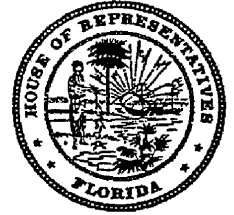


ORIGINAL

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President

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March 31, 2006

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

Re: Docket No. 060038-EI

Dear Ms. Bayo:

Enclosed for filing, on behalf of the Citizens of the State of Florida, are the original and 15 copies of the Direct Testimony of Donna DeRonne, C.P.A.

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

Sincerely,

Charles J. Beck
Deputy Public Counsel

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's)
Petition for Issuance of a Storm Recovery)
Financing Order)

DOCKET NO. 060038-EI
Filed: March 31, 2006

DIRECT TESTIMONY

OF

DONNA DERONNE, CPA

On Behalf of the Citizens of the State of Florida

Respectfully submitted,
Harold McLean
Public Counsel

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c/o The Florida Legislature
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's)
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DIRECT TESTIMONY OF DONNA DERONNE
ON BEHALF OF THE CITIZENS OF FLORIDA
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
DOCKET NO. 060038-EI

INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

A. My name is Donna DeRonne. I am a Certified Public Accountant licensed in the State of Michigan and a senior regulatory consultant at the firm Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES, PLLC.

A. Larkin & Associates, PLLC, is a Certified Public Accounting and Regulatory Consulting Firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin & Associates, PLLC has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings, including numerous electric, water and wastewater, gas and telephone utility cases.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION?

A. Yes, I have testified before the Florida Public Service Commission on several prior occasions. I have also testified before several other state regulatory commissions.

Q. HAVE YOU PREPARED AN EXHIBIT DESCRIBING YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. I have attached Appendix I, which is a summary of my regulatory experience and qualifications.

Q. ON WHOSE BEHALF ARE YOU APPEARING?

A. Larkin & Associates, PLLC, was retained by the Florida Office of Public Counsel (OPC) to review and comment on Florida Power & Light Company's (FPL or Company) request for recovery of storm restoration costs, and to address the appropriate methodology for determining the amount to be recovered from customers. Accordingly, I am appearing on behalf of the Citizens of Florida (Citizens).

Q. ARE ANY ADDITIONAL WITNESSES APPEARING ON BEHALF OF THE FLORIDA OFFICE OF PUBLIC COUNSEL IN THIS CASE?

A. Yes. Hugh Larkin, Jr., also of Larkin & Associates, is presenting testimony. James Byerley of R.W. Beck is also presenting testimony on behalf of the OPC.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. The purpose of my testimony is to present the impact of the principles set forth in OPC witness Hugh Larkin, Jr.'s testimony on the 2005 storm recovery costs requested by FPL for recovery in this case. Within this testimony, and on the exhibits attached hereto, I quantify the impact of the various recommendations of Mr. Larkin and make several adjustments to reflect the appropriate incremental cost methodology for storm recovery, as applied to FPL's proposed 2005 storm recovery costs. I recommend certain offsets to

the 2005 storm restoration costs. I am proposing several revisions to the remaining 2004 storm costs for which FPL is seeking recovery and recommend several adjustments thereto. Additionally, I address the appropriate cut-off date for charging the 2005 storm restoration costs to the storm reserve.

Q. HAVE YOU PREPARED ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY?

A. Yes. I have prepared Exhibit__(DD-1) and Exhibit__(DD-2), attached hereto.

Exhibit__(DD-1) consists of 3 schedules. This exhibit addresses the 2005 Storm Recovery Costs proposed by FPL, with the OPC's recommended adjustments thereto. Exhibit__(DD-2) presents my recommended revisions to the 2004 Storm Restoration costs.

OVERALL 2005 STORM RESTORATION COST SUMMARY

Q. HAVE YOU PREPARED A SCHEDULE SUMMARIZING THE IMPACT OF THE OPC'S VARIOUS RECOMMENDED REVISIONS TO FPL'S PROPOSED 2005 STORM RECOVERY COSTS?

A. Yes. Schedule 1 of Exhibit__(DD-1) begins with FPL's proposed 2005 Storm Recovery Costs, prior to the application of interest. As shown on lines 1 through 5 of Schedule 1, this consists of \$906,404,000 of actual and projected 2005 storm-recovery costs, less \$63,855,000 of estimated capital expenditures and \$26,533,000 of estimated insurance proceeds, resulting in net 2005 storm-recovery costs for which FPL is seeking recovery of \$816,016,000 prior to the application of interest. According to FPL witness K. Michael Davis' testimony, this amount is based on the "Actual Restoration Cost Method," with the removal of normal capital costs.

On Schedule 1, I then reflect four separate groups of adjustments to the proposed 2005 storm restoration costs. Beginning on line 6 of Schedule 1, I first adjust the payroll and labor related storm recovery costs presented by FPL to reflect the incremental approach recommended by the OPC and OPC Witness Larkin. This includes adjustments to remove regular employee salaries recovered in base rates, offsets for payroll normally charged to clauses and capital, and removal of employee benefits already recovered in base rates. The determination of each of these adjustments will be discussed in this testimony.

The second group of adjustments presented on Schedule 1 addresses other non-labor areas under the incremental approach. These include adjustments to tree-trimming, vehicle costs, telecommunications costs, and materials and supplies.

The third group of adjustments presented on Schedule 1 removes some additional items that are not appropriate for recovery as storm restoration costs or for inclusion in the cost estimates. Each of these adjustments will be addressed in either Hugh Larkin's direct testimony, or in this testimony. Also included is an offset for proceeds received by FPL during 2005 for the loan of personnel and equipment to other power companies, which will also be addressed in this testimony.

The fourth group of adjustments presented on the schedule reflects the impact of the findings and recommendations of OPC witness James Byerley of R.W. Beck.

Q. WHAT IMPACT DO THE ADJUSTMENTS AND REVISIONS TO FPL'S PROPOSED 2005 STORM RECOVERY COSTS HAVE ON THE AMOUNT TO BE RECOVERED FROM RATEPAYERS?

A. As shown on Exhibit __ (DD-1), Schedule 1, on a total company basis, the \$816,016,000 proposed by FPL for recovery from customers through the storm reserve associated with the 2005 storms should be reduced by \$114,078,120, resulting in a revised amount for recovery through the reserve of \$701,937,880. This equates to \$701,383,349 on a jurisdictional basis.

Q. HAS THE COMPANY BEEN ASKED TO PROVIDE A CALCULATION OF ITS 2005 STORM RECOVERY COSTS BASED ON THE INCREMENTAL APPROACH UTILIZED BY THE COMMISSION IN THE 2004 STORM COST RECOVERY ORDER?

A. Yes. OPC Interrogatory No. 30 asked the Company to provide adjustments to its requested 2005 storm recovery costs for certain items based on the methodology utilized by the Commission in the 2004 Storm Cost Recovery Order, Order PSC-05-0937-FOF-EI. In the response and a supplemental response, FPL provided attachments containing what it purports would be the 2005 recoverable storm costs under the incremental cost approach used in the 2004 Storm Recovery Order. Under FPL's proposed calculations, the end result, i.e., the amount of 2005 storm costs to be recovered from ratepayers, are identical to its proposed "Actual Restoration Cost" method. This is due to several adjustments included by FPL, coupled with a "plug" number being used to represent lost revenue amounts needed to make the incremental approach equal its "Actual Restoration Cost" approach.

Q. WOULD YOU PLEASE SUMMARIZE WHICH OF THE ITEMS IN FPL'S DETERMINATION OF THE PURPORTED INCREMENTAL COST METHODOLOGY YOU HAVE INCLUDED IN THE DETERMINATION OF THE OPC'S ADJUSTED RECOVERABLE 2005 STORM COSTS ON SCHEDULE 1?

A. Yes. On Schedule 1, the following adjustments are the same as those recommended by FPL in its Incremental Cost Methodology calculations provided in its supplemental response to OPC Interrogatory No. 30: 1) removal of regular employee salaries charged to storm; 2) offset for payroll normally charged to clauses; 3) offset for payroll normally charged to capital; 4) reduction to tree trimming costs for the amount under budget; and 5) reduction to fleet vehicles to remove amounts in base rates. I did not take issue with FPL making no adjustments for employee training for storm restoration as none of these costs were included. I also did not take issue with FPL making no adjustments for the Call Center as FPL has indicated that only the incremental costs for the Call Center were included and a comparison of the budget to actual costs for the call center did not show that the Company was under budget in the non-storm related operation and maintenance expenses in this area during 2005.

Q. WHICH OF THE ADJUSTMENTS PROPOSED BY FPL IN ITS INCREMENTAL APPROACH DID YOU EXCLUDE IN THE DETERMINATION OF OPC'S ADJUSTED 2005 STORM RECOVERY COSTS?

A. On Schedule 1, I specifically excluded the following incremental cost adjustments proposed by FPL: 1) offsets for 2005 and 2006 backfill and catchup work; 2) offset for nuclear payroll expected to be recovered through insurance; 3) offset for vacation buy-back; 4) offset for vehicle costs charged to capital; and 5) the "plug" number associated with purported lost revenues. The specific reasons each of these items are excluded are

addressed in the direct testimony of OPC witness Hugh Larkin, Jr., with the exception of the insurance issue and vehicle cost issue addressed herein.

The OPC is also recommending several adjustments not included by FPL in its incremental cost calculations, each of which are addressed either in Mr. Larkin's testimony, or in this testimony.

