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MEMORANDUM

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July 28, 2005

COMMISSION
CLERK

TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES

FROM: OFFICE OF THE GENERAL COUNSEL (FLEMING) *EF*

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

Attached is STAFF'S PREHEARING STATEMENT, to be issued in the above-referenced docket.

DATE ORDER ELECTRONICALLY TRANSFERRED TO CCA 7/28/05

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Attachment
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DOCUMENT NUMBER-DATE

07231 JUL 28 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 28, 2005

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-05-0347-PCO-EI, filed March 31, 2005, and Order No. PSC-05-0518-PCO-EI, issued May 11, 2005, the Staff of the Florida Public Service Commission files its Prehearing Statement.

A. All Known Witnesses

Kathy L. Welch
Carl S. Vinson, Jr. and Robert "Lynn" Fisher (Joint)
Sidney W. Matlock

B. All Known Exhibits

KLW-1 – History of Testimony Provided by Kathy L. Welch
KLW-2 – Audit Report
KLW-3 – Supplemental Audit Report
CSV/RLF-1 – Preliminary Review of Vegetation Management, Lightning Protection and Pole Inspection at Florida Power & Light Company
SWM-1 – Distribution Reliability Indexes of Florida Power & Light Company

C. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

DOCUMENT NUMBER-DATE

07231 JUL 28 03

FPSC-COMMISSION CLERK

D. Staff's Position on the Issues

TEST YEAR AND FORECASTING

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

POSITION: Yes.

ISSUE 2: Are FPL's forecasts of customer growth, kWh by revenue class, and system KW for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 3: Is the company's forecast adjustment to its growth and sales projections associated with the 2004 hurricanes appropriate and if not, what adjustments are appropriate to the test year?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 4: Are FPL's forecasts of billing determinants by rate class for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

QUALITY OF SERVICE

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 pending evidence adduced at hearing.

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 pending evidence adduced at hearing.

ISSUE 7: Is the quality and reliability of electric service provided by FPL adequate?

POSITION: Staff has no position pending evidence adduced at hearing.

DEPRECIATION STUDY

ISSUE 8: 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 pending evidence adduced at hearing.

ISSUE 9: Has FPL correctly calculated net salvage ratios? If not, what method should be used, and what impact does this have?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 10: What are the amounts of FPL's reserve deficiencies and reserve surpluses?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 11: What are the appropriate recovery/amortization schedules for any depreciation reserve excess or surplus?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 12: What are the appropriate depreciation rates and recovery/amortization schedules?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 13: 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 pending evidence adduced at hearing.

ISSUE 14: What should be the implementation date for FPL's depreciation rates and recovery/amortization schedules?

POSITION: January 1, 2006.

RATE BASE

ISSUE 15: Should any adjustments be made to the company's projected plant balances for differences between budgeted and actual amounts?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 16: Should any adjustments be made to the projected construction costs of Manatee Unit 3 and Martin Unit 8?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 17: Should adjustments to plant in service be made for the rate base effects of FPL's transactions with affiliated companies?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 18: Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause (ECRC) be included in rate base?

POSITION: No. The ECRC provides recovery of equipment costs, carrying charges, and periodic upgrades or changes due to environmental compliance activities that would otherwise have to be projected and included in the test year.

ISSUE 19: Should any portion of capital and expense items requested in the storm docket be included in base rates?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 20: 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?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 21: Should any adjustments be made to the company's projected accumulated provision for depreciation related to FPL's inclusion of dismantling costs for the Fort Myers Unit No. 3, Martin Unit No. 8 and Manatee Unit No. 3?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 22: 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 pending evidence adduced at hearing.

ISSUE 23: Should any of the Company's 2006 projected construction work in progress (CWIP) balance be included in rate base?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 24: 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 pending evidence adduced at hearing.

ISSUE 25: 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 pending evidence adduced at hearing.

ISSUE 26: Has FPL properly estimated its accumulated provision for uncollectibles?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 27: Is FPL's level of Account 151, Fuel Stock, in the amount of \$138,686,000 (\$140,930,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 28: Should the Commission exclude from rate base the cost associated with FPL's \$25 million purchase of a gas turbine from FPLE to be used for spare parts?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 29: Should unamortized rate case expense be included in working capital?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 30: Should the net overrecovery/underrecovery of fuel, capacity, conservation, environmental cost recovery clause and the storm damage surcharge recovery factor for the test year be included in the calculation of working capital allowance for FPL?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 31: Should derivative assets and derivative liabilities be include in working capital?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 32: Should the payable to the nuclear decommission reserve fund and the St. Johns River Power Park (SJRPP) accelerated recovery credit be included in the working capital calculation?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 33: Should an adjustment be made to working capital associated with the gain on sale of emission allowances regulatory liability?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 34: What is the appropriate level of balances in, and level of contribution to, balance sheet reserve accounts?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 35: Is FPL's requested level of Working Capital Allowance in the amount of \$57,673,000 (61,428,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 36: 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 pending evidence adduced at hearing.

