# BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

## DOCKET NO. 080677-EI
## FLORIDA POWER & LIGHT COMPANY

## IN RE: PETITION FOR RATE INCREASE BY FLORIDA POWER & LIGHT COMPANY

## REBUTTAL TESTIMONY & EXHIBITS OF:

## JOSEPH A. ENDER

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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**AUGUST 6, 2009**

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

A. My name is Joseph A. Ender. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. Yes.

**Q. Are you sponsoring any rebuttal exhibits in this case?**

A. Yes. I am sponsoring the following rebuttal exhibits:

- JAE-7 – Allocation of 2010 and 2011 Production Plant Using Summer Coincident Peak Methodology
- JAE-8 – Impact of Summer Coincident Peak Methodology on Rate Class Revenue Requirements
- JAE-9 – Impact of Summer Coincident Peak and MDS Methodologies on Rate Class Revenue Requirements
- JAE-10 – Factors Contributing to Changes in Rate Class Parities from 2007 to 2010
- JAE-11 – Impact of Jurisdictional Transmission Adjustment on Projected 2010 and 2011 Retail Revenue Requirements

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

A. The purpose of my rebuttal testimony is to address issues raised in the direct testimonies of South Florida Hospital and Healthcare Association (SFHHA) witness Baron, Florida Industrial Power Users Group (FIPUG) witness Pollock, and Office of Public Counsel (OPC) witness Brown. The issues discussed in my rebuttal testimony include: the use of alternative cost of service methodologies proposed by SFHHA witness Baron and the issues raised by Mr. Baron regarding the reasonableness of FPL's forecasted cost of service results; the use of the Average and Excess (A&E) demand methodology to allocate production and transmission plant offered as an alternative by FIPUG witness Pollock; and the jurisdictional transmission allocations addressed by OPC witness Brown.

## SUMMARY

**Q. Please summarize your rebuttal testimony.**

A. Mr. Baron, testifying on behalf of SFHHA whose members consist of medium and large commercial customers, has filed testimony proposing to allocate significant costs away from customers he represents and onto the residential and smaller commercial customers. Mr. Baron's proposals would allocate $183 million additional costs to residential and smaller commercial customers.

FPL has consistently followed Commission precedent and sound ratemaking principles in developing its cost of service studies. As I discuss in my direct

testimony, the results of these studies clearly indicate that the rates for many classes, particularly those applicable to medium and large commercial customers, are below their cost to serve. Mr. Baron has proposed alternative cost of service methodologies intended simply to shift costs away from his clients in these medium and large commercial rate classes and onto other rate classes and these methodologies should be rejected. These alternative methodologies are inconsistent with FPL's generation and distribution system planning and how costs are incurred on FPL's system, would relieve some rate classes of cost responsibility for plant used in service to those customers, and have not been previously recognized by this Commission as appropriate methodologies for investor-owned utilities in Florida. Furthermore, Mr. Baron's concerns regarding FPL's cost of service forecast are without merit. He points to changes in parity results in 2010 and 2011 that occur without any adjustment in current rates as the basis for questioning the forecast. This reasoning completely ignores the fact that parity results are also affected by changes in costs (projected increases in rate base and expenses) that may impact rate classes differently.

Mr. Pollock's suggestion for the Commission to adopt the A&E demand method should it be faced with a choice between retaining 12CP-1/13$^{th}$ AD or using a method that gives more weight to average demand, should also be rejected. The A&E allocation method proposed by Mr. Pollock uses the class maximum non-coincident demand (GNCP) to allocate production and transmission plant, which

is inconsistent with FPL's generation plan and does not reflect appropriate cost causation.

Finally, OPC witness Brown raises an issue regarding FPL's treatment of long term firm transmission service contracts in its jurisdictional separation studies. FPL does not oppose OPC witness Brown's proposed removal of the costs and revenues associated with FPL's firm long-term transmission service contracts.

## TESTIMONY OF SFHHA WITNESS BARON

**Q. On page 18 of his testimony, SFHHA witness Baron states that he believes it is appropriate for the Commission to depart from the 12 CP and 1/13$^{th}$ methodology because that methodology is inconsistent with the factors that cause FPL to incur costs associated with new capacity additions. Do you agree with Mr. Baron?**

A. No. The 12 CP and 1/13th methodology accurately reflects FPL's generation plan because: (1) it recognizes that the type of generation unit selected is influenced by both energy and peak demand, (2) it reflects the influence of the summer reserve margin, and (3) it recognizes that capacity must be available throughout the year to meet FPL's winter reserve margin and the annual loss-of-load probability (LOLP) criteria in FPL's resource planning process. FPL proposes to continue using the 12 CP and 1/13th method as it provides a fair allocation of production and transmission costs to rate classes.

**Q. What does Mr. Baron propose in terms of production plant?**

A. Mr. Baron proposes to use the Summer Coincident Peak method for allocating production plant to rate classes.

**Q. What do you conclude as a result of your review of Mr. Baron's proposal to use the Summer Coincident Peak to allocate production plant?**

A. Although FPL's summer reserve margin criterion of 20% currently drives FPL's need for new resources, the Commission should reject Mr. Baron's proposed use of the Summer Coincident Peak methodology for the following reasons:

- The Summer Coincident Peak method is inconsistent with FPL's generation planning process;
- The Summer Coincident Peak allocation does not send a better price signal than the 12 CP and 1/13$^{th}$ methodology; and
- The Summer Coincident Peak allocation methodology would allocate no production costs to certain rate classes even though all rate classes receive the benefit of FPL's generating capacity.

**Q. On page 19, lines 2 – 4 of his direct testimony, SFHHA witness Baron states that the Summer Coincident Peak methodology "recognizes the factors that actually are driving capital expenditures on FPL's system." Do you agree?**

A. No. While FPL's projected need for additional resources is currently driven by the summer reserve margin criterion, Mr. Baron's characterization fails to consider other key factors of FPL's generation plan that drive capital expenditures on FPL's system. One of the factors Mr. Baron completely ignores is the influence that annual fuel savings have on the type of generating units added.

While the decision to add additional generation capacity is driven by load requirements, the type of generation capacity added - and thus the total cost of the unit additions - is influenced by the number of hours the units are expected to run. As Dr. Steven R. Sim, FPL's Resource Assessment and Planning witness in Docket No. 060225-EI noted, "the type of resources that should be added is primarily based on a determination of the resources that result in the lowest average electric rates for FPL's customers" (Direct Testimony, Dr. Steven R. Sim, page 5, line 23 through page 6, line 2). If MW capacity were the only consideration in the generation plan, as suggested by Mr. Baron, the Company's resources would consist solely of gas turbine peaking units. This is clearly not the case, nor should it be.

**Q. What other key factors of FPL's generation plan did SFHHA witness Baron fail to consider in recommending the Summer Coincident Peak methodology?**

A. In addition to the summer reserve margin criterion, FPL's resource planning considers two other reliability criteria: (1) a winter reserve margin criterion of 20%, and (2) maintaining a LOLP of 0.1 days per year or less. The winter reserve margin criterion addresses the winter months and the LOLP criterion considers daily peak loads year round, which would not be consistent with using a method that considers only the summer peak hour. While FPL's projected need for additional resources is currently driven by the summer reserve margin criterion, these two other reliability criteria are as important as the summer reserve margin criterion, and could trigger the need for additional capacity.

