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Timolyn Henry

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Subject:	Electronic Filing for Docket No. 050045-EI / Docket No. 050188-EI - Florida Power & Light Company's Prehearing Statement
Attachments:	FPL's Prehearing Statement.July 28, 2005.doc

FPL's
aring Statement

Electronic Filing

a. Person responsible for this electronic filing:

R. Wade Litchfield, Attorney
Florida Power & Light Company
700 Universe Blvd.
Juno Beach, FL 33408
(561) 691-7101.

b. Docket No. 050045-EI / Docket No. 050188-EI

In re: Petition for rate increase by Florida Power & Light Company In re: 2005 Comprehensive Depreciation Studies by Florida Power & Light Company

c. Document being filed on behalf of Florida Power & Light Company.

d. There are a total of 63 pages.

e. The document attached for electronic filing is Florida Power & Light Company's Prehearing Statement

(See attached file: FPL's Prehearing Statement.July 28, 2005.doc)

Thank you for your attention and cooperation to this request.

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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

FLORIDA POWER & LIGHT COMPANY'S
PREHEARING STATEMENT

Florida Power & Light Company ("FPL" or the "Company"), pursuant to Order No. PSC-05-0347-PCO-EI, files with the Florida Public Service Commission (the "PSC" or the "Commission"), its Prehearing Statement in connection with its Petition for Rate Increase, and states:

I. FPL WITNESSES

Witnesses	Subject Matter
Direct Testimony	
Armando J. Olivera (Direct)	Introduces the witnesses who have filed testimony on FPL's behalf; provides an overview of FPL's filing and its position in this case.
Leonardo E. Green (Direct)	Addresses FPL's customer, energy sales, and peak demand forecasts; explains how these reasonable forecasts were developed; discusses the growth in customers and the demand for electricity experienced in FPL's service territory over the last 20 years.
Solomon L. Stamm (Direct)	Discusses the process that was used to develop the forecast and Minimum Filing Requirements (MFRs); presents the major forecast assumptions; discusses the major drivers of increases in plant in service and operations and maintenance (O&M) expense.
Michael E. Barrett	Assesses the financial forecasting process

(Direct)	used by FPL to forecast the years 2005, 2006, and 2007; comments on the preparation of the FPL financial forecast; addresses the overall reasonableness of the significant assumptions used to develop the financial forecast; considers the consistency of the significant data used in applying those assumptions throughout the forecast; assesses the presentation of the FPL financial forecast.
John H. Landon (Direct)	Discusses the benchmarking of non-fuel O&M expenses, gross plant, and service level measures; assesses FPL's operational and financial performance relative to industry benchmarks; examines the benefits that have accrued to FPL's customers as a result of FPL's demonstrated success in reducing costs; evaluates FPL's overall balance of cost and service level performance; reviews the testimony of FPL witnesses who have sponsored benchmarking and other comparative analyses of individual business unit performance measures.
J. A. Stall (Direct)	Describes how FPL's nuclear fleet performance has yielded significant benefits to FPL customers; describes the challenges to FPL's nuclear operations; describes the steps FPL is taking to address those challenges; discusses the resulting impact on 2006 test year's costs for FPL's nuclear operations.
William L. Yeager (Direct)	Addresses the performance of FPL's fossil units; discusses trends in fossil non-fuel O&M expenses and capital expenditures and forecasts for 2006; addresses placing Martin Unit 8 and Manatee Unit 3 into commercial operation in 2005, and placing Turkey Point Unit 5 into commercial operation in 2007.
C. Martin Mennes (Direct)	Describes how the Power Systems Transmission and Substation business unit provides customers a high level of reliable service in a cost-effective manner; addresses the ongoing need for substantial capital investments to meet customer

	growth and maintain FPL's high level of reliability; details the factors giving rise to O&M expense levels over the next several years.
Geisha J. Williams (Direct)	Describes the superior reliability and customer service, and the effective cost management provided by the Distribution business unit (Distribution) to FPL customers; discusses the upward cost pressures on Distribution and their impact on the 2006 forecast.
Marlene M. Santos (Direct)	Describes the high quality of service that FPL provides to customers while maintaining low cost and efficient operations; supports FPL's need to increase base rates to a level that would allow FPL to continue to provide high quality service at reasonable rates.
Kathleen M. Slattery (Direct – Robert H. Escoto)	Presents an overview of the gross payroll and benefit expenses as shown in MFR C-35 and MFR C-17; demonstrates the reasonableness of FPL's forecasted payroll and benefit expenses.
K. Michael Davis (Direct, Supplemental Direct)	Supports the calculation of the rate relief requested by FPL for 2006 and Turkey Point Unit 5; provides key 2007 financial forecast results in connection with the Turkey Point Unit 5 request; presents and discusses accounting, ratemaking, and tax policy issues which impact the determination of FPL's rate base, working capital, rate of return, capital structure, and net operating income; (Supplemental Direct) presents the 2005 comprehensive depreciation study filed on March 17, 2005 in Docket No. 050188-EI (2005 Study) for FPSC approval; confirms that the 2005 Study was prepared in accordance with Commission rules and practices; describes the method for calculating the depreciation rates for Production Plant sites and the Transmission, Distribution and General plant accounts; addresses the capital recovery schedule for St. Lucie Unit 2 steam generator replacement and the reactor head replacements at all of the

	nuclear units; explains how FPL's method of handling the retirements is consistent with Commission practice; describes how FPL's current bottom line reserve has been addressed consistent with Commission directive.
Steven P. Harris (Direct)	Presents the results of ABS Consulting's independent analyses of risk of uninsured loss to FPL assets – storm loss analysis and storm reserve solvency analysis.
William E. Avera (Direct)	Assesses the fair rate of return on common equity (ROE) for FPL's jurisdictional electric utility operations; examines the reasonableness of FPL's capital structure.
Moray P. Dewhurst (Direct)	Supports and supplements the testimony of Dr. Avera on the appropriate ROE; presents and supports the proposed ROE performance incentive of 50 basis points; details the appropriate capital structure for FPL; discusses increasing insurance costs and the need for an increase in annual accrual for FPL's Storm Damage Reserve; supports the need for an additional base rate increase for Turkey Point Unit 5.
Rosemary Morley (Direct)	Discusses the forecast of base revenues from the sale of electricity; addresses the load research and loss factors; describes the methodology supporting FPL's jurisdictional separation factors; discusses the cost of service study; addresses FPL's proposed target revenues by rate class; presents the proposed rate design for achieving the target revenues by rate class.
Rebuttal Testimony	
Leonardo E. Green (Rebuttal)	Refutes claims made by OPC witness Dr. Dismukes and FRF witness Ms. Brown relating to revenue forecasts; rebuts FEA witness Dr. Goins testimony regarding an adjustment to the energy charge and SFHHA witness Mr. Baron's testimony regarding weighting of peak demands.
Solomon L. Stamm (Rebuttal)	Rebuts SFHHA witness Mr. Kollen's assertions regarding FPL's O&M expense; responds to OPC witness Mr. Larkin's claims regarding FPL's forecasted plant in service, accumulated depreciation balances,

	and forecasted plant in service balances for Martin Unit 3 and Manatee Unit 8; responds to OPC witness Ms. DeRonne's testimony regarding contingencies in FPL's O&M forecast, forecasted rate case expenditures, the amortization of the O&M expense associated with FPL's Nuclear Passport Replacement Project, and the distribution vegetation management expense; addresses OPC witness Mr. Larkin and SFHHA witness Mr. Kollen's assertions regarding FPL's 2007 forecast.
John H. Landon (Rebuttal)	Rebuts assertions made by Commercial Group witnesses Ms. Civic and Mr. Galura, OPC witnesses Dr. Dismukes and Mr. Larkin, FEA witness Mr. Kahal, and Staff witness Mr. Matlock concerning FPL's distribution reliability performance over the period 1992-2004, FPL's cost performance, comparisons of FPL's future expected expenses to those of other utilities in the benchmark group, and comparisons of FPL's retail rates to the rates of other utilities.
William L. Yeager (Rebuttal)	Refutes OPC witness Ms. Dismukes' assertions regarding Unit 38 and Turkey Point Unit 5; rebuts OPC witness Mr. Larkin's assertions regarding the effect of placing Turkey Point Unit 5 in service on FPL's O&M expenses and labor costs.
C. Martin Mennes (Rebuttal)	Refutes claims made by various intervenor witnesses regarding the status and projected costs of GridFlorida.
Geisha J. Williams (Rebuttal)	Rebuts the testimony of Staff witness Mr. Matlock regarding FPL's reliability indexes for the years 1992 through 2004; refutes Staff witnesses Mr. Vinson and Mr. Fisher's findings regarding FPL's vegetation management, lightning protection, and pole inspection processes; rebuts OPC witness Ms. DeRonne's claims regarding FPL's 2006 vegetation management expenses.
Dennis Brandt (Rebuttal)	Responds to testimony of OPC witness Ms. Dismukes regarding allocations of natural gas margins between FPL and FPL Energy

	Services, Inc; responds to questions raised at the Ft. Myers customer service hearing, pertaining to FPLES' Connect Services.
Marlene M. Santos (Rebuttal)	Rebuts OPC witness Ms. DeRonne's Automated Meter Reading (AMR) program testimony; refutes Ms. DeRonne and FRF witness Ms. Brown's bad debt expense testimony; rebuts OPC witness Ms. Dismukes' advertising expenses testimony.
Kathleen M. Slattery (Rebuttal)	Refutes OPC witness Mr. Schultz, FRF witness Ms. Brown, and SFHHA witness Mr. Kollen's claims regarding the reasonableness of the company's payroll cost estimates; defends FPL's total compensation cost including the use of variable and incentive pay programs; demonstrates why FPL's incentive plans provide for improved performance and serve the needs of all constituents, including customers.
Nancy A. Swalwell (Rebuttal)	Rebuts testimony of OPC witness Mr. Larkin regarding amount forecasted in Property Held for Future Use account and age of property in that account; responds to testimony of OPC witness Ms. DeRonne regarding gains on sales and dispositions; responds to testimony by Staff witness Ms. Welch regarding allocation of costs to affiliates for office space.
William M. Stout (Rebuttal)	Rebuts the direct testimony of OPC witness Mr. Majoros regarding net salvage and survivor curve estimates.
K. Michael Davis (Rebuttal)	Refutes positions taken by OPC witnesses Ms. DeRonne, Ms. Dismukes, Mr. Larkin, and Mr. Majoros, SFHHA witness Mr. Kollen, FRF witness Ms. Brown, Commercial Group witness Mr. Selecky, and Staff witness Ms. Welch, relative to one or more of the following areas: capital structure, rate case expense, AMR Project, CWIP in rate base, working capital, GridFlorida, Nuclear Fuel Last Core and End-of-Life Materials and Supplies Accruals, nuclear maintenance expense reserve, 2007 Turkey Point Unit 5 adjustment, depreciation, dismantlement

	costs on new plant, FPSC Staff Audit Report, affiliate transactions.
Steven P. Harris (Rebuttal)	Responds to the testimony submitted by OPC witness Ms. Merchant, Commercial Group witness Mr. Selecky, AARP witness Mr. Stewart, and FRF witness Ms. Brown addressing the estimated annual storm loss on FPL's system; responds to these witnesses' respective calculations of a proposed annual Storm Damage Accrual amount.
William E. Avera (Rebuttal)	Rebuts the testimony of OPC witness Dr. Woolridge, FEA witness Mr. Kahal, SFHHA witness Mr. Baudino, and Commercial Group witness Mr. Selecky concerning a fair rate of ROE for FPL; responds to the capital structure recommendations of SFHHA witness Mr. Kollen; responds to the testimony of OPC witness Ms. Dismukes concerning the appropriate cost of capital to determine costs charged to FPL by FiberNet.
Moray P. Dewhurst (Rebuttal)	Refutes assertions made by witnesses of OPC, FEA, AARP, Commercial Group, FRF, and SFHHA; focuses on FPL's appropriate ROE, FPL's request for a 50 basis point performance incentive, the appropriateness of FPL's capital structure, FPL's request for an additional base rate increase for Turkey Point Unit 5, FPL's request for an increase in the storm accrual, and the need for FPL to maintain D&O insurance.
Rosemary Morley (Rebuttal)	Rebuts the testimony SFHHA witness Mr. Baron, FEA witness Dr. Goins, and Commercial Group witnesses Mr. Selecky, and Ms. Civic and Mr. Galura; focuses on cost of service methodology, the allocation of the revenue increase, the rate treatment for the GSD-1, GSLD-1, and GSLD-2 rate classes, the Commercial/Industrial Load Control (CILC) rate design, the Optional High Load Factor rate design, and the 2007 Turkey Point Unit 5 adjustment; addresses claims made regarding FPL's rates.

