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FPL

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COMMISSION CLERK

August 6, 2009

-VIA HAND DELIVERY -

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 080677-EI; Petition for Increase in Rates by Florida Power & Light Company

Dear Ms. Cole:

Enclosed please find an original and seven (7) copies of Florida Power & Light Company's Prehearing Statement. Also enclosed is a CD containing the above-referenced document in Word format.

If there are any questions regarding this transmittal, please contact me at 561-304-5226.

Sincerely,

Jessica Cano

COM ___ Enclosure
ECR
GCL 1 (CO) cc: Parties of record
OPC
RCP 1
SSC 1
SGA 1
ADM ___
CLK ___

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	))	Docket No: 080677-EI
In re: 2009 depreciation and dismantlement study by Florida Power & Light Company	))	Docket No. 090130-EI Filed: August 6, 2009

FLORIDA POWER & LIGHT COMPANY'S PREHEARING STATEMENT

Florida Power & Light Company ("FPL" or the "Company"), pursuant to Order No. PSC-09-0159-PCO-EI as revised, hereby files with the Florida Public Service Commission ("FPSC" or the "Commission") its Prehearing Statement in connection with the above referenced dockets, and states:

I. FPL WITNESSES

Witnesses	Subject Matter
Direct Testimony	
Armando J. Olivera (Direct)	Provides an overview of FPL's filing and its position in this case; introduces the witnesses who have filed testimony on FPL's behalf.
Rosemary Morley (Direct)	Describes FPL's load forecasting process; gives a historical perspective of FPL's customer and sales growth between 1985 and 2005; discusses the load forecast presented by the Company in its last rate proceeding and the factors that have driven the actual level of customers and sales since that time; identifies the underlying methodologies and assumptions of the customer growth, energy use per customer, and Net Energy for Load forecasts; presents the customer and sales forecast by revenue class; discusses the inflation forecast, including the Consumer Price Index forecast used in computing the Commission's O&M Benchmark.
Philip Q Hanser (Direct)	Provides an independent expert opinion on the reasonableness of: (i) FPL's total customer and monthly net energy for load (NEL) forecasting models; (ii) inputs used in these forecasting models; (iii) adjustments made to the forecasting models; and (iv) FPL's overall forecasting approach for forecasting monthly NEL and total customers.

Robert E. Barrett, Jr. (Direct)	Describes the process FPL uses in the preparation and approval of the financial forecast upon which the MFRs for both 2010 and 2011 are based; provides an overview of the general business conditions affecting the forecast assumptions; explains the major cost drivers since 2006 -- the Test Year in FPL's last base rate proceeding, which was the basis of the 2005 Rate Stipulation and Settlement Agreement (2005 Rate Settlement); discusses the necessity for the 2011 Subsequent Year Adjustment and for the Generation Base Rate Adjustment (GBRA) mechanism.
Marlene M. Santos (Direct)	Describes how FPL provides a superior level of service to our customers while at the same time maintaining low cost and efficient operations; discusses how FPL is making the necessary investments today in Advanced Metering Infrastructure (AMI), also known in the utility industry as "smart meters," for the benefit of our customers; discusses the increase in Operations and Maintenance (O&M) expense and capital expenditures for the Customer Service organization from 2006 through 2011; explains the need to update service charges and presents the new service charges.
George K. Hardy (Direct)	Discusses FPL's fossil generation industry leading performance in net heat rate, availability, reliability, and O&M costs; FPL's fossil non-fuel O&M expenses and (non-construction) capital expenditures, including the effect of adding approximately 3,600 MW of cleaner, highly efficient combined cycle generating capability, including Turkey Point Unit 5 and West County Energy Center (West County) Units 1 and 2 between 2006 and 2010; and the construction capital and first year non-fuel O&M costs of placing an additional 1,200 MW into commercial operation in 2011 with West County Unit 3.
J. A. Stall (Direct)	Describes how FPL's nuclear fleet performance has yielded significant benefits to FPL customers; discusses challenges facing FPL's nuclear operations, including new and evolving NRC requirements; describes additional steps FPL is taking or plans to take to address these challenges and to improve efficiencies; discusses FPL's accomplishments on items discussed in the testimony filed in FPL's 2005 Rate Case; discusses the impact of above activities on the 2010 Test Year and 2011 Subsequent Year costs for FPL's nuclear operations.
Michael G. Spoor (Direct)	Describes the FPSC-approved initiatives being employed to further strengthen the distribution system; describes the superior reliability of the distribution system and Distribution's excellent customer service performance; presents and describes Distribution's effective management