**Q. Would the Summer Coincident Peak allocation, as proposed by SFHHA witness Baron, send a better price signal than the 12CP and 1/13th methodology?**

A. No. The 12 CP and 1/13th methodology more accurately reflects FPL's generation plan than does the Summer Coincident Peak allocation. Accordingly, the 12 CP and 1/13th methodology will send a more appropriate price signal than the Summer Coincident Peak allocation methodology. As discussed previously, the Summer Coincident Peak methodology ignores the influence that annual fuel savings have on the type of generating units added, which drives capital expenditures on FPL's system.

**Q. Are there any other factors which should be considered in determining the appropriate method of allocating production plant?**

A. Yes. The Commission has long recognized that one of the advantages of the 12 CP and 1/13th methodology is that it ensures that each rate class pays some portion of the production plant it uses (See Docket No. 820097-EU, FPSC Order No. 11437, page 42.) By contrast, methods such as the Summer Coincident Peak allocation, which is limited to one hour a year, can result in some rate classes contributing nothing towards production plant even though such rate classes clearly benefit from, and rely on, the system's production resources. This is evident in Exhibit JAE-7 which shows that two rate classes would be allocated no production plant costs using a Summer Coincident Peak allocation.

**Q. Have you performed a calculation of the cost shifts that would result from SFHHA witness Baron's proposed use of the Summer Coincident Peak allocation?**

A. Yes. As expected, Mr. Baron's proposed use of the Summer Coincident Peak allocation method would shift costs away from medium and large commercial rate classes, classes in which Mr. Baron's clients take service, onto residential and small commercial rate classes. Exhibit JAE-8 provides a comparison of the rate class revenue requirements as proposed by FPL and those that would result from the use of Mr. Baron's proposed Summer Coincident Peak allocation method. As can be seen on Exhibit JAE-8, the residential rate class, RS-1, would be allocated $23.6 million in additional costs (revenue requirements) using Mr. Baron's proposal than the amount in FPL's 2010 Test Year cost of service study. Likewise, the GS-1 rate class would be allocated additional costs, $11.1 million more than the amount in FPL's 2010 cost of service study.

In summary, Mr. Baron's proposed Summer Coincident Peak allocation method would shift nearly $35 million in costs away from rate classes he represents and onto residential, RS-1, and small commercial, GS-1, rate classes.

**Q. Do you have any other comments regarding Mr. Baron's proposed use of the Summer Coincident Peak allocation?**

A. Yes. The use of the 12 CP and $1/13^{th}$ methodology has an extensive history of regulatory approval in Florida and over the years the Commission has clearly articulated why it finds the methodology is appropriate. Mr. Baron himself found

the 12 CP and 1/13th method "reasonable" for FPL's use as recently as 2002 (Docket 001148-EI, Direct Testimony of Stephen Baron, page 6, line 20). Accordingly, it would be reasonable to expect that consideration of an alternative method would be made only to the extent that a clear and compelling case is made or that circumstances have changed significantly to favor an alternative method. Mr. Baron has not provided a compelling case and the method he proposes is at odds with the way FPL designs its system and incurs costs. The Commission should therefore approve the 12 CP and 1/13th methodology as proposed by the Company.

**Q. On pages 21 through 29 of his direct testimony, SFHHA witness Baron advocates the use of the minimum distribution system (MDS) for allocating distribution plant. Do you agree with his proposal?**

A. No. The Commission should reject the use of the MDS method as proposed by Mr. Baron for the following reasons:

(1) The Commission has consistently rejected the use of the MDS method for investor-owned utilities and a compelling case for ignoring that precedent has not been made;

(2) The MDS method presumes a type of electric system and a method of planning that is not reflective of FPL's distribution system;

(3) The MDS method inherently ignores the impact of diversity and double-counting; and

(4) Mr. Baron inappropriately relies on the use of the MDS method for five utilities from other jurisdictions as support for applying the MDS method to FPL.

**Q. Please explain.**

A. First, the proposed use of the MDS method to allocate distribution plant has been considered by the Commission numerous times, most recently in 2002 (Docket No. 010949-EI, Order No. PSC-02-0787-FOF-EI), and has never been approved for an investor-owned electric utility (IOU). In 2002, (Docket No. 020537-EC, Order No. 02-1169-TRF-EC) in a case involving the Choctawhatchee Electric Cooperative (CHELCO), the Commission for the first and only time accepted the MDS method. In that Order, the FPSC made it clear that CHELCO possessed "unique characteristics" that justified a departure from previous precedent. These "unique characteristics," which consisted of CHELCO's low customer density, rural service territory, and customers taking service under multiple accounts, do not exist for FPL. Furthermore, the use of the minimum distribution system is addressed in the Minimum Filing Requirements (MFRs) for Investor-Owned Electric Utilities (IOUs) prescribed by FPSC Rule No. 25-6.043. The Commission requirements for MFR E-1, Cost of Service Studies, explicitly prohibit the use of the minimum distribution system concept.

Second, the MDS method assumes that a certain investment in transformers, conductors and poles is required solely as a result of connecting customers to the electric system. Thus, the MDS method is based on a set of distribution facilities

designed to serve the zero or minimum load requirements of customers, which this Commission has stated is purely fictitious and has no grounding in the way the utility designs its systems or incurs costs because no utility builds to serve zero load (See Docket No. 010949-EI, FPSC Order No. PSC-02-0787-FOF-EI, page 76). Moreover, the Commission's analysis is consistent with FPL's distribution planning as the central criterion used in planning the FPL distribution system is kW load requirements, not customers served.

Next, the MDS method shifts all benefits obtained from economies of scale to the larger customers even though there are economies of scale in serving residential customers. In dense urban areas not only are multiple residential customers frequently served off the same transformer but the size of such a transformer is frequently comparable to that used for commercial customers. The diversity of residential customers' loads also creates economies of scale. Because each residential customer's maximum demand will not coincide exactly with other customers on the same transformer, engineering procedures dictate that transformers serving multiple residential customers need not be sized to serve the sum of every customer's maximum demand. FPL's distribution planners can and do routinely add new customers to existing transformers because of the diversity of residential loads. By contrast, no such diversity is applicable to a large commercial customer served from a single transformer.

The MDS method also double counts the kW loads of residential and the smallest commercial customers for the investment in transformers associated with their so-called minimal load requirements. This double counting occurs because the RS-1 rate class and the smallest commercial rate class (GS-1) would first be allocated their cost of the so-called minimum load transformers based on the number of customers. The remaining cost of transformers would then be allocated to RS-1 and GS-1 on the basis of their maximum customer peaks, with no adjustment for that portion of the maximum customer peaks which is provided under the minimum load transformer.

Mr. Baron points to use of the MDS method by five electric utilities in other jurisdictions as justification for using the MDS method (See Exhibit SJB-5). The use of a cost of service methodology in a different jurisdiction should not be a decisive factor supporting its application in Florida. In fact, the use of the MDS method in Georgia was not found to be a compelling factor for this Commission in Order No. PSC-02-0787-FOF-EI, page 77.

Finally, Mr. Baron has quantified the impact from the MDS method by applying the customer and demand classification based on data he gathered from these five electric utilities' class cost of service studies. Mr. Baron states, "[w]hile these results are not designed to be a comprehensive, random survey of electric utilities, the classification ratios (customer, demand) represent a cross-section of utilities that incorporate a minimum system distribution methodology in class cost of

service studies" (Direct Testimony page 26, lines 10-14). Further, Mr. Baron acknowledges not having performed any independent analysis of FPL's distribution plant accounts to develop the customer and kW demand portion of each account (Direct Testimony page 35, line 17 – page 36, line 3). Yet, Mr. Baron, conveniently and without hesitation, relies on extraneous data from utilities outside of Florida and applies it to FPL without regard to their comparability to FPL. Even under the best of circumstances it would be problematic to assume these five electric utilities have identical cost structures and distribution planning processes as that of FPL.

