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Charles J. Beck
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July 28, 2005

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

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

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 15 copies of Citizens' Prehearing Statement. A diskette in Word format is also submitted.

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

Sincerely,

Charles J Beck

Charles J. Beck
Deputy Public Counsel

CJB:bsr

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company.	)	Docket No. 050045-EI
In re: 2005 comprehensive depreciation study by Florida Power & Light Company.	)	Docket No. 050188-EI Dated: July 28, 2005

CITIZENS' PREHEARING STATEMENT

Pursuant to order no. PSC-05-0347-PCO-EI issued March 31, 2005 and order no. PSC-05-0518-PCO-EI issued May 11, 2005, the Citizens of Florida (Citizens or OPC), by and through Harold McLean, Public Counsel, file this prehearing statement.

Witnesses

Citizens prefiled testimony by the following witnesses:

(1) Donna DeRonne, C.P.A. Ms. DeRonne's testimony supports accounting adjustments to FPL's financial statements and provides an overall financial summary of the adjustments supported by other witnesses appearing for OPC, calculating the overall revenue requirement recommended by OPC in this case.

(2) David E. Dismukes, Ph.D. Dr. Dismukes' testimony addresses issues associated with the proposed load forecast prepared by FPL for use in this proceeding, and the Company's proposed test year operation and maintenance (O&M) expenditures.

(3) Kimberly H. Dismukes. Ms. Dismukes' testimony addresses affiliate transactions between FPL and its affiliates, focusing on the costs allocated to FPL from its affiliates and on costs allocated from FPL to its affiliates. Ms. Dismukes also discusses other adjustments that she recommends concerning transactions between FPL and its affiliates. Second, she discusses other revenue requirement adjustments she is recommending related to advertising expenses and charitable contributions.

(4) Hugh Larkin, Jr. Mr. Larkin's testimony addresses a number of policy issues and adjustments to rate base.

(5) Michael J. Majoros, Jr. Mr. Majoros' testimony addresses the depreciation rates proposed by FPL and proposes treatment of FPL's depreciation surplus in a manner which consistent with the way FPL and the Commission address depreciation deficits.

(6) Patricia W. Merchant, C.P.A. Ms. Merchant provides testimony concerning the proper amount of annual storm damage accrual to be included in base rates and also provides testimony opposing the inclusion of GridFlorida Regional Transmission Organization (RTO) costs included in FPL's test year operating income.

(7) Helmuth W. Schultz, III Mr. Schultz's testimony discusses the compensation and benefit cost included in Florida Power & Light Company's rate request.

(8) J. Randall Woolridge Mr. Woolridge's testimony evaluates FPL's rate of return testimony in this proceeding and provides an opinion as to the overall fair rate of return or cost of capital for Florida Power and Light Company.

Prefiled Exhibits

Witnesses for Citizens prefiled the following exhibits:

Donna DeRonne, C.P.A.

DD-1	Schedules of Donna DeRonne
Schedule A	Revenue Requirement
Schedule A-1	Net Operating Income Multiplier
Schedule B	Adjusted Rate Base
Schedule C-1	Adjusted Net Operating Income
Schedule C-2	Rate Case Expense
Schedule C-3	Uncollectible Expense
Schedule C-4	Nuclear Passport Replacement Amortization
Schedule C-5	Directors & Officers Liability Insurance Expense
Schedule C-6	Remove Automated Meter Reading Costs
Schedule C-7	Distribution Vegetation Management Expense
Schedule C-8	Amortizations of Projected Gain on Disposition
Schedule C-9	Revision to Proposed Depreciation Rates
Schedule C-10	Impact of Adjustments to PIS on Depreciation
Schedule C-11	Income Tax Expense

Schedule C-12	Interest Synchronization Adjustment
Schedule D	Cost of Capital

David E. Dismukes, Ph.D.

DED-1	Proposed Forecast: NEL per Customer, Number of Customers, Sales
DED-2	FPL Short-Term: Forecast Customer Model (Page 1 of 3) Net Energy for Load Model (Page 2 of 3) Total Sales by Customer Class (Page 3 of 3)
DED-3	Comparison of Customer Growth Forecasts and Out of Model Adjustments in Last Rate Case
DED-4	Revised Industrial Customer Model
DED-5	Historic Non-Fuel O&M Expense per kWh (1994-2003)
DED-6	Forecast Non-Fuel O&M Expense per kWh (2004-2007)
DED-7	Forecast Administrative and General O&M Expense per kWh (2004-2006)
DED-8	Forecast Non-Fuel Nuclear Production O&M Expense per kWh (2004-2006)
DED-9	Forecast Transmission O&M Expense per kWh (2004-2006)
DED-10	Forecast Non-Fuel Steam and Other Production O&M Expense per kWh (2004-2006)

Kimberly H. Dismukes

(KDH-1)	FPL Group, Inc. Summary Organizational Chart

(KDH-2)	Florida Power & Light Company Response to OPC Interrogatory 23 FPL Group Affiliates
(KDH-3)	Florida Power & Light Company FPL 2006 Massachusetts Formula
(KDH-4)	Florida Power & Light Company Affiliate Management Fee Trend
(KDH-5)	Florida Power & Light Company OPC Recommended Massachusetts Formula 2006 Affiliate Management Fee OPC Recommended Calculations
(KDH-6)	Florida Power & Light Company Affiliate Charges Integrated Supply Chain Service Fee Allocated to FPL Energy
(KDH-7)	Florida Power & Light Company Affiliate Charges Energy, Marketing and Trading Service Fee Allocated to FPL Energy
(KDH-8)	Florida Power & Light Company Affiliate Charges Integrated Supply Chain Service Fee Allocated to FPL Energy-Seabrook
(KDH-9)	Florida Power & Light Company Affiliate Charges Nuclear Service Fee Allocated to FPL Energy-Seabrook
(KDH-10)	Florida Power & Light Company Affiliate Charges Power Generation Service Fee Allocated to FPL Energy
(KDH-11)	Florida Power & Light Company Affiliate Charges FPL FiberNet Rate on Investment Charges to FPL
(KDH-12)	Florida Power & Light Company Affiliate Charges From FPL Energy Services to FPL

(KDH-13)	Florida Power & Light Company Affiliate Charges From FPL Group, Inc. to FPL
(KDH-14)	Florida Power & Light Company Affiliate Charges Affiliate Management Fee Allocated to FPL Group
(KDH-15)	Florida Power & Light Company Adjustment for FPL New England Division (NED)
(KDH-16)	Florida Power & Light Company Summary of OPC Recommended Adjustments

Hugh Larkin, Jr.

(HL-A)	Final Order in Docket No. 970410-EI
(HL-B-1)	(Page 1 of 7) Florida Power & Light Company Projected Test Year Ended December 31, 2006 Adjusted Rate Base (Thousands of Dollars)
	(Page 2 of 7) Florida Power & Light Company Projected test Year Ended December 31, 2006 Adjustments to Plant in Service (Thousands of Dollars)
	(Page 3 of 7) Florida Power & Light Company Projected Test Year Ended December 31, 2006 Adjustment to Accumulated Provision for Depreciation & Amortization (Thousands of Dollars)
	(Page 4, 5, 6 of 7) Florida Power & Light Company Property Held for Future Use April 2, 2005
	(Page 7 of 7) Florida Power & Light Company Working Capital Test Year Ended December 31, 2006

Michael J. Majoros, Jr.