II. EXHIBITS

Exhibit	Description	Sponsoring Witness
Direct Exhibits		
AJO-1	Biographical Information	Armando J. Olivera
LEG-1	Absolute Monthly Customer Growth	Leonardo E. Green
LEG-2	Total Average Customers	Leonardo E. Green
LEG-3	Net Energy for Load per Customer	Leonardo E. Green
LEG-4	Net Energy for Load	Leonardo E. Green
LEG-5	Comparison of Non-Agricultural Employment	Leonardo E. Green
LEG-6	Summer Peak Load	Leonardo E. Green
LEG-7	Summer Peak Load per Customer	Leonardo E. Green
SLS-1	Listing of MFRs and Schedules Sponsored in Whole or in Part	Solomon L. Stamm
SLS-2	MFR F-5 Forecasting Flowchart/Models	Solomon L. Stamm
SLS-3	MFR F-8, Assumptions	Solomon L. Stamm
SLS-4	Budget and Actual Net Income 2000-2004	Solomon L. Stamm
SLS-5	Plant in Service Balances, 2002 and 2006	Solomon L. Stamm
SLS-6	Customers, Usage and Billed Sales, 2002 and 2006	Solomon L. Stamm
SLS-7	O&M Expense, 2002 and 2006	Solomon L. Stamm
SLS-8	O&M Benchmark Comparison, 2002 Benchmark Year	Solomon L. Stamm
SLS-9	O&M Benchmark Comparison, 1988 Benchmark Year	Solomon L. Stamm
MEB-1	Curriculum Vitae	Michael E. Barrett

MEB-2	AICPA Guidelines	Michael E. Barrett
MEB-3	FPL Forecasting Process	Michael E. Barrett
MEB-4	Summary of Impact of Differences	Michael E. Barrett
MEB-5	Forecast to Actual Comparisons	Michael E. Barrett
JHL-1	List of Documents Sponsored by John H. Landon	John H. Landon
JHL-2	John H. Landon Curriculum Vitae	John H. Landon
JHL-3	Peer Group Composition	John H. Landon
JHL-4	O&M/Customer Comparison	John H. Landon
JHL-5	O&M/Customer – Indexed	John H. Landon
JHL-6	O&M/kWh Comparison	John H. Landon
JHL-7	Gross Plant/Customer Comparison	John H. Landon
JHL-8	Gross Plant/kWh Comparison	John H. Landon
JHL-9	O&M/Customer – Alternate Peer Groups	John H. Landon
JHL-10	O&M/kWh – Alternate Peer Groups	John H. Landon
JHL-11	Gross Plant/Customer Comparison – Alternate Peer Groups	John H. Landon
JHL-12	Gross Plant/kWh Comparison – Alternate Peer Groups	John H. Landon
JHL-13	Nuclear WANO Index Comparison	John H. Landon
JHL-14	Nuclear UCF Comparison	John H. Landon
JHL-15	Nuclear FLR Comparison	John H. Landon
JHL-16	Fossil EAF Comparison	John H. Landon
JHL-17	Fossil EFOR Comparison	John H. Landon

JHL-18	Distribution SAIDI Comparison	John H. Landon
JAS-1	FPL Nuclear – Personnel Safety	J. A. Stall
JAS-2	WANO Index (Turkey Point, St. Lucie, and Similar Units)	J. A. Stall
JAS-3	FPL Nuclear – Unit Capability Factor (18-month average)	J. A. Stall
JAS-4	FPL Nuclear – Forced Loss Rate (18-month average)	J. A. Stall
JAS-5	FPL Nuclear – Collective Radiation Exposure (18-month average)	J. A. Stall
JAS-6	FPL Nuclear St. Lucie and Turkey Point Sites – NRC Performance (4th Quarter 2004)	J. A. Stall
JAS-7	FPL Nuclear – Capacity Factor	J. A. Stall
JAS-8	FPL Nuclear – St. Lucie Units 1 and 2 Steam Generators Tube Plugging – 1/05	J. A. Stall
JAS-9	FPL Nuclear – Life Cycle Management Plans – Turkey Point and St. Lucie	J. A. Stall
JAS-10	FPL Nuclear – Capital Expenditures	J. A. Stall
JAS-11	FPL Nuclear – O&M Expenditures	J. A. Stall
JAS-12	FPL Nuclear – Condition Reports Generated (Turkey Point and St. Lucie Combined)	J. A. Stall
WLY-1	MFRs and PTF 5 Adjustment Schedules Sponsored and Co-Sponsored by William L. Yeager	William L. Yeager
WLY-2	FPL Fossil EAF Trend and Comparison to Industry Average	William L. Yeager
WLY-3	FPL Fossil EFOR Trend and Comparison to Industry Average	William L. Yeager
WLY-4	FPL Fossil OSHA Recordable Injury	William L. Yeager

	Rate Trend and Comparison to Industry Average	
WLY-5	FPL Fossil Net Heat Rate (Btu/kWh) Trend and Comparison to Industry Average	William L. Yeager
WLY-6	FPL Fossil Non-Fuel O&M (cents/kWh) Trend	William L. Yeager
WLY-7	FPL Fossil Base Non-fuel O&M ($ Millions) Trend	William L. Yeager
WLY-8	FPL Fossil Capital ($ Millions) Trend	William L. Yeager
CMM-1	Transmission & Substation SAIDI	C. Martin Mennes
CMM-2	Transmission Vegetation Events	C. Martin Mennes
CMM-3	Transmission Lightning Events	C. Martin Mennes
CMM-4	Transmission Bird Events	C. Martin Mennes
CMM-5	Transmission & Substation Expenditures	C. Martin Mennes
CMM-6	500kV Ceramic Insulator Cost	C. Martin Mennes
CMM-7	Transformer Age	C. Martin Mennes
CMM-8	Circuit Miles – Years Since Installation	C. Martin Mennes
CMM-9	Distribution Substation Site Prep Costs	C. Martin Mennes
CMM-10	Incremental GridFlorida RTO Charges	C. Martin Mennes
CMM-11	RTO/ISO Annual Operating Costs	C. Martin Mennes
GJW-1	Reliability Program Initiatives	Geisha J. Williams
GJW-2	Distribution Reliability	Geisha J. Williams
GJW-3	Distribution Capital Expenditures and O&M	Geisha J. Williams
MMS-1	Residential Customer Care Center Satisfaction Research	Marlene M. Santos

MMS-2	Billing and Payment Options	Marlene M. Santos
MMS-3	Internet Transactions	Marlene M. Santos
MMS-4	Customer Service O&M Cost per Customer	Marlene M. Santos
MMS-5	Customer Service O&M Expense	Marlene M. Santos
RHE-1	Projected Total Payroll & Benefits Cost	Kathleen M. Slattery (for Robert H. Escoto)
RHE-2	Projected Total Payroll & Benefits Cost (title of graph is "Position to Market")	Kathleen M. Slattery (for Robert H. Escoto)
RHE-3	Projected Growth of Total Cash Comp	Kathleen M. Slattery (for Robert H. Escoto)
RHE-4	FERC Total Salaries & Wages 2003	Kathleen M. Slattery (for Robert H. Escoto)
RHE-5	Cash Compensation Percent Increase	Kathleen M. Slattery (for Robert H. Escoto)
RHE-6	Relative Value Comparison – 2004 Total Benefits	Kathleen M. Slattery (for Robert H. Escoto)
RHE-7	Relative Value Comparison – 2004 Active Employee Medical Plan	Kathleen M. Slattery (for Robert H. Escoto)
RHE-8	Average Medical Cost Per Employee 2002-2006	Kathleen M. Slattery (for Robert H. Escoto)
RHE-9	Projected Total Payroll & Benefits Cost (title of graph is "Relative Value Comparison – 2004, Pension & 401(k) Employee Savings Plan")	Kathleen M. Slattery (for Robert H. Escoto)
KMD-1	MFRs & Schedules Sponsored & Co-Sponsored by K. Michael Davis	K. Michael Davis
KMD-2	MFR A-1 for the 2006 Test Period	K. Michael Davis
KMD-3	MFR C-2 for the 2006 Test Period	K. Michael Davis
KMD-4	Calc of Total Annual Rev Increase Requested	K. Michael Davis

KMD-5	Listing of MFR's & Schedules Directly Supporting Requested Revenue Increase	K. Michael Davis
KMD-6	2007 Turkey Point Unit 5 Adjustment Schedule A-1	K. Michael Davis
KMD-7	FPL's 2007 Forecast schedule A-SUM	K. Michael Davis
KMD-8	MFR F-8 for the 2006 Test Period	K. Michael Davis
KMD-9 (Supplemental)	FPL's Proposed Depreciation Rates	K. Michael Davis
SPH-1	Storm Loss Analysis	Steven P. Harris
SPH-2	Solvency Analysis	Steven P. Harris
WEA-1	Qualifications of William E. Avera	William E. Avera
WEA-2	Capital Market Trends	William E. Avera
WEA-3	Expected Dividend Yield	William E. Avera
WEA-4	Projected Earnings Growth Rates	William E. Avera
WEA-5	Sustainable Growth Rate	William E. Avera
WEA-6	Authorized Rates of Return	William E. Avera
WEA-7	Bond Yields v. Equity Risk Premium	William E. Avera
WEA-8	Realized Rates of Return	William E. Avera
WEA-9	Forward Looking Risk Premium	William E. Avera
WEA-10	Historical Risk Premium	William E. Avera
WEA-11	Summary of Results	William E. Avera
WEA-12	Electric Utility Operating Cos.	William E. Avera
MPD-1	FPL O&M plus Depreciation Costs per kWh vs. Peer Group	Morey P. Dewhurst
RM-1	Summary of Sponsored MFRs and 2007 Turkey Point Unit 5 Adjustment Schedules	Rosemary Morley

RM-2	FPL's Base Rates versus Inflation	Rosemary Morley
RM-3	Summary of Current Rate Structures	Rosemary Morley
RM-4	Cost of Service Methodology by Component	Rosemary Morley
RM-5	Trends in Relative Load Contributions	Rosemary Morley
RM-6	Resulting Parity Indices	Rosemary Morley
RM-7	Summary of Proposed Rate Structures	Rosemary Morley
RM-8	Cost of New Installations – Street Lights	Rosemary Morley
RM-9	Sample Bill Calculations	Rosemary Morley
RM-10	Impact on Base Rates	Rosemary Morley
Rebuttal Exhibits		
LEG-8 (Rebuttal)	Total System Customers	Leonardo E. Green
LEG-9 (Rebuttal)	History and Forecast of Summer Peak Demand: Base Case	Leonardo E. Green
LEG-10 (Rebuttal)	History and Forecast of Winter Peak Demand: Base Case	Leonardo E. Green
LEG-11 (Rebuttal)	History and Forecast of Annual NEL-GWH: Base Case	Leonardo E. Green
SLS-10 (Rebuttal)	Staff's Second Set of Interrogatories Question No. 80	Solomon L. Stamm
SLS-11 (Rebuttal)	Explanation of Increase in Fossil Maintenance Costs	Solomon L. Stamm
SLS-12 (Rebuttal)	Increase in O&M Expense, Adjusted	Solomon L. Stamm
SLS-13 (Rebuttal)	Plant and Accumulated Depreciation	Solomon L. Stamm
SLS-14 (Rebuttal)	Martin Unit 8 and Manatee Unit 3 Plant In Service Balances	Solomon L. Stamm

