

**BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION**

**DOCKET NOS. 050045-EI AND 050188-EI
FLORIDA POWER & LIGHT COMPANY**

JULY 28, 2005

**IN RE: PETITION FOR RATE INCREASE BY FLORIDA
POWER & LIGHT COMPANY
AND
IN RE: 2005 COMPREHENSIVE DEPRECIATION STUDY
BY FLORIDA POWER & LIGHT COMPANY**

REBUTTAL TESTIMONY & EXHIBIT OF:

SOLOMON L. STAMM

DOCUMENT NUMBER - DATE

07247 JUL 28 '05

FPSC-COMMISSION CLERK

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6

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

8 A. My name is Solomon L. Stamm. My business address is 9250 West Flagler
9 Street, Miami, Florida 33174.

10 **Q. Did you previously submit direct testimony in this proceeding?**

11 A. Yes.

12 **Q. Are you sponsoring an exhibit to your rebuttal testimony?**

13 A. Yes, it consists of the following documents:

14 Document SLS-10 Staff's Second Set of Interrogatories Question No. 80

15 Document SLS-11 Explanation of Increase in Fossil Maintenance Costs

16 Document SLS-12 Increase in O&M Expense, Adjusted

17 Document SLS-13 Plant and Accumulated Depreciation

18 Document SLS-14 Martin Unit 8 and Manatee Unit 3 Plant In Service Balances

19 Document SLS-15 Budget Contingency

20 Document SLS-16 Schedule F-8, FPL's 2007 Forecast

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

22 A. The purpose of my testimony is to:

- 1 1. Respond to the assertion made by South Florida Hospital and Healthcare
2 Association witness Lane Kollen that the company allows its O&M expense
3 to increase substantially coincident with rate filings and the use of projected
4 test years.
- 5 2. Respond to the assertion made by Office of Public Counsel witness Hugh
6 Larkin that adjustments should be made to FPL's forecasted plant in service
7 and accumulated depreciation balances based on a comparison of forecasted
8 balances to actual balances from December 31, 2004 through March 31,
9 2005.
- 10 3. Respond to the adjustment proposed by Office of Public Counsel witness
11 Hugh Larkin that FPL's forecasted plant in service balances for Martin Unit
12 3 and Manatee Unit 8 should be reduced to reflect the fact that they are
13 "under budget."
- 14 4. Respond to the adjustment proposed by Office of Public Counsel witness
15 Donna DeRonne to disallow the \$1.7 million contingency in FPL's O&M
16 forecast.
- 17 5. Respond to the assertion made by Office of Public Counsel witness Donna
18 DeRonne that the level of rate case expenditures in the forecast is not
19 justified.
- 20 6. Respond to the adjustment proposed by Office of Public Counsel witness
21 Donna DeRonne that the O&M expense associated with FPL's Nuclear
22 Passport Replacement Project be amortized over a four-year period for
23 ratemaking purposes.

- 1 7. Respond to the ratemaking treatment of distribution vegetation management
2 expense proposed by Office of Public Counsel witness Donna DeRonne.
- 3 8. Respond to the assertion made by Office of Public Counsel witness Hugh
4 Larkin and South Florida Hospital and Healthcare Association witness Lane
5 Kollen that FPL's 2007 forecast is too far out in time to be a reliable basis
6 for ratemaking.

7

8 **TEST YEAR O&M EXPENSE**

9 **Q. Please describe the assertion made by Mr. Kollen regarding FPL's O&M**
10 **expenses in rate case test years.**

11 A. In his testimony, Mr. Kollen asserts that "the Company allows its O&M expense
12 to increase substantially coincident with rate filings and the use of projected test
13 years in those filings." Specifically, he cites as examples FPL's 2002 O&M
14 expense projection in Docket 001148-EI and FPL's 2006 O&M expense forecast
15 in the current proceeding. Mr. Kollen further asserts that "Given ... the inherent
16 ratemaking incentive to project excessive cost levels, the Commission should
17 view the requested increase in test year O&M expense with a high degree of
18 skepticism in considering whether the Company's projections are prudent and
19 reasonable."

20 **Q. Is Mr. Kollen's assertion correct?**

21 A. No. It is a factually insupportable and completely unwarranted attack on the
22 integrity of FPL's forecasting process.

23

1 At the outset I should point out that Ernst & Young conducted a detailed
2 independent examination of FPL's forecasting process. As discussed in the
3 direct testimony of Michael Barrett, Ernst & Young found FPL's forecasting
4 process to be in conformity with American Institute of Certified Public
5 Accountants ("AICPA") guidelines in all material respects, the process for
6 preparation of the forecast to be comprehensive, the significant assumptions
7 used to develop the financial forecast to be reasonable, and the data used in
8 applying those assumptions to be materially consistent throughout the forecast.
9 Mr. Barrett further concluded that the financial forecast represents an accurate
10 simulation of the financial results for the test periods, should the significant
11 assumptions prove true.

12
13 Ernst & Young could not have reached those conclusions had it found evidence
14 that FPL deliberately "loads up" the test year O&M expenses as Mr. Kollen
15 suggests. Mr. Kollen offers nothing to challenge Ernst & Young's conclusions.

16 **Q. With respect to FPL's 2002 test year O&M, did FPL's cost projections turn**
17 **out to be excessive?**

18 A. No. In Docket No. 001148-EI, FPL's projected test year 2002 jurisdictional
19 adjusted O&M expense was \$1,218,944,000. FPL's actual 2002 jurisdictional
20 adjusted O&M expense, as per the December 2002 Surveillance Report filed
21 with the Commission, was \$1,220,620,000. Thus, the difference between the
22 2002 test year projection and FPL's 2002 actual O&M expense was only
23 \$1,676,000, or 0.1%. Moreover, this small variance went in the opposite

1 direction from that suggested by Mr. Kollen: FPL's actual 2002 O&M expense
2 was slightly *higher* than projected. This clearly demonstrates that the projection
3 of O&M costs in Docket No. 001148-EI was not excessive and, in fact, was
4 quite accurate.

5 **Q. With respect to FPL's 2006 test year O&M, are FPL's cost projections**
6 **excessive?**

7 A. Once again, no. Although FPL is projecting a significant increase in O&M
8 expense in 2006, the level is not excessive in view of the substantial increase in
9 the necessary level of activities that FPL has documented. As shown on MFR
10 Schedule C-36, FPL is projecting a \$310 million, or 25.7% increase, in non-fuel
11 O&M expense from 2005 to 2006. The reasons for this projected increase were
12 described in detail in FPL's response to Staff's Second Set of Interrogatories
13 Question No. 80 and included increased storm expenses, fossil and nuclear
14 maintenance costs, employee benefits, insurance and RTO costs. The response
15 to Staff's Second Set of Interrogatories Question No. 80 is included with my
16 rebuttal testimony as my Document SLS-10. In addition, I have included
17 Document SLS-11, which provides additional detail on the justification for the
18 increased fossil plant maintenance costs in 2006.

19

20 A significant portion of the 25.7% increase in O&M expense is the result of
21 three items that are incremental in 2006: the increase in the annual storm
22 accrual, incremental RTO costs and the change in accounting for the expenses of
23 revenue enhancement projects. As shown on my Document SLS-12, the increase

1 in O&M expense from 2005 to 2006, adjusted for the three items described
2 above is only 11.0%, significantly lower than the 25.7% shown on MFR C-36.
3 As shown on my Documents SLS-10, SLS-11 and SLS-12, while FPL is
4 projecting a significant increase in O&M costs in 2006, these costs have been
5 well documented, are justified and are not excessive.