PAYROLL & LABOR RELATED ADJUSTMENTS – INCREMENTAL APPROACH

Q. WOULD YOU PLEASE DISCUSS EACH OF THE PAYROLL AND LABOR RELATED ADJUSTMENTS ON SCHEDULE 1 OF EXHIBIT __ (DD-1)?

A. Yes. The purpose of each of the adjustments in this area is to ensure that the amount of payroll and labor related costs already recovered by FPL through base rates are not also recovered a second time through the recovery of the 2005 storm costs. The first item in this area removes the amount included by FPL for the estimated regular employee salaries of \$26,092,000. Additionally, the offsetting adjustments reflected on Schedule 1 to reduce the labor adjustment by the amount of payroll normally charged to clauses and capital are based on the amounts presented by FPL in its incremental cost calculations in response to OPC Interrogatory No. 30, which is \$2,730,000 and \$8 million, respectively. I did not reflect the remaining salary offset adjustments proposed by FPL in its incremental cost calculations, the reasons for which are addressed by OPC witness Larkin, with the exception of the insurance proceeds offset, which I address. FPL's calculations under the Incremental Cost Approach includes a \$2,490,800 offset to the regular employee salary adjustment to reflect the fact that a portion of these payroll costs have already been removed from the 2005 estimated storm recovery costs in the

adjustment to remove the estimated insurance proceeds. I do not agree that this offset to the regular employee salaries is appropriate.

Q. WHY NOT?

A. If this adjustment is reflected, FPL would recover the associated amount, i.e., \$2,490,800, twice, once from insurers and again from ratepayers. The regular employee salary amount included in FPL's storm recovery costs that is being removed under the Incremental Cost approach, totaling \$26,092,000, is already being recovered in base rates. If the Company both recovers the \$2,490,800 of nuclear employee base salaries from insurers and also offsets the adjustment to remove base salaries from the storm costs by the same \$2,490,800, it will recover these costs both from insurers and from customers in base rates. Thus, the removal of the \$26,092,000 of regular employee salaries charged to the storm recovery costs under the incremental method should not be offset by the \$2,490,800. The \$2,490,800 should be removed from the 2005 restoration costs as part of the estimated insurance proceeds through which the Company will recover the costs and as part of the regular employee salary adjustment so that ratepayers do not end up being required to fund the amount that will be recovered through insurance.

Q. WHAT ADDITIONAL ADJUSTMENTS NEED TO BE MADE TO PAYROLL AND LABOR RELATED COSTS TO ENSURE THAT ONLY THE INCREMENTAL COSTS NOT ALREADY INCLUDED IN BASE RATES ARE RECOVERED AS PART OF THE STORM RESTORATION COSTS?

A. One additional adjustment must be made to remove amounts included in the 2005 Storm Recovery Costs by FPL for employee benefits. FPL has included \$9,213,514 for employee benefits.

Q. COULD YOU PLEASE ELABORATE WHY THIS AMOUNT NEEDS TO BE REMOVED?

A. Yes. According to FPL's response to OPC Interrogatory No. 184, \$9,213,514 is included in the 2005 storm recovery costs for "Applied Pensions and Welfare." The response indicates that these amounts "...represent company payments for life, medical and dental insurance, thrift plan, long term". Costs associated with the provision of these types of benefits to employees are already reflected in base rates and Company budgets. The cost of providing employee benefits would not increase as a result of a storm event. These are not incremental costs to the Company resulting from the storms and should not be included. Thus, I have removed the \$9,213,514 to ensure that only the incremental costs associated with the 2005 storms are included.

OTHER ADJUSTMENTS – INCREMENTAL APPROACH

Q. WHAT ADJUSTMENTS NEED TO BE MADE IN NON-LABOR AREAS TO ENSURE THAT ONLY THE INCREMENTAL COSTS ARE INCLUDED FOR RECOVERY THROUGH THE STORM RESERVE?

A. At least three adjustments need to be made. The first two adjustments are identical to those indicated by FPL in its Incremental Approach calculations in its supplemental response to OPC Interrogatory No. 30. These consist of a \$1,100,000 reduction to the tree trimming costs to reflect the fact that FPL's actual expenditures for non-storm related tree trimming were \$1.1 million less than it included in its budget for 2005 and a \$5,738,000 reduction to remove the amount of vehicle costs that FPL indicates would have been incurred in the normal course of business, even absent the storms. Based on the response to Staff Interrogatory No. 96, the \$5.7 million amount removed for vehicles

is only a portion of the total vehicle costs included in the storm recovery amounts and are based on the monthly vehicle rates charged to the storm accounts. These vehicle rates include items such as depreciation, maintenance, fuel and overhead costs. Additional, incremental vehicle costs for both company owned and non-company owned vehicles remain in the proposed storm recovery costs.

Q. DID FPL PROPOSE ANY OFFSETS TO EITHER OF THESE AMOUNTS?

A. Yes. In its proposed Incremental Approach calculations, FPL offset the Vehicle costs it contends would have been incurred in the normal course of business by 48%, or \$2,767,000, for a portion it contends would have otherwise been charged to capital costs and not base rates. I have not reflected this offset as the Company has not supported the offset, nor has it shown that vehicle costs were not otherwise included in the storm related or other capital costs. In the 2004 Storm Recovery Case, the Company proposed a similar offset to vehicle costs under a similar contention that a portion of the budgeted amount was related to capital projects. The order in that case, Order No. PSC-05-0937-FOF-EI, indicates that the OPC objected to the Company's rationale, "...stating that FPL does not differentiate between capital costs and operating expense in its breakdown of charges to the storm reserve." (p. 13) The Commission did not reflect FPL's proposed capital offset in that case, removing the entire amount identified by FPL as costs it would have incurred for the Company owned vehicles whether or not the storm occurred. (Order No. PSC-05-0937-FOF-EI, p. 13)

Q. WHAT IS THE THIRD ADJUSTMENT THAT NEEDS TO BE MADE?

A. Included in FPL's proposed 2005 storm recovery costs are telecommunications expenses. According to the response to OPC Interrogatory No. 181, the actual operation and

maintenance expenses for telecommunications costs in 2005 were \$520,264 less than budgeted. This is shown on my Exhibit__(DD-1), Schedule 3. The proposed 2005 storm recovery costs should be reduced by this \$520,264 so that only the incremental telecommunications costs beyond those factored into base rates are included.

ADDITIONAL OPC RECOMMENDED ADJUSTMENTS – 2005 STORMS

Q. WOULD YOU PLEASE ADDRESS THE REMAINING ADJUSTMENTS PRESENTED ON SCHEDULE 1?

A. Yes. The reasons for removing the following items from the 2005 storm recovery costs are presented in the direct testimony of OPC witness Hugh Larkin, Jr.: uncollectible accounts, employee assistance costs, and exempt employee overtime incentives. I determined the associated amounts from various interrogatory responses, which are identified and referenced on Schedule 1. In addition to those sponsored by Mr. Larkin, I am also recommending several adjustments for the removal of items included in FPL's proposed 2005 storm recovery costs. Each of these will be addressed below.

Remove Items Covered Under Warranty

Q. DID FPL INCLUDE ANY ITEMS IN ITS 2005 STORM RECOVERY COST ESTIMATES TO BE RECOVERED FROM RATEPAYERS THAT IT MAY BE RECOVERING FROM THIRD PARTIES?

A. Yes. FPL has included at least one item for which it is pursuing warranty recovery, and it is including amounts associated with joint use poles that it will likely recover from another party. The joint use pole issue will be addressed later in this testimony.

Q. WHAT ITEM HAS FPL INCLUDED IN ITS COST ESTIMATES FOR WHICH IT IS SEEKING WARRANTY RECOVERY?

A. FPL has included an estimated \$316,250 for a cooling tower fan repair at Martin Unit 8. In response to OPC Interrogatory No. 192, FPL indicated that the cost is being included even though a warranty claim is being pursued "...because the claim is being contested by the cooling tower manufacturer." The response indicated that the Company is pursuing recovery and that "It was considered appropriate to include the repair cost, since these costs could be removed if FPL eventually won its warranty claim."

Q. IN YOUR OPINION, SHOULD THE COST BE INCLUDED BECAUSE IT COULD EVENTUALLY BE REMOVED, AS FPL CONTENDS?

A. While it is true that the amounts actually charged to the reserve will be trued-up to actual amounts as the amounts become known, it still is not appropriate to include such costs in the estimates. In this case, the starting point in FPL's calculations is a \$906,404,000 estimate for 2005 storm-recovery costs. This amount is reduced by FPL for several items such as projected insurance proceeds and costs to be charged to capital; however, it is the \$906,404,000 projected cost that is the basis of FPL's request. A large portion of the \$906,404,000 of estimated 2005 storm recovery costs FPL is requesting is based on estimated amounts. According to the response to Staff Interrogatory No. 132, as of March 14, 2006, \$244,973,000 of the \$906,404,000 (or 27%) is still based on estimates.

According to the direct testimony of FPL witness J. Michael Davis, at pages 23-24, any difference between the estimated storm costs and the actual costs incurred, or adjustments due to the outcome of the staff audit or any Commission proceeding, would be charged or credited to the storm reserve balance. The testimony states: "Thus, if the actual costs are

lower than anticipated, the resulting balance in the Reserve will be higher and vice versa.”

FPL’s attitude is that if its estimates are off, they are going to be trued-up to actual amounts anyway, with any reductions to the estimated amount resulting in an increase to the storm reserve that could then be used for future storms. This is in addition to the \$650 million requested to be added to fund the storm reserve. It is not appropriate to potentially inflate the costs being requested under the attitude or premise that it will be trued-up later and excess estimates will be used to increase the reserve. One must remember that these are funds that FPL is requesting the ratepayers to pay for. While the costs are being proposed to be spread out over a longer period through the use of storm recovery bonds, it is still the ratepayers who will have to pay for these costs through the payment of the bonds over an extended period. It is not appropriate to make these costs to be recovered higher than they need be or higher than FPL has projected that it needs to recover the costs and fund the storm reserve. While the storm recovery bonds may be spreading the cost to ratepayers over more years, it is the ratepayers who will ultimately be paying those costs. Consequently, on Schedule 1, I removed the \$316,250 included by FPL for the repair of the cooling tower fans for which it is pursuing warranty recovery.

