

Matilda Sanders

ORIGINAL

From: Hayes, Annisha [AnnishaHayes@andrewskurth.com]
Sent: Thursday, July 28, 2005 2:30 PM
To: Filings@psc.state.fl.us
Subject: SFHHA's Prehearing Statement

Attachments: SFHHA PREHEARING STATEMENT.doc



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Electronic Filing

a. Person responsible for this electronic filing:

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600 Travis, Suite 4200
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b. Docket No. 050045-EI & 050188-EI

c. Document being filed on behalf of South Florida Hospitals and Healthcare Association (SFHHA). CMP _____
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d. There is a total of 28 pages. CTR _____

e. The document attached for electronic filing is SFHHA Prehearing Statement. ECR _____

(See attached SFHHA Prehearing Statement.doc) GCL _____

Thank you for your attention and cooperation to this request. OPC _____

Regards.
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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Rate Increase by) **Docket No. 050045-EI**
Florida Power & Light Company)
)
In re: 2005 Comprehensive Depreciation Study) **Docket No. 05188-EI**
By Florida Power & Light)
) **Filed: July 28, 2005**

**PREHEARING STATEMENT OF THE
SOUTH FLORIDA HOSPITAL AND HEALTHCARE ASSOCIATION**

Pursuant to Order No. PSC-05-0347-PCO-EI.

A. APPEARANCES:

George E. Humphrey, Andrews Kurth LLP, 600 Travis, Suite 4200, Houston, Texas 77002; **Mark F. Sundback**, Andrews Kurth LLP, 1701 Pennsylvania Avenue, NW, Washington, D.C. 20006; **Kenneth L. Wiseman**, Andrews Kurth LLP, 1701 Pennsylvania Avenue, NW, Washington, D.C. 20006; **Jennifer L. Spina** Andrews Kurth LLP., 1701 Pennsylvania Avenue, NW, Washington, D.C. 20006 and **Gloria J. Halstead** Andrews Kurth LLP., 1701 Pennsylvania Avenue, NW, Washington, D.C. 20006.

On Behalf of the South Florida Hospital and Healthcare Association

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Stephen J. Baron	Rate design; retail cost of service study; resource planning	See below.
Richard A. Baudino	Return on equity	See below.
Lane Kollen	Revenue requirements; rate base	See below.

C. EXHIBITS:

<u>Exhibits</u>	<u>Witness</u>	<u>Description</u>
SJB-1	Stephen J. Baron	List of Expert Testimony Appearances
SJB-2	Stephen J. Baron	Schedule 7.1 Forecast of Capacity, Demand, and Scheduled Maintenance at Time of Summer and Winter Peaks.
SJB-3	Stephen J. Baron	Projected Capacity Changes and Reserve Margins for FPL and Status Report and Specifications of Proposed Generating Facilities.
SJB-4	Stephen J. Baron	Cost of Service Summary: Summer/Winter CP.
SJB-5	Stephen J. Baron	Total Acct. 368 Line Transformers.
SJB-6	Stephen J. Baron	Cost of Service Summary: 12 CP & 1/13 th Average Demand, Minimum Distribution System on Secondary Facilities.
SJB-7	Stephen J. Baron	Cost of Service Summary/Summer/Winter CP, Minimum Distribution System on Secondary Facilities.

<u>Exhibits</u>	<u>Witness</u>	<u>Description</u>
RAB-1	Richard A. Baudino	Resume
RAB-2	Richard A. Baudino	Historical Bond Yields Average Public Utility Bond VS 20 Year Treasury Bond.
RAB-3	Richard A. Baudino	Electric Company Comparison Group.
RAB-4	Richard A. Baudino	Electric Utility Comparison Group Average Price, Dividend and Dividend Yield.

RAB-5	Richard A. Baudino	Electric Utility Comparison Group DCF Growth Rate Analysis.
RAB-6	Richard A. Baudino	Capital Asset Pricing Model Analysis: Supporting Data for CAPM Analyses.
RAB-7	Richard A. Baudino	Capital Asset Pricing Model Analysis: Historic Market Premium.

<u>Exhibits</u>	<u>Witness</u>	<u>Description</u>
LK-1	Lane Kollen	Resume
LK-2	Lane Kollen	FPL Response to Staff's First Set of Interrogatories, Interrogatory No. 30.
LK-3	Lane Kollen	FPL Response to Staff's First Set of Interrogatories, Interrogatory No. 32.
LK-4	Lane Kollen	FPL Response to Staff's First Set of Interrogatories, Interrogatory No. 37.
LK-5	Lane Kollen	FPL Revenue Requirement Effect of Hospitals' Adjustments to Cost of Capital for the 2006 Test Year.
LK-6	Lane Kollen	FPL Revised Capital Structure for the 2006 Test Year.
LK-7	Lane Kollen	Standard & Poor's Research: Florida Power & Light Co.

