appropriate amount and method to recover the RTO start-up costs incurred before the Commission makes a final decision regarding implementation of GridFlorida RTO?

POSITION: Staff has no position at this time.

ISSUE 42: Is the amount of postage projected in the 2006 test year in Account 903, Customer Records and Collection Expenses, appropriate? If not, what are the appropriate system and jurisdictional adjustments?

POSITION: Staff has no position at this time.

ISSUE 43: Should an adjustment be made to Account 904, Uncollectible Accounts, for the projected test year and what is the appropriate factor to include in the revenue expansion factor?

POSITION: Staff has no position at this time.

ISSUE 44: Should an adjustment be made to remove image building or other inappropriate advertising expenses?

POSITION: Staff has no position at this time.

ISSUE 45: Is FPL's requested \$120,000,000 annual accrual for storm damage for the projected test year appropriate?

POSITION: Staff has no position at this time.

ISSUE 46: Should an adjustment be made to Account 928, Regulatory Commission Expense, for rate case expense for the projected test year and what is the appropriate amortization period?

POSITION: Staff has no position at this time.

ISSUE 47: Has FPL made the appropriate adjustments to remove charitable contributions?

POSITION: Staff has no position at this time.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

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ISSUE 48: Should the O&M expense items currently approved for recovery through the Environmental Cost Recovery Clause be included in base rates?

POSITION: Staff has no position at this time.

ISSUE 49: Is FPL's O&M Expense of \$1,591,191,000 (\$1,608,896,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

ISSUE 50: What adjustments, if any, should be made to the fossil dismantlement accrual?

POSITION: Staff has no position at this time.

ISSUE 51: Is FPL's Depreciation and Amortization Expense of \$924,323,000 (\$931,335,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

ISSUE 52: Should the total amount of Gross Receipts tax be removed from base rates and shown as a separate line item on the bill?

POSITION: Staff has no position at this time.

ISSUE 53: Is FPL's Taxes Other Than Income of \$299,798,000 (\$300,496,000 system) for the projected test year appropriate?

POSITION: Staff has no position at this time.

ISSUE 54: Should a Parent Debt Adjustment be made for the projected test year and if so, what is the appropriate amount of the adjustment?

POSITION: Staff has no position at this time.

ISSUE 55: Has FPL appropriately calculated the adjustment to taxable income to reflect the domestic manufacturer's tax deduction which was attributable to the American Jobs Creation Act?

POSITION: Staff has no position at this time.

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ISSUE 56: Is FPL's Income Tax Expense of \$291,326,000 (\$286,729,000 system) which includes current and deferred income taxes and interest reconciliation for the projected test year appropriate?

POSITION: Staff has no position at this time.

ISSUE 57: Is FPL's projected Total Operating Expenses of \$3,105,671,000 (\$3,140,480,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

ISSUE 58: Is FPL's Net Operating Income (NOI) of \$782,562,000 (\$777,212,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

REVENUE REQUIREMENTS

ISSUE 59: What is the appropriate projected test year revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL?

POSITION: Staff has no position at this time.

ISSUE 60: Is FPL's requested annual operating revenue increase of \$384,580,000 for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position at this time.

ISSUE 61: Should the Commission approve the limited scope adjustment in base rates to produce additional annual revenue of \$122,757,000 beginning 30 days following the commercial in-service date of Turkey Point Unit 5 projected to occur in June 2007?

POSITION: Staff has no position at this time.

COST OF SERVICE AND RATE DESIGN

ISSUE 62: Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

POSITION: Staff has no position at this time.

ISSUE 63: What is the appropriate cost of service study to be used in designing FPL's rates?

POSITION: Staff has no position at this time.

ISSUE 64: If a revenue increase is approved, how should it be allocated among the customer classes?

POSITION: Staff has no position at this time.

ISSUE 65: What is the appropriate adjustment to account for the increase in unbilled revenue due to any recommended rate increase?

POSITION: Staff has no position at this time.

ISSUE 66: Is FPL's proposed method for the recovery of the costs of Turkey Point Unit 5 appropriate?

POSITION: Staff has no position at this time.

ISSUE 67: What are the appropriate demand charges?

POSITION: Staff has no position at this time.

ISSUE 68: What are the appropriate energy charges?

POSITION: Staff has no position at this time.

ISSUE 69: How should FPL's time-of-use rates be designed?

POSITION: Staff has no position at this time.

ISSUE 70: What are the appropriate customer charges?

POSITION: Staff has no position at this time.

ISSUE 71: What are the appropriate service charges?

POSITION: Staff has no position at this time.

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ISSUE 72: What are the appropriate lighting rate schedule charges?

POSITION: Staff has no position at this time.

ISSUE 73: Is FPL's proposal to eliminate the option allowing lump-sum payment for time of use metering equipment appropriate?

POSITION: Staff has no position at this time.

ISSUE 74: What is the appropriate monthly fixed charge carrying rate to be applied to the installed cost of customer-requested distribution equipment for which there are no tariffed charges?

POSITION: Staff has no position at this time.

ISSUE 75: What is the appropriate Monthly Rental Factor to be applied to the in-place value of customer-rented distribution substations to determine the monthly rental fee for such facilities?