SLS-15 (Rebuttal)	Budget Contingency	Solomon L. Stamm
SLS-16 (Rebuttal)	Schedule F-8, FPL's 2007 Forecast	Solomon L. Stamm
WLY-9 (Rebuttal)	OPC 11th Set of Interrogatories 335 – Supplemental	William L. Yeager
WLY-10 (Rebuttal)	CT38 Contract Change Order	William L. Yeager
CMM-12 (Rebuttal)	RTO/ISO Annual Operating Costs	C. Martin Mennes
GJW-4 (Rebuttal)	FPL Responses to Report Findings	Geisha J. Williams
GJW-5 (Rebuttal)	Distribution Vegetation Management Expenses	Geisha J. Williams
MMS-6 (Rebuttal)	Bad Debt Factor Comparison	Marlene M. Santos
MMS-7 (Rebuttal)	Historical Revenue per Customer	Marlene M. Santos
MMS-8 (Rebuttal)	Bad Debt Forecast	Marlene M. Santos
MMS-9 (Rebuttal)	Write-offs as a Percent of Revenues Benchmarking	Marlene M. Santos
KS-1 (Rebuttal)	FPL's Long Term Incentive Plan Expense Budget vs. Expense	Kathleen M. Slattery
NAS-1 (Rebuttal)	Power Plant Sites Under Contract	Nancy A. Swalwell
NAS-2 (Rebuttal)	Transmission Easements Acquired	Nancy A. Swalwell
NAS-3 (Rebuttal)	PHFFU – Analysis of In-Service Dates	Nancy A. Swalwell

NAS-4 (Rebuttal)	Age of Properties Going Into Service Within 5 Years	Nancy A. Swalwell
NAS-5 (Rebuttal)	Incremental Cost Analysis Juno Beach	Nancy A. Swalwell
KMD-10 (Rebuttal)	Summary of Identified Adjustments	K. Michael Davis
KMD-11 (Rebuttal)	Transcript Excerpts from AFUDC Agenda Conference on June 11, 1996	K. Michael Davis
KMD-12 (Rebuttal)	Recalculated Nuclear Maintenance Reserve Balances	K. Michael Davis
KMD-13 (Rebuttal)	Depreciation Filing Changes Summary	K. Michael Davis
KMD-14 (Rebuttal)	Theoretical Reserve Rate Shock	K. Michael Davis
KMD-15 (Rebuttal)	Rev Reqmt Impact on FPSC Storm Recovery Docket Decision	K. Michael Davis
KMD-16 (Rebuttal)	FPL's Response to FPSC Audit Report	K. Michael Davis
KMD-17 (Rebuttal)	2006 Revised AMF	K. Michael Davis
KMD-18 (Rebuttal)	Explanations of Entities Allocated/Not Allocated Costs	K. Michael Davis
KMD-19 (Rebuttal)	Cost Allocation Standard	K. Michael Davis
KMD-20 (Rebuttal)	FPL NED Operating Expenses Other Than Income Taxes	K. Michael Davis
SPH-3 (Rebuttal)	Storm Reserve Fund Analysis Case Results	Steven P. Harris
SPH-4 (Rebuttal)	Comparison of Protection Afforded by \$120 million, \$70 million and \$40 million Annual Accrual	Steven P. Harris

WEA-13 (Rebuttal)	Implied Rates of Return	William E. Avera
RM-11 (Rebuttal)	Allocation of 2006 Projected Production Plant Using Alternative Methodologies	Rosemary Morley
RM-12 (Rebuttal)	No. of Monthly Peaks Greater than Winter Peak	Rosemary Morley
RM-13 (Rebuttal)	RS-1 and GSLD-1 CP Demands	Rosemary Morley
RM-14 (Rebuttal)	Customer Density	Rosemary Morley
RM-15 (Rebuttal)	Transcript of George Brown	Rosemary Morley
RM-16 (Rebuttal)	Rate Class Coincident Factor v. Load Factor	Rosemary Morley
RM-17 (Rebuttal)	Edison Electric Typical Bill Comparisons	Rosemary Morley

In addition to the above pre-filed exhibits, FPL reserves the right to utilize any exhibit introduced by any other party. FPL additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination or impeachment at the final hearing.

III. STATEMENT OF BASIC POSITION

FPL does not take lightly the need to request a base rate increase at this time. It has been more than twenty years since FPL last found it necessary to seek an increase in its base rates. In fact, over the past twenty years FPL has not only avoided a base rate increase but has actually had three rate reductions substantially lowering base rates, despite having made massive capital investments to meet the needs of a customer base of more than 4.2 million customers, approximately 1.6 million or 61% more customers than were served in 1985. Such investments, totaling more than $18 billion, have included more than $3 billion in the construction of new generating capacity and more than $8 billion in the expansion of FPL's transmission and distribution system. During this same period of time, FPL was able to lower its retail base rates by 16%, while the Consumer Price Index increased by over 80%. These accomplishments are attributable to a number of efforts and factors, including a regulatory climate and framework that generally have been conducive to such cost-savings initiatives.

If not for FPL's cost-savings initiatives and efficiency improvements, FPL's base rates would have had to increase long before now. Instead, FPL's customers will have realized direct savings of almost $4 billion as of December 31, 2005, as a result of the two rate reductions and associated refunds implemented by the Company pursuant to two revenue sharing plans approved by the Commission that have been in place over the past six years. However, customer growth in Florida is expected to continue. In the face of such steady growth, and based on FPL's current financial projections, further productivity efficiencies and cost-savings initiatives alone will not be sufficient for the Company to continue to effectively and reliably meet the electric needs of existing and new customers at current base rates. Therefore, FPL requests increases in rates beginning January 1, 2006, coincident with the end of the current revenue-sharing plan approved by the Commission in Docket No. 001148-EI.

As presented in the testimony and exhibits of FPL's witnesses, the management and employees of FPL have worked diligently to enable the Company to avoid increases in its base rates despite escalating costs, significant growth in the number of customers served as well as per customer consumption, and increased reliability requirements and other customer expectations. FPL's accomplishments reflect the efforts of a strong management team and a quality-driven work force, efforts that have been facilitated through progressive and responsible regulation. Collectively, these efforts have succeeded in delaying as long as possible increases in FPL's retail base rates while keeping pace with Florida's rapid growth and demand for power. Although price increases routinely are seen in insurance, health care, and other sectors of the economy, the Company has managed its operations in a way that has resulted in significant actual price decreases and substantial customer savings. After twenty years, an increase in retail base rates now is necessary to ensure that FPL can continue to provide safe and reliable electric service at the levels its customers have come to expect and that are consistent with the Company's past record of superior performance. The testimony of FPL's witnesses demonstrates the success of the Company's efforts, and its very favorable position relative to other electric utilities.

The details of the rate base, operational and maintenance ("O&M") expenses, and other factors driving the need for rate relief are more fully reflected in the testimony and exhibits of FPL's Company witnesses as well as the minimum filing requirements ("MFRs") and schedules filed in this proceeding. The impact of adding new generating facilities alone will result in significant incremental revenue requirements in 2006, the first full year of operation for Martin Unit 8 and Manatee Unit 3, and in 2007 when Turkey Point Unit No. 5 is placed into service. The projected installed costs of these three units are $403.6 million, $483.2 million, and $580.3 million, respectively. Further, the Company's capital expenditures for its nuclear division between 2005 through 2007 are expected to exceed $780 million, including $520 million for nuclear reactor vessel head and steam generator replacements. Incremental additions to transmission and distribution ("T&D") plant in service between 2002 and 2006 are projected to increase by $2.4 billion. Indeed, FPL's total electric plant in service is projected to increase by over $5 billion from 2002 (the date FPL's base rates were last established) and 2006, the test year.

The projected period January 1, 2006 through December 31, 2006 serves as the test year on which FPL has calculated its revenue deficiency in this case. The test year in a rate case provides an appropriate period of utility operations that may be analyzed so the Commission can set reasonable rates for the period the new rates will be in effect. The period January 1, 2006 through December 31, 2006, adjusted for the addition of Turkey Point Unit 5 in 2007, best represents expected future operations. One of the major factors underlying the need for a change in base rates is the addition of needed generating resources. Martin Unit No. 8 and Manatee Unit No. 3, although determined to be the lowest cost resources to meet customers' needs (at a combined projected installed cost of approximately $887 million), will add substantial, incremental revenue requirements to the FPL system during their first full year of commercial operation in 2006. Additionally, more than $210 million in new plant associated with essential upgrades to FPL's nuclear units will have been placed in service during 2004 and 2005. Using the projected twelve-month period ending December 31, 2006 as the test year will reflect the first full year of service for these new capital additions and will provide a more accurate representation of these and other increasing costs for the purposes of setting rates effective January 1, 2006.

Despite the continuing efforts on the part of FPL's management and employees to control and reduce expenses, maintaining adequate and reliable service will require substantial additional investment. The Company has added significant generating resources to its system since 1985 without the need for any retail base rate increases and despite having implemented $600 million in annual base rate reductions in recent years. However, to meet the needs of its customers, from 2002 to 2007 the Company is adding generation resources at a much faster rate, due in part to the incremental reserve margin requirements approved by the Commission in Order No. PSC-99-2507-S-EU, issued December 22, 1999.[1] The Company cannot continue to absorb future capacity additions under its current rate structure without incremental revenues to cover the associated capital and non-fuel O&M requirements, even though such additions are determined to be the low cost resource options.

From 1986 through 2007, FPL has added or will have added approximately 8,000 MW of generation. During the first seventeen years of this period (1986 – 2002), FPL added 4,000 of those 8,000 MW, representing an average of only 235 MW per year. Customer demand grew at a higher rate during this time, but the Company was able to meet incremental load requirements through productivity, reliability and capacity improvements in its existing generating fleet (resulting in real savings to customers), and through purchased power, the costs of which were immediately reflected incrementally in Fuel and Capacity Clause factors. FPL will not be able to continue meeting such a large portion of its incremental load requirements through such measures. FPL will add nearly 4,000 MW of low cost generating capacity during the five-year period following 2002, the year in which base rates were last set. This represents an average addition of nearly 800 MW per year, or more than three times the rate of the prior seventeen years. FPL cannot continue to add such significant generating capacity at existing base rate levels--rates that are lower today than they were in 1985.

FPL is facing other substantial capital requirements as well. Significant investment will be required to maintain FPL's nuclear units, ensuring the continued operation of these important,

[1] Pursuant to the stipulation approved by the Commission in Order No. PSC-99-2507-S-EU, FPL increased its reserve margin planning criterion from fifteen to twenty percent, effective the summer of 2004.

base-load generating units and the provision of low-cost energy through the end of their current operating licenses, and preserving the option to extend such operations into the future. Specifically, by the end of 2007 FPL will have incurred more than $520 million in capital expenditures in connection with the steam generator and reactor vessel head replacements. More than $210 million of that amount is expected to be placed in service during 2004 and 2005. In addition, significant investments in new T&D infrastructure will be required for FPL to continue to meet its obligation to serve at the high degree of reliability customers expect. Excluding storm restoration expenditures associated with Hurricanes Charley, Frances, and Jeanne, annual T&D capital expenditures are anticipated to be on the order of approximately $700 million, which by comparison is similar in magnitude to the investment required to add a new power plant each and every year.