South Florida Hospital and Healthcare Association reserves the right to identify additional exhibits for purposes of cross-examination.

D. STATEMENT OF BASIC POSITION:

FPL's rates do not reflect the existing cost of service. Rates should be reduced.

E. TEST YEAR AND FORECASTING

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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?

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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?

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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?

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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**?

SFHHA: No position at this time.

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

SFHHA: The **revised depreciation rates and recovery/amortization schedules** should be implemented contemporaneously with the new rates established in this proceeding, if any, to the extent the revised **depreciation rates and recovery/amortization schedules** are reflected in the revenue requirement used to develop the new rates.

RATE BASE

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

SFHHA: Yes.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: 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?

SFHHA: No. Those costs are the subject of another proceeding.

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?

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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.

SFHHA: No position at this time.

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

SFHHA: No position at this time.

ISSUE 24: Is FPL's requested level of Construction Work in Progress (CWIP) in the amount of \$522,642,000 (\$525,110,000 system) for the projected test year appropriate?

SFHHA: No position at this time.

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?

SFHHA: No position at this time.

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

SFHHA: 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?

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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?

SFHHA: No. These amounts should not be included in rate base for base ratemaking purposes.

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

SFHHA: No. The recovery of these costs should be addressed in the Company's fuel adjustment clause proceedings.

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?

SFHHA: Yes.

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

SFHHA: No position at this time.

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

SFHHA: The appropriate target balance of the storm damage reserve account and fund is \$0.

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.

SFHHA: No.

ISSUE 36: Is FPL's requested level of rate base in the amount of \$12,410,522,000 (\$12,511,188,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

SFHHA: No.

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?

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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?

SFHHA: No position at this time.

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?

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: The Company has not justified the excessive increase in test year O&M expense compared to the historic year and compared to the Company's last base rate proceeding.

COST OF CAPITAL

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

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?

SFHHA: No. An adjustment for past performance is impermissible retroactive ratemaking. An adjustment for future performance is unmerited and unnecessary.

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

SFHHA: 8.70%.

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

SFHHA: The appropriate capital structure for FPL should reflect a reasonable level of common equity necessary to retain a single A bond rating. The Company's filing should be adjusted to reflect the following capital structure:

Component	Jurisdictional Company Adjusted Balances w/o S&P Adj. and CE At S&P Midpoint	Revised Capital Ratios
Long Term Debt	4,226,295	34.05%
Preferred Stock	-	0%
Customer Deposits	436,358	3.52%
Common Equity	5,719,261	46.08%
Short Term Debt	67,672	0.55%
Deferred Income Tax	1,911,608	15.40%
Investment Tax Credits	49,328	0.40%
Total	<u>12,410,522</u>	<u>100.00%</u>

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.

SFHHA: 6.31%.

NET OPERATING INCOME

- ISSUE 52: Are FPL's estimated revenues for sales of electricity by rate class appropriate, if not what adjustments are should be made?
- SFHHA: No position at this time.
- ISSUE 53: Should the Commission include gas margin revenue from FPL Energy Services in the test year?
- SFHHA: No position at this time.
- ISSUE 54: Should the Commission include the administrative fee revenue associated with margin trading performed by FPL on behalf of FPL Energy Services?
- SFHHA: No position at this time.
- ISSUE 55: Should revenues be adjusted to include profits, if any, from the FPLES Connect Services program?
- SFHHA: No position at this time.
- ISSUE 56: Has FPL made the appropriate adjustments to remove the storm damage surcharge revenues and related expenses recoverable through the Storm Damage Surcharge Cost Recovery Factor approved by the Commission in Order No. PSC-05-0187-PCO-EI, Docket 041291-EI?
- SFHHA: 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)?
- SFHHA: 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?
- SFHHA: There should be a reduction to FPL's projected test year quantification.
- 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?