(MJM-1)	Summary of Depreciation Study as Filed by Company
(MJM-2)	Book Reserve Adjusted Ford Reserve Surplus (Deficiency)
(MJM-3)	Rates and Accruals – Using FPL Parameters and Theoretical Reserves
(MJM-4)	Excessive Depreciation
(MJM-5)	Depreciation Concepts
(MJM-6)	Theoretical Reserve Using Snavely King Recommended Lives and NPV of Net Salvage
(MJM-7)	Snavely King Life Study Transmission, Distribution, and General Plant
(MJM-8)	Net Salvage Experience Ten-Year average – 1994-2003 and Five-Year Average – 199-2003
(MJM-9)	Net Present Value of FPL's Future Net Salvage Requests Using Snavely King Recommended Lives
(MJM-10)	Snavely King Recommended Rates and Accruals

Patricia W. Merchant, C.P.A.

(PWM-1)	Curriculum Vitae
(PWM-2)	Comparison of FPL's Average Historical Storm Costs
(PWM-3)	Adjustments to Expected Annual Losses to FPL's Storm Reserve

Helmuth W. Schultz, III

HWS-1	Base Pay Adjustment
HWS-2	Overtime Payroll Adjustment
HWS-3	Excess Incentive Compensation Payroll Adjustment
HWS-4	Long-Term Incentive Compensation Adjustment
HWS-5	Health Care Adjustment
HWS-6	Pension Credit Adjustment
HWS-7	Payroll Tax Adjustment
HWS-8	Compensation Summary

J. Randall Woolridge

(JRW-1)	Recommended Rate of Return
(JRW-2)	The Impact of the 2003 Tax Law on Required Returns
(JRW-3)	Summary Financial Statistics
(JRW-4)	FPL's Capital Structure Ratios and Debt Cost Rates
(JRW-5)	Public Utility Capital Cost Indicators
(JRW-6)	Industry Average Betas
(JRW-7)	DCF Study
(JRW-8)	CAPM Study
(JRW-9)	Rebuttal Exhibits
(JRW-10)	Historic Equity Risk Premium Evaluation

Citizens may use other exhibits during cross examination of the company's witnesses. Citizens will file a notice in accordance with the orders governing procedure identifying any documents Florida Power & Light Company claims to be confidential which Citizens may use during cross examination.

Statement of Basic Position

Agreements with FPL over the past six years have resulted in base rate reductions totaling $600 million per year for customers of FPL. Even with these base rate reductions, FPL has maintained high rates of return. It is now up to the Commission to determine new fair and reasonable rates for the customers of FPL. Analysis of the company's MFR's and responses to discovery requests show that the Commission should reduce FPL's rates by approximately $679 million per year in this proceeding.

This is so because in its case the company has understated revenues, overstated expenses and rate base, requested an unreasonably high return on equity (including a return on equity "bonus"), and failed to return its large depreciation surplus to customers over a reasonable length of time.

Test year revenues should be adjusted to reflect updated population projections. FPL's adjustment to reduce 2006 revenues on account of the 2004 hurricane season should be rejected as inconsistent with recent data and because similar adjustments have been wrong in the past. The Commission should also not allow FPL to change its treatment of gas margin revenues from sales of gas in its regulated service area. Such revenues should continue to benefit utility customers as they have in the past.

Expenses have been vastly overstated by FPL. Inclusion of $104 million in the 2006 test year for GridFlorida should be rejected because implementation of GridFlorida on January 1, 2006, is highly improbable and at odds with FPL's position that the costs of GridFlorida exceed its benefits. FPL's requested storm damage accrual is unnecessarily high and gives insufficient recognition to other methods of recovering extraordinary costs other than through base rates. FPL overallocates affiliate management fees to utility customers; adjustments should be made to use factors better reflecting relative benefit, and more up to date factors should be used to allocate costs to fast growing affiliates. FPL's projection for higher uncollectible expense should be rejected. No expenses related to image building should be allowed. Projected expenses peaking in the test year should be normalized. FPL's projected payroll expense which assumes all authorized position will be filled positions is unrealistic and inconsistent with past history. Payroll expense and other associated expenses should be reduced to reflect a normal level of unfilled positions. Further, incentive compensation should be split 50/50 between the company and customers, while long term incentive compensation designed to increase shareholder value should be paid by shareholders. Similarly, director and officer liability insurance, which has risen dramatically since settlement of a shareholder derivative suit, is a responsibility of stockholders. Charitable donations should also be a responsibility of stockholders; customers should not be required to make donations to charities selected by FPL through higher electric rates.

The Company's proposed rate of return is excessive due to an inflated long-term debt cost rate and an overstated equity cost rate. FPL's long-term debt cost rate of 5.89% includes four proforma financings at interest rates well above current market yields. The company's capital structure contains a common equity ratio which is higher than other operating electric utility companies and is much higher than the common equity ratios of publicly-held electric companies. FPL's requested return on equity of 11.8% is unreasonably high due to (1) an upwardly-biased expected growth rate in the company's DCF equity cost rate, (2) the use of forecasted interest rates that are well in excess of the current long-term market yields, (3) excessive risk premium estimates in his various risk premium approaches, and (4) the lack of a financial risk adjustment as well as an inappropriate flotation cost adjustment.

A PSC mandated bonus of approximately $50 million per year from the customers of FPL to FPL is unwarranted. Other Commissions generally do not give bonuses for past performance, and FPL has already been rewarded through incentive regulation in effect during past years. FPL also can not claim full credit for declining average cost per customer in the past. The plethora of clauses in effect in Florida protect the company from increased average cost. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past.

The Commission should require FPL to return its large depreciation surplus to customers over a more reasonable length of time than proposed by the company. In the past, and even in this case, FPL has requested action from the Commission to quickly recover depreciation reserve deficits. Intergenerational inequity has been cited by the company in support of such requests. The same logic and principles apply to past overrecoveries of depreciation expense, just as they do to past underrecoveries. Customers in the past have quickly funded depreciation reserve deficits, and depreciation reserve overrecoveries should likewise be flowed back quickly to customers.

Actual rate base amounts to date are considerably less than the amount projected by the company for the same time period; adjustments should be made to the rate base projected for 2006 to take into consideration actual experience. In a similar vein, projections for Manatee Unit 3 and Martin Unit 8 exceeded actual costs, and an adjustment should be made for this. Projected CWIP is not plant in use and serving customers; customers should not be required to pay a return on such plant as proposed by FPL. FPL's request for a return on $136 million of plant held for future use is unrealistic and is more than twice the actual amount experienced in recent years. The Commission correctly deducts from working capital overrecoveries from adjustment clauses and should not change its practice as requested by FPL.

The Commission should not approve FPL's request for an additional base rate increase in 2007 on a account of FPL's projected in-service date of the Turkey Point Unit 5. Ratemaking principles require an examination of all expenses, revenues, and rate base effects in setting rates. In effect, FPL's request asks the Commission to ignore all impacts except capital costs, operating expenses and tax impacts for Turkey Point Unit 5 using a fiscal year ending May 31, 2008. This ignores important offsetting impacts, including increased revenues reflecting strong customer growth and growing usage per customer. In addition to ignoring offsetting impacts, projections into 2007 and 2008 are far too uncertain for ratemaking.