	of O&M expenses and capital expenditures for 2006-2011.
James A. Keener (Direct)	Describe the record of the Transmission and Substation Business Unit (Transmission), based on system performance and reliability; addresses initiatives to improve the storm resiliency of the transmission system's infrastructure; explains the ongoing need for capital investments required to address the overall challenges to reliability which include the aging infrastructure, and to maintain FPL's high level of reliability; describes Transmission O&M expense levels from 2006 to the present, and through 2011; discusses FPL's efforts to meet its commitments to customers and to ensure compliance with all applicable regulatory and reliability standards.
Kathleen M. Slattery (Direct)	Presents an overview of the gross payroll and benefit expenses as shown in MFR C-35 and MFR C-17, demonstrating the reasonableness of FPL's forecasted payroll and benefit expenses.
Christopher A. Bennett (Direct)	Provides an overview of FPL's initiatives in the areas of environmental management, operational excellence, and information technology; describes how FPL's environmental leadership and commitment have led to significant emission reductions and strong ecosystem protection; discusses the Six Sigma quality program at FPL and describes how it has resulted in operational efficiencies that have benefited the Company and its customers; describes how improvements in FPL's information systems have created efficiencies and benefits for both the Company and customers.
C. Richard Clarke (Direct)	Sponsors the results of a new Depreciation Study prepared for FPL which covers depreciable electric properties in service as of the last date of the previous full calendar year, December 31, 2007, and actual and projected plant and reserve balances through the end of 2009.
Kim Ousdahl (Direct)	Supports the calculation of the rate relief requested by FPL in this proceeding, including: the calculation of rate relief requested for the 2010 Test Year; the calculation of FPL's requested 2011 Subsequent Year Adjustment starting January 1, 2011, excluding the impact of West County Energy Center (West County) Unit 3; the continuation of the Generation Base Rate Adjustment (GBRA) mechanism, including use of the GBRA to recover costs and expenses associated with West County Unit 3 being placed into service in June 2011; and adjustments that FPL proposes to rate base, net operating income and working capital, in order to better reflect 2010 Test and 2011 Subsequent Year results for ratemaking purposes.

Steven P. Harris (Direct)	Presents the results of ABS Consulting's independent analyses of risk of uninsured loss to FPL assets through two studies: the Storm Loss Analysis and the Reserve Performance Analysis.
William E. Avera (Direct)	Explains that return on equity compensates common equity investors for the use of their capital to finance the plant and equipment necessary to provide utility service; explains that a 12% to 13% return on equity is needed to attract capital, maintain FPL's strong financial position and provide a return on flotation costs; explains that FPL's existing capital structure is consistent with the reasonable return on equity range and is necessary to meet the financial challenges FPL faces in serving its customers; explains that FPL has a strong credit rating, supportive regulation and excellent management, but it faces some unique circumstances that demand financial resilience, including high exposure to natural gas price volatility and hedging requirements, nuclear operations and new nuclear plant development, and uniquely high exposure of its asset base and customers to tropical storms.
Armando Pimentel (Direct)	Explains that FPL's financial strength (liquidity, credit ratings) has allowed the Company to weather significant events without compromising the ability to provide reliable, cost-effective service to customers; explains that FPL faces financial markets that offer less capital at higher costs at a time when FPL needs to obtain $16 billion to fund investments required to serve customers; explains that maintaining FPL's capital structure and approving FPL's requested 12.5% return on equity appropriately recognizes overall economic and FPL-specific risks and will help preserve FPL's financial strength and flexibility; explains that maintaining FPL's capital structure and approving a 12.5% return on equity will help enable FPL to continue to provide high quality, low cost electric service to FPL's customers; supports approval of an annual $150 million storm reserve accrual to enable FPL to respond adequately to some but not all hurricanes without additional surcharges or securitization.
Joseph A. Ender (Direct)	Explains in general terms what load research is, how it is used in the jurisdictional separation and cost of service studies, and how the projected load forecast by rate class and energy loss factors were developed; describes the process used in the development of FPL's jurisdictional separation study and resulting jurisdictional separation factors; discusses FPL's process of preparing a retail cost of service