**Q. Does Mr. Baron offer any other arguments for applying the MDS method in this case?**

A. Yes. Mr. Baron claims that the National Association of Regulatory Commissioners (NARUC) Electric Manual endorses, if not requires, the use of the MDS method. However, as the Commission has already observed, the NARUC manual states that the choice of methodology will depend on the unique circumstances of the case (Docket No. 010949-EI, Order PSC-02-0787-FOR-EI, page 75). Moreover, the NARUC Manual also recognizes that MDS may not be an accurate way to segregate customer- and demand-related costs. Specifically, the Manual states:

> "Cost analysts disagree on how much of the demand costs should be allocated to customers when the minimum-size distribution method is used to classify distribution plant. When using this distribution method, the analyst must be aware that the minimum-

size distribution equipment has a certain load-carrying capability, which can be viewed as a demand-related cost" (p. 95).

In other words, the NARUC Manual itself does not endorse any particular cost allocation method. It also recognizes that MDS has an inherent flaw - the so-called customer-related costs have a significant demand component to them.

**Q. How does the MDS method compare with the Company's proposed method of allocating distribution plant?**

A. The MDS method classifies a portion of poles, conductors and transformers as customer-related and allocates these costs among the rate classes based on the number of customers. The MDS method determines the customer-related portion of these facilities on the basis of a hypothetical distribution system constructed to serve the minimum load requirements of customers. Under the MDS method, minimally-sized transformers, poles and conductors are used as the basis for constructing this minimum load requirements system. A variant of the MDS method, the zero intercept method, uses statistical extrapolation to determine a hypothetical customer-related portion of poles, conductors and transformers. FPL's methodology classifies meters, service drops and primary pull-offs as customer-related and classifies the remaining balance of distribution plant as demand-related. Thus, under FPL's methodology substations, poles, conductors (excluding primary pull-offs) and transformers are classified as demand-related and are allocated among the rate classes using various measures of peak demand.

**Q. What impact would the MDS method have on the allocation of costs by rate class?**

A. By reclassifying demand-related costs as customer-related, the MDS method would drastically increase the amount of distribution plant allocated to residential and very small commercial customers. Larger customers, such as those in the GSLD-1 rate class, would benefit through a reduced allocation of costs.

**Q. You indicated previously that the central criterion used in planning the FPL distribution system is kW load requirements, not customers served. Does this mean that the need to serve individual customers never influences distribution plant additions?**

A. No. There are certainly cases where line extensions are required to serve specific customers. This is where a strong and consistently enforced contribution-in-aid-of-construction (CIAC) policy comes into play. As outlined in the Florida Administrative Code (FAC 25-6.064), customers are required to pay for the cost of any line extension to the extent that the expected revenues do not offset the cost of the line extension. In this manner, customers with "minimum load requirements" must pay for the cost of any line extensions required to service them. This is a far more equitable outcome than the cost allocation resulting from the MDS method since the specific customers necessitating the line extension bear the cost.

**Q. Is the requirement to pay a line extension CIAC limited to large commercial/industrial customers?**

A. Not at all. A CIAC would be required in any case where the expected load and revenue does not offset the required investment. In fact, the CIAC line extension formula is routinely applied to new residential subdivisions.

**Q. On table 5, page 37 of his direct testimony, SFHHA witness Baron shows the parity figures resulting from the Summer Coincident Peak treatment of production plant combined with the MDS method for distribution plant. Please comment.**

A. I have deep concerns regarding the use of either the Summer Coincident Peak or MDS methods. In addition, I think it is important to point out, that even with the dramatic methodology changes Mr. Baron is advocating, a number of the larger commercial rate classes (GSLD-1, HLFT-2, HLFT-3 and SDTR-3) remain below parity.

**Q. Have you performed a calculation of the cost shifts that would result from Mr. Baron's proposed use of the Summer Coincident Peak and MDS methods?**

A. Yes. As anticipated, Mr. Baron's proposed use of the Summer Coincident Peak and MDS allocation methods would shift significant costs away from medium and large commercial rate classes onto residential and small commercial rate classes. Exhibit JAE-9 provides a comparison of the rate class revenue requirements as proposed by FPL and those that would result from the use of Mr. Baron's proposed Summer Coincident Peak and MDS allocation methods. The calculation

utilizes the assumptions used by Mr. Baron and provided on Exhibit SJB-5 of his testimony.

As can be seen on Exhibit JAE-9, the residential rate class, RS-1, would be allocated $157.9 million of additional costs (revenue requirements) in the 2010 Test Year due to the use of the Summer Coincident Peak and MDS methodologies proposed by Mr. Baron. This means that the total revenue requirements for the RS-1 rate class under Mr. Baron's proposals is 5.6% higher than the amount in FPL's 2010 cost of service study. The GS-1 rate class would be allocated additional costs for the 2010 Test Year of $24.7 million, 8.0% higher than the amount in FPL's 2010 cost of service study.

In summary, Mr. Baron's proposed Summer Coincident Peak and MDS allocation methods would shift nearly $183 million in costs away from rate classes he represents and onto the residential, RS-1, and small commercial, GS-1, rate classes.

**Q. On pages 30-31 of his direct testimony, SFHHA witness Baron indicates that parity ratios for the HLFT-2 and HLFT-3 rate classes from the 2007 actual cost of service results were 0.61 and 0.60 while the 2010 Test Year projected parity ratios are 0.34 and 0.36 respectively. Mr. Baron then questions the accuracy of FPL's projections based on the reductions in parity for these two rate classes. Do you agree?**

A. No. Mr. Baron's unsubstantiated inference that FPL's projections are not accurate just because the parities of two rate classes are projected to be lower than they were in 2007 is at best presumptuous and irresponsible. By way of background, parity is a measure of how the class Rate of Return (ROR) compares to the overall retail ROR and is calculated by dividing the class ROR by the overall retail ROR. Since parity for the rate class is relative to the overall retail ROR, many factors can impact parity. These factors include additions to the various components of rate base and operating expenses, base rate increases or reductions and how they are implemented (changes to customer, energy and/or demand charges), customer additions, customer migration, changes in energy/demand consumption patterns, the impact of weather on the day and the time of the system peaks (CP) and how the various rate classes contribute to the system peaks.

**Q. On page 32, lines 4 – 7 of his direct testimony, SFHHA witness Baron states, "[w]hile not as striking as the substantial reductions in parities in the projected period for rate schedules HLFT-2 and HLFT-3, FPL is projecting similar large reductions in parities for rate schedules CILC-1D, GSLD(T)-1, GSLD(T)-2, and GSLD(T)-3, absent a change in current rates." Please comment.**

A. Mr. Baron conveniently fails to identify those rate classes for which the projected parities for 2010 or 2011 are higher than or equal to the 2007 actual parities. These rate classes, which are all commercial customer classes, include CS(T)-1,

CS(T)-2, GS(T)-1, GSD(T)-1, SDTR-1 and SDTR-2. Table 1 below shows these rate classes' comparative parities for 2007 actual, and projected 2010 and 2011.