Issues and Positions

TEST YEAR AND FORECASTING

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

Citizens' Position: The 2006 test year is reasonable only to the extent that appropriate adjustments are made to exclude extraordinary items and reflect normalized expense levels, appropriately reflect affiliate allocations, proper projections of revenues and billing determinants, the cost of capital, and other adjustments.

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

Citizens' Position: No. The Commission should use the updated population projections provided by the Demographic Estimating Conference released in March 2005 for modeling purposes to reflect more contemporaneous information. In addition, the Company's proposed price adjustment for its proposed storm damage surcharge should be removed in estimating the net energy for load (NEL) per customer. This adjustment has a short-term impact and is being recovered through the storm surcharge. Adjustments should also be made to utilize a different industrial sales model specification to generate empirical results that are more consistent with both economic theory and past sales trends. Specifically, the industrial customer model should be changed to reflect that the dependent variable (industrial customers) is a function of housing starts and that industrial customers lagged by one period. The total revenue impact of the recommended adjustments is an increase for 2006 of $38,550,538. The proposed forecasted customer, NEL/customer, and total NEL are as shown on Schedule DED-1. These adjustment totals include the impact of the hurricane adjustment addressed in Issue 3. (D. Dismukes).

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?

Citizens' Position: No. The Company's proposed "out-of-model" customer forecast adjustment associated with the 2004 hurricanes should be rejected for two reasons. The first is that even if the Company's adjustment is accepted as accurate, it is inappropriate to use a short-term negative growth trend for projecting normal test year customer growth that will be maintained over a longer period of time. Second, the Company's hurricane related adjustment has been based on subjective factors that do not have a very strong empirical foundation. The Company's last experience in making an out-of-model correction was not very accurate. (D. Dismukes).

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

Citizens' Position: The forecasts should be adjusted for updated population forecasts. In addition, the specification for the industrial customer model should be changed to one where the dependent variable (industrial customers) is a function of housing starts and industrial customers lagged by one period. (D. Dismukes).

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?

Citizens' Position: FPL may not be completing sufficient numbers of its specific pole inspections throughout its territory to identify the condition of deteriorated poles in a timely manner. (Vinson, Fisher).

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

Citizens' Position: Vegetation-related outages increased during the period 2000 through 2003. Though a reduction occurred last year, the number of vegetation-related outages remained above the 1999 outage level in 2004. (Vinson, Fisher).

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

Citizens' Position: Overall, the quality and reliability of electric service provided by FPL is adequate.

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?

Citizens' Position: Yes.

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

Citizens' Position: No, it has not correctly calculated net salvage ratios. The amount of net salvage included in FPL's request far exceeds actual experience because FPL's cost of removal factors have incorporated high levels of future inflation. The net present value of FPL's future net salvage estimates should be used. (Majoros).

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

Citizens' Position: FPL's March 17, 2005 depreciation study calculated a reserve surplus of approximately $1.6 billion after allocating the $329.75 million accrued unassigned discretionary balance. Citizens calculate the reserve surplus at $2.4 billion using corrected lives and net salvage ratios. (Majoros).

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

Citizens' Position: Consistent with the treatment of depreciation reserve deficits, the Commission should amortize the surplus. OPC recommends amortization over a ten year period if the Commission agrees with the major adjustments proposed by OPC. However, if the Commission does not adopt the major adjustments recommended by OPC and therefore allows rates materially higher than proposed by OPC, the

Commission should follow its past policy and amortize the surplus over a shorter period of time. (Majoros, Larkin).

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

Citizens' Position: OPC recommended depreciation rates are shown in exhibit MJM-10. These include specific changes to average service lives and survivor curves for accounts 350.2, 352, 357, 358, 359, 361, 366.6, 366.7, 369.7, and 397.8 described on pages 18-22 of the prefiled testimony of Michael J. Majoros, Jr., and use of net present value for net salvage. (Majoros).

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?

Citizens' Position: Yes.

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

Citizens' Position: January 1, 2006. (Majoros).

RATE BASE

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

Citizens' Position: Yes. Plant in service should be reduced to reflect the difference between actual plant compared to projected plant for October 2004 through the actual months available in 2005. This ratio should also be applied to the remaining balance of projected plant for 2005 and 2006. This results in a reduction to plant in service for the projected 2006 test year of $132,739,000 on a thirteen-month average basis. The jurisdictional amount is $131,636,000. (Larkin).

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

Citizens' Position: Yes. To the extent that budgeted costs exceed the actual construction costs, the projected plant should be reduced accordingly. The adjustment is shown at pages 38-39 of the prefiled testimony of Hugh Larkin, Jr. (Larkin).

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

Citizens' Position: Yes, the Commission should make the adjustments to rate base resulting from adjustments in the affiliate transaction issues. (K. Dismukes).

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

Citizens' Position: No position at this time.

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

Citizens' Position: No. The Company's projected test year does not include the actual or estimated impact of any storm related costs other than the storm accrual. As such, no costs associated with the storm docket should be included in rate base. (Merchant).

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?

Citizens' Position: No. The appropriate level of Plant in Service is $23,175,452 on a jurisdictional basis. This reflects a $221,274,000 system reduction and $219,341,000 reduction on a jurisdictional basis. (Larkin).

ISSUE 21: Should any adjustment 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?

Citizens' Position: Yes. Adjustments are appropriate to remove dismantlement cost for the Fort Myers Unit 3, Martin Unit 8, and Manatee Unit 3 as the plant lives of many of FPL's units have been extended and the dismantlement cost of these units has been over recovered in prior years. The reduction to the reserve for these costs is $433,000 on a jurisdictional basis. A corresponding reduction to depreciation expense of $866,000 ($852,000 jurisdictional) should be made. (Larkin).

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.

Citizens' Position: No. Accumulated depreciation should be reduced by $272,140,000 on a jurisdictional basis to reflect changes recommended by OPC witnesses Majoros, Larkin and DeRonne. The final amount is subject to the resolution of other issues.

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

Citizens' Position: No. CWIP is plant that has not been completed and it is neither used nor useful in generating, transmitting, or delivering current service to ratepayers. CWIP should be excluded from rate base until such time as the cost of the project is considered reasonable and until it is providing service to customers. Further, it does not appear that FPL's times interest earned (TIE) ratio of about 7.0 as of March 2005 will be detrimentally affected to the point where CWIP would need to be included in rates in order to maintain a coverage ratio required by FPL's bond covenants. Finally, qualified construction projects outside of a rate proceeding are allowed to accrue allowance for funds used during construction (AFUDC), which provides for plant to be increased for the rate of return component incurred on CWIP. (Larkin).

ISSUE 24: Is FPL's requested level of Construction Work in Progress (CWIP) in the amount of %552,642,000 ($525,110,000 system) for the projected test year appropriate?

Citizens' Position: No. The appropriate level of CWIP to include in rate base for the 2006 test year is zero. (Larkin).

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?