For years, FPL has been either reducing or holding the line on O&M expenditures despite steady growth in demand and the number of customers served, and while achieving and maintaining high levels of service reliability. Like most companies, FPL is facing external cost pressures in a number of areas, particularly from the health care and insurance sectors. These factors began to manifest themselves in 2001 and were reflected in FPL's forecasted non-fuel O&M projections during its last rate case. Actual non-fuel O&M expenditures for 2002 were generally on target and were over $143 million higher than 2001, representing the first significant increase in non-fuel O&M in over 10 years. It is anticipated that there will be continued upward pressure on O&M over the next several years due to the cumulative effects of inflation, customer growth and operational requirements.

The extraordinary 2004 storm season required expenditures that depleted FPL's entire storm damage reserve and taking it negative by approximately $533 million (jurisdictional). But even with the recovery of the deficit through the surcharge that has been approved by the Commission in Docket No. 041291-EI, at current accrual levels the storm damage reserve balance will not reach adequate levels for many years, if ever. FPL projects the need to increase the annual accrual to the Storm Damage Reserve by approximately $100 million in order to rebuild and maintain a reasonable reserve to respond to upcoming and future storm seasons. FPL's request for relief in this docket also asks the Commission to take into account the outcome of Docket No. 041291-EI. Thus, FPL's base rates established as a result of this docket should reflect the effects of the Commission's decision in Docket No. 041291-EI, including capitalization of a portion of the storm costs.

To address FERC transmission independence issues, the Commission issued Order No. PSC-01-2489-FOF-EI in Docket 001148-EI, directing investor-owned utilities operating in peninsular Florida to file a proposed Independent System Operator structure, a form of RTO. FPL estimates that annual incremental costs associated with participation in an RTO will average approximately $100 million. To remain positioned to meet the implementation requirements for an RTO, FPL must be assured that these significant costs will be recovered.

Though only a partial listing of incremental costs the Company will face over the next few years, the estimated revenue requirement impacts of the major factors described above are substantial. The Company's jurisdictional 13-month average rate base for the period ended December 31, 2006 is projected to be $12.4 billion. FPL's jurisdictional net operating income for the same period is projected to be $783 million using the Company's rates currently in effect. The resulting adjusted jurisdictional rate of return on average rate base is projected to be 6.31%, while the return on common equity is projected to be 8.47% for the test year. In this case, the Company requests that it be allowed an overall rate of return of 8.22%, which equals FPL's total cost of capital, including a range of return on common equity of 11.30% to 13.30%, with a midpoint of 12.30%. This range and midpoint include a performance incentive of 50 basis points in recognition of the Company's superior overall performance and to encourage continued performance achievements. The total resulting base revenue deficiency in 2006 is $384,580,000. However, this amount assumes certain adjustments between base rates and FPL's Fuel and Capacity Clauses, resulting in a net shift of $45,618,000 from base rates to the Capacity Clause as described below. These and other figures included the Company's Petition for a Rate Increase and filing do not include the effects of the Commission's decision in Docket No. 041291-EI and the review of FPL's updated depreciation study in this consolidated proceeding. The impacts on rate base, total operating expenses, and net operating income are summarized in FPL's positions on issues 36, 102, and 103, respectively.

In connection with its request, FPL proposes certain Company adjustments to the 2006 test year net operating income ("NOI"). The proposed Company adjustments are described by Mr. Davis in his testimony and summarized on page 3 of MFR C-2, Document No. KMD-3. Three of those adjustments relate to the Fuel and Capacity Clauses. Specifically, FPL proposes: (1) to transfer its 2006 projected incremental power plant security costs from Capacity Clause recovery to base rate recovery; (2) to transfer to the Capacity Clause certain St. Johns River Power Park ("SJRPP") capacity costs and certain capacity revenues that are currently embedded in base rates; and (3) to transfer its 2006 projected incremental hedging costs from Fuel Clause recovery to base rate recovery. The NOI impact of these transfers, respectively, are a $6,682,000 reduction to NOI, $34,980,000 increase to NOI, and a $134,000 reduction to NOI, as reflected in MFR C-2. The net impact of these three adjustments is to transfer the recovery of costs from base rates to the Capacity Clause that, if the adjustments were not made and the costs were recovered instead through base rates, would reduce FPL's test year NOI by $28,164,000, yielding an additional $45,618,000 of test year revenue requirements to the requested revenue increase of $384,580,000 referenced above and set forth in Mr. Davis' Document No. KMD-4. The specific dollar amounts related to these adjustments for which FPL is requesting base rate recovery are: $11,032,121 for incremental security, as reflected in MFR C-43, and $496,485 are incremental hedging costs as reflected in MFR C-42. The specific dollar amount related to the SJRPP adjustment for which FPL is requesting Capacity Clause recovery is $56,945,592, as explained in FPSC Order No. PSC-94-1092-FOF-EI. The adjustments relating to security and hedging costs would be such that FPL thereafter would seek to recover through the Capacity Clause only incremental power plant security costs that exceed $11,032,121 in a calendar year, and through the Fuel Clause, only incremental hedging costs that exceed $496,485 in a calendar year.

The depreciation rates used in FPL's 2006 test year are the result of a depreciation study that was filed in March 2005 pursuant to Order No. PSC-02-1103-PAA-EI and Rule 25-6.0436, F.A.C. Consistent with Commission Rules and longstanding practice, FPL filed its update to the depreciation study on July 1, 2005. FPL's request for relief in this docket asks the Commission to take into account the effect of the updated depreciation study. Thus, the base rates established as a result of this docket should reflect the depreciation rates contained in the updated FPL deprecation study.

FPL's request includes a performance incentive of 50 basis points based on its impressive record of providing safe and reliable electric service. FPL's performance levels generally have been and are well above industry averages and in many cases have been among the highest in the industry. At the same time, FPL has avoided an increase in base rates for more than twenty years by successfully managing costs and achieving operational efficiencies. A performance incentive serves to support and encourage FPL management's long-term efforts to continue improvement in quality of service and efficiency of operations, and sends an appropriate signal to public utilities in the state of Florida that superior performance will be recognized and rewarded. Such an approach is consistent with the Commission's authority and also its past policy and practice. In setting rates, the Commission may "give consideration, among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public." Section 366.041(1), F.S., 2004. In consideration of such factors, a 50 basis point performance incentive added to the Company's midpoint and authorized range is appropriate.

2007 Limited Scope Adjustment

FPL also requests an additional base rate increase in 2007 upon commercial operation of Turkey Point Unit 5 in 2007, for which the Commission recently made an affirmative determination of need in Order No. PSC-04-0609-FOF-EI, issued June 18, 2004, in Docket No. 040206-EI. Pursuant to the Commission's authority made explicit in Section 366.076, Florida Statutes, as well as Rule 25-6.0425, Florida Administrative Code, FPL is requesting approval of a limited scope adjustment to begin 30 days following the commercial in-service date of Turkey Point Unit 5, projected for June 2007, to allow FPL to generate incremental annual revenue requirements in the amount of $122,757,000.

FPL proposes to base the amount of the adjustment on the annualized incremental revenue requirements for Turkey Point Unit 5 of $122,757,000; the expected impact in 2007 due to only a partial year of commercial operations is $66,096,000, based on an in-service date of June 1, 2007. This adjustment is a conservative proxy for the full increase in revenue requirements that FPL expects for 2007 and beyond because it does not take into account increases in other costs of service. However, FPL is prepared to accept this partial measure of additional rate relief in the interest of administrative efficiency, limiting the necessary regulatory review to the relatively narrow issue of Turkey Point Unit 5's revenue requirements. This will avoid burdening customers and the Commission, as well as FPL, with the time and expense of a full 2007 revenue requirements proceeding. Further, such limited review is consistent with the Commission's authority under Section 366.076, Florida Statutes, and Rule 25-6.0425, Florida Administrative Code, as well as past Commission action in proceedings that addressed the additional costs associated with power plants scheduled to be placed in service shortly after the effective date of new rates.

In addition, FPL's proposal addresses the timing issue associated with the differing dates on which the AFUDC will stop accruing for Turkey Point Unit 5 and on which customers' bills will reflect the foregoing adjustment. Upon the placement of Turkey Point Unit 5 into commercial service, the AFUDC accruals will cease. Because the application of the new tariff will not be applied to meter readings until 30 days after this date, and taking into account the cycle billing process, FPL will under-recover costs otherwise charged as AFUDC. FPL proposes to recover the resulting under-recovered dollar amount through the Fuel Clause by including that amount as part of the fuel cost for the true-up calculations in a future Fuel Clause proceeding. This proposal is consistent with the Commission's decision in Order No. 12348, in Docket No. 820097-EU.

Gross Receipts Tax, New Rate Schedules, Service Charges, and Other Adjustments

In connection with its request for an increase in rates, FPL also is requesting to consolidate the entire recovery of gross receipts tax into the separately stated line item on customers' bills. Further the Company is requesting the approval of certain changes to existing rate schedules, the adoption of three new rate schedules, the replacement of one and the closure and eventual termination of another existing rate schedule, changes in existing service charges, and other adjustments outlined below.

Because FPL is the only investor-owned electric utility that has not increased its base rates since the gross receipts tax was increased in 1992, it is the only such utility that continues to have a portion of its gross receipts tax embedded in base rates. FPL is proposing that it remove from base rates the remaining embedded portion of the gross receipts tax and add that amount to the separate line item charge for the collection of gross receipts taxes, thus eliminating a source of billing confusion and bringing its approach into alignment with other investor-owned electric utilities in Florida.

FPL is proposing certain changes to existing rate schedules. For example, FPL proposes to raise the inversion point on the RS-1 rate schedule from 750 kWh to 1,000 kWh, reflecting generally the increase in electric use per customer since the 750 kWh inversion point was established in 1977. The energy charges would be 3.481 cents for the first 1000 kWh and 4.481 cents for all additional kWh. FPL also proposes to simplify current rate structures by establishing a single set of energy and demand charges for rate schedules GSD-1, GSLD-1, GSLD-2, CS-1 and CS-2, eliminating the 10 kW exemption for the GSD-1, GSDT-1 and CILC1-G rate schedules, and establishing customer charges based on each class's customer unit costs. Further, FPL is proposing certain adjustments, including increasing pole and conductor charges, to rate schedules SL-1 and OL-1 to better match the cost of such services.

In connection with its request for base rate increase, FPL also proposes the adoption of three new optional rates, including two time-of-use ("TOU") rates available to commercial/industrial customers with at least 21 kW of billing demand. A High Load Factor TOU rate will provide a cost-based rate that is attractive to higher load factor customers while also providing a time-differentiated price signal. A Seasonal Demand TOU rate will provide a time-differentiated rate with a narrower on-peak window than that specified under the standard TOU rates. The third rate proposed by FPL is a General Service Constant Use rate for small commercial customers with a relatively constant high load factor usage which sets them apart from other GS-1 customers. These proposed new optional rates and their intended application and effect are described in more detail by Ms. Morley in her testimony. Tariff sheets applicable to these three new rates are included in Attachment No. 1 of MFR E-14.

FPL also proposes to close the existing Premium Lighting rate schedule PL-1, and replace it with a Decorative Lighting rate schedule, SL-3. SL-3 is very similar to PL-1, with the most notable exception being the use of generic rather than specific project estimates to reduce the time and resources required to administer this schedule. In addition, FPL is proposing to close rate schedule WIES-1 to new delivery points effective January 1, 2006, and to transfer existing customers to other rate schedules by January 1, 2007. The schedule has failed to produce the aggregate threshold energy usage set forth in tariff sheet 8.120.