Remove Remaining Contingencies

Q. ARE THERE ANY OTHER ITEMS INCLUDED IN FPL’S ESTIMATED 2005 STORM RECOVERY COSTS THAT INFLATE THE AMOUNT FOR WHICH RATEPAYERS ARE BEING REQUESTED TO FUND AT THIS TIME?

A. According to the response to OPC Interrogatory No. 183, as of February 28, 2006, the remaining estimated 2005 storm recovery costs included \$26,253,351 for contingencies.

Approximately \$10 million of the contingencies fall under the heading of External Line & Contractor costs and \$16 million fall under the "Other" cost category. I recommend that the \$26.25 million of remaining contingencies as of the end of February 2006 be removed from the storm cost estimates. As indicated above, it must be remembered throughout this process that it is the ratepayers that are being asked to ultimately fund these amounts. If the amounts are over-estimated, it is ratepayers who will be locked in to paying higher amounts over the next twelve years under FPL's proposal. The general premise that if the costs are overestimated they will be trued-up and serve to increase the available reserve funds for future storms is not a reasonable premise and is not the attitude the Commission should adopt in evaluating the proposed 2005 storm recovery costs in this case. As previously indicated, as of March 14, 2006, \$244,973,000 of the \$906,404,000 (or 27%) of proposed storm recovery costs are still based on estimates. The \$244,973,000 of remaining estimated costs would include the contingencies. Removal of the contingencies still allows for the inclusion of a significant amount of estimated costs in the proposed storm recovery financing.

Offset for Proceeds from Joint Use Poles

Q. HAS FPL INCLUDED AN OFFSET TO ITS ESTIMATED 2005 STORM RECOVERY COSTS FOR AMOUNTS IT WILL COLLECT FROM THIRD PARTIES ASSOCIATED WITH JOINT USE POLES?

A. No, it has not. As part of the storm recovery effort, FPL repaired and replaced other companies' poles that it jointly uses. The Company has not yet billed the outside parties for the repairs or replacements, nor did it include an estimate to offset the storm recovery costs it has requested in this case. FPL's requested 2005 storm recovery cost estimate includes many estimates which increase the projected cost, but does not include estimated

offsets to such costs, other than for insurance recoveries. The repair costs are included in FPL's estimated total 2005 storm recovery costs of \$906,404,000. Additionally, the 2004 storm recovery costs also have not yet been reduced for the amounts to be recovered from outside parties for FPL's repair and replacement of the poles owned by other parties.

Q. WHAT IS THE STATUS OF THE PREPARATION OF THE BILLS TO OUTSIDE PARTIES?

A. In response to Staff Interrogatory No. 144, the Company indicated that it expects the billing for the 2004 replacement costs for other companies' poles to be completed in March 2006. The response to Staff Interrogatory No. 145 indicates that FPL is currently conducting the 2005 storm pole survey, which it expects to complete in May 2006. Once complete, the estimated costs to be recovered from the pole owners will be calculated. Unfortunately, May 2006 is after the date hearings are scheduled to occur in this case.

Q. WHAT WOULD BE THE IMPACT OF THE AMOUNTS TO BE COLLECTED FROM THE POLE OWNERS ON THE 2005 STORM RECOVERY COSTS?

A. The proceeds to be received would reduce the 2005 storm recovery costs incurred by FPL as funds will be provided by the owners of the poles. A portion of the costs to be recovered would pertain to costs that have been capitalized by FPL and would not impact the net amount to be recovered through the storm reserve as part of this case. However, any incremental amounts billed beyond the amounts capitalized by FPL should serve to reduce the estimated 2005 storm recovery costs to be recovered from ratepayers. Additionally, at the time of FPL's next rate case, a review should be made to ensure that the capital amounts that were reimbursed by outside parties are do not increase rate base.

Q. WAS FPL ASKED TO PROVIDE AN ESTIMATE OF THE AMOUNT OF REIMBURSEMENTS IT MAY RECEIVE?

A. Yes. OPC Interrogatory No. 182 asked the Company to provide its current best estimate of reimbursements it may receive from other companies for Joint Use Poles or other storm recovery work. FPL responded as follows:

The survey to determine the amount of non-FPL poles replaced by FPL during the 2004 storms has been completed and showed FPL replaced 2,483 BellSouth poles. An initial estimate, using "normal" costs, was originally developed, however, it was determined that this estimate was not representative of actual 2004 restoration costs. The revised billing for the 2004 poles replaced is currently being developed and is expected to be completed in March 2006. Since the billing is currently under development, FPL does not have an estimate at this time. The survey to determine the number of non-FPL owned poles replaced by FPL during the 2005 storms is expected to be completed during the second quarter 2006. Once the 2004 billing is finalized, FPL will develop an estimate for the 2005 storms.

Consequently, while FPL was requested to provide its "current best estimate", it did not do so.

Q. HAS FPL PROVIDED ADDITIONAL INFORMATION SINCE RESPONDING TO THE ABOVE QUOTED INTERROGATORY?

A. Yes. In Late Filed Exhibit No. 2 to the deposition of FPL witness Geisha Williams, the Company provided a quantification of its cost to replace poles owned by other parties. According to the late filed exhibit, the quantification of reimbursement for FPL's cost to replace other parties owned poles is \$7,419,810 for 2004 and \$10,564,384 for 2005. The late filed exhibit also indicates that the 2005 amount is an estimate as the survey to determine the actual number of poles replaced is not expected to be completed until May 2006, with billing to be done shortly thereafter.

Q. WHAT IS YOUR RECOMMENDATION WITH REGARDS TO THE FACT THAT FPL WILL RECEIVE REIMBURSEMENT IN THE FUTURE FROM AN OUTSIDE PARTY FOR SOME OF THE AMOUNTS INCLUDED IN ITS 2005 STORM RECOVERY COSTS?

A. As previously indicated, it is inappropriate to base the amount of 2005 storm recovery costs to be recovered from customers in this case on inflated amounts or amounts that may exceed the net incremental costs to actually be incurred specific to the recovery efforts.

Q. HAVE YOU REFLECTED AN ADJUSTMENT FOR POTENTIAL RECOVERIES ON SCHEDULE 1 AT THIS TIME?

A. Yes. As indicated above, FPL provided an estimate of the reimbursements to replace other parties' poles as a result of the 2005 storms in Late Filed Exhibit 2 of \$10,564,384. Consequently, I have incorporated a \$7,923,288 reduction to the 2005 storm recovery costs. I recommend that as a placeholder 75% of the \$10,564,384 million be reflected as an offset to the estimated 2005 storm recovery costs to be recovered. A 75% factor is being utilized as the majority of the projected storm recovery costs are expenses as opposed to capital amounts. On Schedule 1, I remove \$7,923,288 from the amount to be recovered. I will address the amount to be recovered via reimbursements from BellSouth pertaining to the 2004 storm recovery costs later in this testimony.

Q. DO YOU HAVE ANY FURTHER RECOMMENDATIONS OR CONCERNS WITH REGARDS TO THIS ISSUE?

A. Yes. Based on FPL's response to OPC POD 34, which is being provided as an exhibit to OPC witness James Byerley's testimony, at Bates No. FPL004466, the estimated 2005

replacement cost per pole is \$1,700. In response to OPC POD 92, FPL provided copies of some E-mails regarding its 2005 estimated billing to BellSouth for poles replaced as a result of the 2005 storms. The estimated cost per pole contained in those E-mails were significantly less than the \$1,700 estimated cost to replace poles contained in the response to OPC POD 34. It is my understanding, based on Mr. Byerley's recommendations, that the replacement cost per pole under emergency storm recovery situations is significantly greater than under normal replacement situations. This makes sense as external crews and overtime are utilized during emergency storm recovery situations, causing the costs incurred to be higher than a "normal" replacement cost level. Consequently, a review should be conducted once the actual amounts are trued-up to ensure that the billings to outside parties for FPL's repair and replacement of poles owned by others is based on the actual costs incurred by FPL.

Remove Martin Plant Condensor Tube Repair and Hydrolasing Estimates

- Q. WHY HAVE YOU REMOVED THE COSTS INCLUDED BY FPL IN ITS ESTIMATE RELATED TO THE MARTIN PLANT UNITS 1 AND 2 CONDENSOR TUBE REPAIRS?
- A. The projected 2005 storm recovery costs include \$2,386,000 for condenser tube repairs at Martin Units 1 and 2. According to the supporting documentation provided for this project in response to OPC POD 73 (Bates Nos. FPL 009633-009635) and the response to OPC Interrogatory No. 194, FPL had already planned a partial condenser retube for Martin Units 1 & 2 in its overhaul planning system in July of 2005, with overhaul dates of 2007 and 2008. The Company claims the \$2.386 million is for damage caused by Hurricane Wilma, yet it had already planned for retubing of these units prior to the storm occurring. Consequently, these costs should not be recovered from the storm reserve as

was proposed by FPL. On Schedule 1, I remove the \$2,386,000 included in the 2005 storm cost estimates.

Staff's Audit report, in Audit Finding No. 8, also indicates that the retubing was planned prior to the storm occurring and that if the event was planned prior to the storm, then the cost should not be included in the storm costs.