6

7 **PLANT IN SERVICE AND ACCUMULATED DEPRECIATION BALANCES**

8 **Q. Please describe the adjustments proposed by Mr. Larkin to FPL's**
9 **forecasted plant in service and depreciation balances.**

10 A. Mr. Larkin is proposing adjustments to FPL's forecasted plant in service and
11 accumulated depreciation balances in the test year based on the average variance
12 of actual to forecasted balances for the four month period December 2004
13 through March 2005.

14 **Q. Are the adjustments proposed by Mr. Larkin appropriate?**

15 A. No. The selection of four months of data from December 2004 to March 2005 is
16 both arbitrary and too short a time period upon which to base an adjustment. The
17 last historical month in FPL's forecast was August 2004. At the time Mr. Larkin
18 prepared his analysis to support his proposed adjustment there were seven
19 months of actual data available (September 2004 through March 2005).
20 However, Mr. Larkin seems to have arbitrarily selected only four months
21 (December 2004 through March 2005) on which to base his adjustment. As
22 shown on my Document SLS-13, had Mr. Larkin chosen any other four-month
23 period of data available to him -- September through December, October

1 through January, or November through February -- the magnitude of his
2 proposed adjustment would have been smaller. Similarly, if he had used *all* of
3 the data available (September 2004 through March 2005) the magnitude of his
4 adjustment would again have been smaller.

5
6 Of perhaps even greater importance, Document SLS-13 shows that the
7 percentage variances between the 2005 actuals and projections are very small,
8 consistently under 1% in all but one instance. This demonstrates the accuracy of
9 FPL's forecasting process and thus makes any adjustment of the sort Mr. Larkin
10 proposes inappropriate. Finally, I would like to point out that Document SLS-13
11 shows a greater variance between 2005 actuals and projections for the
12 accumulated provision for depreciation than for gross plant in service. Thus, if
13 one were to adjust the accumulated provision for depreciation and gross plant in
14 service by the percentage variance each has experienced in 2005, it would result
15 in *higher* net plant in service and hence rate base (net plant in service reflects
16 gross plant in service less accumulated depreciation).

17
18 **MARTIN UNIT 3 AND MANATEE UNIT 8 PLANT IN SERVICE**

19 **Q. Please describe the adjustment proposed by Mr. Larkin with respect to the**
20 **plant in service balances for Martin Unit 8 and Manatee Unit 3.**

21 **A.** Mr. Larkin is proposing an adjustment to reduce the forecasted plant in service
22 balances for Martin Unit 8 and Manatee Unit 3. The proposed adjustment is
23 based on Mr. Larkin's assertion that the final construction cost for Martin Unit 8

1 will be \$28.7 million under budget and Manatee Unit 3 will be \$24.0 million
2 under budget.

3 **Q. Is the adjustment proposed by Mr. Larkin appropriate?**

4 A. No. As shown on my Document SLS-14, Mr. Larkin mistakenly calculated his
5 adjustment by comparing a December 2003 internal construction-cost target for
6 Martin Unit 8 and Manatee Unit 3 (the "FPL Management Budget" shown in
7 Column 2) to the June 30, 2005 projection of the total construction costs for
8 those units (the "Current Projection" shown in Column 4). That comparison
9 resulted in the alleged budget under-runs upon which Mr. Larkin's adjustment is
10 based (see "Current Projection Versus Management Budget" column). In fact,
11 FPL's test year forecast included substantially lower estimates of the Martin
12 Unit 8 and Manatee Unit 3 construction costs than the FPL Management
13 Budget. The test year forecast amounts are shown in Column 3, "Projected
14 MFR B-11." The column entitled "Current Projection Versus MFR B-11"
15 shows that the test year forecast for these construction costs is less than 1%
16 above the Current Projection, demonstrating that FPL's forecast of those costs is
17 extremely accurate. Adjusting an accurate forecast for a single, minor variation
18 would not be appropriate, and Mr. Larkin's adjustment for the Martin Unit 8 and
19 Manatee Unit 3 construction costs accordingly should be rejected.

20

21 **O&M BUDGET CONTINGENCY**

22 **Q. Please describe the adjustment proposed by Ms. DeRonne to disallow the**
23 **\$1.7 million contingency amount in FPL's O&M forecast.**

1 A. Ms. DeRonne is proposing an adjustment to remove a \$1.7 million budget
2 contingency included in the test year O&M expense budget based on a “lack of
3 support or a reasonable description.”

4 **Q. Is the adjustment proposed by Ms. DeRonne appropriate?**

5 A. No. First, the contingency is simply a provision for unbudgeted corporate
6 expenses. The contingency is included in the Executive budget because this
7 helps ensure that it will receive appropriate executive-level input and scrutiny,
8 but the contingency can be used to cover unexpected costs throughout many
9 areas of the Company’s budget. Including a contingency of this nature in a
10 corporate budget the size of FPL’s is a prudent budgeting practice, in that it
11 recognizes that the company will invariably incur unplanned expenses during
12 the course of a year.

13

14 As shown in my Document SLS-15, FPL’s budget contingency averaged \$1.7
15 million per year from 2002 through 2005. This demonstrates that including a
16 contingency is an ongoing budgeting practice at FPL and that the amount
17 included in the test year is essentially identical to the average level in recent
18 non-test year budgets. Second, Document SLS-15 also shows that the 2006
19 budget contingency represents only 0.1% of total projected O&M. It should also
20 be noted that in each of the last three historical years, FPL’s unbudgeted
21 corporate expenses have significantly exceeded the contingency that was
22 budgeted.

23

1 **RATE CASE EXPENSES**

2 **Q. Please describe the assertions made by Ms. DeRonne concerning the level of**
3 **forecasted rate case expenses.**

4 A. In her testimony, Ms. DeRonne asserts that FPL's forecasted rate case expenses
5 are "excessive" and expresses concern that "some of the rates being charged to
6 [sic] FPL's outside consultants are excessive."

7 **Q. Are Ms. DeRonne's assertions supported by evidence?**

8 A. No. Ms. DeRonne provides no support or evidence to substantiate her assertion
9 that FPL's rate case expenses are "excessive" and that the rates charged by
10 consultants are "excessive." Ms. DeRonne's assertion regarding excessive cost
11 is supported only by her opinion that the current proceeding is "clearly
12 imprudent and unreasonable." Ms. DeRonne's assertion regarding excessive
13 rates charged by consultants is supported only by a listing of the rates charged
14 by several of the consultants hired by FPL, with no comparisons or other
15 analysis of what market levels would be for the services provided by those
16 consultants. In short, she provides no support whatsoever to defend her assertion
17 that these rates are excessive.

18 **Q. Are FPL's rate case expenses reasonable?**

19 A. Yes. MFR C-10 provides a breakdown of the amounts expected to be incurred
20 throughout the entire case. The \$8,950,000 amount was developed from the
21 actual expenses incurred related to the 2001 rate proceeding. FPL incurred \$4.5
22 million for that case. The 2001 case was settled before the discovery period was
23 concluded, and it did not involve a hearing. It also was initiated by the

1 Commission and therefore did not involve the expense to FPL of preparing and
2 supporting a request to increase rates and charges. When FPL forecast rate case
3 expenses for this docket, it reasonably expected that the current case would
4 involve more activity because FPL is requesting a rate increase. So far,
5 circumstances have certainly borne out FPL's expectations.