Citizens' Position: No. Plant held for future use should be adjusted to a level which reflects what the company is actually experiencing. The average for the first four months of 2005 should be used as an appropriate on-going level. This results in a reduction of the 2006 13-month average balance by $79,312,000 ($78,735,481 jurisdictional). This leaves a balance of $56,857,519. (Larkin).

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

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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

Citizens' Position: Yes. FPL has not demonstrated that the inclusion of the turbine in rate base is reasonable and beneficial to ratepayers. The Company has not shown that the spare parts could not be purchased at a lower cost for use when needed, nor has it provided any analysis or studies which demonstrate that the assets did not exceed the going market price for a comparable use of the turbine. (K. Dismukes).

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

Citizens' Position: No. The costs associated with the current rate case should be expensed as incurred in 2005 and not deferred in 2006 or future periods. If FPL were to expense the cost in 2005, it would still earn a proforma rate of return of over 12.75%.

This return exceeds the requested ROE of 11.8% prior to and 12.3% after the inclusion of its requested ROE bonus for past performance. Earnings realized by FPL in 2005 year to date are more than adequate to recover its rate case costs in the current period. (DeRonne).

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?

Citizens' Position: Any clause net overrecoveries should be included as a reduction to working capital and underrecoveries should be excluded from working capital. Overrecoveries represent funds that the Company owes to customers that if excluded from working capital, customers would be providing the interest that the Company returned to them in the clause proceedings. FPL has not projected any clause overrecoveries in its projected test year, so as such, no adjustment is necessary. In the clause proceedings, underrecoveries are collected from customers a rate of return at the commercial paper rate. As such, there is no need to include the underrecovery in working capital for setting base rates. If clause underrecoveries are included in the base rate calculation, then the company would receive a double return on the amount of the underrecovery. FPL has appropriately removed its projected clause underrecoveries from working capital. (Larkin).

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

Citizens' Position: No. The non-hedged derivative assets and liabilities that result from the mark-to-market adjustments on the Company's balance sheet do not appear to result from cash transactions. Unless the Company can show that there is an outflow of dollars related to the derivatives, they should not be included in the working capital calculation. (Larkin).

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?

Citizens' Position: Yes. The timing of the collection of funds from customers and the deposit into the nuclear decommission reserve fund represents a source of funds which can be used in the Company's operations and should be included as a reduction to working capital. The SJRPP accelerated recovery credit apparently represents a liability that is collected through the capacity clause and charged to ratepayers on a monthly basis. Unless the Company can show that the liability to SJRPP is not a source of funds to the Company, it should be included as a reduction to working capital. (Larkin).

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

Citizens' Position: Yes. The emission allowances are flowed back to ratepayers through the fuel adjustment clause and the Company has the use of funds during the period that the funds are not flowed back to ratepayers. As such, an adjustment to decrease working capital is appropriate to reflect the regulatory liabilities which represent the timing differences associated with the emission allowances. (Larkin).

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

Citizens' Position: No position at this time.

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.

Citizens' Position: No. FPL has understated the regulatory liabilities associated with last core nuclear fuel, end-of-life nuclear materials and supplies, and the nuclear maintenance reserve. The appropriate level of working capital is a negative $52,798,000. As addressed in the preceding issues, OPC recommends that working capital should be decreased by $110,471,000 on a jurisdictional basis. (Larkin).

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 calculations based upon the decisions in preceding issues.

Citizens' Position: No. The appropriate level of rate base is $11,751,473. This reflects a reduction to the Company's requested rate base of $659,049. (Larkin).

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?

Citizens' Position: FPL's prefiled testimony indicates that it has done relatively well. Their residential customer satisfaction is merely equal to the average for the Southern Region, however.

FPL has already been rewarded for this through incentive regulation in effect during the period of measurement. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

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

Citizens' Position: FPL's prefiled testimony indicates that it has done relatively well. However, testimony by staff witness Sidney W. Matlock indicates that while FPL has shown improvements since 1998, the 1992 through 1997 indexes show an entirely different picture -- a significant decline in reliability. Overall, the current index values are practically the same as they were thirteen years ago. FPL has already been rewarded for the more recent performance through incentive regulation. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (Matlock, D. Dismukes).

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?

Citizens' Position: FPL's prefiled testimony indicates that it has done relatively well. Their residential customer satisfaction is merely equal to the average for the Southern Region, however.

FPL has already been rewarded for this through incentive regulation in effect during the period of measurement. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

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?

Citizens' Position: FPL's prefiled testimony indicates that it has done relatively well. Their residential customer satisfaction is merely equal to the average for the Southern Region, however.

FPL has already been rewarded for this through incentive regulation in effect during the period of measurement. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

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

Citizens' Position: FPL's prefiled testimony indicates that it has done relatively well. FPL has already been rewarded for this through incentive regulation in effect during the period of measurement. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

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

Citizens' Position: FPL has done relatively well and has been rewarded for this through incentive regulation in effect during the period of measurement. Their residential customer satisfaction is merely equal to the average for the Southern Region, however. The Commission should also note that forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (D. Dismukes).

COST OF CAPITAL

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

Citizens' Position: Any deferred tax balance that has been funded by rate payers should not be included as an offset to credit deferred income taxes in the capital structure. Accordingly, the debit deferred taxes related to the storm and nuclear decommissioning funds totaling $389,469,000 should be removed from the capital structure. Any other debit deferred taxes which are funded should also be removed from the capital structure. (Larkin).

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

Citizens' Position: Accumulated deferred income taxes of $2,301,077,000 should be included in the cost of capital. This issue is subject to the resolution of other issues. (Larkin).

ISSUE 45: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

Citizens' Position: No position at this time.

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

Citizens' Position: 8.73%, although this rate is abnormally high relative to short term interest rates due to fixed financing commitment fees and low projected balances of short-term debt. (Woolridge).

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

Citizens' Position: FPL's projected first mortgage bond issues ranging from 6.8% to 7.2% during the period December 2005 through December 2006 are unrealistic and well in excess of current market interest rates. The yield on 30 year A-rated public utility bonds was 5.16% as of the end of May, 2005. The Commission should use 5.25% for the proforma bond issues, which would provide an overall long-term debt cost of 5.45% for FPL. (Woolridge).

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?

Citizens' Position: No adjustment should be made. Other Commissions generally do not give bonuses for past performance. FPL has already been rewarded through incentive regulation in effect during past years. For example, it received $113 million through revenue sharing mechanisms. FPL also can not claim full credit for declining average cost per customer in the past. The plethora of clauses in effect in Florida protect the company from increased average cost. In addition, forecasted cost trends generally indicate a higher rate of cost increases than has occurred in the past. (Larkin, D. Dismukes).

ISSUE 49: What is the appropriate cost rate for common equity to use in establishing FPL's revenue requirement for the projected test year?

Citizens' Position: Analyses performed by Dr. Woolridge from a group of twenty-one electric utilities show CAPM and DCF equity cost rates of 7.39% and 8.8%, respectively. Giving primary weight to the DCF analysis results in a fair equity cost rate for FPL of 8.8%. This recommendation is especially fair because Dr. Woolridge made no explicit downward adjustment to account for the low financial risk resulting from FPL's equity-rich capitalization.