	study and explain the proposed methodologies to allocate production, transmission and distribution plant to retail rate classes; discusses the results of the retail cost of service study for the 2010 Test Year and 2011 Subsequent Year Adjustment.
Renae B. Deaton (Direct)	Discusses the forecast of base revenues from the sale of electricity; addresses FPL's proposed target revenues by rate class; presents the proposed rate design for achieving the target revenues by rate class.
John J. Reed (Direct)	Sponsors and describes a benchmarking study used to assess FPL's operational and financial performance over the past several years and concludes that FPL's superior performance should be recognized by the Commission in establishing rates; explains the significance of the macroeconomic and service area economic drivers which have contributed to FPL's requested rate increase; reviews the benchmarking efforts conducted by FPL witnesses and concludes that the analyses are fair and accurate; confirms that 2010 is the appropriate Test Year upon which base rates should be set.
Rebuttal Testimony	
Armando J. Olivera (Rebuttal)	Rebuts the testimony of OPC witness Brown and FIPUG witness Pollock concerning the Subsequent Year Adjustment; rebuts the testimony of SFHHA witness Kollen concerning GBRA; rebuts the testimony of SFHHA witness Baudino concerning superior performance as it relates to return on equity; notes significant issues that the intervenor witnesses did not address in their testimony.
Rosemary Morley (Rebuttal)	Rebuts the testimony of OPC witness Brown relating to load forecasts; rebuts the claims of OPC witness Brown and SFHHA witness Kollen relating to the use of the 2011 test year.
Philip Q Hanser (Rebuttal)	Rebuts the testimony of OPC witness Brown relating to FPL forecasts and addresses Ms. Brown's mischaracterization of the in-sample mean absolute percentage error presented in Mr. Hanser's direct testimony.
Robert E. Barrett, Jr. (Rebuttal)	Rebuts the testimony of OPC witness Brown and SFHHA witness Kollen relating to the reliability of the 2010 and 2011 revenue requirements forecasts; rebuts the testimony of OPC and SFHHA witnesses relating to the proposed 2011 subsequent year increase; rebuts the testimony of OPC and SFHHA witnesses relating to GBRA.
Marlene M. Santos (Rebuttal)	Rebuts the claims of SFHHA witness Kollen relating to Advanced Metering Infrastructure; refutes the claims of OPC witnesses Ms. Brown relating to bad debt expense and late payment charge revenue; rebuts OPC witness Ms. Dismukes' testimony relating to the transfer of the FPL gas business to

	FPLES, addresses the claims of FPSC witness Hicks relating to customer complaint/inquiry data.
George K. Hardy (Rebuttal)	Supports FPL witness Clarke's and FPL witness Davis's rebuttal testimony on power plant asset lives; supports FPL witness Deaton's rebuttal testimony relating to generating efficiency improvements; and responds to Staff witness Welch's audit findings relating to storage fees and oil spill expense.
J.A. Stall (Rebuttal)	Rebuts the claims of SFHHA witness Kollen relating to nuclear staffing issues.
Kathleen M. Slattery (Rebuttal)	Refutes OPC witness Brown's claims regarding the reasonableness of the company's payroll cost estimates; defends FPL's total compensation cost including the use of variable and incentive pay programs; demonstrates why FPL's incentive plans provide for improved performance and serve the needs of all constituents, including customers.
Richard F. Meischeid (Rebuttal)	In response to the testimony of OPC witness Brown, provides competitive practice information on the subject of annual and long-term incentives in the utility industry; addresses comparison of FPL's 2009 base salary budget increase to market practices of other utilities.
Christopher A. Bennett (Rebuttal)	Rebuts claims by SFHHA witness Kollen relating to the inclusion in revenue requirements of funds FPL may receive pursuant to the American Reinvestment and Recovery Act; rebuts witness Mr. Saporito's assertion that FPL has not reasonably pursued purchases and development of renewable energy resources.
C. Richard Clarke (Rebuttal)	Rebuts the direct testimony of OPC witness Pous relating to remaining life calculations, production plant service lives, interim retirements, interim net salvage, mass property life analysis, and mass property. Responds to the testimony of FIPUG witness Mr. Pollock relating to extending the lives of certain production plants.
Kim Ousdahl (Rebuttal)	Refutes positions taken by OPC witnesses Dismukes, Brown and Pous, SFHHA witness Kollen, and FIPUG witness Pollock, relative to the following areas: capital structure, calculation of GBRA, dismantlement, affiliate transactions, FPL Historical Museum costs, nuclear fuel last core and end-of-life materials and supplies accruals, environmental insurance refund, power monitoring revenues, FPL-New England Division, clause-related bad debt expense, FPSC Staff audit report, and identified adjustments.
K. Michael Davis (Rebuttal)	Rebuts the claims of OPC witnesses Pous and Lawton, SFHHA witness Kollen, and FIPUG witness Pollok concerning depreciation expense and theoretical reserve surplus recommendations; addresses the appropriate use of