6
7 Furthermore, the costs associated with a hearing, which did not occur in the last
8 case, would have added a significant amount of costs to the total rate case costs
9 incurred in the last case. Hearings, and the associated preparation, involve the
10 time/cost of outside consultants, attorneys, and all of the hearing logistics (e.g.
11 hotel rooms, meals, travel costs, etc.). At the time FPL prepared its rate case
12 expense forecast, it could not have reasonably counted on this case settling
13 without a hearing and therefore included in its projection the costs that would be
14 associated with a hearing. Based upon all of these considerations, the estimated
15 cost of the current case of approximately twice the amount expended on the
16 prior case is considered to be a conservative estimate for the current case.

17

18 **NUCLEAR PASSPORT REPLACEMENT PROJECT**

19 **Q. Please describe the adjustment proposed by Ms. DeRonne.**

20 A. With respect to the Nuclear Passport Replacement Project (Passport), Ms.
21 DeRonne is proposing to defer and amortize the O&M costs over a four year
22 period.

23 **Q. Has Passport been properly accounted for in the test year?**

1 A. Yes, the Passport project is a legitimate business expense properly accounted for
2 under generally accepted accounting principles in the test year. The
3 Commission should not isolate a single item in one department's budget and
4 adjust the test year expenses down based on it.

5

6 **DISTRIBUTION VEGETATION MANAGEMENT EXPENSE**

7 **Q. Please describe the adjustment proposed by Ms. DeRonne.**

8 A. Ms. DeRonne proposes that, in the event FPL does not actually spend the
9 amount it receives in rates for vegetation management costs, the amount under-
10 spent should be returned to ratepayers.

11 **Q. Do you agree with the adjustment proposed by Ms. Deronne?**

12 A. No. As discussed in Ms. Williams' rebuttal testimony, FPL's projected test year
13 expense for distribution vegetation management is reasonable. It is only one of a
14 vast number of separate types of expenses that are reflected in FPL's test year
15 O&M expense forecast. There is no rational basis to isolate distribution
16 vegetation management expense and make adjustments in subsequent years,
17 solely for variations in that expense.

18

19 **2007 FORECAST**

20 **Q. Please describe the assertions made by Mr. Larkin and Mr. Kollen**
21 **concerning the 2007 forecast.**

22 A. With respect to the 2007 forecast, Mr. Larkin states in his testimony that "It is
23 highly unlikely that these projections could be relied upon by the Commission in

1 determining whether any revenue requirement increase exists beyond what
2 might be justified by the test year ending December 31, 2006.” Mr. Kollen states
3 in his testimony that “ ... the projected data for a 2007 test year or the twelve
4 months ended May 31, 2008 test year are even more speculative than the
5 projected data for the 2006 test year.” Neither Mr. Lane nor Mr. Kollen offers
6 any support or documentation for his assertion.

7 **Q. Are FPL’s 2007 and Turkey Point 5 projections “unreliable” and**
8 **“speculative”?**

9 A. Absolutely not. As discussed in my direct testimony, the 2007 and Turkey Point
10 5 forecasts were developed at the same time and using the same comprehensive,
11 systematic and robust forecasting process that was used to develop the 2005
12 budget and the 2006 test year forecast. Because FPL expected that the results of
13 this process would underlie its rate filing, significant additional scrutiny was
14 applied to both the 2006 and 2007 forecasts. At the operating unit level, three-
15 year detailed business plans were developed. Elements of these plans --
16 including the O&M and capital expenditure funding requirements for all three
17 years -- were presented to the President and Chief Financial Officer for review
18 and approval. The O&M and capital expenditure funding requirements for all
19 three years were thoroughly reviewed to ensure they were consistent with the
20 operating unit business plans. Major assumptions used in development of the
21 2007 forecast are detailed on “MFR F-8 Projected Year Ended 12/31/07 FPL
22 Total” and are attached to this testimony as Document SLS-16. These
23 assumptions are reasonable, have been appropriately reviewed and have been

1 consistently applied. The models used in the 2007 forecasting process are the
2 same models used to develop the 2005 budget and 2006 test year forecast. They
3 have been developed by subject matter experts, have been thoroughly tested and
4 are operated by qualified and knowledgeable personnel with appropriate
5 management review and approval.

6 **Q. Did Ernst & Young review FPL's 2007 forecast?**

7 A. Yes, it did. As reflected in Mr. Barrett's direct testimony, Ernst & Young's
8 independent examination of FPL's forecasting process covered 2005, 2006 *and*
9 2007. Ernst & Young's conclusions about the reasonableness of the forecasting
10 process and its consistency with the AICPA guidelines apply to 2007 just as they
11 do to 2005 and 2006.

12 **Q. Does this conclude your rebuttal testimony?**

13 A. Yes.

Schedule C-36 reflects an increase in non-fuel operations & maintenance expense of 25.75% between 2005 and 2006. Please describe in detail the reasons for the projected increase in this area.

MFR C-36
Increase in O&M from 2005 to 2006

Functional Detail of MFR C-36	<u>2005</u>	<u>2006</u>	Increase (Decrease)
Steam	\$122,670	\$136,426	\$13,756
Nuclear	303,244	348,643	45,399
Other Production	43,702	53,897	10,195
Other Power Supply (1)	6,550	5,687	(863)
Transmission	37,438	98,680	61,242
Distribution	235,722	254,995	19,273
Customer Accounts	118,160	124,262	6,102
Customer Service	12,584	14,302	1,718
Sales Expenses	9	18,585	18,576
Administrative & General (2)	325,667	460,702	135,035
	<u>\$1,205,746</u>	<u>\$1,516,179</u>	<u>\$310,433</u>

(1) 2006 adjusted to exclude \$3,941 of costs improperly classified as Power Supply.

(2) 2006 adjusted to include \$3,941 of costs improperly classified as Power Supply.

Explanation of Increase

Steam

Plant maintenance		
Scherer and SJRPP	\$7,594	Condition based maintenance needed to maintain plant reliability.
Port Everglades site	5,103	Condition based maintenance needed to maintain plant reliability.
Sanford site	3,600	Condition based maintenance needed to maintain plant reliability.
Riviera site	766	Condition based maintenance needed to maintain plant reliability.
Cutler site	654	Condition based maintenance needed to maintain plant reliability.
Manatee site	368	Condition based maintenance needed to maintain plant reliability.
Central maintenance	695	Condition based maintenance needed to maintain plant reliability.
Cape Canaveral site	170	Condition based maintenance needed to maintain plant reliability.
Martin site	(1,209)	Condition based maintenance needed to maintain plant reliability.
Turkey Point site	(1,968)	Condition based maintenance needed to maintain plant reliability.
Lauderdale site	(2,528)	Condition based maintenance needed to maintain plant reliability.
Technical support	301	Condition based maintenance needed to maintain plant reliability.
Total plant maintenance	<u>\$13,546</u>	
All other	210	Represents a 0.2% increase: \$210 divided by 2005 steam O&M of \$122,670.
Total steam	<u><u>\$13,756</u></u>	