The company's request for an 11.8% return on equity is unreasonably high due to (1) an upwardly-biased expected growth rate in the company's DCF equity cost rate, (2) the use of forecasted interest rates that are well in excess of the current long-term market yields, (3) excessive risk premium estimates in his various risk premium approaches, and (4) the lack of a financial risk adjustment as well as an inappropriate flotation cost adjustment. (Woolridge).

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

Citizens' Position: If the Commission uses FPL's proposed capital structure ratios, the Commission should note that the adjusted common equity ratio of 55.83% and actual common equity ratio of 61.92% is high by industry standards. This equity-rich capitalization provides FPL financial risk lower than other operating electric utilities and much lower than publicly held electric companies. This lower financial risk allows for a lower allowed return on equity for FPL. (Woolridge).

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.

Citizens' Position: The appropriate fair rate of return is 5.97%. See schedule D, exhibit DD-1 for weighted average cost of capital. (DeRonne).

NET OPERATING INCOME

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

Citizens' Position: No. As addressed in Issues 2 and 3, base revenues from retail sales should be increased by $38,551,000 for the 2006 test year. (D. Dismukes).

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

Citizens' Position: Yes. The Company has indicated that in 2006, the natural gas sales business of FPL will be transferred to FPLES. FPL has not demonstrated that the proposed change results in any changed operations to FPL or FPLES or explained what analysis, if any, was undertaken to support the proposed change. Further, the Company has not fully explained to the Commission the nature of the proposed transfer. Accordingly, it is appropriate to include gas margin revenue of $2,746,000 attributable to FPL's retail customers in the 2006 test year revenues. (K. Dismukes).

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

Citizens' Position: Yes. In 2006, FPL did not charge FPLES for counter swaps made by FPL on behalf of FPLES, as had been done in 2002 through 2005. To reflect an appropriate charge for this service, FPL's 2006 revenues should be increased by $78,000, which represents an administrative fee of 10% for performing this service on behalf of its affiliate. The adjustment was developed by annualizing the 2005 amount and multiplying by 10%. (K. Dismukes).

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

Citizens' Position: Yes, revenues should be imputed to compensate FPL for the services that FPL's employees perform on behalf of FPLES related to the Connect Services program. The revenues should not be limited to any amount of profit received unless it can be shown that appropriate levels of corresponding expenses have been removed for rate setting purposes. The proper amount of revenues to include in the test year is subject to further development of the record.

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 No. 041291-EI.

Citizens' Position: No position at this time.

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)?

Citizens' Position: No position at this time.

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?

Citizens' Position: No. Test year revenues should be increased by $41,375,000 on a jurisdictional basis. Based on further development of the record, additional adjustments will be necessary to reflect the resolution of the preceding issues. (D. Dismukes, K. Dismukes).

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?

Citizens' Position: No position at this time.

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

Citizens' Position: There are four problems with the affiliate management fee (AMF) allocation factors used by FPL. First, the allocation factors are largely sized-based so that regardless of the benefits received from the services provided, the majority of the management fees are allocated to FPL, the largest company. Second, several of the management fee allocation factors used are stale because of added projects and acquisitions or other changes made to non-regulated affiliates, as well as the company's failure to provide adequate workpapers to support some of the factors used. Third, the Company was unable to provide the amount of costs charged to FPL from FPL Group for the projected test year making it very difficult to examine whether or not these charges are reasonable. Fourth, several affiliates are not allocated a management fee or charged any costs from FPL.

To overcome staleness, the Commission should update the allocation factors and bring them to a 2006 level for each affiliate based on installed megawatts. To address the problems associate with the sized-based nature of the allocation factor, the fact that several affiliates are not allocated any of the management fees, and the problems associated with the added projects and acquisitions of FPLE that may not be included in the factors, an additional 5% allocation factor should be added to the group of non-regulated affiliates. The Company's allocation methodology and the accounts to which allocation factors are applied and the reasoning for FPL's methodology are not always clear, nor adequately explained. To help offset staleness and other deficiencies in the allocation factors used for Human Resources and Information Management, a composite allocation factor which consists of a 50% weighting of the factor used by the Company and a 50% weighting of the Massachusetts Formula allocation factor should be used. (K. Dismukes).

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

Citizens' Position: Based on the adjustments recommended to the affiliate management fee allocation methodology addressed in Issue 60, AMF charges to FPL should be reduced by $14,309,779. (K. Dismukes).

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?

Citizens' Position: Yes. The operation of the substation was treated as a division of FPL named the New England Division. While the assets, revenues and direct expenses were treated as non-jurisdictional by FPL for the 2006 test year, the Company failed to remove the station equipment maintenance and supervision expenses related to these assets. FPL also did not attribute any administrative and general expenses, property taxes or payroll taxes to this operating division. The recommended adjustment to properly reflect this allocation is a reduction to FPL expenses for 2006 of $2,571,061. FPL removed some of these expenses in its 2004 MFRs, but did not do the same for 2006. (K. Dismukes).

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

Citizens' Position: Yes. The costs charged to FPL by FiberNet should be reduced. A large portion of the allocated costs to FPL are based on the return on the FiberNet assets used by FPL. The company's return on investment should be adjusted to be consistent with the cost of capital recommended by Dr. Woolridge of 8.56%. This change results in a reduction to charges to FPL for 2006 of $1,343,816. (K. Dismukes).

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

Citizens' Position: Yes. For the Integrated Supply Chain Management Fee-Fossil Support, the Company did not provide workpapers to support the 2006 allocation. The allocation percentage should be updated to reflect projected capacity additions by both FPL and FPLE for projects added in 2005 and those expected to be added in 2006. The removal of plants no longer in service for these years should also be updated. Additionally, the cost pools for wind contract management should not be included in this allocation because FPL does not operate any wind projects. Accordingly, the Integrated Supply Chain Management Fee to FPL should be reduced by $127,904.

Additionally, the Energy Management and Trading Service Fee charged to FPLE should be updated to include the MWs associated with plant additions and retirements through 2006. This results in a reduction to FPL expenses of $31,615.

Adjustments should also be made to the Integrated Supply Chain Service Fee and the Nuclear Service Fee charged to FPLE Seabrook. First, the Company's methodology failed to account for the upgrade to Seabrook planned for 2005 to add 71 MWs. Second, an error should be corrected to add 714 MWs in the Company's method for calculating the capacity for the St. Lucie nuclear plant. These adjustments reduce the charges to FPL by $37,777 for the Integrated Supply Fee and by $204,834 for the Nuclear Service Fee charged to FPLE Seabrook. (K. Dismukes).

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 k2006 projected test year appropriate?

Citizens' Position: No position at this time.

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?

Citizens' Position: No. The implementation of the GridFlorida RTO is unlikely in its present form and questionable as to whether it will be implemented at all. What costs might be incurred by FPL or the other GridFlorida Applicants at this time are unknown and any implementation date, if any, is too far in the future to make a reasonable estimate of prospective costs. Any GridFlorida costs included in the rate case should be disallowed as speculative and certainly not known and measurable. (Merchant).

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?

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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?