- SFHHA: No position at this time.
- ISSUE 60: What are the appropriate management fee allocation factors for use by FPL for the test year?
- SFHHA: No position at this time.
- ISSUE 61: What adjustments, if any, should be made to the management fees included in FPL's test year expenses?
- SFHHA: No position at this time.
- 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?
- SFHHA: Yes.
- ISSUE 63: Should an adjustment be made to adjust test year O&M expense charges from FiberNet to FPL?
- SFHHA: No position at this time.
- ISSUE 64: Should any other adjustments be made for the net operating income effects of FPL's transactions with affiliated companies?
- SFHHA: No position at this time.
- ISSUE 65: Is FPL's level of Generation/Power Supply O&M expense (Accounts 500-514, 517-532, 546-554 and 555-557) in the amount of \$575,801,000 (\$580,851,000 system) for the 2006 projected test year appropriate?
- SFHHA: No. The Company's O&M expense growth projection fails to explicitly consider productivity improvements.
- 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?
- SFHHA: No. This expense is speculative at best and is not known and measurable.
- 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?

SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.

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?

SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.

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?

SFHHA: No position at this time.

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?

SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.

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?

SFHHA: No position at this time.

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?

SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.

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

SFHHA: No position at this time.

- 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?
- SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.
- 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?
- SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.
- ISSUE 76: Is FPL's requested \$120,000,000 annual accrual for storm damage for the projected test year appropriate?
- SFHHA: No. It includes an unnecessary and excessive amount to increase the projected storm damage reserve to \$500 million.
- ISSUE 77: Is \$500,000,000 an appropriate reserve goal for Account 228.1, Accumulated Provision for Property Insurance – Storm Damage?
- SFHHA: No. This is an excessive target amount. An appropriate target reserve goal is \$0.
- ISSUE 78: Is FPL's level of Account 920 - Administrative and General Salaries expense in the amount of \$145,276,000 (\$145,942,000 system) for the 2006 projected test year appropriate?
- SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.
- ISSUE 79: Should an adjustment be made to Account 928, Regulatory Commission Expense, for rate case expense for the projected test year and what is the appropriate amortization period?
- SFHHA: No position at this time.
- ISSUE 80: Is FPL's level of Account 928 - Regulatory Commission Expense in the amount of \$7,741,000 (\$7,741,000 system) appropriate for the 2006 projected test year?
- SFHHA: No position at this time.

- ISSUE 81:** Is FPL's proposed recovery of charitable contributions in the amount of \$1,538,000 (\$1,545,000 system) for the 2006 test year appropriate?
- SFHHA:** No. Charitable contributions should not be included in the revenue requirement.
- 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?
- SFHHA:** No position at this time.
- 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?
- SFHHA:** No position at this time.
- 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?
- SFHHA:** No position at this time.
- 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?
- SFHHA:** No position at this time.
- 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?
- SFHHA:** No position at this time.
- 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?
- SFHHA:** No. The Company's A&G expense growth projections fail to explicitly consider productivity improvements.
- ISSUE 88:** Should the O&M expense items currently approved for recovery through the Environmental Cost Recovery Clause be included in base rates?

- SFHHA: No. These amounts should be recovered through the environmental cost recovery clause.
- ISSUE 89: Is FPL's level of salaries for the 2006 projected test appropriate? If not, what adjustments are necessary?
- SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.
- ISSUE 90: Is FPL's level of employee benefits for the 2006 projected test appropriate? If not, what adjustments are necessary?
- SFHHA: No position at this time.
- 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.
- SFHHA: No. The Company's O&M expense growth projections fail to explicitly consider productivity improvements.
- ISSUE 92: Is FPL's level of nuclear decommissioning expense in the amount of \$78,179,000 (\$78,113,000 system) for the test year appropriate, and if not, what adjustment should be made?
- SFHHA: No position at this time.
- ISSUE 93: What adjustments, if any, should be made to the fossil dismantlement accrual?
- SFHHA: No position at this time.
- ISSUE 94: Is FPL's Depreciation and Amortization Expense of \$924,323,000 (\$931,710,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.
- SFHHA: No position at this time.
- ISSUE 95: What is the appropriate amount of gain on sales and disposition of properties for the test year?
- SFHHA: No position at this time.

- 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?
- SFHHA: 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?
- SFHHA: No position at this time.
- 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?
- SFHHA: 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?
- SFHHA: No position at this time.
- ISSUE 100: What adjustments, if any, are appropriate to account for interest synchronization?
- SFHHA: These adjustments are the result of other adjustments to the capital structure and cost of short term debt and long term debt.
- 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?
- SFHHA: No position at this time.
- 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.
- SFHHA: No.
- 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.

SFHHA: No.

REVENUE REQUIREMENTS

ISSUE 104: What is the appropriate projected test year revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL?