BENCHMARKING

ISSUE 37: How does FPL compare to other utilities in the provision of customer service in the areas of cost and quality of service?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 38: How does the reliability of FPL's service compare to other utilities in the areas of cost and quality of service?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 39: How does the operational reliability and performance of FPL's Fossil Generation compare to other utilities in the areas of cost and quality of service?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 40: How does the operational reliability and performance of FPL's Nuclear Generation compare to other utilities in the areas of cost and quality of service?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 41: How does FPL's performance in controlling O&M costs in general compare to other utilities?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 42: What conclusions should the Commission draw from the benchmarking comparisons and analyses presented by FPL?

POSITION: Staff has no position pending evidence adduced at hearing.

COST OF CAPITAL

ISSUE 43: Should debit accumulated deferred income taxes be included as a reduction to cost free capital?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 44: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 45: 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 pending evidence adduced at hearing.

ISSUE 46: What is the appropriate cost rate for short-term debt for the projected test year?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 47: What is the appropriate cost rate for long-term debt for the projected test year?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 48: 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? If so, what should be the amount of the adjustment?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 49: 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 pending evidence adduced at hearing.

ISSUE 50: What is the appropriate capital structure for FPL?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 51: 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 pending evidence adduced at hearing.

NET OPERATING INCOME

ISSUE 52: Are FPL's estimated revenues for sales of electricity by rate class appropriate, if not what adjustments are should be made?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 53: Should the Commission include gas margin revenue from FPL Energy Services in the test year?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 54: Should the Commission include the administrative fee revenue associated with margin trading performed by FPL on behalf of FPL Energy Services?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 55: Should revenues be adjusted to include profits, if any, from the FPLES Connect Services program?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 56: Has FPL made the appropriate adjustments to remove the storm damage surcharge revenues and related expenses recoverable through the Storm Damage Surcharge Cost Recovery Factor approved by the Commission in Order No. PSC-05-0187-PCO-EI, Docket 041291-EI?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 57: Has FPL made the appropriate adjustments to remove the revenues and related expenses and capital costs recoverable through the Retail Cost Recovery Clauses (Fuel, Capacity, Environmental and Conservation)?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 58: Is FPL's forecasted level of Total Operating Revenues in the amount of \$3,888,233,000 (\$3,913,736,000 system) for the projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 59: 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 pending evidence adduced at hearing.

ISSUE 60: What are the appropriate management fee allocation factors for use by FPL for the test year?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 61: What adjustments, if any, should be made to the management fees included in FPL's test year expenses?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 62: Should an adjustment be made to allocate test year administrative and general expenses associated with the New England Division Seabrook substation assets purchased by FPL in 2004, and if so, how much?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 63: Should an adjustment be made to adjust test year O&M expense charges from FiberNet to FPL?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 64: Should any other adjustments be made for the net operating income effects of FPL's transactions with affiliated companies?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 65: Is FPL's level of Generation/Power Supply O&M expense (Accounts 500-514, 517-532, 546-554 and 555-557) in the amount of \$575,801,000 (\$580,851,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 66: Is FPL's requested expense for the GridFlorida RTO in Account 565 in the amount of \$102,632,000 (\$104,000,000 system) for the 2006 projected test year appropriate?

POSITION: It is premature for the Commission to address FPL's GridFlorida costs in this rate case. Thus, the Commission should remove the estimated GridFlorida-related expenses of \$102,632,000 (\$104,000,000 system) from O&M Expenses for the 2006 test year.

ISSUE 67: Is FPL's level of Transmission O&M Expenses (Accounts 560-573) in the amount of \$145,396,000 (\$154,238,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 68: Is FPL's level of Distribution O&M Expenses (Accounts 580-598) in the amount of \$254,987,000 (\$254,995,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 69: 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 pending evidence adduced at hearing.