Nuclear

Predictive & preventive maintenance	\$26,286	Maintenance required to sustain high reliability.
Plant improvement projects	7,200	Projects: plant maintenance optimization, pressure/temperature curve improvement, Turkey Point spent fuel storage rack cell recovery, Turkey Point fire program update, repair of discharge structure equipment, modification of Turkey Point auxiliary feed water flow transmitters, replacement of Turkey Point auxiliary feedwater piping.
Infrastructure upgrades	6,940	Upgrades to systems: work management, corrective action, operations management, supply chain, document management and engineering change.
Life cycle management	5,008	Replacement of obsolete instruments and controls.
All other	(35)	Represents a 0.0% decrease: \$(35) divided by 2005 nuclear O&M of \$303,244.
Total nuclear	<u><u>\$45,399</u></u>	

Other Production

Plant maintenance

Martin site	\$3,513	Condition based maintenance needed to maintain plant reliability.
Fort Myers site	2,888	Condition based maintenance needed to maintain plant reliability.
Sanford Site	1,265	Condition based maintenance needed to maintain plant reliability.
Port Everglades site	612	Condition based maintenance needed to maintain plant reliability.
Lauderdale site	458	Condition based maintenance needed to maintain plant reliability.
Central maintenance	751	Condition based maintenance needed to maintain plant reliability.
Manatee site	(27)	Condition based maintenance needed to maintain plant reliability.
Putnam site	(698)	Condition based maintenance needed to maintain plant reliability.
Technical support	129	Condition based maintenance needed to maintain plant reliability.

Total plant maintenance \$8,891

All other 1,304

Represents a 3.0% increase: \$1,304 divided by 2005 other production O&M of \$43,702

\$10,195

Other Power Supply

(\$863)

Transmission

RTO costs	\$59,000	Incremental costs for Regional Transmission Organization.
Restoration and reliability	1,924	500kv line projects, vegetation management, other line inspections and repairs, support activities.
All other	318	Represents a 0.9% increase: \$318 divided by 2005 transmission O&M of \$37,438.

\$61,242

Distribution

Reliability initiatives	\$15,025	Proactive initiatives that include increasing the number of lateral miles trimmed, feeders undergoing thermovision and upgrading targeted feeders and vault inspections and substations.
Service restoration	555	Service restoration activities as mandated in FAC Rule 25-6.044.
Materials	290	Refurbishment of materials.
Existing load	219	Existing customers increased load.
All other	3,184	Represents a 1.4% increase: \$3,184 divided by 2005 distribution O&M of \$235,722.
	<u><u>\$19,273</u></u>	

Customer Accounts

Bill printing and mailing	\$2,615	Increases in printing and mailing expenses associated with customer growth and \$2.2 million for projected postal rate increase.
Care center technology upgrade	2,852	Upgrades to workforce management systems and implementation of call recording, speech recognition, data warehouse and call back systems.
Automated meter reading	783	Costs for securing and sealing deployed meters and communication with meters.
Other meter reading	731	Manual meter reading cost increases driven by customer growth and wage increases.
Final notice costs	277	Increased due to customer growth and increased postage rate.
Field Operations	181	Increase in Field Operation activities.
Uncollectible accounts expense	(2,300)	Lower uncollectible accounts expense.
All other	963	Represents a 0.8% increase: \$963 divided by 2005 customer service O&M of \$118,160.
Total customer accounts	<u><u>\$6,102</u></u>	

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Customer Service

Revenue enhancement administration	\$498	Administrative expenses of revenue enhancement programs recorded as contra revenue in account 456 in 2005.
Marketing communications	400	Increased media production costs related to safety messages and other offerings such as billing and payment options.
Communication infrastructure	293	Enhancements to field operations communication and account management system.
Market research	111	Research projects for benchmarking, loyalty and satisfaction, reliability and customer care.
Payment processing	101	Improvements related to processing of customer payments.
All other	315	Represents a 2.5% increase: \$315 divided by 2005 customer service O&M of \$12,584.
Total customer service	<u>\$1,718</u>	

Sales Expenses

\$18,576

Expenses of revenue enhancement programs recorded as contra revenue in account 456 in 2005.

Administrative & general

Storm expense	99,700	Higher annual accrual plus amount to replenish the depleted storm fund.
Non-retirement benefits	12,250	Increase in medical, dental and life insurance.
Budget adjustment	12,034	2005 credit budget adjustment not assigned to any function.
Pension	7,400	Increase in pension costs.
Property insurance	1,987	Estimated 3% increase in premiums.
All other	1,664	Represents a 0.5% increase: \$1,664 divided by 2005 A&G of \$325,667.
Total A&G	<u>\$135,035</u>	

Docket Nos. 050045-EI, 050188-EI
Solomon L. Stamm, Exhibit No. _____
Document No. SLS-10
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**Explanation of Increase
Steam**

Plant maintenance

Condition based maintenance needed to maintain plant reliability.

Scherer and SJRPP

\$7,594

Boiler maintenance: Precipitator-gas inlet duct, air/gas flow system fan, pulverizer-mill inlet feed gate, coal conveyor and crusher, waterwall/superheat/reheat tubes.
 Generator maintenance: Generator-all components in enclosure, exciter coupling, hydrogen seal oil skid, main buss connection, stator oil cooling water skid, instrument & control field measuring system.
 Turbine maintenance: High pressure main stop valves, low pressure inlet to extractions, hydraulic controls/supply, lube oil return and supply, steam seals and valves, turning gear, instrument and controls system.
 Condensate system maintenance: Hotwell and expansion joints, condensate pump inlet isolation valve, inlet polisher, deaerator, and instrument and controls system.
 Feedwater system maintenance: Boiler feed pump suction valve, inlet heater extraction isolation valve, outlet deaerator storage tank, instruments and controls system.

Port Everglades site

5,103

Boiler maintenance: Wash & clean, air preheater seals replace, forced draft fans, air/gas duct & soot hopper inspection, main expansion joints replace, water wall & super heat tube inspection, steam safety valve repair, furnace floor slag removal, burner swirlers replace, stack repairs, boiler condition assessment, burner management system.
 Steam turbine maintenance: High & low pressure components, front standard, main steam stop & reheat stop & control valves, lube oil pumps, steam path audit, instrument and controls.
 Circulating water system maintenance: Water box coating, expansion joint replacement, traveling screen foot section, intake well structural repair.
 Feed water system maintenance: Boiler feed pump overhaul, boiler feed pump stop valves, instrument and control system.

Sanford site

3,600

Boiler maintenance: Boiler condition assessment, boiler chemical cleaning, secondary superheat section replacement, high pressure piping/hanger inspection.
 Turbine maintenance: High/Immediate/Low pressure overhaul, throttle & stop & intercept valves, turning gear, lube oil pumps, instrument and controls system.
 Condensate system maintenance: Condensate pump overhaul.
 Feed water system maintenance: Heater drain pump overhaul, feed water bypass valve repair.
 Circulating water system maintenance: Circulating water pump overhaul, condenser tube cleaning, circulating water piping expansion joint replace.

**Explanation of Increase
Steam**

Plant maintenance

Condition based maintenance needed to maintain plant reliability.