POSITION: Staff has no position at this time.

ISSUE 76: What are the appropriate termination factors to be applied to the in-place value of customer-rented distribution substations to calculate the termination fee?

POSITION: Staff has no position at this time.

ISSUE 77: What are the appropriate termination factors to be applied to the total installed cost of facilities when customers terminate their lighting agreement prior to the expiration of the contract term?

POSITION: Staff has no position at this time.

ISSUE 78: What is the appropriate Present Value Revenue Requirement multiplier to be applied to the installed cost of lighting facilities to determine the lump sum advance payment amount for such facilities?

POSITION: Staff has no position at this time.

ISSUE 79: What are the appropriate per-month facilities charges under FPL's PL-1 and SL-3 rate schedules?

POSITION: Staff has no position at this time.

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ISSUE 80: What is the appropriate monthly per kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider?

POSITION: Staff has no position at this time.

ISSUE 81: What is the appropriate level and design of the charges under the Standby and Supplemental Service (SST-1) rate schedule?

POSITION: Staff has no position at this time.

ISSUE 82: What is the appropriate level and design of the charges under the Interruptible Standby and Supplemental Service (ISST-1) rate schedule?

POSITION: Staff has no position at this time.

ISSUE 83: What are the appropriate curtailment credits?

POSITION: Staff has no position at this time.

ISSUE 84: What are the appropriate administrative charges under the Commercial/Industrial Demand Reduction rider?

POSITION: Staff has no position at this time.

ISSUE 85: Should the Commission approve FPL's proposal to change the breakpoint applicable to its inverted residential rate from 750 to 1,000 kilowatt hours?

POSITION: Staff has no position at this time.

ISSUE 86: Should the Commission approve FPL's proposal to establish a single set of demand and energy charges for its GSD-1, GSLD-1, GSLD-2, CS-1 and CS-2 rate schedules?

POSITION: Staff has no position at this time.

ISSUE 87: Should the Commission approve FPL's proposal to eliminate the provision in its GSD-1 rate schedule that exempts from billing the first 10 kW of demand?

POSITION: Staff has no position at this time.

ISSUE 88: Should the Commission approve FPL's proposal to close its Wireless Internet Electric Service (WIES) rate schedule be approved?

POSITION: Staff has no position at this time.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

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ISSUE 89: Should FPL's proposal to close its Premium Lighting rate schedule to new customers and replace it with a new Decorative Lighting rate schedule be approved?

POSITION: Staff has no position at this time.

ISSUE 90: Should the Commission approve FPL's proposed new General Service Constant Use rate schedule?

POSITION: Staff has no position at this time.

ISSUE 91: Should the Commission approve FPL's proposed new High Load Factor Time-of-Use rate schedule?

POSITION: Staff has no position at this time.

ISSUE 92: Should the Commission approve FPL's proposed new Seasonal Demand Time-of-Use rider?

POSITION: Staff has no position at this time.

ISSUE 93: What is the appropriate effective date for FPL's revised rates and charges?

POSITION: Staff has no position at this time.

OTHER ISSUES

ISSUE 94: How should the Commission address FPL's nuclear decommissioning accrual in this case?

POSITION: Staff has no position at this time.

ISSUE 95: Should the Commission approve FPL's request to move into base rates the security costs that result from heightened security requirements since September 11, 2001, from the Capacity Cost Recovery Clause?

POSITION: Staff has no position at this time.

ISSUE 96: Should FPL continue to seek recovery of incremental security costs above the amount included in base rates through the Capacity Cost Recovery Clause? If so, what mechanism should be used to determine the incremental security costs?

POSITION: Staff has no position at this time.

STAFF'S PRELIMINARY LIST OF ISSUES AND POSITIONS

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ISSUE 97: Should the Commission approve FPL's request to transfer to the Capacity Clause certain St. Johns River Power Park capacity costs and certain capacity revenues that are currently embedded in base rates?

POSITION: Staff has no position at this time.

ISSUE 98: Should the Commission approve FPL's request to transfer its 2006 projected incremental hedging costs from Fuel Clause recovery to base rate recovery?

POSITION: Staff has no position at this time.

ISSUE 99: Should FPL be allowed to recover incremental hedging costs in excess of its base rate amount through the Fuel and Purchased Power Cost Recovery Clause, and if so, should netting be required in the clause for these costs?

POSITION: Staff has no position at this time.

ISSUE 100: Should the unrecovered Allowance for Funds Used During Construction (AFUDC) associated with Turkey Point Unit 5 be recovered through the Fuel Cost Recovery Clause?

POSITION: Staff has no position at this time.

ISSUE 101: Should FPL be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records that will be required as a result of the Commission's findings in this rate case?

POSITION: Staff has no position at this time.

ISSUE 102: Should this docket be closed?

POSITION: Staff has no position at this time.

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Dated this 12th day of July, 2005.

Respectfully submitted,



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BEFORE THE 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: JULY 12, 2005

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of STAFF'S PRELIMINARY LIST
OF ISSUES AND POSITIONS has been furnished by U. S. Mail and electronic mail this 12th
day of July, 2005, to the following:

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