	capital recovery schedules within FPL's depreciation study.
William E. Avera (Rebuttal)	Explains that intervenor witnesses recognize the financial strength of FPL then propose ROEs, regulatory capital structures, and other adjustments that would undermine that strength, and thus should be rejected; explains that accepting intervenor witnesses' positions would be short-sighted in the extreme, sacrificing the long-term security and economy of customers for a temporary suppression of rates which would lead to higher borrowing costs, less financial flexibility and expose FPL and its customers to the vagaries of weather and markets to which FPL is uniquely subject due to its geographic location and energy mix.
Armando Pimentel (Rebuttal)	Explains that the Commission should reject the intervenors' claims which would severely diminish FPL's ability to maintain its financial strength and, therefore, its ability to access capital at reasonable terms for customers; explains that, accepting OPC's capital structure and return on equity positions would add $4 billion to FPL's already significant financial requirements through 2013; explains that FPL's depreciation flow-back helps smooth and mitigate costs and rates, while accepting intervenors' four year flow-back claim would significantly increase rate base without any offsetting fuel or efficiency benefit, and would lead to a significant future rate spike for customers; points out that FPL's requested overall rate of return of 8.0%, which includes a return on equity of 12.5%, is a lower overall rate of return than the Commission recently approved for Tampa Electric Company in its recent base rate proceeding.
Joseph A. Ender (Rebuttal)	Rebuts the claims of SFHHA witness Baron relating to the reasonableness of FPL's forecasted cost of service results and the use of alternative cost of service methodologies; responds to the claims of FIPUG witness Pollock relating to the use of Average and Excess demand methodology; responds to the claims of OPC witness Brown relating to jurisdictional transmission allocations.
Renae B. Deaton (Rebuttal)	Rebuts the testimony of FIPUG witness Pollock and SFHHA witness Baron, relating to FPL's proposed rate design as it relates to parity and the design of general service demand rates; rebuts the claims of SFHHA witness Mr. Kollen relating to GBRA; rebuts the claims of AFFIRM witness Klepper relating to conjunctive billing issues.

John J. Reed (Rebuttal)	Responds to the claims of SFHHA witnesses Baudino relating to ROE; rebuts the claims of SFHHA witness Kollen relating to projected O&M costs; responds to the testimony of SFHHA witness Kollen and FIPUG witness Pollock relating to the Subsequent Year Adjustment; responds to the claims of FIPUG witness Pollock relating to Power Purchase Adjustments.
Terry Deason (Rebuttal)	Rebuts the testimony of OPC Witness Pous, FIPUG witness Pollock, and SFHHA witness Kollen, concerning the appropriate regulatory treatment of a theoretical depreciation reserve surplus; rebuts the testimony of Mr. Pollock and Mr. Kollen concerning the role of the subsequent year rate adjustments; rebuts the testimony of Mr. Pollock, OPC witness Woolridge, and SFHHA witness Baudino relating to the proper equity ratio for FPL; rebuts the testimony of OPC witness Brown concerning GBRA and incentive compensation; rebuts the testimony of Mr. Baudino concerning superior performance; rebuts the testimony of OPC witness Brown concerning incentive compensation.

II. EXHIBITS

Exhibit	Description	Sponsoring Witness
Direct Exhibits		
AJO-1	Biographical Information for Armando J. Olivera	Armando J. Olivera
AJO-2	FPL Typical Residential 1,000 kWh Bill for January 2009, January 2010 and January 2011	Armando J. Olivera
RM-1	Cumulative Customer Growth Since 1985	Dr. Rosemary Morley
RM-2	Cumulative Increase in NEL Since 1985	Dr. Rosemary Morley
RM-3	NSA's, Customer Growth, and the Change in Inactive Meters	Dr. Rosemary Morley
RM-4	Population Forecasts from the University of Florida	Dr. Rosemary Morley
RM-5	Increase in the Average Annual Number of Customers	Dr. Rosemary Morley
RM-6	Annual NSA's	Dr. Rosemary Morley

RM-7	Increase in Minimal Usage Customers	Dr. Rosemary Morley
RM-8	Forecasting Variance	Dr. Rosemary Morley
RM-9	Annual Energy Use per Customer	Dr. Rosemary Morley
RM-10	NEL Forecast and Actuals	Dr. Rosemary Morley
RM-11	Billed Sales, Customers and Use by Class	Dr. Rosemary Morley
PQH-1	Statement of Qualifications	Philip Q Hanser
PQH-2	FPL's Monthly NEL and Total Customer Model Descriptions	Philip Q Hanser
REB-1	Listing of MFRs and Schedules Sponsored in Whole or in Part by Robert E. Barrett, Jr.	Robert E. Barrett, Jr.
REB-2	Planning Process Guidelines	Robert E. Barrett, Jr.
REB-3	MFR F-5 Forecasting Flowcharts and Models	Robert E. Barrett, Jr.
REB-4	MFR F-8 Major Forecast Assumptions	Robert E. Barrett, Jr.
REB-5	Budget and Actual Net Income 2004 through 2008	Robert E. Barrett, Jr.
REB-6	Size and Diversity of Florida Economy	Robert E. Barrett, Jr.
REB-7	Non-Agricultural Florida Employment	Robert E. Barrett, Jr.
REB-8	Florida Population Growth	Robert E. Barrett, Jr.
REB-9	Florida Housing Starts	Robert E. Barrett, Jr.
REB-10	Real Disposable Income per Household	Robert E. Barrett, Jr.
REB-11	Florida Personal Bankruptcies	Robert E. Barrett, Jr.
REB-12	Foreclosure Rates	Robert E. Barrett, Jr.
REB-13	Consumer Price Index	Robert E. Barrett, Jr.
REB-14	FPL New Service Accounts	Robert E. Barrett, Jr.