Q. HAS FPL PROVIDED ANY ADDITIONAL INFORMATION ON THIS ISSUE?

A. Yes. In response to Staff Interrogatory No. 147, FPL indicates that it now plans a complete re-tube of the Unit 1 condenser instead of the partial re-tube included in its storm cost estimate. A full re-tube is a capital project as opposed to expense item. The response also indicates that FPL could not determine if the Unit 2 damage was caused by the storm because pre-storm studies were not available. The response indicates that the Unit 2 condenser tubes are no longer included in the storm estimate. The response also indicates that in March 2006, the Company adjusted the storm estimate by \$2,785,364 to reflect the Unit 1 work as capital. While it is not clear from the response, presumably the amount will be excluded from the amount FPL proposes to charge to the reserve as it is a capital cost. No amounts should be charged to the storm reserve for the Martin Plant Units 1 and 2 condenser tube repairs or retubing.

Q. ARE THERE ANY ADDITIONAL RELATED COSTS THAT SHOULD ALSO BE REMOVED?

A. Yes. FPL's 2005 storm cost estimate also includes \$144,000 for hydrolasing the Martin Unit 1 and 2 condenser tubes and \$77,000 for hydrolasing the Martin Units 3 and 4 condenser tubes. The hydrolasing was conducted to clean the tubes to prepare for testing.

Hydrolasing the condenser tubes is a normal, recurring maintenance item. According to the response to OPC Interrogatory No. 194, the Company had already projected to perform condenser tube hydrolasing at Martin Units 1 and 2 in the spring of 2006, at Unit 3 in Fall of 2007 and Unit 4 in Spring 2008. As these costs are typical maintenance type costs, I recommend they be removed from the 2005 storm recovery costs, resulting in a reduction of \$221,000 (\$144,000 + \$77,000).

Advertising and Communications Costs

Q. SHOULD UTILITY ADVERTISING, MEDIA RELATIONS OR PUBLIC RELATIONS COSTS BE INCLUDED IN STORM RESTORATION COSTS?

A. No. These costs are generally image building type expenditures and are not related to the restoration of service to customers. Costs associated with advertising related to public information regarding safety and other customer services are incorporated into the determination of base rates. Additional expenditures made informing the public of the Company's efforts to restore service are either covered in base rates or do not provide a direct benefit to ratepayers and are not directly related to the storm restoration efforts.

Q. WHAT AMOUNT IS INCLUDED IN THE 2005 STORM RECOVERY COSTS FOR ADVERTISING AND PUBLIC RELATIONS?

A. In response to Staff Interrogatory No. 100, FPL identified \$2,528,196 of advertising and public relations costs included in the 2005 storm recovery costs. The response shows that \$506,507 was included for print ads and \$2,021,689 of these costs were for radio communications, and no public relations costs were included. Staff Audit Report, Audit Control No. 05-292-4-1, under Audit Finding No. 7, provides additional information

regarding advertising charges included in the storm recovery expenses. The print ads consisted of newspaper ads addressing expected electric turn on dates and “Thank You” ads in media such as the Wall Street Journal. The Audit Report indicates that the radio ads appeared to be for safety tips or image enhancing. On Schedule 1, I remove the \$2,528,196 of advertising costs from the 2005 storm restoration costs.

Additionally, while not identified in response to Staff Interrogatory No. 100, Staff’s Audit Report, under Finding No. 7, indicates that an additional \$144,068 was included for “Public Relations Invoice.” On Schedule 1, I also remove the \$144,068 identified by Staff as Public Relations costs charged to the storm recovery costs.

Remove Property Damage and Personal Injury Costs

Q. ARE THERE ANY ADDITIONAL COSTS INCLUDED BY FPL THAT ARE NOT DIRECTLY RELATED TO STORM RECOVERY EFFORTS THAT SHOULD BE EXCLUDED?

A. Yes. According to the response to OPC Interrogatory No. 184, under the “Other” category of 2005 storm recovery costs FPL has included \$2,849,571 for estimated property damage and personal injury costs under the General Counsel Business Unit. These are not costs directly related to the storm recovery efforts or for the restoration of electric service to customers and should not be included in the costs to be recovered. Additionally, these types of costs are already considered in the determination of base rates and should not be recovered via the recovery of storm restoration costs.

Increase in Portion of Costs Pertaining to Capital Items

Q. HAS FPL PROVIDED ANY FURTHER UPDATES OF ITS PROJECTED 2005 STORM RECOVERY COSTS?

A. Yes. In response to Staff Interrogatory 57 - Supplemental, the Company has provided some updates to its estimated 2005 storm-recovery costs. The total cost estimate provided by FPL as of February 28, 2006, prior to offsets, is very close to the estimates it provided previously, decreasing slightly from \$906,403,000 to \$906,254,000. However, the portion of the cost estimates that FPL projected to be related to capital expenditures, which offset the costs for which FPL is requesting to recovery through the storm reserve, has increased from the original estimated amount of \$63,855,000 to \$66,819,000, an increase of \$2,964,000. On Schedule 1, I have reflected this additional \$2,964,000 offset to the 2005 storm recovery costs to reflect the fact that a higher portion is now anticipated to be capital related, which would not be recovered from the storm reserve.

Offset for Proceeds Received for Loan of Personnel & Equipment

Q. DID FPL RECEIVE ANY AMOUNTS DURING 2005 FOR ASSISTING OTHER UTILITIES IN THEIR STORM RECOVERY EFFORTS?

A. Yes. During 2005, FPL billed \$9,095,845 for the loan of company personnel and equipment to other power companies for storm restoration activities. According to the response to OPC Interrogatory No. 156, the amount charged consisted of: "...Base Payroll \$2,080,517; Overtime Payroll \$3,300,152; Bonuses \$0; Travel and Other \$2,227,252; Materials \$75,819; Vehicle \$659,404 and Administrative & General Expenses \$752,701."

Q. HOW DOES THE AMOUNT BILLED BY FPL FOR ASSISTING OTHER UTILITIES IN 2005 COMPARE TO PRIOR YEARS?

A. It is considerably higher. According to the response to OPC Interrogatory No. 157, FPL received \$3.0 million in 2002, \$5.0 million in 2003, and \$0 in 2004 from other power companies for the loan of employees and equipment for storm restoration efforts. FPL included \$0 in revenues its recent rate case filing, Dkt. No. 050045-EI for reimbursements from other utilities for assistance with storm restoration efforts, thus, none of the reimbursements are reflected in base rates.

Q. ARE ANY OF THE COSTS INCURRED BY FPL FOR WHICH IT IS RECOVERING FROM OTHER POWER COMPANIES INCORPORATED INTO BASE RATES CHARGED TO FLORIDA RETAIL CUSTOMERS?

A. Yes. The majority of the costs incurred by FPL in assisting other utilities would be included in costs recovered from FPL's Florida retail customers in base rates. Employee labor costs, vehicle costs and administrative and general expenses incurred by FPL are factored into the rate setting process and are thus part of base utility rates.

Q. SHOULD THE 2005 STORM RECOVERY COSTS INCURRED BY FPL BE OFFSET BY THE PROCEEDS IT RECEIVES FROM OTHER UTILITIES FOR ASSISTING IN RESTORATION EFFORTS?

A. Yes, the majority of the proceeds received by FPL for assisting other utilities in storm recovery efforts should be reflected as an offset to FPL's storm restoration costs; otherwise, FPL would recover such costs twice. It would recover the costs through base rates charged to the Florida retail customers and again through the reimbursement of the costs from the other utilities. The 2005 storm recovery costs requested by FPL to be

charged against the storm reserve in this case include substantial amounts for payments to other utilities that assisted FPL in its restoration efforts. These are reasonable and prudent costs that assist to expedite the storm recovery process. While I agree that it is both a good business decision and good citizenship for FPL to provide assistance to other utilities when it can in the other utilities' storm recovery efforts, such assistance should not result in a profitable venture, particularly when FPL's customers are paying the salaries and costs of the FPL employees who assist the other utilities. As the substantial amounts incurred for the reimbursement to other utilities by FPL in the 2005 storm recovery efforts are included in the amount requested to be charged against the reserve, the reimbursements received by FPL from other utilities for providing similar assistance should be reflected as an offset to the storm reserve costs.

Q. WHAT AMOUNT ARE YOU RECOMMENDING AS AN OFFSET TO THE STORM RECOVERY COSTS FOR THE REIMBURSEMENTS CHARGED BY FPL IN 2005?

A. As shown on Schedule 1, I recommend that the 2005 storm recovery costs be offset by \$6,868,593. This is the amount billed by FPL to other utilities for the recovery assistance of \$9,095,845, less the amounts pertaining to travel and other of \$2,227,252. The costs incurred by FPL's employee to travel to the locations to assist in the recovery efforts would not have been considered in determining base rates; however, the other types of costs incurred would have been factored into the base rate determination.

RECOMMENDATIONS OF OPC WITNESS BYERLEY

Q. ARE THERE ANY ADDITIONAL ADJUSTMENTS TO THE PROPOSED 2005 STORM RECOVERY COSTS THAT NEED TO BE REFLECTED?

A. Yes. In the final section of adjustments on Exhibit __ (DD-1), Schedule 1, I provided the impact on the 2005 storm restoration costs of the recommendations of OPC witness James Byerley.

Q. PLEASE DISCUSS THE ADJUSTMENT FOR THE CONSERVATION-CORBETT 500MW LINE.

A. OPC witness Byerley raises several prudence issues with regards to the Conservation-Corbett 500 MW line in his prefiled testimony. FPL's projected total 2005 storm restoration costs include \$10,411,000 for this project, which it then removes from the 2005 storm restoration costs for which it is seeking recovery in this case as part of its capital cost offset. As a result of his recommendation, I removed the project costs from both the total projected storm restoration costs and from the capital cost offset. The net impact of these to adjustments on the 2005 Storm Recovery Costs to be included in the proposed storm financing is \$0. However, if this adjustment to reduce the capital costs by \$10,411,000 is not specifically reflected and identified, then the costs will be included in the plant in service on FPL's books and recovered from ratepayers in the future. Consequently, the order resulting from this case should specifically indicate that these costs are being disallowed and should not be included in plant in service; otherwise, ratepayers will pay for these costs, which the OPC believes to be imprudent, beginning with the next FPL rate case.