Citizens' Position: No. The actual proposed postal rate increase is less than projected by FPL. The appropriate increase for postage expense should be $880,000, resulting in a reduction in jurisdictional test year revenue requirement of $1.32 million. (Brown).

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?

Citizens' Position: No. FPL has provided no explanation in its filing or any documents to support the reasonableness of its projected bad debt factor. In order to reflect the variability among years, it is appropriate to use a 3-year average of historical bad debt factors using the years 2001 to 2003. The 2004 year should be excluded to remove the impact of the delayed write-offs with the storms so that a normalized level can be reflected in base rates. The normal 3-year average results in a bad debt factor of 0.135% for a total test year expense of $11,688,000 and a reduction of $2,881,447 to the expense requested in the filing. (DeRonne).

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?

Citizens' Position: No. The costs associated with the initial pilot program for AMR far exceed the benefits included in the projected test year. The projected test year includes $15.4 million in plant in service, $1.6 million in accumulated depreciation, $1.1 million in depreciation expense and $1.6 million in O&M expense. Only $19,721 in cost savings were included in the test year and the project cost savings are projected to significantly increase in 2007, 2008 and beyond as the AMR program is fully implemented. Additionally, the actual implementation date has been delayed, with a $4.653 under-run in projected costs as of December 2004, which makes it questionable that the projected 2006 level of costs will actually be incurred in that period. To recognize that these projects have future benefits, the projected amount of plant in service should be transferred to CWIP to recover Allowance for Funds Used During Construction until such time as the system-wide deployment is implemented. To do otherwise would result in a mismatch in costs and benefits of the program. The plant in service AMR component for budget under-runs was incorporated in Citizen's position on Issue 15, so the remaining plant in service should be reduced by $10,747,000. Corresponding adjustments should also be made to reduce accumulated depreciation by $1,117,000, depreciation expense by $768,000 and O&M expense by $1.6 million. (DeRonne).

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?

Citizens' Position: No. Adjustments are appropriate based on adjustments recommended in previous issues. The final amount is subject to the resolution of other issues.

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

Citizens' Position: Yes. The Commission has consistently allowed utilities to recover only the costs of advertising that is utility related and at the same time informational, educational, or related to consumer safety. Costs of advertising that is judged to be of a general image-building or promotional nature have consistently been disallowed. The Company's Schedule C-14 Advertising Expense in its MFRs shows total jurisdictional advertising expenses for 2006 of $1.994 million. However, in discovery FPL stated that Schedule C-14, as filed, was incorrect and that the total for Account 909 was actually 3.399 million. In discovery responses, the company only provided copies of customer newsletters and bill inserts. A review of these documents reflects that about 14% of the information relayed to customers, while useful, was not related to their electrical service. Based on the reasonable assumption that this trend would flow through to all areas of the Company's advertising, a 14% reduction to total advertising expenses should be approved. This results in a decrease to 2006 expenses of $475,860. (K. Dismukes).

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?

Citizens' Position: No. The appropriate amount is subject to the resolution of other issues.

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?

Citizens' Position: No position at this time.

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

Citizens' Position: No. The annual storm accrual should be sufficient to cover the annual average cost of losses from moderate to extraordinary storm damage over time and provide for special assessments from catastrophic storms or years in which the storm reserve is depleted. As such, the annual storm accrual should be set using an amount less than the average storm damage for minimal to above average cost storms, but leaving the catastrophic storm damage to be recovered through a special assessment mechanism, consistent with the Commission's prior decisions. Less costly storm damage and storm staging costs of storms that do not land in the service territory that do not result in material damage should be considered normal recurring operating costs and should not flow through the storm reserve. Additionally, losses from nuclear accidents which are allowed to flow through the storm reserve, if incurred, have negligible risk and should not be included in the annual average expected losses. Further, the annual accrual in base rates should not be used to replenish the storm reserve that was depleted by the 2004 storm season. Securitization or another short-term recovery mechanism is a more appropriate method to replenish the reserve rather than recovery through the long-term base rate annual accrual.

The proper level of the annual accrual should be $35 million, which reflects a $14.8 million increase to current accrual level. This level reflects approximately 50% of the Company's Expected Annual Storm Losses of $74.7 million after removing the $3.5 million for staging costs for storms that do not land in FPL's territory and the $1 for the negligible nuclear risk. This level also falls within the normalized range of non-catastrophic historical storm damages that have occurred since Hurricane Andrew and recognizes that restoration costs have increased above the level last authorized by the Commission. Accordingly, FPL's requested storm accrual expense of $120 million should be reduced by $85 million. (Merchant).

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

Citizens' Position: The Commission need not have a specific goal for the reserve, particularly in light of the recent legislation authorizing securitization.

<u>ISSUE 78</u>: 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?

Citizens' Position: No. Adjustments are appropriate to reduce A&G salaries. See OPC's position to Issue 89.

<u>ISSUE 79</u>: 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?

Citizens' Position: Yes. The appropriate amount of rate case expense to include in base rates is zero and test year expenses should be decreased by $4,475,000. Citizen's analysis shows that not only does FPL not deserve any increase but instead its base rates should be decreased by $724,725,000. Even the Company's own Rate of Return Surveillance Report for April 2005 shows that it is earning a pro forma return on equity of 12.91%. Ratepayers should not be forced to fund an excessive level of rate case expense associate with a case that is so clearly imprudent and unreasonable. Further, the Commission should require the Company to expense the rate case costs in 2005 and not defer any amounts to 2006.

However, if the Commission disagrees with OPC that some level of rate case costs should be included in the test year, further adjustments to the Company's request are warranted. First, the Company has provided very little support for its requested $8.95 million in projected rate case costs. It has merely provided a list of the estimates by broad categories. The actual invoices supporting the actual costs incurred should be closely scrutinized. Additionally, Citizens are concerned that some of the rates being charge to FPL by its outside consultants and attorneys is excessive. Accordingly, OPC recommends that the project hourly costs associated with outside consultants and counsel retained by FPL should be shared 50/50 between ratepayers and shareholders. FPL is free to retain the level of experts it chooses; however, ratepayers should not be burdened with excessive or unreasonable rate case costs. Another adjustment is necessary to remove rate case costs of $550,000 from base rate O&M expenses. It is not reasonable to include test year expenses associated with rate case costs for setting new base rates.

Finally, if the Commission does determine that some level of rate case expense should be granted for recovery in base rates, the proper amortization period should be set at four years. It has been over 20 years since FPL's last fully litigated base rate case. To now assume that another base increase will occur in two year is not reflective of past history or reasonable. Further, a four-year amortization period is required by statute for water and wastewater rate increases and is reasonable time period to use in this case. (DeRonne).

<u>ISSUE 80</u>: 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?

Citizens' Position: Consistent with OPC's position on issue 79, rate case expense should be reduced by $4,475,000. No further increase to test year regulatory commission expense has been supported by the record or is appropriate.

<u>ISSUE 81</u>: 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?

Citizens' Position: No. The Commission has consistently disallowed recovery of charitable contributions through rates stating that ratepayers should not have their choices of contribution to a charity usurped by the utility. Moreover, the Company has not demonstrated that there are any differences between the charitable contributions requested this current case and those requested in its last rate that were rejected by the Commission. Accordingly, charitable contributions of $1,548,000 should be removed from FPL's expenses. (K. Dismukes).