REB-15	FPL Total Customer Growth	Robert E. Barrett, Jr.
REB-16	Capital Expenditure Reductions	Robert E. Barrett, Jr.
REB-17	Drivers of the Increase in Revenue Requirements for 2010	Robert E. Barrett, Jr.
REB-18	FPL Capital Expenditures 1985 through 2008	Robert E. Barrett, Jr.
REB-19	Base Revenue Decline 2006 to 2010	Robert E. Barrett, Jr.
REB-20	Drivers of the Increase in Revenue Requirements for 2011	Robert E. Barrett, Jr.
MMS-1	Care Center Satisfaction Research	Marlene M. Santos
MMS-2	Billing and Payment Options	Marlene M. Santos
MMS-3	FERC Customer Service O&M	Marlene M. Santos
GKH-1	Changes in FPL Fossil Generating Capability	George K. Hardy
GKH-2	FPL Fossil Net Heat Rate Comparison	George K. Hardy
GKH-3	FPL Fossil 5-Year Cumulative Percent Reduction in Emission Rates	George K. Hardy
GKH-4	FPL Fossil 5-Year Cumulative CO_2 Greenhouse Gas Avoided	George K. Hardy
GKH-5	FPL Fossil Availability Comparison	George K. Hardy
GKH-6	FPL Fossil Forced Outage Rate Comparison	George K. Hardy
GKH-7	FPL Change in Fossil Capacity-Managed per Employee	George K. Hardy
GKH-8	FPL Fossil Total Non-Fuel O&M Cost Comparison	George K. Hardy
GKH-9	FPL Fossil Base Non-fuel O&M Cost Comparison	George K. Hardy
JAS-1	FPL Nuclear Personnel Safety	J.A. Stall

JAS-2	INPO Index	J.A. Stall
JAS-3	NRC Performance Indicators for St. Lucie and Turkey Point	J.A. Stall
JAS-4	NRC Inspection Findings for St. Lucie and Turkey Point for 2008	J.A. Stall
JAS-5	NRC Regulatory Status for St. Lucie and Turkey Point	J.A. Stall
JAS-6	Capacity Factors for FPL Nuclear	J.A. Stall
JAS-7	Equivalent Availability Factor for FPL Nuclear	J.A. Stall
JAS-8	Annual Capital Expenditures for St. Lucie and Turkey Point	J.A. Stall
JAS-9	Cumulative Capital Investment 2006-2011	J.A. Stall
JAS-10	Annual Operations & Maintenance (O&M) Expenditures for St. Lucie and Turkey Point	J.A. Stall
MGS-1	Distribution Reliability Program Initiatives	Michael G. Spoor
MGS-2	Distribution Reliability Results	Michael G. Spoor
MGS-3	Distribution Costs by Cost Category 2006-2011	Michael G. Spoor
JAK-1	2008 SGS Transmission Reliability Benchmarking Study All Voltages 2005-2007 (3 years)	James A. Keener
JAK-2	FPL Transmission Lines Lightning Outages per 100,000 Strikes	James A. Keener
JAK-3	Transmission Line Bird Outages 1998-2008	James A. Keener
JAK-4	Transmission Vegetation Events 1998-2008	James A. Keener
JAK-5	Transformer Ages Year Ending 2008	James A. Keener
JAK-6	Transmission Circuit Miles Years Since Installation	James A. Keener