Q. WHAT ADDITIONAL ADJUSTMENTS HAVE YOU REFLECTED ON EXHIBIT __ (DD-1), SCHEDULE 1, FOR THE RECOMMENDATIONS SPONSORED BY JAMES BYERLEY?

A. Mr. Byerley has recommended several adjustments associated with FPL's failure to conduct an adequate pole inspection program, resulting in a higher level of pole and conductor replacements from the storm than would otherwise be the case. Mr. Byerley is recommending a pole replacement disallowance of \$11,760,000 and a conductor replacement disallowance of \$10,350,000 as a result of the inadequate pole inspection program. On Schedule 1, I reduce the 2005 storm replacement costs by \$11,760,000 and \$10,350,000, for the pole and conductor replacements, respectively. Additionally, as Mr. Byerley has estimated that the capital related costs would be approximately 25% of the total amount, I reduce the capital offset to the 2005 storm related costs by \$2,940,000 for the pole replacement costs ($\$11.76\text{M} \times 25\%$) and \$2,587,500 for the conductor replacements ($\$10.35\text{M} \times 25\%$). Additionally, plant in service should be reduced by these same amounts to ensure that ratepayers are not charged for these costs at the time of the next rate case.

Mr. Byerley is also recommending several adjustments associated with FPL's failure to conduct an adequate tree trimming program, resulting in excessive pole failures and conductor replacements as a result of the 2005 storms. Mr. Byerley is recommending a pole replacement disallowance of \$6,040,000 and a conductor replacement disallowance of \$5,310,000 as a result of the inadequate tree trimming program. On Schedule 1, I reduce the 2005 storm replacement costs by \$6,040,000 and \$5,310,000, for the pole and conductor replacements, respectively. Additionally, as Mr. Byerley has estimated that the capital related costs would be approximately 25% of the total amount, I reduce the capital offset to the 2005 storm related costs by \$1,510,000 for the pole replacement costs ($\$6.04\text{M} \times 25\%$) and \$1,327,500 for the conductor replacements ($\$5.31\text{M} \times 25\%$).

Additionally, plant in service should be reduced by these same amounts to ensure that ratepayers are not charged for these costs at the time of the next rate case.

2004 STORM RECOVERY COSTS

Q. THE COMPANY'S FILING SHOWS \$213,307,000 FOR UNRECOVERED 2004 STORM-RECOVERY COSTS AS OF JULY 31, 2006. COULD YOU PLEASE DISCUSS THIS AMOUNT?

A. Yes. Exhibit KMD-3, attached to the direct testimony of FPL witness K. Michael Davis, shows the beginning 2004 storm recovery cost deficiency balance of \$441,991,000. This amount is based on Order No. PSC-05-0937-FOF-EI - the final decision in the 2004 Storm Restoration Cost case. The amount is based on the Commission adjusted amount to be charged against the storm reserve and considered in the surcharge determination of \$798,100,000 on a total system basis and \$794,309,025 on a jurisdictional basis less the then existing balance in the storm reserve balance, resulting in the net deficiency balance of \$441,991,000. Mr. Davis' exhibit then shows the estimated recoveries of the deficiency balance through July 31, 2006, resulting in a 2004 storm-recovery cost deficiency as of July 31, 2006 of \$212,024,000. This amount is then adjusted on Mr. Davis' exhibit to reflect the following adjustments: 1) addition of a \$21,597,000 (\$21.7 million system) Commission approved adjustment to the 2004 storm recovery cost amount not recovered through the surcharge; 2) the 2005 storm accrual recovered in base rates; and 3) a slight deduction to the reserve for fund earnings through September 2005. The end result is projected unrecovered 2004 storm recovery costs as of July 31, 2006 of \$213,307,000. FPL proposes to include this amount in the total storm-related costs to be recovered through the storm-recovery financing.

Q. WOULD YOU PLEASE DISCUSS THE \$21,597,000 ADDITION TO THE AMOUNTS APPROVED FOR RECOVERY THROUGH THE SURCHARGE IN ORDER NO. PSC-05-0937-FOF-EI MADE ON MR. DAVIS' EXHIBIT?

A. Yes. Order No. PSC-05-0937-FOF-EI included a \$21,700,000 (\$21,597,000 jurisdictional) reduction to FPL's requested 2004 storm damage recovery costs identified as "Contributions in Aid of Construction." The order indicates that these costs are not actually "Contributions in Aid of Construction." Page 20 of the order indicates the \$21.7 million is included as storm restoration costs, but not restoration costs included in the surcharge approved in that docket. In other words, the Order ultimately resulted in the addition of the \$21.7 million to the allowed charges to the storm reserve for future recovery, but was not factored into the determination of the surcharge allowed for in that case. FPL witness Davis' testimony in this case, at page 12, indicates that the Commission approved the \$21.7 million adjustment to increase the storm costs contained in the order. Once this \$21.7 million allowed to be reflected as a charge to the storm reserve for recovery is factored in, the net amount that effectively was approved for recovery in the 2004 Storm Cost Recovery Order is \$819,800,000 (\$798,100,000 + \$21,700,000).

Q. WERE ALL OF THE 2004 STORM RECOVERY COSTS INCLUDED IN THE 2004 STORM COST RECOVERY ORDER BASED ON ACTUAL AMOUNTS?

A. No, a large portion of the costs were based on estimates. Page 22 of the 2004 Storm Cost Recovery Order shows the beginning point in the calculation as total FPL estimated 2004 storm damage costs of \$999,000,000 less anticipated insurance reimbursements of \$109,000,000, resulting in net estimated 2004 storm damage costs of \$890,000,000. This

is prior to Commission adjustments to reflect the incremental approach, less lost revenues, and the removal of capital costs.

Q. DID THE ORDER INDICATE IF THERE WOULD BE A TRUE-UP OF THE COSTS TO ACTUAL COSTS?

A. Yes. Page 37 of the Order states as follows:

Within 70 days after the conclusion of this recovery period, FPL shall file the final actual 2004 storm damage costs and the total amount collected through the surcharge during the recovery period. FPL's filing should also include a proposed method for addressing any final over- or under-recovery. While we believe that FPL witness Morley's proposal to refund any over-recovery as a one-time refund appears reasonable, we will make a determination of the appropriate final disposition of any over- or under-recovery when the total amount is known.

In the current case, FPL is proposing that the recovery period approved in that order not be completed. Rather, FPL's proposal is that the projected remaining unrecovered balance as of July 31, 2006 be rolled-into the proposed storm recovery financing in this case, which would then be recovered from customers over a twelve year period. The amount presented by FPL to be rolled-in is based on the original 2004 storm recovery cost estimates presented in the 2004 Storm Cost Recovery case, not an amount that has been trued-up to reflect actual costs.

Q. IN YOUR OPINION, DOES THIS PRESENT A PROBLEM?

A. Yes. Based on responses to OPC interrogatories and Requests for Production of Documents, FPL has incurred less in 2004 storm recovery costs than it projected at the time of the 2004 Storm Cost Recovery case. If the remaining 2004 Storm Recovery Costs are not reduced to reflect the fact that actual costs have been lower than projected, the result will be an inflated amount being recovered via the storm recovery bonds and being charged to ratepayers.

In his direct testimony, FPL witness J. Michael Davis indicates that the Company proposes to true-up the estimate of unrecovered 2004 storm recovery costs as the amounts in the existing surcharge is based on "...an estimate for identified projects that were not yet completed." (page 13) He indicates that the actual costs for the projects may be more or less than what was estimated. At page 14 of his testimony, he states that "Therefore, FPL proposes that once these projects are completed, if the actual amount is lower than the estimated amount, the difference would be credited to the Reserve." He also states that if the actual amount is higher, the difference would be charged to the reserve. The problem with this proposal is that it will result in higher amounts being included in the proposed storm recovery financing, which will be charged to ratepayers over the next twelve years. As addressed previously in this testimony, it is not appropriate to inflate the amounts to be recovered under the premise that the difference will just result in a higher available reserve balance as the result is a higher cost to ratepayers over the next twelve years if FPL's financing proposal is adopted.

Q. HOW DO THE ACTUAL AND CURRENT PROJECTIONS OF 2004 STORM RECOVERY COSTS COMPARE TO THE AMOUNTS USED IN ESTIMATING THE COSTS IN THE PRIOR CASE?

A. In response to OPC Interrogatory No. 108, FPL indicates that the actual 2004 storm recovery costs incurred through January 31, 2006, net of insurance proceeds and capital costs, are \$775,345,096. The response did not provide the amounts that have actually been capitalized for comparison to the estimated \$58 million identified in the order. It also did not provide the amount of insurance proceeds received to compare then to the \$109,000,000 estimated in the 2004 Storm Recovery case. Consequently, based on the

information provided, it is not possible to compare the actual amounts incurred to the estimated total costs assumed in the 2004 Storm Recovery Cost Order of \$999 million.

The response then lists an additional \$22,754,904 of accruals for estimated remaining costs, resulting in actual and estimated remaining costs of \$798,100,000. Again, these amounts are net of insurance proceeds and capital costs. The amounts equal the \$798,100,000 recorded in Account 186.180, which is the regulatory asset account set up for the 2004 storm recovery costs. The \$798,100,000 also happens to equal the Commission adjusted net recovery costs approved by the Commission in the 2004 Storm Recovery Order. As previously discussed, the \$798,100,000 was based on total projected costs of \$999 million, reduced by \$109 million of projected insurance proceeds and the Commission's capital related adjustments.