FPL's filing proposes to alter certain existing charges and fees for miscellaneous services such as connects/disconnects, reconnects after non-payment, field collections on past due accounts, late payment fees and returned check charges. FPL's proposal to revise these fees is based on an updated cost of service study, relevant sections of the Florida Statutes governing returned check fees, and/or the amount of such charges of other Florida utilities as approved by the Commission.

FPL's proposed rates and rate design also include measures that will address the differences between the rates of return ("ROR") achieved for the various rate classes. Ideally, the revenue for each individual rate class would be set at a level that results in a rate of return index of 100%, i.e., the ROR for each rate class would be equivalent to the overall ROR for the Company. However, that is currently not the case. The RORs for some rate classes are higher than the overall ROR for the Company, while the RORs for other rate classes are much lower than the overall ROR. This proceeding provides an opportunity to effect a substantial reduction in those differences. The increase should be allocated as shown in MFR E-8 of FPL's filing. The proposed revenue increase allocation moves all rate classes closer to parity while limiting the base rate increase to any individual rate class to 25%. The use of the rule-of-thumb which limits increases to any rate class to no more than 150% of the system average should be rejected in this case. The use of the rule-of-thumb would allow extreme disparity in the parities by rate class to perpetuate and would unfairly burden rate classes which are above parity.

Conclusion

As a provider of retail electric service to residents of Florida, FPL is obligated by statute to provide such service in a reasonable, "sufficient, adequate, and efficient" manner. Section 366.03, F.S., 2004. In return, FPL's shareholders must be provided the opportunity to earn a reasonable and adequate return on their investment. Without the revenue increase requested, the obligations to each constituency are impaired. If FPL is rendered unable to meet its obligations to its customers, and shareholders are denied a fair return on their investment, both stakeholder groups will suffer. FPL's ability to continue meeting customer needs with adequate, reliable service would be impaired, eventually resulting in potentially higher costs of electricity, while the shareholders will suffer from an inadequate and confiscatory return on investment and will seek investment alternatives, ultimately raising the cost of capital to FPL and its customers.

Absent the requested rate relief in 2006, the Company's filing projects that it will earn a return on equity of 8.47 % in 2006 and 7.77 % in 2007. These rates of return are below the midpoint recommended by FPL's witnesses and are insufficient to support the needs of the Company and its customers. For these and other reasons detailed in the testimony and exhibits of FPL's witnesses, FPL is respectfully requesting an increase in rates, charges, and adjustment factors that will produce an increase in total annual revenues of $430,198,000 beginning January 1, 2006 (consisting of a base rate increase in the amount of $384,580,000 and a net shift from base rates to the Capacity Clause of $45,618,000), and $122,757,000 beginning 30 days following the commercial in-service date of Turkey Point Unit No. 5 projected for June 2007. FPL has requested that, in setting FPL's new base rates, the Commission take into account the impacts of FPL's July 1, 2005 updated depreciation study and the results of the Commission's decision in Docket No. 041291-EI on FPL's storm cost recovery petition. The requested increases will provide FPL with a reasonable opportunity to earn a fair rate of return on the Company's investment in property used and useful in serving the public, including a range of return on the Company's common equity capital of 11.30% to 13.30%, with a midpoint of 12.30%.

IV. ISSUES AND POSITIONS

Test Year and Forecasting

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

FPL: Yes. One of the major factors underlying the need for a change in base rates is the addition of needed generating resources. Using the projected 2006 test year will reflect the first full year of service for the new Martin and Manatee capital additions and will provide a more accurate representation of these and other increasing costs for the purposes of setting rates effective January 1, 2006. (Dewhurst, Stamm)

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

FPL: Yes. FPL's forecast of customer growth, energy sales, and peak demand are appropriate. FPL uses proven econometric models and relies on reasonable assumptions in developing the forecasts. (Green)

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?

FPL: Yes. Based on the historical data regarding the impact of a major storm (Hurricane Andrew) on customer growth, FPL properly made an adjustment to customer growth to account for the impact of the 2004 Hurricanes. No additional adjustments were made to sales projections. (Green)

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

FPL: Yes. FPL has properly forecasted the billing determinants by rate class for the projected test year. The billing determinants by rate class are consistent with the sales and customer forecast by revenue class and reflect the particular billing determinants specified in each rate schedule. (Morley)

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?

FPL: Yes. For distribution, FPL's pole inspection program consists of three major initiatives: (1) the "targeted" pole inspection program; (2) pole inspections performed as part of FPL's thermovision program; and (3) pole inspections performed as part of daily construction, maintenance and restoration work. Results indicate that these initiatives are effective. In 2004, FPL's pole related outages accounted for 0.2% of total outages and 1% of SAIDI. Also, during the back-to-back 2004 hurricanes, FPL had to replace only 1% of its poles. Finally, SAIFI for transmission poles is zero for the last four years. (Mennes, Williams)

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

FPL: Yes. For distribution, while there has been a relatively small increase in vegetation related outages during 2000-2003 (there was a decrease in 2004), overall reliability actually improved during this period. Also, in 2006, FPL has requested an increase in its O&M expenses associated with increased lateral tree trimming. For transmission, vegetation related outages have substantially decreased approximately 80% from 1998 to 2004. (Mennes, Williams)

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

FPL: Yes. FPL has delivered excellent transmission and distribution reliability and outstanding customer service. Overall distribution reliability, as measured by SAIDI has been, on average, better than the EEI national average by 45% over the last 5 years and 51% over the last 3 years. Transmission has been cited for its excellence in a recent NERC Audit and accounts for only approximately 5% of FPL's overall SAIDI. Customer Service has consistently ranked among the highest electric utilities of similar size in national benchmarking studies of operational effectiveness and efficiency. (Mennes, Landon, Santos, Williams)

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?

FPL: Yes. FPL's updated depreciation study, dated July 1, 2005, appropriately allocates the unassigned discretionary balance to the Nuclear function. (Davis)

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

FPL: Yes. They have been calculated consistent with the Commission's rules and practice on depreciation, and are designed to recover a reasonable estimate of the cost of removal for the assets in question. (Davis, Stout)

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

FPL: The appropriate reserve deficiencies and surpluses are those included in FPL's depreciation study filed on July 1, 2005. (Davis)

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

FPL: Consistent with the Commission's rules and practice and with generally accepted accounting principles, the theoretical reserve surplus calculated in FPL's July 1, 2005, depreciation study should be eliminated through reductions in depreciation expense over the remaining lives of the affected assets via appropriate prospective adjustments to the depreciation rates and amortization schedules approved by the Commission. (Davis, Stout)

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

FPL: The appropriate depreciation rates and recovery/amortization schedules are those incorporated into the updated Depreciation Study that FPL filed on July 1, 2005. (Davis)

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?

FPL: Yes. (Davis)

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

FPL: January 1, 2006. (Davis)

Rate Base

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

FPL: No. FPL has reasonably forecast plant balances. Selective adjustments to reasonable forecasts to reflect differences between actual and forecast amounts for specific components would be inappropriate. (Stamm)

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

FPL: No. The difference between the most current projection of those units' total cost and the amount included in FPL's 2006 test year MFRs is minimal: less than 1%. Selective adjustments to reasonable forecasts to reflect differences between actual and forecast amounts for specific components would be inappropriate. (Stamm, Yeager)

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

FPL: No. FPL has reasonably accounted for its transactions with affiliates and has reasonably allocated common costs among the regulated and unregulated activities. (Davis)

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

FPL: No. FPL believes it is appropriate to continue recovering ECRC-eligible capitalized items through the ECRC. (Davis)

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

FPL: Yes. The Commission should authorize FPL to reflect in base rates the effects of the Commission's decision in Docket No. 041291-EI. (Davis)

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?

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

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?

FPL: No. The amount included in the Company's filing as shown in MFR B-2 Company Adjustment No. 35 on page 7 of 7 is appropriate. (Davis)

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.

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

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

FPL: Yes. FPL should be permitted to include in rate base its projected 2006 level of CWIP that is not eligible to accrue AFUDC under Rule 25-6.0141, F.A.C. (Davis)

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?

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

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?

FPL: Yes. FPL's requested level of PHFFU is appropriate and necessary to support customer growth and reliability. The forecast of PHFFU is based upon the Company's normal practice of acquiring property prior to construction. The amount of increase is driven by the rising cost of real estate in Florida, the increasing rate of acquisition, and the nature of property being acquired. (Swalwell)

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

FPL: Yes, it has. FPL maintains an accumulated provision for uncollectibles, in order to properly reserve for the estimated losses anticipated to materialize from the existing level of customer account receivables. The methodology employed to estimate this provision has been consistently utilized for a number of years. (Santos, Davis)

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?

FPL: Yes. FPL's level of Account 151, Fuel Stock, in the amount of $138,686,000 ($140,930,000 system) for the projected test year is appropriate. No adjustment should be made. (Davis, Yeager)

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?

FPL: No. FPL's purchase complied with Rule 25-6.1351, F.A.C. FPL purchased the unassembled turbine directly from General Electric under an advantageous FPL Group volume purchase agreement and reimbursed FPL Group Capital for costs incurred before the utility decided to purchase the turbine. The component parts have protected FPL's growing combustion turbine fleet from expensive extended outages. (Davis, Yeager)

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

FPL: Yes. The 2006 unamortized rate case expense should be included in working capital and FPL should earn a return on these unrecovered expenses until they are fully recovered. This approach is consistently applied for all prepaid expenses and should be applied to the unamortized rate case expense. (Davis)

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?

FPL: No. Both overrecoveries and underrecoveries should be removed from rate base because both pay or earn a return through the appropriate cost recovery clause. (Davis)

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

FPL: All balance sheet entries related to derivatives zero out except for the carrying cost of option premiums. The option premiums should be included in working capital. They are legitimate and necessary cash outlays made as part of FPL's Commission-approved hedging program. Option premiums are included in rate base exactly as is the cost of fuel inventory. When the fuel is burned, the cost of the options and the related fuel are expensed in tandem through the fuel clause. (Davis)

ISSUE 32: Should the payable to the nuclear decommission reserve fund be included in the working capital calculation?

FPL: No. The Commission has previously determined that the nuclear decommissioning reserve should be excluded from rate base because it earns a return, and that related accounts should also be excluded from rate base including the nuclear decommissioning accounts payable. (Davis)

ISSUE 32A: Should the St. Johns River Power Park (SJRPP) accelerated recover credit be included in the working capital calculation?

FPL: No. FPL pays a return on the SJRPP liability through a clause, it does not meet the Commission's definition of a liability includable in working capital and should not be included in the calculation of working capital. (Davis)

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

FPL: No. FPL pays a return on this regulatory liability through the environmental clause and hence it should not be included in the calculation of working capital. (Davis)

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

FPL: The balances reflected in FPL's MFRs for Accounts 228.1, Property Insurance, 228.2 Injuries & Damages and 228.4 Nuclear Maintenance, End of Life M&S Inventory, Nuclear Last Core are reasonable. (Davis, Stamm)

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.

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

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.

FPL: FPL has reasonably forecast this amount, and it is consistent with the prior, subordinate rate base issues. However, FPL has calculated that including the impacts of FPL's July 1, 2005 updated depreciation study and the results of the Commission's decision in Docket No. 041291-EI on FPL's storm cost recovery petition would increase rate base by $34,485,000 ($34,156,000 system) for a total rate base of $12,445,007,000 ($12, 545,344,000). (Davis, Stamm)

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?