KS-1	Projected Total Payroll & Benefits Cost Based on Escalation of 1988 Actuals, 1988 Through 2011	Kathleen Slattery
KS-2	Position to Market (2008 Base Pay)	Kathleen Slattery
KS-3	Projected Total Cash Compensation per Employee Based on Escalation of 1988 Actuals, 1988 Through 2011	Kathleen Slattery
KS-4	FERC Total Salaries & Wages 2007 (pages 1 through 4)	Kathleen Slattery
KS-5	Non-Exempt and Exempt Merit Pay Program Awards, 2005 Through 2008 (pages 1 through 2)	Kathleen Slattery
KS-6	Relative Value Comparison - 2008 Total Benefit Program	Kathleen Slattery
KS-7	Relative Value Comparison - 2008 Active Employee Medical Plan	Kathleen Slattery
KS-8	Average Medical Cost Per Employee 2003-2010	Kathleen Slattery
KS-9	Relative Value Comparison - 2008 Pension & 401(k) Employee Savings Plan	Kathleen Slattery
CAB-1	Operating Company CO_2 Emissions Rates	Christopher A. Bennett
CAB-2	Six Sigma DMAIC Process Map	Christopher A. Bennett
CRC-1	Depreciation Study	C. Richard Clarke
CRC-2	List of Public Utility Commissions where I have testified and issues that I addressed	C. Richard Clarke
KO-1	Minimum Filing Requirements (MFR's) & Schedules Sponsored and Co-sponsored by Kim Ousdahl	Kim Ousdahl
KO-2	MFR A-1 for the 2010 Test Year	Kim Ousdahl
KO-3	Listing of MFR's & Schedules Directly Supporting Requested Revenue Increase	Kim Ousdahl

KO-4	2010 and 2011 ROE Calculation Without Rate Relief	Kim Ousdahl
KO-5	MFR A-1 for the 2011 Subsequent Year	Kim Ousdahl
KO-6	Base Rate Recovery Formula for Nuclear Uprates	Kim Ousdahl
KO-7	Depreciation Expense Reconciliation from Forecast to Proposed Amount	Kim Ousdahl
KO-8	FPL's 2009 Dismantlement Study	Kim Ousdahl
KO-9	FPL's Cost Allocation Manual	Kim Ousdahl
KO-10	NARUC Cost Allocation and Affiliate Transaction Guidelines	Kim Ousdahl
SPH-1	Storm Loss Analysis and Reserve Performance Analysis	Steven P. Harris
SPH-2	FPL Distribution Asset Concentration by County and Hurricane Strikes by County 1900-2007	Steven P. Harris
SPH-3	Category 3 Hurricane Landfalls and Mean Damage to T&D Compared to $150 Million Annual Accrual Case	Steven P. Harris
WEA-1	Qualifications of William E. Avera	William E. Avera
WEA-2	Yield Spreads – Corporate Bonds v. Treasuries	William E. Avera
WEA-3	CBOE VIX Index – One Month Moving Average	William E. Avera
WEA-4	Average Public Utility Bond Yield	William E. Avera
WEA-5	20-Year Treasury Bond Yields / Utility Bond Yield Spread	William E. Avera
WEA-6	Comparison of Proxy Group Risk Indicators	William E. Avera
WEA-7	DCF Model – Utility Proxy Group	William E. Avera
WEA-8	Sustainable Growth Rate – Utility Proxy Group	William E. Avera
WEA-9	DCF Model – Non-Utility Proxy Group	William E. Avera

WEA-10	Sustainable Growth Rate – Non-Utility Proxy Group	William E. Avera
WEA-11	Forward-looking CAPM – Utility Proxy Group	William E. Avera
WEA-12	Forward-looking CAPM – Non-Utility Proxy Group	William E. Avera
WEA-13	Expected Earnings Approach	William E. Avera
WEA-14	FPL Adjusted Capital Structure	William E. Avera
WEA-15	Capital Structure – Electric Utility Operating Cos.	William E. Avera
WEA-16	Capital Structure – Utility Proxy Group	William E. Avera
WEA-17	Endnotes to Direct Testimony of William E. Avera	William E. Avera
AP-1	Historical Credit Spreads	Armando Pimentel
AP-2	Capital Investment and Generation Capacity Additions	Armando Pimentel
AP-3	Market Capitalization	Armando Pimentel
AP-4	U.S. High Grade Credit Facilities	Armando Pimentel
AP-5	Credit Spreads Since 2005	Armando Pimentel
AP-6	Historical Capital Expenditures	Armando Pimentel
AP-7	FPL Capital Structure	Armando Pimentel
JAE-1	Summary of Sponsored MFRs	Joseph A. Ender
JAE-2	Summary of Rate Classes Consolidated for Load Research Purposes	Joseph A. Ender
JAE-3	Rate Class Extrapolation Methodology	Joseph A. Ender
JAE-4	Cost of Service Methodology by Component	Joseph A. Ender
JAE-5	Rates of Return and Parity at Present Rates	Joseph A. Ender