ISSUE 70: Is FPL's level of Account 904 - Uncollectible Accounts expense in the amount of \$14,569,000 (\$14,569,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 71: Is FPL's level of Automatic Meter Reading pilot project expense for the test year appropriate, and if not, what adjustments should be made to plant in service, accumulated depreciation, depreciation expense and O&M expense?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 72: Is FPL's level of Total Customer Accounts Expense (Accounts 901-905) in the amount of \$124,248,000 (\$124,262,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 73: Should an adjustment be made to remove image building or other inappropriate advertising expenses?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 74: Is FPL's level of Total Customer Service and Information Expense (Accounts 907-910) in the amount of \$14,302,000 (\$14,302,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 75: Is FPL's level of Total Demonstrating and Selling expenses (Accounts 911-916) in the amount of \$18,585,000 (\$18,585,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 76: Is FPL's requested \$120,000,000 annual accrual for storm damage for the projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 77: Is \$500,000,000 an appropriate reserve goal for Account 228.1, Accumulated Provision for Property Insurance – Storm Damage?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 78: Is FPL's level of Account 920 - Administrative and General Salaries expense in the amount of \$145,276,000 (\$145,942,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 79: 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 pending evidence adduced at hearing.

ISSUE 80: Is FPL's level of Account 928 - Regulatory Commission Expense in the amount of \$7,741,000 (\$7,741,000 system) appropriate for the 2006 projected test year?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 81: Is FPL's proposed recovery of charitable contributions in the amount of \$1,538,000 (\$1,545,000 system) for the 2006 test year appropriate?

POSITION: No. FPL should make an adjustment to remove the \$1,538,000 (\$1,545,000 system) of charitable contributions from its test year expenses. The Commission has consistently, in the past, found it more appropriate for charitable contributions to be borne by the stockholders, rather than the ratepayer.

ISSUE 82: Is FPL's level of medical insurance expense in the amount of \$79,612,000 for the test year appropriate, and if not, what adjustment should be made?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 83: Is FPL's level of pension credit expense in the amount of negative (\$68,663,000) for the test year appropriate, and if not, what adjustment should be made?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 84: Is FPL's level of Nuclear Passport Replacement expense in the amount of \$6,940,000 for the test year appropriate, and if not, what adjustment should be made?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 85: Is FPL's level of Directors and Officers Liability insurance expense in the amount of \$8,468,340 for the test year appropriate, and if not, what adjustment should be made?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 86: Is FPL's level of Executive Department contingencies expense in the amount of \$1.7 million for the test year appropriate, and if not, what adjustment should be made?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 87: Is FPL's level of Total Administrative and General Expense (Accounts 920-935) in the amount of \$457,872,000 (\$462,252,000 system) for the 2006 projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 88: Should the O&M expense items currently approved for recovery through the Environmental Cost Recovery Clause be included in base rates?

POSITION: No. The ECRC provides recovery of volatile O&M expenses due to environmental compliance activities that would otherwise have to be projected and included in the test year.

ISSUE 89: Is FPL's level of salaries for the 2006 projected test appropriate? If not, what adjustments are necessary?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 90: Is FPL's level of employee benefits for the 2006 projected test appropriate? If not, what adjustments are necessary?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 91: Are FPL's O&M Expenses of \$1,591,191,000 (\$1,609,486,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 92: Is FPL's level of nuclear decommissioning expense in the amount of \$78,179,000 (\$78,523,000 system) for the test year appropriate, and if not, what adjustment should be made?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 93: What adjustments, if any, should be made to the fossil dismantlement accrual?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 94: Is FPL's Depreciation and Amortization Expense of \$924,323,000 (\$931,710,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 95: What is the appropriate amount of gain on sales and disposition of properties for the test year?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 96: Is FPL's adjustment to remove Gross Receipts Tax from base rates appropriate and should Gross Receipts Tax be shown as a separate line item on the customer's bill?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 97: Is FPL's Taxes Other Than Income of \$299,798,000 (\$301,922,000 system) for the projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 98: Should a Parent Debt Adjustment be made for the projected test year and if so, what is the appropriate amount of the adjustment?

POSITION: Pursuant to Rule 25-14.004, Florida Administrative Code, the Commission should make a parent debt adjustment to FPL's income tax expense for the projected test year. The amount of the adjustment should be based on evidence adduced at the hearing.

ISSUE 99: 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 pending evidence adduced at hearing.

ISSUE 100: What adjustments, if any, are appropriate to account for interest synchronization?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 101: Is FPL's Income Tax Expense of \$291,326,000 (\$289,545,000 system) which includes current and deferred income taxes and interest reconciliation for the projected test year appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 102: 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 pending evidence adduced at hearing.

ISSUE 103: Is FPL's Net Operating Income (NOI) of \$782,562,000 (\$782,041,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITION: Staff has no position pending evidence adduced at hearing.

REVENUE REQUIREMENTS

ISSUE 104: 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 pending evidence adduced at hearing.

ISSUE 105: 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 pending evidence adduced at hearing.