**Table 1**
**Rate of Return Parity Analysis**
**2007 Actual, 2010 to 2011 Projected**

| | Actual 2007 | Projected 2010 | Projected 2011 |
|---|---|---|---|
| CS(T)-1 | 0.93 | 0.91 | 0.94 |
| CS(T)-2 | 0.74 | 0.90 | 0.94 |
| GS(T)-1 | 1.26 | 1.50 | 1.49 |
| GSD(T)-1 | 0.96 | 0.96 | 0.96 |
| SDTR-1 | 0.64 | 0.90 | 0.92 |
| SDTR-2 | 0.33 | 0.53 | 0.53 |

**Q. Did SFHHA witness Baron identify any specific reasons supporting his conclusion?**

A. No. As stated on page 33, line 5 through page 34, line 1 of his testimony, Mr. Baron did not identify any specific reasons supporting his claim that FPL's cost of service is not appropriate. Mr. Baron is simply assuming, without further analysis, that because the projected parities of a few rate classes are lower than their respective parities for the historical years 2006 and 2007, FPL's cost of service study must be inaccurate or unreasonable.

**Q. Did you perform an analysis to determine what factors contributed to the changes in rate class parities from 2007 to 2010?**

A. Yes. An analysis was performed to determine the factors contributing to the variance in rate class parities from 2007 to 2010. The variance analysis used 2007 actual cost of service study results as the base case for the analysis, and it assessed the impact on ROR and rate class parity of each contributing factor. The analysis was geared to specifically address Mr. Baron's concerns regarding the

forecast of costs, billing determinants and cost allocation factors. The variance analysis focused on the impacts of the following 2010 FPL projections:

1. Load-related demand allocation factors - CP, GNCP & NCP;
2. Billing determinants - number of customers, KWH sales and revenues, using 2007 rates and charges;
3. GBRA rate increases projected in 2009 (West County Units 1 and 2); and
4. Changes in rate base and operating expenses from 2007 to 2010.

**Q. Please summarize the results of the variance analysis.**

A. Exhibit JAE-10 provides the results of the variance analysis by rate class. The analysis shows that the change in parities from 2007 to 2010 was largely driven by projected changes in retail rate base and expenses. The remaining three factors, namely load-related demand allocation factors, billing determinants and GBRA rate increases had small impacts on parity among rate classes.

Exhibit JAE-10 and Table 2 below demonstrate that the projected billing determinants and cost allocation factors used in the 2010 cost of service study did not drive down rate class parities as Mr. Baron alleges in his testimony. The analysis also confirms the accuracy and reasonableness of FPL's cost of service study results, which Mr. Baron presumptuously and without proof questions.

Table 2
CHANGES IN ROR & PARITY FROM 2007 TO 2010

| | RATE OF RETURN | | PARITY | | | PARITY VARIANCE | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2010 Projected | | | | |
| | 2007 Actual | 2010 Test Year As Filed | 2007 Actual | Demand Allocators and Billing Determinants | Changes in Rate Base and Expenses | Demand Allocators and Billing Determinants | Changes in Rate Base and Expenses | Total |
| **Above Parity -** | | | | | | | | |
| GS(T)-1 | 9.79% | 6.36% | 1.26 | 1.34 | **1.50** | 0.08 | **0.15** | 0.23 |
| RS(T)-1 | 8.16% | 4.55% | 1.05 | 1.04 | **1.07** | (0.01) | **0.03** | 0.02 |
| **Below Parity -** | | | | | | | | |
| CILC-1D | 6.46% | 2.87% | 0.83 | 0.81 | **0.67** | (0.03) | **(0.13)** | (0.16) |
| GSD(T)-1 | 7.47% | 4.09% | 0.96 | 0.99 | **0.96** | 0.02 | **(0.03)** | (0.00) |
| GSLD(T)-1 | 5.86% | 2.48% | 0.76 | 0.72 | **0.58** | (0.03) | **(0.14)** | (0.17) |
| GSLD(T)-2 | 6.54% | 2.83% | 0.84 | 0.84 | **0.66** | (0.00) | **(0.18)** | (0.18) |
| GSLD(T)-3 | 7.84% | 3.60% | 1.01 | 1.09 | **0.85** | 0.08 | **(0.25)** | (0.16) |
| HLFT-1 | 6.88% | 3.34% | 0.89 | 0.91 | **0.79** | 0.02 | **(0.12)** | (0.10) |
| HLFT-2 | 4.71% | 1.46% | 0.61 | 0.58 | **0.34** | (0.02) | **(0.24)** | (0.26) |
| HLFT-3 | 4.65% | 1.51% | 0.60 | 0.57 | **0.35** | (0.03) | **(0.22)** | (0.25) |

**Q. Are there any other observations about the variance analysis or SFHHA witness Baron's contention that you would like to comment on?**

A. Yes. It is important to note that the rate classes represented by Mr. Baron were already well below parity in 2007. In fact, these rate classes were below parity prior to 2007 as well. This trend can easily be seen in Mr. Baron's own testimony, Table 3, page 32.

**Q. What can you conclude about SFHHA witness Baron's inference that FPL's cost of service results are not accurate?**

A. Mr. Baron's questions about the accuracy of FPL's 2010 Test Year cost of service results are unsupported and unfounded. FPL's cost of service study results for the projected 2010 Test Year and 2011 Subsequent Year Adjustment are accurately

determined and fairly present each rate class cost responsibility, ROR and parity position relative to FPL's projected overall retail ROR.

## TESTIMONY OF FIPUG WITNESS POLLOCK

**Q. Are there any cost of service issues raised by FIPUG witness Pollock to which you would like to respond?**

A. Yes. Mr. Pollock has recommended the use of the A&E allocation methodology for allocating production and transmission plant costs to rate classes. Though Mr. Pollock's primary recommendation is that the Commission should retain the 12 CP and 1/13$^{th}$ methodology, he also proposes the use of the A&E method as an alternative for the Commission to adopt if "faced with a choice between retaining 12CP-1/13$^{th}$ AD or using a method that gives more weight to AD" (Direct Testimony page 51, lines 13-14).

**Q. Please describe the A&E method recommended by FIPUG witness Pollock as an alternative for the Commission to adopt if faced with a choice between retaining 12CP and 1/13th methodology or using a method that gives more weight to average demand?**

A. As described by Mr. Pollock on page 47 of his direct testimony, under the A&E method a portion of the production and transmission plant costs equal to FPL's annual system load factor would be allocated on average demand. The remaining costs would be allocated on the difference between a class maximum demand (GNCP) and its average, which is the "excess" demand component of the formula. FPL's average load factor projected for the 2010 Test Year is 59%. Therefore,

under the A&E method, 59% of the 2010 projected production and transmission plant would be allocated on average demand. The "excess" demand component, 41% for 2010, would be allocated to rate classes based on the difference between their GNCP and their average demand.

**Q. Do you have any specific concerns regarding the A&E allocation method?**

A. Yes. The A&E allocation method proposed by Mr. Pollock uses the GNCP to determine the "excess" demand component of the formula. As described above, that means that 41% of the total production and transmission costs for 2010 would be allocated utilizing the rate class GNCP as the basis. The class GNCP demand is rarely coincident with the peak demand on the system. Use of this non-coincident demand to allocate production and transmission plant is inconsistent with FPL's generation plan described previously. Moreover, Mr. Pollock's use of the class non-coincident peak demand to allocate production and transmission plant does not reflect cost-causation and directly contradicts his direct testimony.

**Q. How does the use of the class non-coincident demand in the A&E method proposed by FIPUG witness Pollock contradict his direct testimony?**

A. As stated in his direct testimony, page 46, lines 3-4, Mr. Pollock correctly recognizes that "the summer peak demands determine FPL's capacity requirements." Using the class non-coincident peak demands to allocate production and transmission plant directly contradicts that statement.

## TESTIMONY OF OPC WITNESS BROWN

**Q. What issue raised by OPC witness Brown's testimony would you like to address?**

A. Ms. Brown, in the Jurisdictional Transmission Allocations section of her direct testimony, takes exception to the revenue credit methodology used by FPL for addressing long-term firm transmission service contracts.