JAE-6	Target Revenue Requirements at Proposed Rates	Joseph A. Ender
RBD-1	Summary of Sponsored MFRs	Renae B. Deaton
RBD-2	FPL Typical Residential 1,000 kWh Bill	Renae B. Deaton
RBD-3	Comparison of FPL's Base Rates Versus Change in the Consumer Price Index	Renae B. Deaton
RBD-4	Major Florida Utility Typical Residential Bill Comparisons	Renae B. Deaton
RBD-5	Summary of Current Rate Structures	Renae B. Deaton
RBD-6	Resulting Parity Indices	Renae B. Deaton
RBD-7	Summary of Proposed Rate Structures	Renae B. Deaton
RBD-8	Comparison of GBRA Revenue Requirements and Fuel Savings	Renae B. Deaton
JJR-1	Curriculum Vitae	John J. Reed
JJR-2	Testimony List	John J. Reed
JJR-3	Situational Assessment Rankings	John J. Reed
JJR-4	Productive Efficiency Rankings	John J. Reed
JJR-5	Operational Metrics Rankings	John J. Reed
JJR-6	Benchmarking Workpapers	John J. Reed
JJR-7	FPL 2007 Assessment and Efficiency Tables	John J. Reed
JJR-8	FPL 2007 Combined Rankings	John J. Reed
JJR-9	2007 Greenhouse Gas Emissions Comparison	John J. Reed
JJR-10	Consumer Price Index and Producer Price Index	John J. Reed
JJR-11	Average Weekly Earnings - Electric Utility Employees	John J. Reed

JJR-12	Utility Construction Costs	John J. Reed
Rebuttal Exhibits		
AJO-3 (Rebuttal)	FPL Superior Performance and Value	Armando J. Olivera
RM-12 (Rebuttal)	Summary of Forecasting Variance to Date	Dr. Rosemary Morley
RM-13 (Rebuttal)	Summary of Adjustments to the Forecast	Dr. Rosemary Morley
RM-14 (Rebuttal)	Calculation of the Adjustment for Minimum Use Customers	Dr. Rosemary Morley
RM-15 (Rebuttal)	Monthly Forecast Variance	Dr. Rosemary Morley
REB-21 (Rebuttal)	FPL 2009 O&M Budget Performance	Robert E. Barrett, Jr.
REB-22 (Rebuttal)	FPL 2009 Capital Budget Performance	Robert E. Barrett, Jr.
REB-23 (Rebuttal)	FPL 2008-2010 Non-Fuel O&M Expense Analysis	Robert E. Barrett, Jr.
REB-24 (Rebuttal)	MFR Audit Responses to Issues 4 and 6	Robert E. Barrett, Jr.
MMS-4 (Rebuttal)	Complaints for Florida Investor Owned Utilities	Marlene M. Santos
GKH-10 (Rebuttal)	FPL Combined Cycle Asset Life Comparison	George K. Hardy
GKH-11 (Rebuttal)	FPL Oil & Gas-Fired Steam Asset Life Comparison	George K. Hardy
GKH-12 (Rebuttal)	FPL Coal-Fired Steam Asset Life Comparison	George K. Hardy
KS-10 (Rebuttal)	Endnotes to Rebuttal Testimony of Kathleen Slattery	Kathleen Slattery

CRC-3 (Rebuttal)	Life Spans of Retired US Coal Generating Units, 10 MW or Greater	C. Richard Clarke
CRC-4 (Rebuttal)	Life Spans of Retired US Oil and Gas Steam Generating Units, 10 MW or Greater	C. Richard Clarke
CRC-5 (Rebuttal)	Commission Orders From State of Nevada	C. Richard Clarke
CRC-6 (Rebuttal)	Statistical Analysis, Bulletin 125	C. Richard Clarke
CRC-7 (Rebuttal)	California Standard Practice U-4	C. Richard Clarke
CRC-8 (Rebuttal)	NARUC, Developing an Observed Life Table	C. Richard Clarke
CRC-9 (Rebuttal)	Response to OPC First Set of Interrogatories No. 55	C. Richard Clarke
KO-11 (Rebuttal)	FPSC Summary of Orders on Capital Structure	Kim Ousdahl
KO-12 (Rebuttal)	Capital Structure Adjustments	Kim Ousdahl
KO-13 (Rebuttal)	RS Means/NUS Productivity Factor Comparison	Kim Ousdahl
KO-14 (Rebuttal)	Affiliate Management Fee (AMF) Specific Cost Drivers	Kim Ousdahl
KO-15 (Rebuttal)	Power Generation Division (PGD) MW Capacity	Kim Ousdahl
KO-16 (Rebuttal)	Identified Adjustments	Kim Ousdahl
KMD-1 (Rebuttal)	Effect of Theoretical Reserve Surplus on 2010 Revenue Requirements	K. Michael Davis
KMD-2 (Rebuttal)	Revenue Requirement Impact of Proposed Amortization	K. Michael Davis