SFHHA: No position at this time.

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.

SFHHA: No. FPL's base operating revenues should be reduced by at least \$224.7 million from present levels.

COST OF SERVICE AND RATE DESIGN

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

SFHHA: No position at this time.

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

SFHHA: The appropriate methodology is a summer/winter CP method, with a minimum distribution system classification method.

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

SFHHA: Each rate schedule should receive an equal percentage increase.

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

SFHHA: No position at this time.

ISSUE 110: What are the appropriate demand charges?

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

ISSUE 111: What are the appropriate energy charges?

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

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

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

ISSUE 113: What are the appropriate customer charges?

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

ISSUE 114: What are the appropriate service charges?

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

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

SFHHA: No position at this time, under the assumption that each rate schedule receives an equal percentage increase in revenue.

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

SFHHA: 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 there are no tariffed charges?

SFHHA: 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?

SFHHA: 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?

SFHHA: No position at this time.

ISSUE 120: What are the appropriate **termination factors** to be applied to the total installed cost of facilities when customers **terminate their lighting agreement** prior to the expiration of the contract term?

SFHHA: 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**?

SFHHA: 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**?

SFHHA: 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**?

SFHHA: No position at this time.

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

SFHHA: 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**?

SFHHA: No position at this time.

ISSUE 126: What are the appropriate **curtailment credits**?

SFHHA: **Curtailment credits, at a minimum, should be at the level proposed by FPL.**

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

provided under curtailable rate schedule?

SFHHA: Yes. Curtailment credits, at a minimum, should be at the level proposed by FPL.

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

SFHHA: No position at this time.

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

SFHHA: 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?

SFHHA: 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?

SFHHA: Yes.

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?

SFHHA: 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?

SFHHA: 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?

SFHHA: 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?

SFHHA: Yes. FPL's proposed methodology is acceptable. The final approved HLFT rate should be adjusted to maintain the relationships between the HLFT rate as filed by FPL and the other GS rates, as described in SFHHA witness Baron's direct testimony.

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?

SFHHA: 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?

SFHHA: New base rates and charges should be established no later than 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?

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

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

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

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

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

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?

- SFHHA: No. **The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.**
- 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?
- SFHHA: No. **The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.**
- 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?
- SFHHA: None. **The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.**
- 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?
- SFHHA: No. **The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.**
- 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?
- SFHHA: No. **The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.**
- ISSUE 146: Is FPL's level of **Taxes Other Than Income Taxes** in the amount of \$11,367,000 (\$11,546,000 system) for the 2007 Turkey Point 5 Adjustment appropriate?
- SFHHA: No. **The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.**
- 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.)
- SFHHA: No. **The Company should be required to file another rate case if it believes it will**

have a revenue deficiency in 2007.

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?

SFHHA: None. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

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

SFHHA: \$0. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

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

SFHHA: No. The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007.

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?

SFHHA: The Company should be required to file another rate case if it believes it will have a revenue deficiency in 2007. It is inappropriate to make an explicit "adjustment" to FPL's base rates to reflect the addition of Turkey Point Unit 5 in the absence of a comprehensive rate review based on contemporaneous data.

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

SFHHA: No. There is an incorrect presumption of an entitlement to recovery in the absence of a comprehensive base rate proceeding. Further, if the Company's proposal is adopted, there should be no deficiency in incremental recovery.

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?

SFHHA: No position at this time.

ISSUE 154: Should FPL continue to seek recovery of incremental security costs above the amount included in base rates through the Capacity Cost Recovery Clause? If so, what mechanism should be used to determine the incremental security costs?

SFHHA: No position at this time.

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

SFHHA: 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?

SFHHA: No.

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?

SFHHA: No hedging costs should be recovered through base rates.

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

SFHHA: No position at this time.

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

SFHHA: No position at this time.

ISSUE 160: Should FPL be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records that will be required as a result of the Commission's findings in this rate case?

SFHHA: Yes.

ISSUE 161: Should this docket be closed?

SFHHA: No.

F. **STIPULATED ISSUES:**

None.

G. PENDING MOTIONS:

There currently is pending a motion to consolidate with this docket the Joint Complaint and Petition for a Decrease in the Rates and Charges of Florida Power & Light Company, filed in Docket No. 050494-EI, by SFHHA along with the Citizens of the State of Florida, by and through their Public Counsel, the Florida Retail Federation, AARP, the Federal Executive Agencies and the Florida Industrial Power Users Group.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by

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