FPL: FPL provides a superior level of customer service when compared to other utilities. FPL was recently awarded the ServiceOne Award by PA Consulting Group based on the application of 18 objective measures of customer care developed by a panel of industry experts. FPL was also the first electric utility in the nation to have its customer care centers certified as a Center of Excellence by Purdue University's Center for Customer Driven Quality. In 2000, FPL's

Customer Care Centers also were recognized as the number one ranked care center in the META Group benchmarking study based on six operational effectiveness areas. Based on 2003 data, FPL's average speed of answer, call abandonment rate and cost per call were at least 50% better than the group average of the 30 electric and gas utility participants. Customer Service has achieved this performance while still reducing O&M expenses per customer between 1998 and 2004. (Santos, Landon)

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

FPL: FPL provides a superior level of reliability compared to other utilities in the areas of cost and quality of service. FPL's distribution performance ranks among the industry leaders and is 50% better than the industry average. This excellent performance has been achieved while base rates have been reduced by more than 15% since 1998. (Williams, Landon)

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?

FPL: The operational reliability and performance of FPL's Fossil Generation is superior when compared to other utilities in the areas of cost and quality of service. FPL's Equivalent Availability Factor and Equivalent Forced Outage Rate have consistently and significantly exceeded the industry average. FPL's fossil plant net heat rate performance also has shown significant improvement between 1998 and 2004, while the industry average has remained relatively flat at above 10,000 BTU kWh. This performance has been achieved while still reducing total non-fuel O&M expense for fossil units, as measured in cents/kWh, by 23% from 1998 to 2004. (Yeager, Landon)

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?

FPL: The operational reliability and performance of FPL's Nuclear Generation is superior compared to other utilities in the areas of cost and quality of service. FPL's WANO index score, nuclear unit capability factor, nuclear forced loss rate, and historic O&M and capital expenditures all compare favorably to the industry average. (Landon, Stall)

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

FPL: FPL's performance in controlling O&M costs compared to other utilities has been superior. FPL's non-fuel O&M expenses per customer were 41% lower than the benchmark group between 1998 and 2003. FPL's non-fuel O&M expenses per kWh were 22% lower than the benchmark groups over the same six-year period. (Landon)

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

FPL: The Company's overall performance in reliability, customer service, and O&M expenditures is superior relative to industry peers. Such performance has and continues to provide significant value to customers. Additionally, the benchmarking of FPL's financial performance indicates that FPL has been able to reduce or control costs while improving service quality. (Dewhurst, Landon)

Cost of Capital

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

FPL: Yes. The Commission should continue to follow its long standing policy of treating the net amount of deferred income taxes (i.e., deferred income tax liabilities less deferred income tax assets) as a cost free source of capital. (Davis)

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

FPL: The appropriate amount of accumulated deferred taxes to include in the capital structure is $1,911,608,000 ($1,927,679,000 system) (Davis, Stamm)

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

FPL: The appropriate amount of the unamortized investment tax credits to include in the capital structure is $49,32[illegible],000 ($49,742,000 system), with a cost rate 9.88%. (Davis, Stamm)

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

FPL: The appropriate cost rate for short-term debt is 8.73%, which includes both interest charges related to commercial paper borrowings based on the one month commercial paper forecast in the Blue Chip Financial Forecasts and fixed costs related to maintaining back-up credit facilities to support FPL's commercial paper program. (Dewhurst)

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

FPL: The appropriate cost rate for long-term debt is 5.89%, calculated by taking the weighted average cost rate of the Company's existing debt and projected debt offerings in 2005 and 2006. The projected debt issuances for 2005 and 2006 utilized rates from the Blue Chip Financial Forecasts. (Dewhurst)

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?

FPL: Yes. Superior performance provides value to customers. Consistent with past Commission practice, a performance incentive is appropriate to acknowledge the Company's superior performance and its value to customers, encouraging continued strong performance and sending an appropriate signal to other companies that superior performance will be recognized and rewarded. FPL's return on equity and authorized range should be adjusted to reflect the addition of a 50 basis point performance incentive. (Dewhurst, Avera)

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

FPL: The appropriate cost rate for common equity is 12.3%, with an authorized range of 11.3% to 13.3%, which includes a 50 basis point performance incentive. (Dewhurst, Avera)

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

FPL: The appropriate cost rate for common equity is 12.3%, which includes a 50 basis point performance incentive. (Dewhurst, Avera)

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

FPL: FPL's capital structure should remain at approximately 55.83% (on an adjusted basis). It will indicate to the capital markets the Commission's continued commitment to support the financial integrity of the Company and provide the financial flexibility and resilience needed to support the capital investment and construction demands in a region of high growth. (Dewhurst, Avera)

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.

FPL: 8.22%. The associated components, amounts and cost rates are reflected in FPL's MFR D-1a for the 2006 test year. (Avera, Davis, Dewhurst)

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?

FPL: Yes. FPL's estimated revenues are appropriate. FPL has accurately applied the appropriate tariffs to the billing determinants projected for the 2006 test year. The resulting estimated revenues from sales of electricity by rate class at present rates for the 2006 test year as filed in this docket are appropriate. (Morley)

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

FPL: No. The infrastructure that supports the sale of natural gas resides within FPL Energy Services. This activity is not related to the provision of electric service. (Brandt)

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

FPL: No. FPL directly bills FPL Energy Services for this service. (Davis)

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

FPL: No. The FPLES Connect Services program provides an opportunity for a new customer to access other desired services after the customer has requested electric service. This service is not related to the provision of electric service and FPL is fully reimbursed for the costs it incurs related to Connect Services. (Brandt)

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?

FPL: Yes. (Davis)

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)?

FPL: Yes. (Davis)

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?

FPL: Yes. FPL's level of Total Operating Revenues in the amount of $3,888,235,000 for the projected test year appropriately reflects the estimated revenues for sales of electricity at current rates as well as other components of operating revenues. (Morley, Davis, Green, Stamm)

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?

FPL: No. FPL has properly forecast these security expenses. (Davis, Stamm)

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

FPL: FPL's test year filing reflects the appropriate management fee allocation factors. (Davis)

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

FPL: No adjustment is necessary. (Davis)

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?

FPL: No adjustment is warranted. The New England Division ("FPL-NED") was budgeted as a separate entity and was not included as an allocated portion of the FPL budget. All applicable costs of FPL-NED were considered in the 2006 budget forecast but were not presented by FERC account for budget purposes. These expenses were treated as one line-item of $6.905 million charged to FERC account 562, Station Expense. Because FPL-NED receives a zero jurisdictional separation factor, FPL-NED is not included in the revenue requirements for this proceeding in any way. (Davis, Stamm)

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

FPL: No. The test year O&M expense charges by FiberNet to FPL are reasonable. (Davis, Avera)

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

FPL: No. FPL's allocations and charges to and from affiliates are reasonable. (Davis)

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?

FPL: Yes. FPL has reasonably forecast this amount. (Stamm, Davis, Stall, Yeager)

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?

FPL: Yes. Pursuant to Order No. PSC-01-2489-FOF-EI issued December 20, 2001, FPL was ordered to file a modified GridFlorida structure that uses an independent system operator. FPL and the other GridFlorida companies remain on track for the implementation of GridFlorida as early as 2006. The cost estimates for GridFlorida are reasonable and in line with the actual experience of other RTOs/ISOs. Accordingly, it is appropriate to include the $102,632,000 ($104,000,000 system) of costs related to the Grid Florida RTO in the projected test year. (Davis, Mennes, Stamm)

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?

FPL: Yes. (Mennes, Davis, Stamm)

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?

FPL: Yes. (Williams, Davis, Stamm)

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?

FPL: Yes. Although there has been updated information on the projected USPS rate increase, to our knowledge the actual increase has not been finalized and FPL used the best information available at the time to forecast postage expense. Postage is only one of a vast number of separate types of expenses that are reflected in FPL's test year O&M expense forecast. There is no rational basis to isolate postage expense based on a yet to be determined postage rate increase. Doing so would ignore the many other elements of FPL's revenue requirements. (Santos, Stamm)

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?

FPL: Yes. FPL's methodology for calculating bad debt expense is appropriate since it uses the latest relationship/experience between actual write-offs and lagged revenues to project the anticipated levels of write-off in 2006. This relationship takes into account the most current payment experiences and other economic factors that may place additional pressures on the customer's ability to pay. In addition, the projection for 2006 is net of $1.6 million in planned process improvements that will assist in partially mitigating the impact of rising bad debt. (Davis, Santos)

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?

FPL: No adjustment is appropriate. The Automatic Meter Reading is not a pilot program. FPL intends to fully deploy AMR meters over the next five to eight years. The under budget condition of the first phase of the deployment of the AMR meters in 2004 does not justify an adjustment as these expenses will be incurred in 2005. (First Phase – approximately 50,000 meters). (Davis, Santos)

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?

FPL: Yes. (Santos, Davis, Stamm)

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

FPL: No, the proposed adjustment to advertising expenses is not appropriate. The advertising at issue is utility related and informational, educational or related to consumer safety. (Santos)

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?

FPL: Yes. (Santos, Davis, Stamm)

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?

FPL: Yes. The expenses recorded in these accounts are associated with various products and services. In prior years, FPL recorded only the margins from our product and services operations as revenue. In 2006, FPL will begin recording total revenues in the appropriate revenue accounts and expenses associated with those revenues in accounts 911-916. (Santos, Davis, Stamm)

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

FPL: Yes. With the 2004 depletion of the entire FPL storm reserve, the $120 million annual accrual will provide an appropriate level of funds to meet expected annual storm losses while rebuilding the storm reserve over a reasonable period of time, consistent with the Commission's policy of structuring the accrual and target reserve amounts to provide coverage for most but not all storm losses. (Dewhurst, Harris)

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

FPL: Yes. A target reserve should be set such that it is large enough to withstand the storm damage from most but not all storm seasons. There is an almost one in four probability that total losses over five storm seasons will exceed $500 million. The expected balance of FPL's Storm Reserve at the end of five years ($367 million) would cover the costs of all single occurrence category 1 storms, most single occurrence category 3 storms, and only a few single occurrence category 4 storms, in a given year. (Dewhurst, Harris)

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?

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Slattery, Stamm)

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?

FPL: No. FPL has reasonably projected rate case expense for this proceeding. The projected expense is less than FPL projected for Docket No. 001148-EI, yet the scope and level of activity in this proceeding is greater because it involves a request by FPL to increase base rates. (Stamm, Davis)

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?

FPL: Yes. (Davis, Stamm)

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?

FPL: Yes. FPL's commitment to the communities in which it serves is a cost of doing business and should be reflected base rates. (Davis, Olivera)

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?

FPL: Yes, FPL's projected expense of $79.6 million is appropriate. FPL has been aggressive in managing health care costs, and its projected cost per employee is nearly 10% below Hewitt's utility industry benchmark. (Slattery)

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?

FPL: Yes. This amount was estimated from an actuarial calculation of the 2006 FPL Group plan costs and related obligations using consistent methodologies and reasonable, supportable assumptions. (Slattery)

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?

FPL: Yes. The Passport project is a legitimate business expense properly accounted for under generally accepted accounting principles in the test year. The Commission should not isolate a single item in one department's budget and adjust the test year expenses down based on it. (Stamm)

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?

FPL: Yes. D&O liability insurance is a necessary cost of doing business and as such should be reflected in FPL's base rates. By law a corporation must have directors and officers. The market for D&O insurance has changed significantly within the last few years moving from a period of abnormally low pricing to a period of higher prices. With each insurance renewal, FPL seeks the most competitive insurance pricing available. Adjusted for size and inflation, today's D&O rates are comparable to 1993 and well below those of 1987. (Dewhurst)

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?

FPL: Yes. It is routine in budgeting to include a contingency amount for unexpected events. FPL's test year contingency amount is consistent with the average budgeted contingency over the prior four years. Yet, in each of the years 2002, 2003 and 2004, FPL incurred actual, unexpected expenses in amounts that substantially exceeded the budgeted contingency. The contingency is forecast within the Executive function in order to ensure executive involvement in developing and setting the amount of the contingency, but it is available to support corporate activities in many other areas of the Company's operations as well. (Stamm)

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?