**Q. OPC witness Brown asserts that while FPL's use of the revenue credit method may be appropriate for its non-firm or short-term transmission service revenues, it is not appropriate for FPL's long-term firm transmission service customers. Please comment on this statement.**

A. In FPL's filed cost of service for 2010 and 2011, all transmission service revenues were allocated as credits or cost-offsets to the retail jurisdiction and to wholesale customers on a bundled wholesale rate. FPL's use of this so-called revenue credit methodology for transmission service revenues is consistent with this Commission's order in FPL's last fully litigated case, Docket No. 830465-EI. However, after reviewing Ms. Brown's testimony, FPL does not oppose the removal of the costs and revenues associated with FPL's firm long-term transmission service contracts from the retail jurisdiction.

**Q. OPC witness Brown indicates on page 15 of her testimony that eliminating the effects of this revenue credit method would reduce FPL's requested revenue increase by $18.5 million in 2010 and $19 million in 2011. Have you reviewed Ms. Brown's calculations?**

A. Yes. I have reviewed the calculations performed by Ms. Brown and determined that the methodology used by her is appropriate and properly treats the various components impacted by the change in the cost allocation methodologies. The adjustment amount, however, should be $23.0 million and $26.6 million for 2010 and 2011, respectively. The calculations supporting the revenue requirements impacts for the 2010 Test Year and the 2011 Subsequent Year Adjustment are shown on Exhibit JAE-11.

**Q. Does FPL propose to incorporate the impacts of these adjustments in the revenue requirement calculations for the 2010 Test Year and the 2011 Subsequent Year Adjustment?**

A. Yes. The impact of these adjustments on FPL's revenue requirements for 2010 and 2011 are summarized in FPL witness Ousdahl's rebuttal testimony Exhibit KO-16.

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

A. Yes.

# Florida Power & Light Company
## Allocation of 2010 Projected Production Plant In Service
## Using Summer Coincident Peak Methodology

| | Summer Peak | | [illegible] | |
|---|---|---|---|---|
| | Factor | Allocation | Factor | Allocation |
| CILC-1D | 1.899% | 245,619,161 | 2.319% | 299,881,872 |
| CILC-1G | 0.129% | 16,657,995 | 0.155% | 20,033,871 |
| CILC-1T | 0.882% | 114,032,665 | 1.074% | 138,932,807 |
| CS(T)-1 | 0.139% | 18,021,338 | 0.154% | 19,911,835 |
| CS(T)-2 | 0.057% | 7,314,416 | 0.058% | 7,551,463 |
| GS(T)-1 | 6.640% | 858,769,289 | 6.062% | 784,020,882 |
| GSCU-1 | 0.019% | 2,484,744 | 0.023% | 2,920,419 |
| GSD(T)-1 | 21.170% | 2,738,138,367 | 21.119% | 2,731,554,375 |
| GSLD(T)-1 | 4.717% | 610,030,712 | 4.799% | 620,661,998 |
| GSLD(T)-2 | 0.607% | 78,566,801 | 0.676% | 87,389,114 |
| GSLD(T)-3 | 0.147% | 18,979,695 | 0.178% | 22,964,491 |
| HLFT-1 | 0.970% | 125,409,120 | 1.075% | 139,051,537 |
| HLFT-2 | 3.925% | 507,708,117 | 4.284% | 554,027,918 |
| HLFT-3 | 0.792% | 102,496,222 | 0.862% | 111,519,476 |
| METRO | 0.072% | 9,320,503 | 0.086% | 11,140,181 |
| OL-1 | 0.000% | - | 0.039% | 5,070,620 |
| OS-2 | 0.004% | 509,756 | 0.013% | 1,702,767 |
| RS(T)-1 | 56.964% | 7,367,631,889 | 55.756% | 7,211,337,652 |
| SDTR-1 | 0.298% | 38,557,523 | 0.424% | 54,787,431 |
| SDTR-2 | 0.399% | 51,655,331 | 0.497% | 64,216,806 |
| SDTR-3 | 0.047% | 6,095,149 | 0.053% | 6,876,378 |
| SL-1 | 0.000% | - | 0.203% | 26,203,582 |
| SL-2 | 0.018% | 2,274,802 | 0.022% | 2,791,598 |
| SST-1D | 0.007% | 947,837 | 0.007% | 881,401 |
| SST-1T | 0.097% | 12,599,902 | 0.065% | 8,390,860 |
| TOTAL | 100.000% | 12,933,821,334 | 100.000% | 12,933,821,334 |

NOTES: TOTAL MAY NOT ADD DUE TO ROUNDING.

## Florida Power & Light Company
## Allocation of 2011 Projected Production Plant In Service
## Using Summer Coincident Peak Methodology

| | Summer Peak | | [illegible] | |
|---|---|---|---|---|
| | Factor | Allocation | Factor | Allocation |
| CILC-1D | 1.875% | 249,758,761 | 2.299% | 306,210,926 |
| CILC-1G | 0.127% | 16,938,082 | 0.153% | 20,407,593 |
| CILC-1T | 0.871% | 115,975,146 | 1.064% | 141,786,104 |
| CS(T)-1 | 0.141% | 18,716,630 | 0.155% | 20,709,422 |
| CS(T)-2 | 0.056% | 7,497,954 | 0.058% | 7,748,499 |
| GS(T)-1 | 6.720% | 895,114,222 | 6.221% | 828,751,512 |
| GSCU-1 | 0.019% | 2,589,487 | 0.023% | 3,056,328 |
| GSD(T)-1 | 21.422% | 2,853,608,081 | 21.742% | 2,896,269,522 |
| GSLD(T)-1 | 4.743% | 631,796,424 | 4.899% | 652,589,901 |
| GSLD(T)-2 | 0.625% | 83,267,714 | 0.701% | 93,324,412 |
| GSLD(T)-3 | 0.147% | 19,573,519 | 0.178% | 23,758,738 |
| HLFT-1 | 0.981% | 130,704,707 | 1.100% | 146,508,429 |
| HLFT-2 | 4.014% | 534,649,557 | 4.426% | 589,582,745 |
| HLFT-3 | 0.797% | 106,222,798 | 0.880% | 117,266,993 |
| METRO | 0.071% | 9,478,282 | 0.085% | 11,367,611 |
| OL-1 | 0.000% | - | 0.039% | 5,157,566 |
| OS-2 | 0.004% | 482,254 | 0.012% | 1,580,890 |
| RS(T)-1 | 56.516% | 7,528,498,267 | 54.676% | 7,283,468,095 |
| SDTR-1 | 0.305% | 40,585,475 | 0.435% | 57,898,372 |
| SDTR-2 | 0.402% | 53,578,108 | 0.507% | 67,562,197 |
| SDTR-3 | 0.047% | 6,225,537 | 0.053% | 7,031,716 |
| SL-1 | 0.000% | - | 0.205% | 27,309,598 |
| SL-2 | 0.015% | 2,035,154 | 0.019% | 2,501,236 |
| SST-1D | 0.007% | 963,882 | 0.007% | 901,651 |
| SST-1T | 0.096% | 12,814,534 | 0.062% | 8,324,516 |
| TOTAL | 100.000% | 13,321,074,573 | 100.000% | 13,321,074,573 |

NOTES: TOTAL MAY NOT ADD DUE TO ROUNDING.