COST OF SERVICE AND RATE DESIGN

ISSUE 106: Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 107: What is the appropriate cost of service study to be used in designing FPL's rates?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 108: How should a change in revenue requirements be allocated among the customer classes?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 109: What is the appropriate adjustment to account for the increase in unbilled revenue due to any recommended rate increase?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 110: What are the appropriate demand charges?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 111: What are the appropriate energy charges?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 112: How should FPL's time-of-use rates be designed?

POSITION: FPL should implement a rate structure for TOU customers consistent with the rate structure approved for Gulf Power Company (PSC Order No. 23573), Progress Energy (PSC Order No. PSC-92-1197-FOF-EI), and Tampa Electric (PSC Order No. PSC-93-0165-FOF-EI), implementing a maximum demand charge to recover distribution related costs and an on-peak demand charge to recover transmission and production costs for demand metered customers, and setting the off-peak energy charge at the class's energy unit costs.

ISSUE 113: What are the appropriate customer charges?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 114: What are the appropriate service charges?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 115: What are the appropriate lighting rate schedule charges?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 116: Is FPL's proposal to eliminate the option allowing lump-sum payment for time of use metering equipment appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 117: 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: The appropriate fixed charge carrying rate is 28% per year, or 2.3% per month.

ISSUE 118: 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: The appropriate Monthly Rental Factor is 1.62%.

ISSUE 119: 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: The appropriate methodology to calculate the termination factors to be applied to the in-place value of customer-rented distribution equipment are shown in FPL's response to Staff's Fourth Set of Interrogatories to FPL, No. 149. FPL should revise the calculation based on the Commission's vote on FPL's cost of capital and depreciation rate.

ISSUE 120: 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: The appropriate methodology to calculate the 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 are shown in FPL's response to Staff's Fourth Request for Production of Documents to FPL, No. 38. FPL should revise the calculation based on the Commission's vote on FPL's cost of capital and depreciation rate.

ISSUE 121: What is the appropriate Present Value Revenue Requirement multiplier to be applied to the installed cost of premium lighting facilities under rate schedule PL-1 to determine the lump sum advance payment amount for such facilities?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 122: What are the appropriate per-month facilities charges under FPL's PL-1 and SL-3 rate schedules?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 123: What is the appropriate monthly per kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider?

POSITION: The appropriate monthly credit is \$.37 per kW.

ISSUE 124: What is the appropriate level and design of the charges, and terms and conditions, under the Standby and Supplemental Service (SST-1) rate schedule?

POSITION: This is a fallout issue and the Commission should address it at its November 29, 2005 Agenda Conference.

ISSUE 125: What is the appropriate level and design of the charges under the Interruptible Standby and Supplemental Service (ISST-1) rate schedule?

POSITION: This is a fallout issue and the Commission should address it at its November 29, 2005 Agenda Conference.

ISSUE 126: What are the appropriate curtailment credits?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 127: Should the curtailable rate schedule remain open and what credit, if any, should be provided under curtailable rate schedule?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 128: What are the appropriate administrative charges under the Commercial/Industrial Demand Reduction rider?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 129: 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: Yes.

ISSUE 130: Should the GSD-1, GSLD-1, GSLD-2, CS-1, and CS-2 rate schedules (and their TOU equivalents) have the same demand and energy charges?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 131: Should the 10 kW exemption for the GSD-1, GSD(T)-1 and CILC-G rate schedule be eliminated?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 132: Should the Wireless Internet Rate (WIES-1) be closed to new customers effective January 1, 2006 and existing customers transferred to the otherwise applicable rate effective January 1, 2007?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 133: 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 pending evidence adduced at hearing.

ISSUE 134: Should FPL's proposal to offer an optional GS-1 constant usage rate be approved and what should be the methodology used for determining the rate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 135: Should FPL's proposal to offer an optional high load factor TOU rate including the load factor breakeven point and the methodology for determining the rate be approved?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 136: Should FPL's proposal to offer an optional seasonal demand TOU rider and what should be the methodology used for determining the rate be approved?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 137: What is the appropriate effective date for new base rates and charges established based on the 2006 projected test year?

POSITION: Staff has no position pending evidence adduced at hearing.