FPL: Yes. FPL has reasonably forecast this amount. (Stamm, Davis)

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

FPL: No. FPL believes that these costs should continue to be recovered through the Environmental Cost Recovery Clause. (Davis)

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

FPL: Yes. The projected level of salaries for 2006 is appropriate and reasonable. The reasonableness is demonstrated in a number of ways, including comparison of FPL's salaries to market, comparison of growth of the costs to principal inflation indices, and comparison of FPL's salary cost and productivity measures to those of similar utilities. (Slattery)

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

FPL: Yes. The level of requested employee benefits cost is fair and reasonable. The reasonableness of these costs is supported in testimony using the BENVAL study which demonstrates the comparative value of FPL's benefit plans as below average compared to a sample of 776 general and utility industry companies. (Slattery)

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.

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

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?

FPL: No. The proper test year level of nuclear decommissioning expense is $78,202,000 ($78,524,000 system). The amount forecast in the test year is consistent with Order No. PSC-02-0055-PAA-EI. (Davis)

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

FPL: The fossil dismantlement accrual reflected in FPL's test year is appropriate. This accrual includes an adjustment of $866,000 (jurisdictional) to reflect the addition of Ft. Myers Unit 3, Martin Unit 8 and Manatee Unit 3 since the time that FPL's last dismantlement study was approved. (Davis)

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.

FPL: Yes. FPL has properly forecast this amount. (Davis, Stamm)

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

FPL: $967,000 is the appropriate gain on sales for the 2006 test year as reflected in MFR C-1. (Stamm, Swalwell)

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?

FPL: Yes. The adjustment to remove the Gross Receipts Tax from base rates as shown on MFR Schedule E-13c is appropriate. The total amount of the Gross Receipts tax should be shown as a separate line item consistent with the practice followed by other Florida investor-owned utilities. (Davis, Morley)

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

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

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?

FPL: No. Rule 25-14.004, F.A.C. contemplates tax benefits generated by the parent company of a utility subsidiary that has issued debt and invested equity in its subsidiary. FPL Group, Inc., the parent company of FPL, has not issued any such debt. In addition, Rule 25-14.004(3) does not contemplate making an adjustment to a consolidated capital structure, specifically excluding the retained earnings of subsidiaries from the capital structure of the parent. This required exclusion results in a non-consolidated equity value for the parent company. Therefore, any debt related to this value must be debt of the non-consolidated parent company. (Dewhurst)

<u>ISSUE 99:</u> 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?

<u>FPL:</u> No adjustment to the calculation of taxable income in FPL's test year filing is warranted. (Davis)

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

<u>FPL:</u> This is a fall-out issue that applies only if other adjustments are made to FPL's test year projections, and no such adjustments are warranted. (Davis)

<u>ISSUE 101:</u> 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?

<u>FPL:</u> Yes. FPL has properly forecast this amount. (Davis, Stamm)

<u>ISSUE 102:</u> 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.

<u>FPL:</u> FPL has reasonably forecast this amount, and it is consistent with the prior, subordinate issues on Test Year Operating Expenses. However, FPL has calculated that including the impacts of FPL's July 1, 2005 updated depreciation study and the results of the Commission's decision in Docket No. 041291-EI on FPL's storm cost recovery petition would increase Total Operating Expenses by $41,274,000 ($42,191,000 system) to an amount of $3,146,945,000 ($3,182,671,000 system) for Total Operating Expenses. (Davis, Stamm)

<u>ISSUE 103:</u> 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.

<u>FPL:</u> This is a calculation based upon the decisions in preceding issues. FPL has reasonably forecast this amount, and it is consistent with the prior, subordinate NOI issues. However, FPL has calculated that including the impacts of FPL's July 1, 2005 updated depreciation study and the results of the Commission's decision in Docket No. 041291-EI on FPL's storm cost recovery petition would decrease NOI by $41,274,000 ($42,191,000 system) to an amount of $741,288,000 ($739,850,000 system) for Net Operating Income). (Davis,

Stamm)

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?

FPL: The appropriate projected test year revenue expansion factor and net operating income multiplier is 1.61971. The elements and rates are shown on MFR C-44. (Davis)

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.

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

Cost of Service and Rate Design

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

FPL: Yes. Separation factors were developed consistent with the cost methodology specified in the Commission-provided instructions of MFR E-1 and with the methodology used in the Company's clause adjustment filings and surveillance reports. (Morley)

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

FPL: The appropriate methodology to be used in designing rates is that filed by FPL in this proceeding. This cost of service methodology was the method approved by the Commission in FPL's previous rate case with one exception. The previously approved methodology incorporated a special treatment for the St. Lucie #2 nuclear generating unit which should no longer apply. (Morley)

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

FPL: The increase should be allocated as shown in MFR E-8. The proposed revenue increase allocation moves all rate classes closer to parity while limiting the base rate increase to any individual rate class to 2[illegible]%. The use of the rule-of-thumb which limits increases to any rate class to no more than 150% of the system average should be rejected in this case. The use of the rule-of-thumb would allow extreme disparity in the parities by rate class to perpetuate and would unfairly burden rate classes which are above parity. (Morley)

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

FPL: The appropriate adjustment to account for the increase in unbilled revenue is that shown in MFR E-13a. (Morley)

ISSUE 110: What are the appropriate demand charges?

FPL: The appropriate demand charges are those shown in MFR A-3, which are listed below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by FPL in other issues. (Morley)

PROPOSED DEMAND CHARGE BY RATE CLASS:

Rate Class	Proposed Demand Charge ($/kW)
GSD-1	$5.81 (all kW)
GSDT-1	$5.81 (on-peak)
GSLD-1	$5.81
GSLDT-1	$5.81 (on-peak)
CS-1	$5.81
CST-1	$5.81 (on-peak)
GSLD-2	$5.81
GSLDT-2	$5.81 (on-peak)
CS-2	$5.81
CST-2	$5.81 (on-peak)
GSLD-3	$6.64
GSLDT-3	$6.64 (on-peak)
CS-3	$6.64
CST-3	$6.64 (on-peak)
MET	$11.09

CILC-1	<u>Maximum Demand</u> $3.32 (G) 200–499kW $3.32 (D) above 500kW $0.00 (T) transmission
	<u>Load Control On-Peak</u> $1.71 (G) 200–499kW $1.71 (D) above 500kW $1.63 (T) transmission
	<u>Firm On-Peak</u> $7.15 (G) 200–499kW $7.15 (D) above 500kW $6.81 (T) transmission
SST-1	<u>Contract Standby</u> $2.21 (D1) $3.00 (D2) $2.21 (D3) $0.00 (T)
	<u>Reservation</u> $0.87 (D1) $0.87 (D2) $0.86 (D3) $0.43 (T)
	<u>Daily On-Peak</u> $0.41 (D1) $0.41 (D2) $0.41 (D3) $0.39 (T)
ISST-1	<u>Distribution Demand</u> $3.32 (Distribution) $0.00 (Transmission)
	<u>Reservation Demand-Interruptible</u> $0.20 (Distribution) $0.20 (Transmission)
	<u>Reservation Demand-Firm</u> $0.86 (Distribution) $0.43 (Transmission)

	Supplemental Service See applicable rate Daily On-Peak Firm Standby $0.41 (Distribution) $0.39 (Transmission) Daily On-Peak Interruptible Standby $0.09 (Distribution) $0.09 (Transmission)
HLFT-1	$8.22 (on-peak) $1.82 (max demand)
SDTR	$6.40 (Seasonal On-Peak) $5.51 (Option A: Non-Seasonal) $5.51 (Option B: Non-Seasonal On-peak)

(Morley)

ISSUE 111: What are the appropriate energy charges?

FPL: The appropriate energy charges are those shown in MFR A-3, which are listed below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by FPL in other issues. (Morley)

Rate Class	Proposed Energy Charge (¢ per kWh)
RS-1	3.481 (First 1,000kWh) 4.481 (all additional kWh)
RST-1	9.757 (on-peak) 1.287 (off-peak)
GS-1	3.740
GST-1	9.207 (on-peak) 1.336 (off-peak)
GSD-1	1.502
GSDT-1	4.020 (on-peak) 0.503 (off-peak)
GSLD-1	1.502

GSLDT-1	4.020 (on-peak) 0.503 (off-peak)
CS-1	1.502
CST-1	4.020 (on-peak) 0.503 (off-peak)
GSLD-2	1.502
GSLDT-2	4.020 (on-peak) 0.503 (off-peak)
CS-2	1.502
CST-2	4.020 (on-peak) 0.503 (off-peak)
GSLD-3	0.537
GSLDT-3	0.597 (on-peak) 0.482 (off-peak)
CS-3	0.537
CST-3	0.597 (on-peak) 0.482 (off-peak)
OS-2	6.908
MET	0.561
CILC-1	<u>On-Peak</u> 0.776 (G) 200–499kW 0.630 (D) above 500kW 0.540 (T) transmission <u>Off-Peak</u> 0.776 (G) 200–499kW 0.630 (D) above 500kW 0.540 (T) transmission
CDR	See applicable rate
SL-2	3.305

SST-1	On-Peak 0.501 (D1) 0.501 (D2) 0.499 (D3) 0.482 (T) Off-Peak 0.501 (D1) 0.501 (D2) 0.499 (D3) 0.482 (T)
ISST-1	On-Peak 0.630 (Distribution) 0.540 (Transmission) Off-Peak 0.630 (Distribution) 0.540 (Transmission)
GSCU-1	2.371
HLFT-1	0.834 (on-peak) 0.504 (off-peak)
SDTR	1.502 (Option A: Non-Seasonal Standard Rate) 4.020 (On-Peak Option B: Non-Seasonal Time of Use Rate) 0.503 (Off-Peak Option B: Non-Seasonal Time of Use Rate)

(Morley)

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

FPL: FPL's time-of-use rates should be designed based on the method outlined in Document RM-7 of Witness Morley's Direct Testimony and in MFR E-14, Attachment 2. The standard time-of-use rates should be based on the same rate structure approved for FPL in Docket No. 830465-EI and should incorporate time differentiated energy charges and a single time differentiated demand charge. (Morley)

ISSUE 113: What are the appropriate customer charges?

FPL: The appropriate customer charges are those shown in MFR A-3, which are listed below. (Morley)

Rate Class	Proposed Customer Charge
RS-1	$7.00
RST-1	$9.00 $7.00 (w/$147.82 Lump-sum metering payment made prior to 12/31/ 05)
GS-1	$9.14 (metered) $3.14 (unmetered)
GST-1	$14.75 $9.14 (w/$147.82 Lump-sum metering payment made prior to 12/31/05)
GSD-1	$25.00
GSDT-1	$40.00 $25.00 (w/$359.79 Lump-sum metering payment made prior to 12/31/05)
GSLD-1	$150.00
GSLDT-1	$150.00
CS-1	$200.00
CST-1	$200.00
GSLD-2	$350.00
GSLDT-2	$350.00
CS-2	$300.00
CST-2	$300.00
GSLD-3	$1,610.00
GSLDT-3	$1,610.00
CS-3	$1,610.00
CST-3	$1,610.00
OS-2	$25.00

MET	$519.00
CILC-1	$212.00 (G) 200–499kW $279.00 (D) above 500kW $2,630.00 (T) transmission
CDR	See applicable rate
SST-1	$225.00 (D1) $225.00 (D2) $336.00 (D3) $1.964.00 (T)
ISST-1	$304.00 (Distribution) $2,655.00 (Transmission)
GSCU-1	$9.14
HLFT-1	$40.00 (Annual Max Demand less than 500kW) $150.00 (Annual Max Demand less than 2000kW) $350.00 (Annual Max Demand of 2000kW or more)
SDTR	For customers with Annual Max Demand less than 500kW: $25.00 (otherwise applicable Rate Schedule GSD-1) $40.00 (otherwise applicable Rate Schedule GSDT-1) $150.00 (Annual Max Demand less than 2000kW) $350.00 (Annual Max Demand of 2000kW or more)

(Morley)

<u>ISSUE 114:</u> What are the appropriate service charges?