Riviera site	766	Boiler maintenance: Chemical clean, steam safety valve replacement, main expansion joint replacement, stack repairs, high energy piping/hanger replacement, convection superheat tube partial tube replacement. Steam turbine maintenance: Low pressure turbine vertical and horizontal bolting replacement. Circulating water system maintenance: Circulating water pump overhaul, traveling screen head section repair, intake wells clean.
Cutler site	654	Circulating water system maintenance: Circulating water pump overhaul, traveling screen head section repair, intake wells clean. Steam turbine maintenance: Governor & throttle valves overhaul. Feed water system maintenance: Boiler feed pump overhaul.
Manatee site	368	Boiler maintenance: Boiler wash, furnace floor slag remove, air preheater seals replace.
Central maintenance	695	Major maintenance labor service.
Cape Canaveral site	170	Boiler inspection.
Martin site	(1,209)	Reduction in overhaul expense as a result of performing steam turbine and generator maintenance in 2005 while only performing boiler inspection 2006.
Turkey Point site	(1,968)	Reduction in overhaul expense as a result of performing steam turbine and generator maintenance in 2005 while only performing boiler inspection 2006.
Lauderdale site	(2,528)	Reduction in overhaul expense as a result of performing steam turbine and generator maintenance in 2005 while only performing boiler inspection 2006.
Technical support	301	Condition based maintenance technical service for multiple sites.
Total plant maintenance	<u>\$13,546</u>	
All other	210	Represents a 0.2% increase: \$210 divided by 2005 steam O&M of \$122,670.
Total steam	<u><u>\$13,756</u></u>	

Other Production

Plant maintenance

Condition based maintenance needed to maintain plant reliability.

Martin site	\$3,513	Combustor turbine maintenance: 3A, 4B, 8A, 8B, 8C, 8D combustor inspection. 3B, 4A hot gas path inspection.
Fort Myers site	2,888	Combustor turbine maintenance: 2A, 2B, 2C, 2D, 2E, 2F combustor inspection. 3A hot gas path inspection. GT12 major inspection.
Sanford Site	1,265	Combustor turbine maintenance: 5B combustor inspection. 4A, 4B, 4C, 4D hot gas path inspection.
Port Everglades site	612	Multiple gas turbine major maintenance.
Lauderdale site	458	Combustor turbine maintenance: Hot gas path inspection.
Central maintenance	751	Major maintenance labor service.
Manatee site	(27)	Levelized work between 2005 and 2006.
Putnam site	(698)	Reduction in overhaul expense as a result of performing combustion turbine major and hot gas path inspections in 2005 while only performing combustion turbine combustor inspections 2006.
Technical support	129	Condition based maintenance technical service for multiple sites.
Total plant maintenance	<u>\$8,891</u>	
All other	1,304	Represents a 3.0% increase: \$1,304 divided by 2005 other production O&M of \$43,702
Total other production	<u><u>\$10,195</u></u>	

Increase in O&M Expense, Adjusted

	<u>2005</u>	<u>2006</u>	<u>Increase</u>	<u>Percentage Increase</u>
O&M Expense Per MFR C-36	\$1,205,746	\$1,516,179	\$310,433	25.7%
Less: Adjustments				
Increase in storm accrual		99,700		
RTO costs		59,000		
Expenses of revenue enhancement programs		18,576		
Adjusted O&M Expense	<u>\$1,205,746</u>	<u>\$1,338,903</u>	\$133,157	11.0%

Plant and Accumulated Depreciation

<u>Plant In Service</u>					<u>Accumulated Provision for Depreciation & Amortization</u>				
	<u>Projected</u>	<u>Actual</u>	<u>Actual Versus Projected</u>	<u>Percent Variance</u>		<u>Projected</u>	<u>Actual</u>	<u>Actual Versus Projected</u>	<u>Percent Variance</u>
Sep-04	21,612,918	21,567,464	(45,454)	-0.21%	Sep-04	11,187,077	11,179,054	(8,023)	-0.07%
Oct-04	21,671,319	21,619,595	(51,724)	-0.24%	Oct-04	11,243,285	11,231,009	(12,276)	-0.11%
Nov-04	21,783,916	21,664,701	(119,215)	-0.55%	Nov-04	11,299,198	11,268,891	(30,307)	-0.27%
Dec-04	21,870,236	21,795,845	(74,391)	-0.34%	Dec-04	11,352,672	11,277,821	(74,851)	-0.66%
Jan-05	21,936,490	21,800,544	(135,946)	-0.62%	Jan-05	11,406,744	11,263,505	(143,239)	-1.26%
Feb-05	21,997,828	21,858,812	(139,016)	-0.63%	Feb-05	11,461,057	11,294,849	(166,208)	-1.45%
Mar-05	22,060,773	21,932,193	(128,580)	-0.58%	Mar-05	11,515,613	11,361,877	(153,736)	-1.34%
4 month average Dec - Mar				-0.54%	4 month average Dec - Mar				-1.18%
4 month average Sep - Dec				-0.33%	4 month average Sep - Dec				-0.28%
4 month average Oct - Jan				-0.44%	4 month average Oct - Jan				-0.57%
4 month average Nov - Feb				-0.53%	4 month average Nov - Feb				-0.91%
7 month average Sep - Mar				-0.45%	7 month average Sep - Mar				-0.74%

**Martin Unit 8 and Manatee Unit 3
Plant In Service Balances**

\$Millions	(1) PSC Approved Amount	(2) FPL Management Budget	(3) Projected MFR B-11	(4) Current Projection *	MFR B-11 versus Approved Amount	MFR B-11 versus Management Budget	Current Projection versus MFR B-11	Current Projection versus Management Budget
Martin 8	\$462.7	\$424.3	\$403.6	\$395.6	(\$59.1)	(\$20.7)	(\$8.0)	(\$28.7)
Manatee 3	\$552.8	\$507.0	\$483.2	\$482.6	(\$69.6)	(\$23.8)	(\$0.6)	(\$24.4)
Total	\$1,015.5	\$931.3	\$886.8	\$878.2	(\$128.7)	(\$44.5)	(\$8.6)	(\$53.1)
Percent variance							-0.97%	

- (1) Original approved in-service cost including transmission interconnection and AFUDC.
- (2) FPL management budget.
- (3) Amount included in rate case forecast.
- (4) Current projection as of 6/30/05.

**Budget Contingency
(\$thousands)**

	<u>Budget 2002</u>	<u>Budget 2003</u>	<u>Budget 2004</u>	<u>Budget 2005</u>	<u>Forecast 2006</u>	<u>Average 2002-2005</u>
Contingency (Executive department)	\$2,050	\$2,000	\$1,910	\$950	\$1,700	\$1,728
2006 O&M expense as per MFR C-36					\$1,516,179	
Contingency as percent of O&M expense					0.1%	

ASSUMPTIONS

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. As a minimum, state assumptions used for balance sheet, income statement and sales forecast.