Q. SINCE THE ACTUAL COSTS INCURRED THROUGH JANUARY 31, 2006 PLUS THE PROJECTED REMAINING ACCRUALS PRESENTED BY FPL EQUAL THE \$798,100,000 FROM THE 2004 STORM RECOVERY COST ORDER, WHY DID YOU INDICATE THAT FPL HAS INCURRED LESS THAN IT PROJECTED IN THAT CASE?

A. One must remember that subsequent to the Final Agenda and prior to the issuance of the 2004 Storm Recovery Cost Order, the Commission allowed FPL to increase the charges to the storm reserve to allow future recovery of an additional \$21.7 million. As previously indicated, once this \$21.7 million adjustment is reflected, the net amount that effectively was approved for recovery in the 2004 Storm Cost Recovery Order would be \$819,800,000 (\$798,100,000 + \$21,700,000), not \$798,100,000. Thus, based on the net of insurance and capital costs actually incurred by FPL through January 31, 2006 and

projected to still be incurred of \$798,100,000, the amount of 2004 storm recovery costs to be recovered by FPL as part of its proposed storm recovery financing should be reduced by at least \$21,700,000. FPL does not project to incur the net of insurance and capital costs of \$819,800,000 effectively allowed for by the Commission.

Q. ARE YOU RECOMMENDING ANY ADDITIONAL ADJUSTMENTS TO THE AMOUNT OF UNRECOVERED 2004 STORM RESTORATION COSTS BEING ADDED BY FPL TO ITS PROPOSED STORM RECOVERY FINANCING?

A. Yes, I am recommending two additional adjustments. The first adjustment removes what FPL has identified as "Claims Outstanding & Pending Lawsuits." According to the response to OPC Interrogatory No. 108, as of July 31, 2005, the estimated 2004 storm recovery costs included \$2,664,038 for estimated claims outstanding & pending lawsuits associated with Hurricanes Frances and Jeanne. As of January 31, 2006, the estimated pending lawsuits included were \$1.15 million. Presumably, the prior estimated amounts were incurred and recorded in the actual 2005 storm recovery costs by FPL. I recommend that the 2004 storm recovery costs be reduced by \$2,664,038 at this time. If a subsequent audit of the costs shows a higher level of lawsuits and legal claims included in the 2004 storm recovery costs, then the additional amounts should also be removed at that time. These are not costs directly related to the storm recovery efforts and should not be included in the costs to be recovered. They also were not presented as outstanding storm related costs at the time of the prior case. Additionally, these types of costs are already considered in the determination of base rates.

Q. WHAT IS THE SECOND ADJUSTMENT YOU ARE RECOMMENDING?

A. The second adjustment removes estimated amounts FPL has included in the projected remaining 2004 storm recovery costs for "Various Nuclear Storm Damages," totaling \$21,467,915 of estimated additional costs as of January 31, 2006. The response to OPC Interrogatory No. 108 indicates that the costs "Represents a conservative estimate for work yet to be completed, which may change based on the final resolution of insurance recoveries." These estimated future costs should not be included as part of the 2004 storm recovery costs and should be removed from the amounts reflected in FPL's proposed storm financing in this case. Again, these are estimated amounts, which may be offset by insurance recoveries.

Q. HAS FPL PROVIDED ADDITIONAL INFORMATION REGARDING WHAT IS INCLUDED IN THE ADDITIONAL ESTIMATED NUCLEAR DAMAGE COSTS OF \$21.5 MILLION?

A. FPL has provided some additional information; however, the information provided does not equate to the additional \$21.5 million of accruals identified in the response to OPC Interrogatory No 108. FPL's response to OPC POD 78 provided additional information regarding the remaining estimated 2004 storm recovery costs. As previously mentioned, FPL's response to OPC Interrogatory No. 108 identified \$22,755,000 of accrued 2004 storm recovery costs and \$775,345,096 of actual (net of insurance and capital costs) as of January 31, 2006. Based on the response to OPC POD 78 (Bates No. 103922), the estimated remaining costs to be incurred include \$21 million of costs associated with St Lucie nuclear plant intake canal restoration that were not previously estimated. These appear to be costs beyond those that were presented in the prior case, and estimated after July 31, 2005.

Q. WHAT IS THE RELEVANCE OF THE JULY 31, 2005 DATE?

A. In the order in the 2004 Storm Restoration Cost case, Order No. PSC-05-0937-FOF-EI, the Commission established the cut-off date for charging costs to the storm reserve for 2004 storm related restoration work of no later than July 31, 2005. One of the Ordering paragraphs stated: "ORDERED that FPL shall cease charging costs to its storm reserve no later than July 31, 2005, for restoration work related to the 2004 storm season."

Based on the response to OPC POD 78 (Bates No. 103922) it appears that costs now being added for the intake canal restoration were estimated after the July 31, 2005 cut-off date. Additionally, in response to OPC Interrogatory No. 107, FPL provided an exhibit from Company witness Geisha William's rebuttal testimony in the 2004 storm recovery cost case (Dkt. No. 041291-EI) which listed estimated remaining projects included in the 2004 storm recovery cost estimates that were not completed as of December 31, 2004 and were greater than \$100,000. The additional estimated "various nuclear storm damages," and the Intake Canal project for St. Lucie nuclear plant were not listed in that document as an outstanding estimated project in that case.

The transcripts in that prior case, at page 484, addresses Staff's audit report associated with the 2004 storm cost estimates and the projected St. Lucie nuclear plant damages in particular. This consists of a page of testimony from Staff witness Iliana H. Piedra and specifically states, at page 484, "The insurance company is expected to reimburse FPL for all the St. Lucie nuclear plant damage except for its deductible of \$2,000,000 and storm preparation expenses of \$9,280,311." The testimony also states that the deductible and storm preparation costs for St. Lucie nuclear plant were included in the storm restoration costs FPL was seeking, and the remaining costs were removed from the storm costs estimates. The additional \$21,467,915 identified by FPL as part of the currently

remaining estimated 2004 Storm Recovery Costs for “Various Nuclear Storm Damages” in response to OPC Interrogatory No. 108 does not appear to have been identified in the prior docket as costs that would not be recovered through insurance.

Q. ARE THERE ANY ADDITIONAL REASONS THAT THESE REMAINING ESTIMATED COSTS SHOULD NOT BE FACTORED IN TO THE STORM FINANCING REQUESTED BY FPL IN THIS CASE?

A. Yes. As previously mentioned, these costs appear to have been identified and estimated after the July 31, 2005 cut-off date identified in Order No. 05-0937-FOF-EI. They also do not appear to have been identified as a projected 2004 storm related cost in that docket. In addition, the response to OPC POD 78 (Bates No. 103922) in discussing the intake canal project states that “No pre-hurricane assessments are available. As such, isolating hurricane damage from possible dredging damage and normal operational degradation is virtually impossible.” The storm recovery costs should include only those extraordinary costs that result from the hurricanes. Based on the description of the intake canal project, this may also be considered a capital cost as opposed to expense. There is also the question of whether or not these costs will be covered by insurance. The response to Interrogatory No. 108 indicates that the estimated nuclear storm damage cost may change based on the final resolution of insurance recoveries. At this point, the additional estimated amounts FPL is including in the 2004 storm restoration costs for “various nuclear storm damages”, which have not been incurred and were not identified in the prior case, should not be included in the determination of the proposed storm financing amount.

Q. UNDER THE 2005 STORM RESTORATION COST ADJUSTMENTS, YOU ADDRESSED OFFSETS FOR PROCEEDS FROM JOINT USE POLES. IS THIS ALSO AN ISSUE WITH REGARDS TO THE 2004 STORM RECOVERY COSTS?

A. Yes. As previously indicated, the 2004 storm recovery costs also have not been reduced for the amount to be recovered from outside parties for FPL's repair and replacement of the poles owned by other parties. In Late Filed Exhibit No. 2 to the deposition of FPL witness Geisha Williams, FPL provided the estimate of its cost to replace poles owned by other parties as a result of the 2004 storms of \$7,419,810. Consequently, I recommend that the 2004 storm recovery costs be offset by \$5,564,858 at this time for purposes of determining the amount of storm recovery financing. This is based on the estimated reimbursement amounts provided by FPL in Late Filed Exhibit No. 2, identified above, times 75%, assuming that approximately 25% of the costs are related to capital costs. Similar to my previous recommendation with regards to the 2005 storm recovery cost offset for Joint Use poles, I recommend that a review be conducted to ensure that FPL is billing outside parties for the full cost it incurred to repair and replace the poles owned by the outside parties.

Q. HAVE YOU PREPARED A SUMMARY EXHIBIT SHOWING YOUR RECOMMENDATIONS WITH REGARDS TO THE REMAINING 2004 STORM RECOVERY COSTS FPL IS SEEKING TO RECOVER AS PART OF ITS STORM FINANCING IN THIS CASE?

A. Yes. Exhibit __ (DD-2) provides a listing of each of the adjustments I am recommending to the 2004 storm restoration costs, each of which are discussed above. As shown on Exhibit __ (DD-2), the remaining 2004 storm restoration costs for which FPL is seeking recovery as part of the storm refinancing should be reduced by \$51,396,811.

2005 STORM RECOVERY COST CUT-OFF DATE

Q. DID THE 2004 STORM RECOVERY COST ORDER ESTABLISH A CUT-OFF DATE FOR CHARGES TO THE STORM RESERVE?

A. Yes. At page 22 of Order No. PSC-05-0937-FOF-EI, the Commission stated: "...we find that FPL shall stop charging costs to the storm reserve no later than July 31, 2005, for restoration work related to the 2004 storm season."

Q. WERE ALL OF THE COSTS CHARGED TO FPL TO THE RESERVE FOR 2004 STORM RECOVERY EFFORTS AS OF THE JULY 31, 2005 CUT-OFF DATE ACTUAL, KNOWN AMOUNTS?