**INCREMENTAL REVENUE REQUIREMENT
FOR THE 2007 TURKEY POINT UNIT 5 ADJUSTMENT**

ISSUE 138: Should the Commission approve FPL's request to allow an additional base rate increase in 2007 to correspond with the in-service date of the Turkey Point Unit 5?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 139: Are FPL's forecasts of customers, kWh by revenue class, and system KW for the 2007 Turkey Point 5 Adjustment reasonable?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 140: Are FPL's forecasts of billing determinants by rate class for the Turkey Point 5 Adjustment appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 141: Is FPL's level of Plant in Service in the amount of \$571,312,000 (\$580,300,000 system) for the projected year ended May 31, 2008, for the 2007 Turkey Point 5 Adjustment appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 142: Is FPL's level of Accumulated Provision for Depreciation and Amortization in the amount of \$15,572,000 (\$15,818,000 system) for the projected year ended May 31, 2008, for the 2007 Turkey Point 5 Adjustment appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 143: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for FPL's 2007 Turkey Point 5 Adjustment?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 144: Is FPL's level of Total Operation and Maintenance Expenses for the new 2007 Turkey Point 5 unit in the amount of \$4,448,000 (\$4,519,000 system) for the 2007 Turkey Point 5 Adjustment appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 145: Is FPL's Depreciation and Amortization Expense of \$31,143,000 (\$31,635,000 system) for the 2007 Turkey Point 5 Adjustment appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 146: Is FPL's level of Taxes Other Than Income Taxes in the amount of \$11,367,000 (\$11,546,000 system) for the 2007 Turkey Point 5 Adjustment appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 147: Are FPL's Income Tax expenses in the amount of negative \$25,719,000 (negative \$26,124,000 system) for the 2007 Turkey Point 5 Adjustment appropriate? (This is a fallout issue.)

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 148: What are the appropriate revenue expansion factors including the appropriate elements and rates for FPL for the 2006 projected test year and the 2007 Turkey Point 5 Adjustment?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 149: What is the appropriate incremental annual operating revenue requirement for the 2007 Turkey Point 5 Adjustment?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 150: Is FPL's proposed method for the recovery of the costs of Turkey Point Unit 5 appropriate?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 151: What is the appropriate effective date for an adjustment to FPL's base rates to reflect the addition of Turkey Point Unit 5?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 152: Should unrecovered AFUDC costs resulting from the mismatch between the time Turkey Point Unit 5 goes into service and customers are billed for service from the unit be recovered through the fuel adjustment clause?

POSITION: Staff has no position pending evidence adduced at hearing.

OTHER ISSUES

ISSUE 153: 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: Yes. The appropriate amount to be included in base rates is to be determined in a separate issue (Issue 59).

ISSUE 154: 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: FPL may continue to seek recovery of incremental security costs above the amount included in base rates through the Capacity Cost Recovery Clause in accordance with the method and process approved by Order No. PSC-03-1461-FOF-EI, issued on December 22, 2003, in Docket No. 030001-EI.

ISSUE 155: Should the Capacity charges and revenues associated with SJRPP that are currently in base rates be removed from base rates and included in the Capacity Clause?

POSITION: Yes.

ISSUE 156: 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 pending evidence adduced at hearing.

ISSUE 157: 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 pending evidence adduced at hearing.

ISSUE 158: Should any annual under-spending from the amount of distribution vegetation management expenses ultimately approved the Commission be deferred and returned to the ratepayers in the future?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 159: Should FPL be required to report to the Commission on a regular basis on its actual vegetation management expenditures?

POSITION: Staff has no position pending evidence adduced at hearing.

ISSUE 160: 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: Yes.

ISSUE 161: Should this docket be closed?

POSITION: Staff has no position at this time.

E. Stipulated Issues

There are no issues that have been stipulated at this time.

F. Pending Motions

OPC, FIPUG, FRF, SFHHA, FEA, and AARP's Joint Motion to Consolidate, filed July 19, 2005, is pending.

OPC's Motion to Strike, Motion in Limine, and Alternative Motion for Leave to File Rebuttal Testimony, filed July 21, 2005, is pending.

G. Pending Confidentiality Claims or Requests

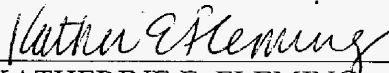
Staff is aware of two pending confidentiality requests by FPL: 1) Document No. 06228-05; and 2) Document No. 06761-05.

H. Compliance with Order No. PSC-05-0347-PCO-EI and Order No. PSC-05-0518-PCO-EI

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

STAFF'S PREHEARING STATEMENT
DOCKET NO. 050045-EI and DOCKET NO. 050188-EI
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Respectfully submitted this 28th day of July, 2005.



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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

FILED: JULY 28, 2005

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Staff's Prehearing Statement was furnished to the following, by U.S. Mail and electronic mail, on this 28th day of July, 2005.

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CERTIFICATE OF SERVICE-STAFF'S PREHEARING STATEMENT
DOCKET NO. 050045-EI and DOCKET NO. 050188-EI
PAGE 2

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