Type of Data Shown:

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

X Projected Year Ended 12/31/07 FPL Total

DOCKET NO. 050045-EI

Witness: Leonardo E. Green, K. Michael Davis, Solomon L. Stamm

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1	I. SALES, CUSTOMERS, NET ENERGY FOR LOAD									
2	GENERAL ASSUMPTIONS									
3								2007		
4	A. Population of FPL Service Territory							8,721,735		
5	B. Florida Non-Agricultural Employment (000's)							7,994		
6										
7	C. Florida Total Real Personal Income (Billions of Dollars)							575		
8										
9	D. FPL Service Territory Cooling Degree Days							1,647		
10										
11	E. FPL Service Territory Heating Degree Days							314		
12										
13	F. FPL Service Territory Minimum Temperature (Fahrenheit)							36		
14										
15	G. FPL Service Territory Maximum Temperature (Fahrenheit)							92		
16										
17	H. 2007 Sales by Revenue Class - Most likely (In Million KWH)									
18										
19	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Street & Highway</u>	<u>Other Authority</u>	<u>Railway</u>	<u>Total Retail</u>	<u>Sales For Resale</u>	<u>Total</u> ¹	
20										
21	59,969	45,326	3,957	431	63	106	109,852	1,558	111,410	
22										
23	I. 2007 Customers by Revenue Class									
24										
25	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Street & Highway</u>	<u>Other Authority</u>	<u>Railway</u>	<u>Total Retail</u>	<u>Sales For Resale</u>	<u>Total</u> ¹	
26										
27	3,945,994	486,673	16,169	2,860	234	23	4,451,953	4	4,451,957	
28										
29	J. 2007 Net Change in Customers by Revenue Class									
30										
31	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Street & Highway</u>	<u>Other Authority</u>	<u>Railway</u>	<u>Total Retail</u>	<u>Sales For Resale</u>	<u>Total</u> ²	
32										
33	70,833	9,189	-70	49	0	0	80,001	0	80,001	
34										
35	¹ Totals may not add-up due to rounding.									
36	² Average customers - sum of the projected customers for each month divided by twelve.									
37										

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X Projected Year Ended 12/31/07 FPL Total

DOCKET NO. 050045-EI

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Line No.	(1)	(2)
1	I. K. Most Likely Forecast of Monthly Net Energy for Load (Million KWH)	
2		<u>2007</u>
3	January	8,819
4	February	8,158
5	March	8,849
6	April	9,199
7	May	10,115
8	June	11,099
9	July	11,546
10	August	11,729
11	September	11,419
12	October	10,257
13	November	9,234
14	December	<u>9,053</u>
15		119,477
16		
17	L. Most Likely Forecast of System Monthly Peaks (Megawatts)	
18		<u>2007</u>
19	January	21,898
20	February	18,052
21	March	17,032
22	April	18,123
23	May	20,105
24	June	20,924
25	July	21,325
26	August	21,769
27	September	21,131
28	October	19,661
29	November	18,534
30	December	18,921
31		
32	II. INFLATION RATE FORECAST	
33	Most Likely Annual	
34	Rates of Change	
35	<u>2007</u>	
36	A.	1.93% Consumer Price Index (CPI)
37		The CPI Measures the price change of a constant market basket of goods and services over time.
38		For company purposes it is a useful escalator for determining trends in wage contracts and income payments, excluding construction work (see E above).
39		
40		
41	B.	2.03% GDP Deflator
42		The GDP deflator is the broadest of all categories and captures price trends for the four major macro-economic sectors in the nation, which are: the household sector, the business sector, the government sector and the foreign sector. The GDP deflator tends to be more stable than the other indices and is used where very broad price trends are needed.
43		
44		
45		
46		
47	C.	1.61% Producer Price Index
48		(PPI): Materials & Supplies
49		The PPI for all goods (formerly the Wholesale Price Index) is a comprehensive measure of the average changes in price received in primary markets by producers of commodities in all stages of processing. This index represents price movements in the manufacturing, agriculture, forestry, fishing, mining, gas and electricity, and public utilities sector of the economy.
50		
51		
52		

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ASSUMPTIONS

FLORIDA PUBLIC SERVICE COMMISSION

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AND SUBSIDIARIES

Projected Year Ended 12/31/07 FPL Total

DOCKET NO. 050045-EI

Witness: Leonardo E. Green, K. Michael Davis,
Solomon L. Stamm

Line No.	(1)	(2)	(3)
1	II. D. Producer Price Index		1.02%
2	(PPI) Finished Producer Goods		
3	4 PPI for Capital Goods reflects changes in the prices of capital equipment such as motor trucks,		
4	furniture, generators, hand tools, fans and blowers, machine tools, and construction equipment.		
5			
6	II. E. Compensation Per Hour (Non-FPL)		4.35%
7	Index: All workers, including pension and benefits		
8	5 The average Hourly Earnings Index for construction workers reflects percent wage changes in		
9	hourly earnings for construction workers.		
10	III. FINANCING AND INTEREST RATE ASSUMPTIONS		
11			
12	<u>General Assumptions</u>		
13	A. Target Capitalization Ratios		
14	During the projected test year, Florida Power & Light Company's		
15	capitalization is projected to be as follows: equity approximately 55%,		
16	and debt approximately 45%, adjusted for off-balance sheet obligations.		
17	B. Preferred Stock Premium and Underwriting Discount		
18	It is assumed that no preferred stock will be issued.		
19	C. First Mortgage Bond Prices and Underwriting Discount		
20	It is assumed that first mortgage bonds will be issued to the public		
21	at par with an underwriting commission of .875%.		
22			
23			
24			
25	<u>Interest Rate Assumptions</u>		
26		2007	
27	D. Long Term Debt	7.40%	
28			
29	Short Term Debt	Although the company maintains several lines of credit, the company forecasts them at zero.	
30			
31	E. Pollution Control Bonds	4.1%	
32			
33	F. Preferred Stock	All outstanding preferred stock will be reduced to zero as of 12/31/2005.	
34			
35	G. 30-Day Commercial Paper	4.5%	

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Projected Year Ended 12/31/07 FPL Total

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Solomon L. Stamm

Line No.	(1)	(2)	(3)
1	IV. IN SERVICE DATES OF MAJOR PROJECTS		
2			
3	A.		
4	BUDGET		
5	ITEM #	PROJECT DESCRIPTION	IN SERVICE DATE *
6			
7		Nuclear Generation Projects	
8	278	Turkey Point Common Cask Crane Project	12/2006
9	346	St. Lucie Common Spent Fuel Cask Pit Rack Project	12/2006
10	278	Turkey Point Common Boraflex Remedy Project	12/2007
11	278	Turkey Point Common Independent Spent Fuel Storage Facility Project	12/2007
12	661	St. Lucie Unit 2 Steam Generator Replacement Project	12/2007
13	683	St. Lucie Unit 2 Reactor Head Replacement Project	12/2007
14	346	St. Lucie Common Independent Spent Fuel Storage Facility Project	01/2008
15	346	St. Lucie Unit 2 Spent Fuel Pit Rerack Project	12/2008
16			
17		Fossil Generation Projects	
18	610	Manatee Unit 2 Reburn Project	12/2008
19	749	Port Everglades Unit 3 Precipitator Project	04/2007
20	736	Turkey Point Unit 5 Project	06/2007
21	766	Corbett Site Development Project	12/2009
22			
23		Transmission Projects	
24	356	Malabar-Wabasso Line Project	12/2006
25	728	Overtown-Miami Beach 138/230kv Lines	05/2007
26	365	Indiantown-Riviera 230kv Line	06/2007
27	297	Osteen Injection Project	12/2007
28	256	Carslstrom-Orange River Line	06/2008
29	349	Hobe-Sandpiper #2 Transmission Line	06/2008
30	291	Bunnell-St.Johns 230kv Line	12/2008
31	268	Sweatt Area Project	06/2009
32			
33		* Projects which have a foreseeable monetary impact in fiscal year 2007.	
34			

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FLORIDA PUBLIC SERVICE COMMISSION