A. No. FPL accrued additional amounts on its books as of July 31, 2005 resulting in the actual and estimated amounts equaling the amount approved by the Commission in Order No. PSC-05-0937-FOF-EI. In response to OPC Interrogatory No. 108, FPL stated as follows:

As ordered in the 2004 Storm cost Recovery Order (PSC-05-0937-FOF-EI), the cut-off point to stop charging costs to the storm reserve was July 31, 2005. Therefore, FPL assumes that the "True-up estimate of unrecovered 2004 storm-recovery costs" is referencing the remaining work to be completed for 2004 storm damages as of July 31, 2005. Estimates for this remaining work as of July 31, 2005 can be found on page 1 of Attachment 1. These costs were accrued on FPL's books as of July 31, 2005 and recorded in Account 186.180, Miscellaneous Deferred Debits, which is specific to the accumulation of 2005 storm costs..."

As previously indicated under the discussion of 2004 storm restoration costs, the Company has included estimated costs in its accruals for projects that were not even identified in the 2004 Storm Restoration case. Apparently, FPL considers its accrual of estimated possible future 2004 storm recovery costs as appropriate for meeting the cut-off

date cited in the prior order, even though the projects had not begun and were not identified in the prior proceedings.

Q. SHOULD A CUT-OFF DATE ASSOCIATED WITH THE 2005 STORM RECOVERY EFFORTS ALSO BE ADOPTED IN THIS CASE?

A. Yes. In response to OPC Interrogatory No. 34, FPL indicates that most restoration work is expected to be completed by year end 2006, with a few exceptions. I recommend a cut-off date for charging 2005 storm restoration costs to the reserve of December 31, 2006. It is not appropriate to allow an indefinite period for charging costs associated with the 2005 storms to the reserve. I also recommend that some additional firm parameters be set.

Q. WHAT ADDITIONAL PARAMETERS SHOULD BE SET WITH REGARDS TO THE RECOMMENDED CUT-OFF DATE?

A. For any amounts that are not based on actual expenditures as of the December 31, 2006 recommended cut-off date, the items contained in any accruals should be specifically limited to those projects that were specifically identified as part of this case and the projects should actually be started by December 31, 2006. In response to OPC Interrogatory No. 113, the Company provided a listing of remaining 2005 storm restoration projects outstanding as of January 31, 2006, along with estimated project start and completion dates. Costs for projects beyond what is incorporated in this listing should not be included in any accruals to the 2005 storm reserve as of December 31, 2006. As a large portion of the 2005 storm recovery costs that FPL is seeking for inclusion in the storm financing are still based on estimated amounts, this limitation

should help to mitigate any potential pressures to seek out additional projects to somehow tie to the 2005 storms in order to result in a certain final cost level.

Q. DOES THIS COMPLETE YOUR PREFILED TESTIMONY?


A. Yes, it does.

DOCKET NO. 060038-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S.

Mail or hand-delivery to the following parties on this 31st day of March, 2006.


Charles J. Beck

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Cochran Keating
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Docket No. 060038-EI

APPENDIX I

QUALIFICATIONS OF DONNA DERONNE, C.P.A.

APPENDIX I
QUALIFICATIONS OF DONNA DERONNE, C.P.A.

Q. WHAT IS YOUR OCCUPATION?

A. I am a certified public accountant and regulatory consultant in the firm of Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I graduated with honors from Oakland University in Rochester, Michigan in 1991. I have been employed by the firm of Larkin & Associates, PLLC, since 1991. As a certified public accountant and regulatory consultant with Larkin & Associates, PLLC, my duties have included the analysis of utility rate cases and regulatory issues, researching accounting and regulatory developments, preparation of computer models and spreadsheets, the preparation of testimony and schedules and testifying in regulatory proceedings. I have also developed and conducted five training programs on behalf of the Department of Defense - Navy Rate Intervention Office on measuring the financial capabilities of firms bidding on Navy assets and one training program on calculating the revenue requirement for municipal owned water and wastewater utilities. A partial listing of cases which I have participated in are included below:

Performed Analytical Work in the Following Cases:

Docket No. 92-06-05	The United Illuminating Company State of Connecticut, Department of Public Utility Control
Docket No. R-00922428	The Pennsylvania American Water Company Pennsylvania Public Utility Commission
Cause No. 39498	PSI Energy, Inc. Before the State of Indiana - Indiana Utility Regulatory Commission
Docket No. 6720-TI-102	Wisconsin Bell, Inc. Wisconsin Citizens' Utility Board
Docket No. 90-1069 (Remand)	Commonwealth Edison, Inc. Before the Illinois Commerce Commission
Docket Nos. 920733-WS & 920734-WS	General Development Utilities, Inc. - Port Labelle and Silver Springs Shores Divisions. Before the Florida Public Service Commission
Case No. PUE910047	Virginia Electric and Power Company (State Corporation Commission)
Docket No. U-1565-91-134	Sun City Water Company Residential Utility Consumer Office
Docket No. 930405-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. UE-92-1262	Puget Sound Power & Light Company Before the Washington Utilities & Transportation Commission
Docket No. R-932667	Pennsylvania Gas & Water Company Before the Pennsylvania Public Utility Commission
Docket No. 7700	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. R-00932670	Pennsylvania American Water Company Pennsylvania Public Utility Commission

Case No. 78-T119-0013-94	Guam Power Authority vs. U.S. Navy Public Works Center, Guam - Assisting the Department of Defense in the investigation of a billing dispute.
Case No. 90-256	South Central Bell Telephone Company Before the Kentucky Public Service Commission
Case No. 94-355	Cincinnati Bell Telephone Company Before the Kentucky Public Service Commission
Docket No. 7766	Hawaiian Electric Company, Inc. Before the Public Utilities Commission of the State of Hawaii
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission
Docket No. 94-0097	Citizens Utilities Company, Kauai Electric Division Before the Public Utilities Commission of the State of Hawaii
Docket No. 5863*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. E-1032-95-433	Citizens Utilities Company - Arizona Electric Division Before the Arizona Corporation Commission
Docket No. R-00973947	United Water Pennsylvania Before the Pennsylvania Public Utilities Commission
Docket No. 95-0051	Hawaiian Storm Damage Reserve Case Before the Public Utilities Commission of the State of Hawaii
Application Nos. 96-08-070, 96-08-071, 96-08-072	Pacific Gas & Electric Company, Southern California Edison Company & San Diego Gas & Electric Co.; Phases I & II; Before the California Public Utilities Commission
Docket No. E-1072-97-067	Southwestern Telephone Company Before the Arizona Corporation Commission
Docket No. 920260-TL	BellSouth Telecommunications Inc. - Florida On Behalf of the Florida Office of Public Counsel

Docket No. R-00973953	PECO Energy Company Before the Pennsylvania Public Utilities Commission
Docket No. 5983	Green Mountain Power Corporation Before the Vermont Public Service Board
Case No. PUE-9602096	Virginia Electric and Power Company Before the Commonwealth of Virginia State Corporation Commission
Docket No. 97-035-01	PacifiCorp, dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. G-34930705	Black Mountain Gas Division - Northern States Power Before the Arizona Corporation Commission
Docket No. T-01051B-99-105*	US West/Qwest Corporation Before the Arizona Corporation Commission
Docket No. 98-10-019	Verizon Audit Report on Behalf of California Office of Ratepayers Advocates
Docket No. 991437-WU*	Wedgefield Utilities, Inc. Before the Florida Public Service Commission
Docket No. 99-057-20*	Questar Gas Company Before the Utah Public Service Commission
Docket No. 6596	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. ER02080614	Rockland Electric Company Before the New Jersey Board of Public Service
Docket No. 5841/5859	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Formal Case No. 1016	Washington Gas Light Company Before the Public Service Commission of the District of Columbia
Application No. 02-12-028	San Diego Gas & Electric Company Before the California Public Utilities Commission

Docket No. 03-2035-02** PacifiCorp - Utah Operations
Before the Public Service Commission of Utah

Docket No. 2004-0007-
0011-0001 Intercoastal Utilities, Inc.
Before the St. Johns County Water & Sewer Authority

Submitted Testimony in the Following Cases

Docket No. 92-11-11 Connecticut Light & Power Company
State of Connecticut, Department of Public Utility
Control

Docket No. 93-02-04 Connecticut Natural Gas Corporation
State of Connecticut, Department of Public Utility
Control

Docket No. 95-02-07 Connecticut Natural Gas Corporation
State of Connecticut, Department of Public Utility
Control

Case No. 94-0035-E-42T Monongahela Power Company
Before the Public Service Commission of West
Virginia

Case No. 94-0027-E-42T Potomac Edison Company
Before the Public Service Commission of West
Virginia

Case No. 95-0003-G-42T* Hope Gas, Inc.
Before the West Virginia Public Service Commission

Case No. 95-0011-G-42T* Mountaineer Gas Company
Before the West Virginia Public Service Commission

Docket No. 950495-WS Southern States Utilities
Before the Florida Public Service Commission

Docket No. 960451-WS United Water Florida
Before the Florida Public Service Commission

Docket No. 5859 Citizens Utilities Company - Vermont Electric Division
Before the Vermont Public Service Board

Docket No. 97-12-21	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 98-01-02	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 98-07-006	San Diego Gas and Electric Company Public Utilities Commission of the State of California
Docket No. 99-04-18 Phase I	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 99-04-18 Phase II	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 99-09-03 Phase I	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 99-09-03 Phase II	Connecticut Natural Gas Corporation State of Connecticut, Department of Public Utility Control
Docket No. 99-035-10	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 00-12-01	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 6460*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 01-035-01*	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. G-01551A-00-0309	Southwest Gas Corporation Arizona Corporation Commission
Docket No. 01-05-19	Yankee Gas Services Company State of Connecticut Department of Public Utility Control