# Impact of Summer Coincident Peak Methodology on Rate Class Revenue Requirements

**For the Test Year 2010**
**($ Millions)**

| (1) Rate Class | (2) Summer CP Target Revenue Requirements | (3) As Filed Target Revenue Requirements[1] | (4) Increase (Decrease) In Revenue Requirements (2) - (3) | (5) Percent Increase (Decrease) (4) / (3) |
|---|---|---|---|---|
| RS(T)-1 | $2,822.3 | $2,798.7 | $23.6 | 0.8% |
| GSD(T)-1 | $956.8 | $955.7 | $1.1 | 0.1% |
| GS(T)-1 | $319.3 | $308.2 | $11.1 | 3.6% |
| GSLD(T)-1 | $210.0 | $211.5 | ($1.5) | -0.7% |
| HLFT-2 | $181.9 | $188.7 | ($6.8) | -3.6% |
| CILC-1D | $93.7 | $101.7 | ($8.0) | -7.9% |
| SL-1 | $78.3 | $82.2 | ($3.9) | -4.7% |
| HLFT-1 | $45.6 | $47.6 | ($2.0) | -4.2% |
| CILC-1T | $31.2 | $35.2 | ($4.0) | -11.4% |
| HLFT-3 | $36.8 | $38.2 | ($1.3) | -3.5% |
| GSLD(T)-2 | $28.8 | $30.1 | ($1.3) | -4.3% |
| SDTR-2 | $21.9 | $23.8 | ($1.9) | -7.8% |
| SDTR-1 | $17.9 | $20.3 | ($2.4) | -11.8% |
| All Other (12 Classes) | 44.6 | 47.2 | ($2.6) | -5.5% |
| Total Revenues from Sales | $4,889.1 | $4,889.1 | ($0.0) | 0.0% |
| Misc. Service Charges | 151.6 | 151.6 | $0.0 | 0.0% |
| Other Operating Revenues | 117.6 | 117.6 | $0.0 | 0.0% |
| Total Operating Revenues | $5,158.3 | $5,158.3 | ($0.0) | 0.0% |

**Notes:**
(1) As provided in the direct testimony of Joseph A. Ender Exhibit JAE-6, Column (3)

Totals may not add due to rounding.

# Impact of Summer Coincident Peak Methodology on Rate Class Revenue Requirements

**For the Subsequent Year Adjustment 2011**
**($ Millions)**

| (1) Rate Class | (2) Summer CP Target Revenue Requirements | (3) As Filed Target Revenue Requirements[1] | (4) Increase (Decrease) In Revenue Requirements (2) - (3) | (5) Percent Increase (Decrease) (4) / (3) |
|---|---|---|---|---|
| RS(T)-1 | $2,992.0 | $2,955.2 | $36.8 | 1.2% |
| GSD(T)-1 | $1,026.4 | $1,032.6 | ($6.2) | -0.6% |
| GS(T)-1 | $343.8 | $333.9 | $9.9 | 3.0% |
| GSLD(T)-1 | $224.1 | $227.1 | ($3.0) | -1.3% |
| HLFT-2 | $197.4 | $205.5 | ($8.1) | -3.9% |
| CILC-1D | $98.0 | $106.4 | ($8.4) | -7.9% |
| SL-1 | $81.3 | $85.3 | ($4.1) | -4.7% |
| HLFT-1 | $48.9 | $51.2 | ($2.3) | -4.6% |
| CILC-1T | $32.4 | $36.5 | ($4.2) | -11.4% |
| HLFT-3 | $39.7 | $41.3 | ($1.6) | -3.9% |
| GSLD(T)-2 | $31.4 | $32.9 | ($1.5) | -4.5% |
| SDTR-2 | $23.6 | $25.7 | ($2.1) | -8.1% |
| SDTR-1 | $19.4 | $22.0 | ($2.6) | -11.7% |
| All Other (12 Classes) | 46.4 | 49.1 | ($2.7) | -5.4% |
| Total Revenues from Sales | $5,204.8 | $5,204.8 | ($0.0) | 0.0% |
| Misc. Service Charges | 153.8 | 153.8 | $0.0 | 0.0% |
| Other Operating Revenues | 122.6 | 122.6 | $0.0 | 0.0% |
| Total Operating Revenues | $5,481.3 | $5,481.3 | ($0.0) | 0.0% |

**Notes:**
(1) As provided in the direct testimony of Joseph A. Ender Exhibit JAE-6, Column (3)

Totals may not add due to rounding.

# Impact of Summer Coincident Peak and MDS Methodologies on Rate Class Revenue Requirements

**For the Test Year 2010**
**($ Millions)**

| (1) Rate Class | (2) Summer CP & MDS Target Revenue Requirements | (3) As Filed Target Revenue Requirements(1) | (4) Increase (Decrease) in Revenue Requirements (2) - (3) | (5) Percent Increase (Decrease) (4) / (3) |
|---|---|---|---|---|
| RS(T)-1 | $2,956.6 | $2,798.7 | $157.9 | 5.6% |
| GSD(T)-1 | $872.5 | $955.7 | ($83.1) | -8.7% |
| GS(T)-1 | $332.9 | $308.2 | $24.7 | 8.0% |
| GSLD(T)-1 | $188.9 | $211.5 | ($22.7) | -10.7% |
| HLFT-2 | $164.6 | $188.7 | ($24.2) | -12.8% |
| CILC-1D | $84.9 | $101.7 | ($16.8) | -16.6% |
| SL-1 | $75.3 | $82.2 | ($6.8) | -8.3% |
| HLFT-1 | $41.4 | $47.6 | ($6.2) | -13.1% |
| CILC-1T | $31.2 | $35.2 | ($4.0) | -11.4% |
| HLFT-3 | $33.4 | $38.2 | ($4.8) | -12.5% |
| GSLD(T)-2 | $25.9 | $30.1 | ($4.2) | -14.0% |
| SDTR-2 | $19.2 | $23.8 | ($4.6) | -19.2% |
| SDTR-1 | $15.7 | $20.3 | ($4.6) | -22.4% |
| All Other (12 Classes) | 46.6 | 47.2 | ($0.6) | -1.2% |
| Total Revenues from Sales | $4,889.1 | $4,889.1 | $0.0 | 0.0% |
| Misc. Service Charges | 151.6 | 151.6 | $0.0 | 0.0% |
| Other Operating Revenues | 117.6 | 117.6 | $0.0 | 0.0% |
| Total Operating Revenues | $5,158.3 | $5,158.3 | $0.0 | 0.0% |

**Notes:**
(1) As provided in the direct testimony of Joseph A. Ender Exhibit JAE-6, Column (3)

Totals may not add due to rounding.