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Solomon L. Stamm

Line No.	(1)	(2)	(3)
1	V. MAJOR GENERATING UNIT OUTAGE ASSUMPTIONS		
2			
3	A. Nuclear Maintenance Schedules (including outage period and reason)		
4			
5		2007	2007
6	Unit	Outage Period	Outage Description
7	St Lucie 1	04/02/07-4/26/07	Refueling Outage
8	Turkey Point 3	09/15/07-10/09/07	Refueling Outage
9	St Lucie 2	10/15/07-12/28/07	Refueling & Reactor Head replacement
10			
11	B. Fossil Units Outage Schedule (including outage period and reason)		
12			
13		2007	2007
14	Unit	Outage Period	Outage Description
15	Manatee 3	02/03/07 - 02/08/07	COMB INSP
16	Manatee 3	02/10/07 - 02/15/07	COMB INSP
17	Manatee 3	02/17/07 - 02/22/07	COMB INSP
18	Saint Johns River Power Park 1	02/24/07 - 03/20/07	SCR TIE IN/BOILER/BFPT/FGD
19	Manatee 3	02/24/07 - 03/01/07	COMB INSP
20	Cape Canaveral 1	03/03/07 - 03/26/07	BOILER
21	Lauderdale 4	03/03/07 - 04/14/07	HP/IP/REPL IP BLADING/CURTIS STAGE ROW 2 BLADES/ A CI / B HGP
22	Port Everglades 3	03/10/07 - 05/13/07	EPS / HP / IP / LP / GSR / TURB VLVS / WW TUBES
23	Turkey Point 2	03/17/07 - 05/27/07	GSR / MAJOR BOILER
24	Riviera 3	03/17/07 - 04/08/07	BOILER
25	Sanford 5	03/24/07 - 03/29/07	C CT COMBUSTOR INSPECTION
26	Putnam 2	04/16/07 - 04/27/07	GT1 HOT PATH/HRSR
27	Putnam 2	04/16/07 - 05/20/07	GT2 MAJOR/EXCITER REPLACEMENT
28	Port Everglades 2	04/22/07 - 05/07/07	MINOR BOILER
29	Port Everglades 1	05/13/07 - 05/28/07	MINOR BOILER
30	Fort Myers 3	05/18/07 - 05/30/07	HGP
31	Martin 3	09/15/07 - 09/26/07	HOT GAS PATH
32	Sanford 4	09/29/07 - 10/04/07	A CT COMBUSTOR INSPECTION
33	Cape Canaveral 2	10/03/07 - 10/26/07	BOILER
34	Fort Myers 2	10/06/07 - 10/29/07	CT MAJOR
35	Sanford 4	10/06/07 - 10/11/07	B CT COMBUSTOR INSPECTION
36	Cutter 5	10/06/07 - 11/04/07	MINOR BOILER
37	Cutter 6	10/06/07 - 11/04/07	MINOR BOILER
38	Sanford 4	10/13/07 - 10/18/07	C CT COMBUSTOR INSPECTION
39	Manatee 1	10/20/07 - 11/09/07	BOILER
40	Sanford 4	10/20/07 - 10/25/07	D CT COMBUSTOR INSPECTION
41	Martin 8	10/20/07 - 11/12/07	CT MAJOR
42	Martin 1	10/27/07 - 11/18/07	MINOR BOILER
43	Fort Myers 2	11/03/07 - 11/26/07	CT MAJOR
44	Putnam 1	11/05/07 - 12/10/07	1GT1 MAJOR
45	Putnam 2	11/05/07 - 12/03/07	2 STM TURB GEN EXCITER REPL/TURB X-JOINT/COND RETUBE
46	Martin 8	11/17/07 - 12/10/07	CT MAJOR
47	Lauderdale 5	12/01/07 - 12/13/07	A COMB INSP / B HGP
48	Fort Myers 2	12/03/07 - 12/26/07	CT MAJOR

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ASSUMPTIONS

FLORIDA PUBLIC SERVICE COMMISSION

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Projected Year Ended 12/31/07 FPL Total

DOCKET NO. 050045-EI

Witness: Leonardo E. Green, K. Michael Davis, Solomon L. Stamm

Line No.	(1)	(2)	(3)	(4)
1	VI. INTERCHANGE AND PURCHASED POWER ASSUMPTIONS			
2				
3	A. Contractual Commitments for Scheduled Interchange/Purchased Power			
4				
5	1 Unit Power Purchase (UPS) - Southern Companies			
6	a. Capacity (MW) based on 2005 Net Dependable Capacity Unit Ratings:			
7	2007	930		
8				
9				
10	b. Minimum (MW) scheduling requirements			
11	2007	378		
12				
13				
14	c. Capacity and energy costs based on Southern's estimate, subject to true up and audit.			
15				
16	d. Energy costs recovered through Fuel Cost Recovery Clause (FCRC) and capacity costs recovered through Capacity Cost Recovery Clause (CCRC).			
17				
18				
19	2 Unit Power Purchase - St Johns River Power Park			
20	a. 30% of rated net capacity of each unit is considered purchased power.			
21	b. All energy scheduled by FPL in excess of 20% (FPL owned generation) is considered purchased energy.			
22	c. Capacity costs are recovered through CCRC and base rates. Energy costs are recovered through FCRC.			
23				
24				
25				
26	3 Power Sold and Economy Energy Purchases (Schedule "OS")			
27	a. Schedule OS sales are based upon projected market prices and expected available generation relative to FPL's projected incremental cost of sale (generation and transmission).			
28	b. Schedule OS purchases based upon FPL's projected incremental generation cost relative to projected market prices plus incremental costs and transmission.			
29	c. Energy & transmission costs of OS purchases recovered through the FCRC. For OS sales, FCRC credited for incremental generation cost, CCRC credited for FPL transmission incurred to make sale, Base credited for incremental costs of running gas turbines, if applicable, and FCRC credited for gain on sale.			
30				
31				
32				
33				
34				
35				
36				
37	4 Interchange related to St Lucie Unit 2 Reliability Exchange agreement			
38	a. Based on PMONTH projection for PSL 1 and PSL 2 output as applied to the contract formula.			
39				
40	5 Schedule of New and Expiring Interchange/Purchase Power Contracts for the period.			
41	a. Florida Crushed Stone 136 MW, expiring October 31, 2005.			
42	b. Bioenergy 10 MW, expiring January 1, 2005.			
43				
44	6 Purchased Power from Qualifying Facilities:			
45	a. Firm	Capacity (MW)		Energy (MWH)
46		2007	738	5,769,943
47				
48	b. As Available			
49		2007		322,392
50				