Docket No. 01-035-23 Interim (Oral testimony)	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 01-035-23**	PacifiCorp dba Utah Power & Light Company Public Service Commission of Utah
Docket No. 010503-WU	Aloha Utilities, Inc. - Seven Springs Water Division Before the Florida Public Service Commission
Docket No. 000824-EI*	Florida Power Corporation Before the Florida Public Service Commission
Docket No. 001148-EI**	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 01-10-10	United Illuminating Company Connecticut Department of Public Utility Control
Docket No. 02-057-02*	Questar Gas Company Public Service Commission of Utah
Docket No. 020384-GU*	Tampa Electric Company d/b/a Peoples Gas System Before the Florida Public Service Commission
Docket No. 020010-WS	The Woodlands of Lake Placid, L.P. Before the Florida Public Service Commission
Docket No. 020071-WS	Utilities, Inc. of Florida Before the Florida Public Service Commission
Docket No. 03-07-02	Connecticut Light & Power Company State of Connecticut, Department of Public Utility Control
Docket No. 030438-EI*	Florida Public Utilities Company Before the Florida Public Service Commission
Docket No. 03-11-20	Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 030102-WS	The Woodlands of Lake Placid, L.P. Before the Florida Public Service Commission

Docket No. 04-06-01*	Yankee Gas Services Company State of Connecticut, Department of Public Utility Control
Docket No. 6946 & 6988	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 04-035-42*	PacifiCorp Before the Public Service Commission of Utah
Docket No. 050045-EI*	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 05-03-17PH01	The Southern Connecticut Gas Company State of Connecticut, Department of Public Utility Control
Docket No. 050078-EI*	Progress Energy Florida, Inc. Before the Florida Public Service Commission
Docket No. 05-06-04	The United Illuminating Company State of Connecticut, Department of Public Utility Control
Docket No. A.05-08-021	San Gabriel Valley Water Company, Fontana Water Division Before the California Public Utilities Commission
Case No. 05-E-1222	New York State Electric & Gas Corporation Before the New York Public Service Commission

* Case Settled

** Testimony not filed/submitted due to settlement

Docket No. 060038-EI

EXHIBITS

Description	Amount	Reference
1 2005 Estimated Storm-Recovery Costs, per FPL	\$ 906,404,000	FPL Exh __GJW-5
2 Less Estimated Insurance Proceeds, per FPL	(26,533,000)	FPL Exh __KMD-4
3 2005 Storm-Recovery Costs, per FPL	879,871,000	
4 Less Estimated Capital Expenditures, per FPL	(63,855,000)	FPL Exh __KMD-4
5 Net 2005 Storm Recovery Costs, per FPL	816,016,000	FPL Exh __KMD-4
<u>Adjustments to Reflect Incremental Approach - Payroll Related:</u>		
6 Remove Estimated Regular Employee Salaries	(26,092,000)	FPI Exh __GJW-5; OPC Interrog. 30
7 Less: Nuclear Payroll Expected to be Recovered Through		
8 Insurance (\$2,490,800 per FPL)	-	Testimony
9 Less: Backfill & Catch-up Work, per OPC (\$8.67M per FPL)	-	(1)
10 Less: Payroll Normally Charged to Clauses, per FPL	2,730,000	OPC Interrog. 30
11 Less: Capital Payroll in Regular Salaries, per FPL	8,000,000	OPC Interrog. 30
12 Less: Vacation Buy-Back, per OPC (\$1.2M per FPL)	-	(1)
13 Remove Employee Benefits - Already in Base Rates	(9,213,514)	Schedule 2
14 Total Incremental Salary/Payroll Related Adjustments	(24,575,514)	
<u>Adjustments to Reflect Incremental Approach - Other</u>		
15 Tree Trimming, per FPL	(1,100,000)	OPC Interrog. 30
16 Fleet Vehicles, per FPL	(5,738,000)	OPC Interrog. 30
17 Fleet Vehicles - Capital, per OPC (\$2,767,000 per FPL)	-	Testimony
18 Reduction to Telecommunications Expense Charged to Storms	(520,264)	Schedule 3
19 Total Other Adjustments to Reflect Incremental Approach	(7,358,264)	
<u>Additional OPC Recommended Adjustments to Proposed Storm Recovery Costs:</u>		
20 Remove cooling tower fans - warranty items	(316,250)	OPC Interrog. 192
21 Remove Martin Units 1 and 2 Condenser Tube Repair	(2,386,000)	OPC Interrog. 194
22 Remove Martin Units 1 - 4 Hydrolasing Costs	(221,000)	OPC Inter. 194 & OPC POD 73
23 Remove Advertising/Communications Costs	(2,528,196)	Staff Interrog. No. 100
24 Remove Additional Advertising - Public Relations Invoice	(144,068)	Staff Audit Report, Finding 7
25 Remove Employee Assistance Costs (Employee relations)	(245,025)	(1), Staff Interrog. 131
26 Remove Uncollectible Accounts included in Storm Recovery	(3,582,000)	(1), OPC Interrog. 30
27 Remove General Counsel BU - Property Damage & Personal Injury	(2,849,571)	OPC Interrog. 184
28 Remove Remaining Contingencies as of Feb. 28, 2006 from Balance	(26,253,351)	OPC Interrog. No. 183
29 Remove Exempt Employee Overtime Incentives	(768,000)	(1), OPC Interrog. No. 22
30 Additional Projected Capital Amount, per FPL	(2,964,000)	(2)
31 Offset for Proceeds received during 2005 for the Loan of FPL Personnel & Equipment to Other Power Companies	(6,868,593)	OPC Interrog. 156, Testimony
32 Offset for Proceeds to be Received Related to Joint Use Poles	(7,923,288)	Testimony
33 Total Additional Adjustments, per OPC	(57,049,342)	
<u>Additional Adjustments Recommended by OPC Witness James Bverley:</u>		
34 Remove Costs Associated with Conservation-Corbett 500Mw Line - Storm Costs	(10,411,000)	
35 Remove Costs Associated with Conservation-Corbett 500Mw Line - Capital Offset	10,411,000	
36 Pole Replacement Disallowance for Inadequate Inspection Program	(11,760,000)	
37 Pole Replacement Disallowance for Inadequate Inspection Program - Capital Offset (25%)	2,940,000	
38 Conductor Replacement Disallowance for Inadequate Inspection Program	(10,350,000)	
39 Conductor Replacement Disallowance for Inadequate Inspection Program - Capital Offset (25%)	2,587,500	
40 Pole Replacement Disallowance for Inadequate Tree Trimming	(6,040,000)	
41 Pole Replacement Disallowance for Inadequate Tree Trimming - Capital Offset (25%)	1,510,000	
42 Conductor Replacement Disallowance for Inadequate Tree Trimming	(5,310,000)	
43 Conductor Replacement Disallowance for Inadequate Tree Trimming - Capital Offset (25%)	1,327,500	
44 Total Adjustments to FPL's Proposed Restoration Costs	\$ (114,078,120)	
45 Preliminary Recoverable 2005 Storm Costs, per OPC	\$ 701,937,880	
46 Jurisdictional Factor, per FPL	99.921%	FPL Exh __KMD-4
47 Jurisdictional Recovery Amount, per OPC	\$ 701,383,349	

Notes/Source:

- (1) See Direct Testimony of OPC Witness Hugh Larkin, Jr.
- (2) Estimated capital related offset as of February 28, 2006 of \$66,819,000 less amount included in original estimate of \$63,855,000 per response to OPC Interrogatory No. 57 - Supplemental.

Florida Power & Light Company

Removal of Employee Benefit Costs Already in Base Rates

Docket No. 060038-EI

Donna DeRonne Exhibit No.__(DD-1)

Adjustments to 2005 Storm Cost Estimates

Page 2 of 3

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Hurricane Katrina Payroll Loadings - Benefits	\$ 1,753,067
2	Hurricane Rita Payroll Loadings - Benefits	264,415
3	Hurricane Wilma Payroll Loadings - Benefits	<u>7,196,032</u>
4	Total Employee Benefit Costs in Storm Reserve, per FPL	<u>\$ 9,213,514</u>
5	Adjustment to Remove Benefit Costs Already in Base Rates	<u>\$ (9,213,514)</u>

Source/Notes:

Amounts from OPC Interrogatory No. 184, which identifies amounts as : "Applied Pension & Welfare represents company payments for life, medical and dental insurance, thrift plan, long term"

Florida Power & Light Company

Reduction to Reflect Incremental Telecommunications Costs

Docket No. 060038-EI

Donna DeRonne Exhibit No.____(DD-1)

Adjustments to 2005 Storm Cost Estimates

Page 3 of 3

Line

No Telecommunications Expense

Amount

1 '05 Budgeted Non-Clause O&M Expense

\$ 24,399,054

2 '05 Actual Non-Clause O&M Expense

23,878,790

3 Reduction to Actual '05 Telecommunication
Expense Charged to Storms

\$ (520,264)

Source:

Response to OPC Interrogatory No. 181

Florida Power & Light Company

Adjustments to 2004 Storm Cost Estimate

Docket No. 060038-EI

Donna DeRonne Exhibit No.__(DD-2)

Adjustments to 2004 Storm Cost Estimate

Page 1 of 1

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Remove Amounts Allowed in Prior Order that FPL does not Project to Incur	\$ 21,700,000
2	Remove Legal Claims & Lawsuits	2,664,038
3	Remove Accruals for "Various Nuclear Storm Damages"	21,467,915
4	Estimated Offset for Reimbursements for Repair and Restoration of Poles Owned by Other Parties	<u>5,564,858</u>
5	Reduction to Remaining 2004 Storm Restoration Costs Requested by FPL for Inclusion in Storm Financing	<u>\$ 51,396,811</u>