# Impact of Summer Coincident Peak and MDS Methodologies on Rate Class Revenue Requirements

**For the Subsequent Year Adjustment 2011**
**($ Millions)**

| (1) Rate Class | (2) Summer CP & MDS Target Revenue Requirements | (3) As Filed Target Revenue Requirements(1) | (4) Increase (Decrease) in Revenue Requirements (2) - (3) | (5) Percent Increase (Decrease) (4) / (3) |
|---|---|---|---|---|
| RS(T)-1 | $3,135.0 | $2,955.2 | $179.8 | 6.1% |
| GSD(T)-1 | $936.8 | $1,032.6 | ($95.7) | -9.3% |
| GS(T)-1 | $358.0 | $333.9 | $24.1 | 7.2% |
| GSLD(T)-1 | $201.8 | $227.1 | ($25.3) | -11.2% |
| HLFT-2 | $178.7 | $205.5 | ($26.8) | -13.0% |
| CILC-1D | $88.9 | $106.4 | ($17.5) | -16.5% |
| SL-1 | $78.1 | $85.3 | ($7.2) | -8.4% |
| HLFT-1 | $44.4 | $51.2 | ($6.8) | -13.3% |
| CILC-1T | $32.4 | $36.5 | ($4.2) | -11.4% |
| HLFT-3 | $36.0 | $41.3 | ($5.4) | -13.0% |
| GSLD(T)-2 | $28.3 | $32.9 | ($4.6) | -14.0% |
| SDTR-2 | $20.7 | $25.7 | ($5.0) | -19.3% |
| SDTR-1 | $17.1 | $22.0 | ($4.9) | -22.2% |
| All Other (12 Classes) | 48.5 | 49.1 | ($0.5) | -1.1% |
| Total Revenues from Sales | $5,204.8 | $5,204.8 | ($0.0) | 0.0% |
| Misc. Service Charges | 153.8 | 153.8 | $0.0 | 0.0% |
| Other Operating Revenues | 122.6 | 122.6 | $0.0 | 0.0% |
| Total Operating Revenues | $5,481.3 | $5,481.3 | ($0.0) | 0.0% |

**Notes:**
(1) As provided in the direct testimony of Joseph A. Ender Exhibit JAE-6, Column (3)

Totals may not add due to rounding.

# FACTORS CONTRIBUTING TO CHANGES IN RATE CLASS PARITIES FROM 2007 TO 2010

| | RATE OF RETURN (ROR) | | | | | | PARITY | | | | | | PARITY VARIANCE | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2007 Adjusted to Reflect 2010 | | | | | | | | | | | | | | | |
| | 2007 Actual (1) | Demand Allocation Factors (2) | Billing Determi-nants (3) | GBRA Rate Incr-eases (4) | Rate Base & Exps (5) | 2010 Test Year As Filed (6) | 2007 Actual | Demand Allocation Factors | Billing Determi-nants | GBRA Rate Incr-eases | Change in Rate Base & Expenses | 2010 Test Year As Filed | Demand Allocation Factors | Billing Determi-nants | GBRA Rate Incr-eases | Change in Rate Base & Expenses | Total |
| **Above Parity -** | | | | | | | | | | | | | | | | | |
| RS(T)-1 | 8.16% | 8.11% | 7.49% | 9.15% | 4.55% | 4.55% | 1.05 | 1.05 | 1.04 | 1.04 | 1.07 | 1.07 | (0.01) | (0.01) | (0.00) | 0.03 | 0.02 |
| GS(T)-1 | 9.79% | 10.25% | 9.77% | 11.82% | 6.36% | 6.36% | 1.26 | 1.32 | 1.36 | 1.34 | 1.50 | 1.50 | 0.06 | 0.04 | (0.01) | 0.15 | 0.23 |
| SL-1 | 3.70% | 3.78% | 4.57% | 6.01% | 4.33% | 4.33% | 0.48 | 0.49 | 0.64 | 0.68 | 1.02 | 1.02 | 0.01 | 0.15 | 0.05 | 0.33 | 0.54 |
| All Other (5 Classes) | 12.09% | 8.99% | 9.86% | 12.18% | 7.57% | 7.57% | 1.56 | 1.16 | 1.37 | 1.38 | 1.78 | 1.78 | (0.40) | 0.21 | 0.01 | 0.40 | 0.22 |
| **Below Parity -** | | | | | | | | | | | | | | | | | |
| GSD(T)-1 | 7.47% | 7.65% | 7.10% | 8.68% | 4.09% | 4.09% | 0.96 | 0.99 | 0.99 | 0.99 | 0.96 | 0.96 | 0.02 | 0.00 | 0.00 | (0.03) | (0.00) |
| GSLD(T)-1 | 5.86% | 5.42% | 5.12% | 6.35% | 2.48% | 2.48% | 0.76 | 0.70 | 0.71 | 0.72 | 0.58 | 0.58 | (0.06) | 0.01 | 0.01 | (0.14) | (0.17) |
| HLFT-2 | 4.71% | 4.56% | 4.11% | 5.14% | 1.46% | 1.46% | 0.61 | 0.59 | 0.57 | 0.58 | 0.34 | 0.34 | (0.02) | (0.02) | 0.01 | (0.24) | (0.26) |
| CILC-1D | 6.46% | 6.23% | 5.97% | 7.08% | 2.87% | 2.87% | 0.83 | 0.80 | 0.83 | 0.81 | 0.67 | 0.67 | (0.03) | 0.03 | (0.02) | (0.13) | (0.16) |
| HLFT-1 | 6.88% | 6.55% | 6.54% | 7.96% | 3.34% | 3.34% | 0.89 | 0.84 | 0.91 | 0.91 | 0.79 | 0.79 | (0.04) | 0.06 | (0.00) | (0.12) | (0.10) |
| CILC-1T | 7.78% | 7.83% | 7.00% | 8.26% | 2.72% | 2.72% | 1.00 | 1.01 | 0.97 | 0.94 | 0.64 | 0.64 | 0.01 | (0.04) | (0.03) | (0.30) | (0.36) |
| HLFT-3 | 4.65% | 4.69% | 3.96% | 5.03% | 1.51% | 1.51% | 0.60 | 0.61 | 0.55 | 0.57 | 0.35 | 0.35 | 0.01 | (0.05) | 0.02 | (0.22) | (0.25) |
| GSLD(T)-2 | 6.54% | 6.72% | 6.11% | 7.38% | 2.83% | 2.83% | 0.84 | 0.87 | 0.85 | 0.84 | 0.66 | 0.66 | 0.02 | (0.02) | (0.01) | (0.18) | (0.18) |
| SDTR-2 | 2.56% | 4.99% | 4.66% | 5.82% | 2.25% | 2.25% | 0.33 | 0.64 | 0.65 | 0.66 | 0.53 | 0.53 | 0.31 | 0.00 | 0.01 | (0.13) | 0.20 |
| SDTR-1 | 4.93% | 6.58% | 6.66% | 8.15% | 3.83% | 3.83% | 0.64 | 0.85 | 0.93 | 0.93 | 0.90 | 0.90 | 0.21 | 0.08 | 0.00 | (0.03) | 0.27 |
| GSLD(T)-3 | 7.84% | 8.41% | 7.74% | 9.59% | 3.60% | 3.60% | 1.01 | 1.08 | 1.08 | 1.09 | 0.85 | 0.85 | 0.07 | (0.01) | 0.02 | (0.25) | (0.16) |
| All Other (6 Classes) | 6.60% | 6.41% | 6.22% | 7.50% | 3.34% | 3.27% | 0.85 | 0.83 | 0.86 | 0.85 | 0.79 | 0.77 | (0.02) | 0.04 | (0.01) | (0.07) | (0.07) |
| Total | 7.76% | 7.76% | 7.19% | 8.79% | 4.25% | 4.25% | | | | | | | | | | | |

**Notes:**

(1) 2007 actual cost of service study.

(2) **Demand Allocation Factors** --> Reflects 2010 load (CP, GNCP & NCP) factors, line loss factors and meter costs by rate class.

(3) **Billing Determinants** --> Reflects 2010 projected revenues excluding the GBRA increase, KWH sales, number of customers, load (CP, GNCP & NCP), line loss factors and meter costs by rate class.

(4) **GBRA Rate Increases** --> Reflects a 6.7% rate increase for the WCEC # 1 & 2 plant additions (GBRA) in 2009 and 2010. The 6.7% increase is applied equally to all base charges.

(5) **Change in Rate Base and Expenses** --> Reflects actual and projected net plant additions and additional operating expenses of $3.5 billion and $735 million respectively from 2007 to 2010.