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Line No.	(1)	(2)	(3)
1	VI.	7	Schedule of Sales and Purchased Power Contracts for the Period (contracts impact 2007)
2		a. Sales:	NONE.
3		b. Purchases:	Oleander Power Project, LP dated April 30, 2001 (6/02 to 5/07)
4			Reliant Energy Services dated June 15, 2001 (3/02 to 2/07)
5			Desoto County Generating Company, LLC dated August 6, 2001 (6/02 to 5/07)
6			Reliant Energy Services dated December 8, 2004 (1/06 to 12/09)
7			
8	VII.		FUEL ASSUMPTIONS
9			
10	A.		Fuel Related Assumptions
11		1	Fossil Fuel
12			The current real and nominal fuel price forecast for light and heavy fuel oil, natural gas, coal,
13			and petroleum coke, and the projection for the availability of natural gas to the FPL system
14			for 2005, 2006 and 2007 were issued on June 9, 2004 and were based on current and projected
15			market conditions, and existing supply and transportation contracts. This forecast was
16			used as input into the PMONTH production costing model for development of forecasted information.
17			
18		2	Nuclear Fuel
19			The Nuclear Fuel Forecast model was used to project fuel costs. The 2007 Fuel Cost Projections used in
20			the impending rate case filing are consistent with the Approved Operating Schedule dated October 27, 2004.
21			
22	VIII.		OPERATIONS AND MAINTENANCE AND CAPITAL EXPENDITURES FORECAST ASSUMPTIONS
23	A.		INFLATION RATE FORECAST
24			
25			See Section II. Inflation Rate Forecast
26			
27	B.		PAY PROGRAMS
28		1	Merit Pay Program Increases
29			3.5 % - 4% depending on pay classifications.
30		2	Performance Excellence Rewards Program (PERP) Incentive.
31			Exempt employees only are eligible. Payout calculation is determined by Corporate performance,
32			Business Unit performance and individual performance.
33			
34	IX.		OTHER ASSUMPTIONS
35	A.		Amount of CWIP and NFIP In Rate Base - FPSC
36			CWIP: All Construction Work In Progress (CWIP) which does not meet the criteria for the accrual
37			of Allowance for Funds Used During Construction (AFUDC) are included in CWIP for rate base
38			in accordance with Rule 25-6.0141.
39			NFIP: No Nuclear Fuel In Process.
40			
41	B.		Amount of CWIP and NFIP in Rate Base - FERC
42		1	CWIP: None.
43		2	NFIP: None.
44			
45	C.		AFUDC RATES FOR CAPITAL EXPENDITURES (FPSC & FERC)
46			FPL's current AFUDC rate is 7.29% as approved by the Florida Public Service Commission in
47			Order No PSC-04-0416-PAA-EI, in Docket No. 040180-EI issued on April 22, 2004.
48			
49	D.		AFUDC DEBT/EQUITY SPLIT - FPSC AND FERC
50			FPSC Ratio FERC Ratio
51		1	Debt % 21.26% 22.91%
52		2	Equity % 78.74% 77.09%

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ASSUMPTIONS

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. As a minimum, state assumptions used for balance sheet, income statement and sales forecast.

Type of Data Shown:

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

Projected Year Ended 12/31/07 FPL Total

DOCKET NO. 050045-EI

Witness: Leonardo E. Green, K. Michael Davis,
Solomon L. Stamm

Line No.	(1)	(2)	(3)
1	IX E. DEPRECIATION RATES		
2	1 For the Year 2007, the composite depreciation rates were developed based on the depreciation study		
3	filed in early 2005. The depreciation study used plant and reserve balances as of September 30, 2004 and		
4	adjusted the plant balance and reserve balances to December 31, 2005, based on forecasted additions, retirements and		
5	estimated depreciation.		
6			
7	2 For projection purposes, composite rates are developed to calculate depreciation expense.		
8	3 The following composite rates were calculated based on September, 2004 plant balances:		
9	a. For steam, nuclear and other production, the composite rate is at the site level.		
10	b. For transmission plant, the composite rate is at the function level.		
11	c. For distribution plant, the composite rate is calculated at the plant account level.		
12	d. For general plant, the composite rate is calculated for Account 390, structures; Account 392, transportation		
13	and all other general plant accounts.		
14	e. For intangible plant, the rate is calculated at the composite level.		
15	4 The Company has filed the current Depreciation Study as required in Order No. PSC-02-1103-PAA-EI, Docket		
16	No. 020332-EI, issued on August 12, 2002. The Commission required FPL to file a depreciation study by October 31, 2005,		
17	with rates effective January 1, 2006.		
18	5 The Company is accruing \$18,874,395 annually for the Dismantlement of Fossil-Fueled Generating Stations. The current amount was		
19	approved by the Commission in Order No. PSC-04-0088-PAA-EI in Docket No. 030558-EI issued on January 27, 2004.		
20			
21	F. RESERVE FUND REQUIREMENT AT TIME OF EXPENDITURE		
22	1 Decommissioning		
23	a. Nuclear Decommissioning Reserve accruals are based on amounts last authorized by		
24	Order No. PSC-02-0055-PAA-EI issued in Docket No. 981246-EI which resulted in monthly accruals of		
25	\$6,543,602 (annual \$78,523,219) effective May 1, 2002.		
26	b. No change in the level of accrual was forecasted for the year 2007. Any change in the		
27	authorized accrual approved by the Commission prior to the conclusion of the rate filing		
28	will need to be reflected in the test year cost of service.		
29	2 Storm and Property Damage Reserve		
30	The annual storm damage accrual in the filing has been increased to \$120 million beginning in 2006 to both replenish the reserve and reflect increased annual storm expense.		
31			
32	G. Total Line Losses	<u>2007</u>	
33		6.49%	of Net Energy for Load
34			
35	H. Company Usage	<u>2007</u>	
36		0.13%	of Net Energy for Load
37			
38	I.	35% FEDERAL INCOME TAX RATE (REGULAR)	
39			
40	J.	5.5% STATE INCOME TAX RATE	
41			
42	K.	0.00072 REGULATORY ASSESSMENT FEE RATE (FPSC)	
43		Per Rule 25.0131, "Investor Owned Electric Company Regulatory Assessment Fee" in the Florida Administrative Code.	
44			
45	L.	2.50% GROSS RECEIPTS TAX RATE	
46		1.5% of the rate is included in base rates,	
47		1.0% is provided as a pass through to customers as provided in Florida Statute Chapter 203.	
48			

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ASSUMPTIONS

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: For a projected test year, provide a schedule of assumptions used in developing projected or estimated data. As a minimum, state assumptions used for balance sheet, income statement and sales forecast.

Type of Data Shown:

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

X Projected Year Ended 12/31/07 FPL Total

DOCKET NO. 050045-EI

Witness: Leonardo E. Green, K. Michael Davis,
Solomon L. Stamm

Line No.	(1)	(2)
1	IX M.	4.49% FRANCHISE FEE RATE
2		Percentage represents composite rate.
3		
4	N.	PRIOR YEAR
5		Year 2005 Forecast
6		
7	O.	TEST YEAR
8		Year 2006 Forecast
9		
10	P.	HISTORICAL YEAR
11		Year 2004
12		
13	Q.	LAST MONTH OF HISTORICAL DATA
14		August 2004
15		
16	R.	LAST YEAR FORECASTED
17		Year 2007
18		
19	S.	MILLAGE RATE FOR PROPERTY TAXES
20		2.048% is the overall millage rate used for the year ended 12/31/2007
21		
22	T.	STATUTORY SALES TAX RATE
23		6.0% is the statutory sales tax rate. This may be coupled with a sur-tax that is levied by the County from 1/2% up to 1 1/2%.
24		6.12% is the blended forecasted rate, based on 2003 actual payments.
25		
26	U.	FEDERAL AND STATE UNEMPLOYMENT TAX RATES
27		8.0% FUTA on the first \$7,000 of wage base per employee
28		26.0% SUTA on the first \$7,000 of wage base per employee
29		
30	V.	FICA TAX RATES
31		6.2% Social Security Tax on \$87,900 wage base for 2004 and on \$90,000 wage base for 2005, 2006, 2007.
32		1.5% Medicare tax on total compensation.

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