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?

Citizens' Position: No. Medical insurance should be reduced by $2,409,020 on a jurisdictional basis. This adjustment takes into consideration changes to the company's projection for employee numbers, changes in cost per employee assumptions, and inconsistencies in the Company filing. (Schultz).

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?

Citizens' Position: No. Based on the February 2005 actuarial determination, the Company's pension credit for 2006 should be increased by $4,759,000 (reducing O&M expense) on a jurisdictional basis. (Schultz).

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?

Citizens' Position: No. The Nuclear Passport Replacement Project is a large non-recurring project included in the 2006 test year for the Information Management (IM) Business Unit. Some of the reported benefits will be to optimize the nuclear maintenance activities and improve the workweek and outage planning and streamlining processes for the nuclear business unit. The test year includes an additional $6.5 million related to this project. These non-recurring costs should be amortized over 4 years for ratemaking purposes resulting in a decrease to test year expenses of $5,205,000. This will provide an annual expense for this project of $1,735,000. (DeRonne).

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?

Citizens' Position: No. The purpose of D&O liability insurance is to protect the shareholders from the shareholders' own decisions. Shareholders elect the Board of Directors which appoints the officers of the Company. The covered officers and directors are compensated to provide quality leadership and to serve the Company with integrity. Ratepayers do not have input into who manages the Company, who serves on the Board of Directors, and certainly will not receive any compensation by insurance companies for losses incurred by shareholders for management or director mistakes or improprieties. As such, the costs associated with the protection of the shareholders' investment should be born by shareholders, not by the ratepayers. Accordingly, D&O liability insurance of $8,463,000 should be removed from test year expenses ($8,424,000 jurisdictional). (DeRonne).

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?

Citizens' Position: No. In response to discovery, FPL stated that this expense was budgeted for unplanned corporate level expenses that may arise from time to time, and was based on management judgment and a need for a material level of contingency funds. FPL did not provide any further support or explanation. Given the lack of support or a reasonable description, the executive contingency expenses of $1.7 million should be removed from the projected test year. (DeRonne).

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?

Citizens' Position: No. Adjustments should be made as set forth in other issues.

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

Citizens' Position: No position at this time.

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

Citizens' Position: No. Four types of adjustments are appropriate to payroll expense.

Employee Complement

FPL has requested salary levels to reflect 308 new positions but also a number in excess of the 230 vacancies existing at December 2004. To correct this unrealistic assumption, a reduction of 228 positions should be made, to reflect a total employee complement of 10,330 in 2006. This assumes that FPL will add 299 positions or 97% of the simple average increase in employees for 2002 through 2004. This results in a decrease to test year salaries of $8,563,751.

Overtime Projections

Overtime projections for 2006 are excessive compared to historical levels for 2001 to 2003. Gross overtime payroll should be reduced by $1.5 million, which will provide for an annual overtime salary level of $109,674,090. After netting for employment taxes, the net decrease to O&M Expenses should be $936,304 on a jurisdictional basis.

Incentive Compensation

The Company's requested test year incentive compensation or variable pay level is high and was not readily identifiable or quantifiable. Historically, the annual incentive compensation amount remained level for the last four years at approximately $36 million. However, the Company ignored that trend and increased the annual incentive compensation in 2006 by 20% to $43,297,600. This increase is not justified and two adjustments are appropriate. First, at a minimum the 2006 total annual incentive amount of $43,297,600 should be reduced by $7,189,830 to the four year average of $35,952,383. The O&M expense reduction on a jurisdictional basis is $4,619,385. Adjusting the 2006 incentive compensation to the four year average is appropriate and takes into consideration the fact that over the last four years the cost of this plan has remained flat. Further, a 50/50 sharing of the incentive compensation for the remaining $35,952,383 is appropriate. Sharing this incentive pay expense recognizes that achieving performance goals contributes to the Company's success. Shareholders benefit from the higher rates of return on investment and ratepayers theoretically benefit from lower cost of service which should translate into lower rates. This sharing results in a reduction to O&M expense of $11,549,500 on a jurisdictional basis.

Long-term Incentive Compensation

FPL's long-term incentive compensation plan promotes the interests between the shareholders and its employees by encouraging and creating significant ownership of common stock of the Company by the officers and other salaried employees of the Company. Further, the stock option program allows individuals with key talents to receive a personal reward that is tied to FPL's stock price and shareholder interests. The information provided in support of this incentive program does not even mention benefits to customers such as customer service quality or reliability. It is clear that the purpose of the benefit package is to enhance shareholder value and because shareholders are the intended direct beneficiary, the shareholders should bear the associated costs. The Citizen's primary adjustment to long-term incentive compensation is that the entire $29,391,450 projected for 2006 should be removed.

However, if the Commission determines that some benefits and costs belong to the ratepayers, an alternative adjustment is proposed. The historical average from 2002 to 2004 was $16,130,200. The projected expense for 2006 for long-term incentive benefits increased to $29,717,000, or 84.2%. After adjusting for the excess based on the historical average, at least 50% of the remaining $16,130,200 should be disallowed as being shareholder related. Thus, on an alternative basis, O&M expenses should be reduced by $21,414,703 on a jurisdictional basis. (Schultz).

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

Citizens' Position: No. Employee benefits should be reduced by $7,168,000, as recommended in Issues 82 and 83. (Schultz).

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.

Citizens' Position: No. Adjustments should be made as set forth in other issues.

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?

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

ISSUE 94: Is FPL's Depreciation and Amortization Expense of $924,323,k000 ($931,710,000 system) for the projected test year appropriate? The is a calculation based upon the decisions in preceding issues.

Citizens' Position: No. Depreciation expense should be reduced by $12,083,000 on a jurisdictional basis to reflect changes in the depreciation rates recommended by OPC witness Majoros. Depreciation expense should also be reduced by $8,738,000 for the recommended adjustments to plant in service addressed by OPC witnesses Larkin and DeRonne as addressed in previous issues.

The Commission should amortize the depreciation reserve surplus over a ten year period if the Commission agrees with the major adjustments proposed by OPC. However, if the Commission does not adopt the major adjustments recommended by OPC and therefore allows rates materially higher than proposed by OPC, the Commission should follow its past policy and amortize the surplus over a shorter period of time.

The final amount of depreciation and amortization expense is subject to the resolution of other issues.

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

Citizens' Position: The appropriate amount of amortization of gains for the test year should be $748,000. FPL's inclusion of $0 gain on sales and disposition of properties is inconsistent with the fact that several properties are currently offered for sale and inconsistent with the fact that the Company has regularly realized such gains. A three-year average of gains on sales and dispositions of property realized by FPL over the period 2002 through 2004, excluding the impacts of a gain on involuntary conversion received in 2003, should be used in projecting the gains for 2005 and 2006. A revised level of projected additional gains should be $3,738,000 for 2005 and 2006. Amortizing this additional gain over a five-year period results in $748,000 of annual amortization of gain on sales. (DeRonne).

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?

Citizens' Position: No position at this time.

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

Citizens' Position: No, adjustments are appropriate as set forth in other issues.

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?

Citizens' Position: No position at this time.

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?