(6) 2010 Test Year at present rates as filed in Docket 080677-EI. Includes tariffs changes due to GBRA which were applied equally to all base charges.

Docket No. 080677-EI
Factors Contributing to Changes in Rate Class Parities from 2007 to 2010
Exhibit JAE-10, Page 1 of 1

**Florida Power & Light Company**
**Impact of Jurisdictional Transmission Adjustment on**
**Projected 2010 Retail Revenue Requirements**

| | | 2010 | 2010 | 2010 |
|---|---|---|---|---|
| 1 | **Jurisdictional Adjusted Utility** | **As Filed** | **As Adjusted** | **Impact** |
| 2 | | ($000) | ($000) | ($000) |
| 3 | Rate Base | | | |
| 4 | Plant in Service | 28,288,080 | 27,901,184 | (386,896) |
| 5 | Accumulated Depreciation | (12,590,521) | (12,446,222) | 144,299 |
| 6 | Net Plant in Service | 15,697,559 | 15,454,962 | (242,597) |
| 7 | Plant Held for Future Use | 74,502 | 70,302 | (4,200) |
| 8 | Construction Work in Progress | 707,530 | 688,907 | (18,623) |
| 9 | Net Nuclear Fuel | 374,733 | 374,733 | - |
| 10 | Net Utility Plant | 16,854,324 | 16,588,904 | (265,420) |
| 11 | Working Capital Assets | 3,393,188 | 3,383,788 | (9,400) |
| 12 | Working Capital Liabilities | (3,183,926) | (3,170,826) | 13,100 |
| 13 | Total Rate Base | 17,063,586 | 16,801,866 | (261,720) |
| 14 | | | | |
| 15 | Net Operating Income | | | |
| 16 | Sales of Electricity | 3,920,872 | 3,920,872 | - |
| 17 | Other Operating Revenues | 193,855 | 160,216 | (33,639) |
| 18 | Total Operating Revenues | 4,114,727 | 4,081,087 | (33,639) |
| 19 | | | | |
| 20 | Expenses | | | |
| 21 | Operating & Maintenance Expenses | 1,721,872 | 1,711,410 | (10,462) |
| 22 | Depreciation & Amortization | 1,075,373 | 1,065,021 | (10,352) |
| 23 | Taxes Other Than Income Taxes | 350,370 | 345,452 | (4,918) |
| 24 | Amortization of Regulatory Asset | (1,108) | (1,091) | 17 |
| 25 | Gain or Loss on Sale of Plant | (1,002) | (1,002) | - |
| 26 | Total Expenses before Income Taxes | 3,145,505 | 3,119,790 | (25,715) |
| 27 | | | | |
| 28 | Net Operating Income Before Taxes | 969,222 | 961,297 | (7,924) |
| 29 | Less Income Taxes | (243,338) | (242,281) | 1,057 |
| 30 | Jurisdictional Adjusted Net Operating Income | 725,884 | 719,016 | (6,867) |
| 31 | | | | |
| 32 | Earned Rate of Return | 4.25% | 4.28% | |
| 33 | | | | |
| 34 | | | | |
| 35 | Jurisdictional Adjusted Rate Base | 17,063,586 | 16,801,866 | (261,720) |
| 36 | Rate of Return on Rate Base Requested | 8.00% | 8.00% | 8.00% |
| 37 | Jurisdictional Net Operating Income Requested | 1,364,748 | 1,343,816 | (20,932) |
| 38 | Jurisdictional Adjusted Net Operating Income | 725,884 | 719,016 | (6,867) |
| 39 | Net Operating Income Deficiency (Excess) | 638,864 | 624,799 | (14,065) |
| 40 | Net Operating Income Multiplier | 1.63342 | 1.63342 | 1.63342 |
| 41 | Revenue Increase (Decrease) Requested | 1,043,533 | 1,020,559 | (22,975) |
| 42 | Revenue Impact of Adjustment | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | NOTES: TOTAL MAY NOT ADD DUE TO ROUNDING. | | | |

**Florida Power & Light Company**
**Impact of Jurisdictional Transmission Adjustment on**
**Projected 2011 Retail Revenue Requirements**

| | | 2011 | 2011 | 2011 |
|---|---|---|---|---|
| 1 | **Jurisdictional Adjusted Utility** | **As Filed** | **As Adjusted** | **Impact** |
| 2 | | ($000) | ($000) | ($000) |
| 3 | Rate Base | | | |
| 4 | Plant in Service | 29,599,965 | 29,189,701 | (410,264) |
| 5 | Accumulated Depreciation | (13,306,984) | (13,152,560) | 154,424 |
| 6 | Net Plant in Service | 16,292,981 | 16,037,141 | (255,840) |
| 7 | Plant Held for Future Use | 71,452 | 67,518 | (3,934) |
| 8 | Construction Work in Progress | 772,484 | 741,655 | (30,829) |
| 9 | Net Nuclear Fuel | 408,125 | 408,125 | - |
| 10 | Net Utility Plant | 17,545,042 | 17,254,438 | (290,603) |
| 11 | Working Capital Assets | 3,473,466 | 3,464,964 | (8,502) |
| 12 | Working Capital Liabilities | (3,138,107) | (3,125,796) | 12,311 |
| 13 | Total Rate Base | 17,880,401 | 17,593,607 | (286,794) |
| 14 | | | | |
| 15 | Net Operating Income | | | |
| 16 | Sales of Electricity | 3,974,908 | 3,974,908 | - |
| 17 | Other Operating Revenues | 200,116 | 165,458 | (34,658) |
| 18 | Total Operating Revenues | 4,175,024 | 4,140,366 | (34,658) |
| 19 | | | | |
| 20 | Expenses | | | |
| 21 | Operating & Maintenance Expenses | 1,810,183 | 1,800,122 | (10,061) |
| 22 | Depreciation & Amortization | 1,139,657 | 1,128,379 | (11,278) |
| 23 | Taxes Other Than Income Taxes | 393,042 | 387,631 | (5,411) |
| 24 | Amortization of Regulatory Asset | (696) | (792) | (96) |
| 25 | Gain or Loss on Sale of Plant | (951) | (951) | - |
| 26 | Total Expenses before Income Taxes | 3,341,235 | 3,314,389 | (26,846) |
| 27 | | | | |
| 28 | Net Operating Income Before Taxes | 833,789 | 825,977 | (7,812) |
| 29 | Less Income Taxes | (171,013) | (170,362) | 651 |
| 30 | Jurisdictional Adjusted Net Operating Income | 662,776 | 655,615 | (7,161) |
| 31 | | | | |
| 32 | Earned Rate of Return | 3.71% | 3.73% | |
| 33 | | | | |
| 34 | | | | |
| 35 | Jurisdictional Adjusted Rate Base | 17,880,401 | 17,593,607 | (286,794) |
| 36 | Rate of Return on Rate Base Requested | 8.18% | 8.18% | 8.18% |
| 37 | Jurisdictional Net Operating Income Requested | 1,462,895 | 1,439,431 | (23,464) |
| 38 | Jurisdictional Adjusted Net Operating Income | 662,776 | 655,615 | (7,161) |
| 39 | Net Operating Income Deficiency (Excess) | 800,119 | 783,816 | (16,303) |
| 40 | Net Operating Income Multiplier | 1.63256 | 1.63256 | 1.63256 |
| 41 | Revenue Increase (Decrease) Requested | 1,306,243 | 1,279,627 | (26,615) |
| 42 | Revenue Impact of Adjustment | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | NOTES: TOTAL MAY NOT ADD DUE TO ROUNDING. | | | |