<u>FPL:</u> The appropriate service charges are those shown in MFR E-14, Attachment No. 1 which are listed below. (Morley, Santos)

Returned Payment	$25 if payment amount is less than or equal to $50 $30 if payment amount is less than or equal to $300 $40 if payment amount is less than or equal to $800 5% of the payment amount if the payment amount is $800
Late Payment	Tiered - Greater of $5 or 1.5% applied to any past due unpaid balance of all accounts
Reconnection Charge	$40.50

Initial Connection New Premise	$39.20
Field Collection	$14.00
Connect/Disconnect Existing Premise	$14.60
Temporary Construction/Overhead	$180.59
Temporary Construction/Underground	$94.49

(Morley, Santos)

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

FPL: The appropriate lighting rate schedule charges are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

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

FPL: Yes. FPL's proposal to eliminate this option is appropriate. No customers have exercised this option in the last five years and the majority of the 46 customers who have exercised this option did so more than twenty years ago. This change will not affect existing customers (as of December 31, 2005) who have exercised this option. (Morley)

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?

FPL: FPL proposes no change to the current charge of 28% per year of installed costs of the facilities. The cost support provided in response to Staff's Fourth Set of Interrogatories, Question No. 151 indicates that the current level of the charge reflects FPL's cost and thus no change to the monthly fixed carrying charge is required. (Morley)

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?

FPL: FPL proposes no change to the current monthly factor of 1.62% of installed costs of the facilities. The cost support provided in response to Staff's Fourth Set of Interrogatories, Question No. 148 indicates that the current level of the charge reasonably approximates FPL's costs and thus, no change to the monthly factor is required. (Morley)

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?

FPL: FPL proposes no change to the current termination factors. The cost support provided in response to Staff's Fourth Set of Interrogatories, Question Nos. 148 and 149 indicates that the current level of the charge reasonably approximates FPL's costs and thus no change to the termination factors is required. (Morley)

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?

FPL: 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 are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

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?

FPL: The appropriate Present Value Revenue Requirement multiplier to be applied to the installed cost of lighting facilities to determine the lump sum advance payment amount for such facilities is that presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

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

FPL: The appropriate per-month facilities charges under FPL's PL-1 and SL-3 rate schedules are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

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

FPL: FPL proposes no change to the current monthly per kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider. The cost support provided in response to Staff's Fourth Set of Interrogatories, Question No. 150 indicates that the current level of the credit reasonably approximates FPL's costs. (Morley)

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?

FPL: The appropriate level and design of the charges under the Standby and Supplemental Service (SST-1) rate schedule are those discussed in RM-7 of FPL Witness Morley's Direct Testimony. The tariff sheets incorporating the appropriate level and design of the charges under SST-1 rate schedule are contained in MFR E-14, Attachment 1. (Morley)

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

FPL: The appropriate level and design of the charges under the Interruptible Standby and Supplemental Service (ISST-1) rate schedule are those discussed in RM-7 of FPL Witness Morley's Direct Testimony. The tariff sheets incorporating the appropriate level and design of the charges under the ISST-1 rate schedule are contained in MFR E-14, Attachment 1. (Morley)

ISSUE 126: What are the appropriate curtailment credits?

FPL: The appropriate curtailment credit is $1.58/kW as reflected in the tariff sheets filed in MFR E-14. (Morley)

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

FPL: Yes. The curtailable rate schedule(s) should remain open. The credit should remain at $1.58/kW. (Morley)

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

FPL: The appropriate administrative charges under the Commercial/Industrial Demand Reduction rider are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. (Morley)

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?

FPL: Yes. The Commission should approve FPL's proposal to change the breakpoint applicable to its inverted residential rate from 750 to 1,000 kilowatt hours. (Morley)

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?

FPL: Yes. The Commission should approve FPL's proposal to establish a single set of demand and energy charges for its GSD-1, GSLD-1, GSLD-2, CS-1 and

CS-2 rate schedules. There is no cost basis for reducing a customer's electric bill based on a 500 kW threshold. (Morley)

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

FPL: Yes. There is no cost basis for the 10 kW exemption and the Commission acknowledged the goal of eliminating the 10 kW demand exemption in Docket 830465-EI. (Morley)

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?

FPL: Yes. As outlined in the current WIES tariff FPL is authorized to petition the Commission to close the WIES rate schedule if the kWh under the rate schedule have not reach 360,000 kWh by June 2004. As of June 2006, kWh sales under the WIES have only reached 18,240 kWh . Existing customers can transfer to the General Service Constant Use Rate or the unmetered service option under GS-1. (Morley)

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?

FPL: Yes. The new Decorative Lighting schedule will provide the same type of lighting facilities provided under the Premium Lighting rate schedule but administering the new rate schedule will require less time and resources. (Brandt, Morley)

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?

FPL: Yes. FPL's proposed General Service Constant Use rate schedule provides a rate attractive to small commercial customers with a relatively constant, high load factor usage which sets them apart from customers on the otherwise applicable rate schedule. (Morley)

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?

FPL: Yes. FPL's proposed new High Load Factor Time-of-Use rate schedule provides a rate attractive to customers with a higher load factor while also providing also providing a significantly time-differentiated price signal. The load factor breakeven point and the methodology proposed by FPL are appropriate.

(Morley)

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?

FPL: Yes. FPL's proposed new Seasonal Demand Time-of-Use rider provides a time-differentiated rate with a narrower on-peak window than under the standard Time-of-Use rates. This rate will be attractive to customers unable to plan around the eight to nine hour on-peak window in the standard Time-of-Use rates. FPL's methodology for determining this rate is appropriate. (Morley)

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

FPL: The effective date for FPL's revised rates and charges for electric service should be for meter readings on and after January 1, 2006. The effective date for FPL's revised service charges should be January 1, 2006. (Morley)

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?

FPL: Yes. The addition of the Turkey Point Unit 5 generating plant represents a significant capital investment with substantial operating and financing costs, the impacts of which are not reflected in FPL's projections for 2006 and will have an immediate, substantial, negative effect on FPL's earnings in 2007. The estimated costs of Turkey Point Unit 5 were determined in Docket No. 040206-EI to be the lowest cost resource option to meet FPL customers' needs in 2007. Actual costs are not likely to vary significantly from the estimate which is based largely on contracted pricing. FPL's request for an additional base rate increase in 2007 to reflect this incremental cost is consistent with Commission precedent. (Davis, Dewhurst)

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

FPL: Yes. FPL's forecasts of customer growth, energy sales, and peak demand for the 2007 Turkey Point Unit 5 Adjustment are reasonable. (Green)

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

FPL: Yes. FPL's forecast of billing determinants by rate class for the Turkey

Point 5 Adjustment is appropriate as shown in Schedule E-14, Attachment 2. (Morley)

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?

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm, Yeager)

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?

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

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?

FPL: 10.13%. The associated components, amounts and cost rates are reflected in FPL's 2007 Turkey Point 5 Adjustment Schedule D-1a. (Davis, Dewhurst, Stamm)

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?

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm, Yeager)

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?

FPL: Yes. FPL has reasonably forecast this amount. (Stamm, Davis)

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?

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

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.)

FPL: Yes. FPL has reasonably forecast this amount. (Davis, Stamm)

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?

FPL: The appropriate revenue expansion factor for the 2006 projected test year is addressed in FPL's position on Issue 104. The appropriate revenue expansion factor for the 2007 Turkey Point 5 Adjustment is 1.58273. The elements and rates are reflected in FPL's 2007 Turkey Point 5 Adjustment Schedule C-44. (Davis)

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

FPL: FPL has reasonably forecast the incremental annual operating revenue requirement for the 2007 Turkey Point Unit 5 Adjustment to be $122,757,000. (Davis, Stamm)

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

FPL: Yes. The cost of Turkey Point Unit 5 has been appropriately allocated among the rate classes consistent with the cost of service methodology used for the 2006 test year. An adjustment to each rate schedule's energy charges was developed to recover the allocated cost by rate class. (Morley)

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?

FPL: The appropriate effective date for an adjustment to FPL's base rate to reflect the addition of Turkey Point Unit 5 is 30 days after the Unit's commercial in-service date. (Morley)

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?

FPL: Yes. Consistent with Commission rules and practice, the capital investment in Turkey Point Unit 5 will stop accruing AFUDC once the unit goes into service. However, under FPL's proposed 2007 Turkey Point Unit 5 Adjustment, FPL will not begin billing customers for the Adjustment until 30 days later. Therefore, FPL will be denied an opportunity to accrue AFUDC or otherwise earn a return on its capital investment in Turkey Point Unit 5 during those 30 days unless a separate mechanism for recovery is provided. The Commission previously addressed this same problem with respect to St. Lucie Unit 2 by allowing FPL to collect the unrecovered amounts through the fuel adjustment clause. Order No. 12348, Docket No. 820097-EU, dated August 9, 1983. That same approach should be approved here for Turkey Point Unit 5. (Davis, Morley)

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?

FPL: Yes. FPL's proposed adjustment is consistent with the Commission's interest in moving this type of costs into base rates. *See* Methodology for Determining Incremental Costs of Post-9/11 Security Measures approved by the Commission in Order No. PSC-03-1461-FOF-EI, Docket No. 030001-EI, dated December 22, 2003, and MFR C-43. (Davis)

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?

FPL: Yes. FPL's annual security costs should be compared to the amount that is approved for inclusion in base rates, and the increment should be recovered through the Capacity Cost Recovery Clause. (Davis)

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?

FPL: Yes. Recovery of a net amount of $56,948,000 should be transferred from base rates to the Capacity Clause. (Davis)

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?

FPL: Yes. (Davis)

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?

FPL: Yes. However, netting of costs outside of the incremental hedging activity would not be appropriate. (Davis)

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?

FPL: No. FPL's projected test year expense for distribution vegetation management is reasonable. FPL has consistently spent essentially all of its annual budget for this activity. Distribution vegetation management is only one of a vast number of separate types of expenses that are reflected in FPL's test year O&M expense forecast. There is no rational basis to isolate distribution vegetation management expense and make adjustments in subsequent years, solely for variations in that expense. Doing so would ignore the many other elements of FPL's revenue requirements. (Williams, Stamm)

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

FPL: No. See FPL's response to Issue 158. (Williams, Stamm)

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?

FPL: FPL is amenable to making such a filing.

ISSUE 161: Should this docket be closed?

FPL: Yes.

V. STIPULATED ISSUES

There are no stipulated issues at this time.

VI. PENDING MOTIONS

There are no pending motions at this time.

VII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION

There are three pending requests at this time: 1) FPL's request for confidential classification of certain materials provided pursuant to the rate case audit filed July 1, 2005; 2) FPL's request for confidential classification of certain materials provided pursuant to the supplemental rate case audit filed July 15, 2005; 3) FPL's request for confidential classification of information included in Exhibit No. WLY-10 to William L. Yeager's Rebuttal Testimony filed July 28, 2005; and 4) FPL's request for confidential classification of certain documents responsive to Staff's First Request for Production of Documents filed July 28, 2005.

VIII. REQUIREMENTS OF THE PREHEARING ORDER THAT CANNOT BE MET

At this time, FPL is not aware of any requirements in the Order Establishing Procedure with which it cannot comply.

IX. OBJECTIONS TO WITNESSES' QUALIFICATIONS

At this time, FPL has no objections to a witness's qualifications as an expert.

Respectfully submitted this 28th day of July, 2005.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Prehearing Statement, has been furnished electronically and by United States Mail this 28th day of July, 2005 to the following:

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