Citizens' Position: Yes. The Act has been incorporated in determining the test year income tax expense. However, as addressed in Issue 104, the NOI multiplier must be revised to include the effective state income tax impact from the manufacturers' deduction under the American Jobs Creation Act of 2004.

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

Citizens' Position: Adjustments are appropriate to reflect the adjusted balance of rate base and weighted cost of debt approved by the Commission. Based on the Citizen's adjusted rate base and cost of debt, income tax expense should be reduced by \$2,584,000. The final amount is subject to the decisions in preceding issues.

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?

Citizens' Position: No. Adjustments are appropriate to reflect the adjustments to rate base and operating income recommended in preceding issues. Citizen's recommended increase to income tax expense is \$234,283,000. The final amount is subject to the decisions in preceding issues.

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.

Citizens' Position: No. Adjustments should be made as set forth in other issues.

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.

Citizens' Position: No. Adjustments should be made as set forth in other issues.

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 rate for FPL?

Citizens' Position: The appropriate revenue expansion factor is 61.8120%. The appropriate net operating income multiplier is 1.617809. The Company's multiplier should be modified for two reasons. First, the bad debt rate should be adjusted from 0.168% to reflect a more appropriate rate of 0.135%, as addressed by Citizen's witness DeRonne. Second, the NOI multiplier should be revised to include the effective state income tax impact of from the manufacturers' deduction under the American Jobs Creation Act of 2004. FPL reflected the impact of the Act in its requested state and federal income tax expense and on the federal tax rate for the NOI multiplier but not on the state tax component for the multiplier. (DeRonne).

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.

Citizens' Position: No. Not only has FPL failed to demonstrate that it deserves a rate increase, but the adjustments that the Citizens recommend show that a base rate revenue decrease of $724,724,000 is appropriate. (DeRonne).

COST OF SERVICE AND RATE DESIGN

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

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

ISSUE 110: What are the appropriate dement charges?

Citizens' Position: No position at this time.

ISSUE 111: What are the appropriate energy charges?

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

ISSUE 113: What are the appropriate customer charges?

Citizens' Position: No position at this time.

ISSUE 114: What are the appropriate service charges?

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

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 these are no tariffed charges?

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

ISSUE 120: I 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?

Citizens' Position: No position at this time.

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?

Citizens' Position:	No position at this time.

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

Citizens' Position:	No position at this time.

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

Citizens' Position:	No position at this time.

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

Citizens' Position:	No position at this time.

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

Citizens' Position:	No position at this time.

ISSUE 126:		What are the appropriate curtailment credits?

Citizens' Position:	No position at this time.

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

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

ISSUE 129: Should the Commission approve FPL's proposal to change the breakpoint applicable to inverted residential rate from 750 to 1,000 kilowatt hours?

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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?

Citizens' Position: No position at this time.

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

Citizens' Position: January 1, 2006.

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?

Citizens' Position: No. Ratemaking principles require an examination of all expenses, revenues, and rate base effects during the period in question. In effect, FPL's request asks the Commission to ignore all impacts except capital costs, operating expenses and tax impacts for Turkey Point Unit 5 using a fiscal year ending May 31, 2008. This ignores important offsetting impacts, including increased revenues reflecting strong customer growth and growing usage per customer. In addition to ignoring offsetting impacts, projections into 2007 and 2008 are far too uncertain for ratemaking. The Commission should not approve an increase for Turkey Point Unit 5 in this rate proceeding. (Larkin).

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

Citizens' Position: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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

Citizens' Position: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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?

Citizens' Position: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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?

Citizens' Position: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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?

Citizens' Position: If any rate increase for Turkey Point 5 is allowed, then the weighted average cost of capital should be determined in a manner consistent with the methodology used by the Commission in determining the overall cost of capital in Issue 51.

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?

Citizens' Position: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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?

Citizens' Position: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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

Citizens' Position: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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.)

Citizens' Position: FPL's forecast is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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?

Citizens' Position: The appropriate revenue expansion factor for the 2006 test year is set forth in exhibit DD-1, schedule A-1. (DeRonne). FPL's forecast for mid 2007 is speculative are far too uncertain for ratemaking purposes. In any event, the Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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

Citizens' Position: An appropriate incremental revenue adjustment would more than offset the revenue requirement associated with Turkey Point Unit 5. (Larkin).

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

Citizens' Position: The Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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?

Citizens' Position: The Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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

Citizens' Position: The Commission should not grant an adjustment for Turkey Point Unit 5 while ignoring all other matters affecting rates.

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?

Citizens' Position: Yes.

ISSUE 154: Should the Commission approve FPL's request to move into base rate the security costs that result from heightened security requirements since September 11, 2001, from the Capacity Cost Recovery Clause?

Citizens' Position: No. After base rates are adjusted to reflect FPL's current security costs, recovery of incremental security costs through the Capacity Cost Recovery Clause should be discontinued as sales growth will cover any changes in cost.

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

Citizens' Position: No position at this time.

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?

Citizens' Position: No. The Commission should deny FPL's request and continue to review the prudence and reasonableness of FPL's hedging costs during the annual Fuel Clause proceeding.

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?

Citizens' Position: No.

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

Citizens' Position: Yes. The Company's 2006 projected vegetation management expense of $48.1 million is 17.72% greater than 2005 and 24.81% greater than the actual 2004. This percentage is a substantial increase from the average expense increase of 5.31% from 1998 to 2004. FPL has not provided any evidence showing that the substantial increase requested is necessary or supported. However, based on reliability concerns of the customers, the projected 2006 expense should be allowed, but FPL should be required to provide quarterly reports to the Commission reflecting actual expenditures for this function. In the event FPL does not actually spend the amount it receives in rates for vegetation management costs, the amount under-spent should be deferred and returned to ratepayers. Considering the substantial projected increase coupled with the lack of supporting detail, such a deferral would be appropriate in this instance. (DeRonne).

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

Citizens' Position: Yes. Based on the lack of support of the substantial increase in this projected expense, FPL should be required to provide quarterly reports to the Commission reflecting actual expenditures for this function. (DeRonne).

ISSUE 160: Should FPL be required to file, within 90 day after the date of the final order in this docket, a description of all entries or adjustment 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?

Citizens' Position: No position at this time.

ISSUE 161: Should this docket be closed?

Citizens' Position: No position at this time.

Stipulated Issues

Citizens have not stipulated to any issues.

Pending Motions

Citizens have (1) a pending motion to strike, motion in limine, and alternative motion for leave to file rebuttal testimony, and (2) a pending motion with other intervenors to consolidate docket 050495-EI with dockets 050045-EI and 050188-EI.

Pending Requests or Claims for Confidentiality

Citizens have no pending requests or claims for confidentiality. However, some of the testimony filed by Citizens' witnesses contains information that Florida Power & Light Company claims to be confidential. It is incumbent on Florida Power & Light Company to justify its claim.

Objections to Qualifications of Witnesses as Experts

Citizens do not expect to challenge the qualifications of any witness.

Requirements of Order Establishing Procedure

Citizens believe that we have complied with the requirements of the order establishing procedure.

Respectfully submitted,

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

I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S. Mail or hand-delivery to the following parties on this 28th day of July, 2005.

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