KMD-3 (Rebuttal)	Comparison of Book Depreciation Reserve and Theoretical Reserve for Nuclear Uprates	K. Michael Davis
KMD-4 (Rebuttal)	Stranded Investment Recovered from Customers in Other States	K. Michael Davis
AP-8 (Rebuttal)	Unique FPL Risks	Armando Pimentel
AP-9 (Rebuttal)	FPL / Tampa Electric Risk Comparison	Armando Pimentel
AP-10 (Rebuttal)	FPL Test Year Capitalization	Armando Pimentel
AP-11 (Rebuttal)	Historical and Projected Capital Structure	Armando Pimentel
AP-12 (Rebuttal)	Projected Book Capital Structure	Armando Pimentel
AP-13 (Rebuttal)	Impact of 2010 Commission Specific Adjustments	Armando Pimentel
AP-14 (Rebuttal)	Impact of Witness Baudino's Proposed Equity Adjustment	Armando Pimentel
AP-15 (Rebuttal)	Imputed Debt Calculation	Armando Pimentel
AP-16 (Rebuttal)	Short-Term Debt Costs – 30-Day LIBOR Curve	Armando Pimentel
AP-17 (Rebuttal)	Long-Term Debt Cost	Armando Pimentel
JAE-7 (Rebuttal)	Allocation of 2010 and 2011 Production Plant Using Summer Coincident Peak Methodology	Joseph A. Ender
JAE-8 (Rebuttal)	Impact of Summer Coincident Peak Methodology on Rate Class Revenue Requirements	Joseph A. Ender
JAE-9 (Rebuttal)	Impact of Summer Coincident Peak and MDS Methodologies on Rate Class Revenue Requirements	Joseph A. Ender

JAE-10 (Rebuttal)	Factors Contributing to Changes in Rate Class Parities from 2007 to 2010	Joseph A. Ender
JAE-11 (Rebuttal)	Impact of Jurisdictional Transmission Adjustment on Projected 2010 and 2011 Retail Revenue Requirements	Joseph A. Ender
RBD-9 (Rebuttal)	Impacts of Imposing Rate Increase Limitations	Renae B. Deaton
RBD-10 (Rebuttal)	FPL's Bill Lowest in Florida	Renae B. Deaton
JJR-13 (Rebuttal)	Average Customer Savings	John J. Reed
TD-1 (Rebuttal)	Biographical Information for Terry Deason	Terry Deason

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

III. STATEMENT OF BASIC POSITION

Florida Power & Light Company ("FPL") provides superior service at below national average rates. FPL's performance ranks among the very best in the industry in many key categories, including low emissions, conservation, fossil generation availability, and electrical grid reliability. With respect to emission rates, FPL is recognized as a clean-energy company, with one of the lowest emissions profiles among U.S. utilities. FPL also supports greenhouse gas emissions reductions through its industry-leading demand side management programs, which have eliminated the need for the construction and operation of 12 power plants since the inception of these programs in the 1980s. With respect to reliability, FPL's electricity distribution reliability is 45% better than the national average. FPL is working to continue to meet customer expectations by investing to make its infrastructure stronger, smarter, cleaner, more efficient and less reliant on any single source of fuel. To support these investments, and to retain investor confidence in the midst of uncertain and volatile capital markets, FPL is seeking an increase in base rates at this time.

While FPL is mindful of the difficult economy, it is also responsible for making investments in electrical infrastructure which are necessary to meet customer expectations for high-quality service. When FPL's base rate request is combined with projected fuel cost reductions and improvements in fuel efficiency, a typical residential bill will actually be lower in January 2010. Substantial portions of these bill savings are attributable to improvements in fuel efficiency, which are a direct result of the investments FPL has made on behalf of its customers.

FPL has delivered superior service at below national average rates for many years, despite cost pressures generally, and despite the significant investments FPL has made in its infrastructure, in conservation and in cleaner generating sources. FPL bills are also 21% lower than the average electric bill in Florida. This means that the typical residential customer is saving approximately $340 per year, when compared to the Florida average. In fact, FPL's bills are the lowest of all 54 Florida electric utilities. Even with the necessary increases to base rates FPL is requesting, FPL will continue to be a low-cost provider of reliable electric service. And, based on current projections, FPL will continue to compare favorably with other Florida electric utilities.

FPL was last granted a general base rate increase in 1985 and its base rates have been lowered 18% since then. Since 1985, FPL has improved efficiency and performance in all major areas of operations – on an electric system that has experienced an increase in summer peak demand of approximately 98% and an increase in customers of approximately 72%. Essentially, since 1985, FPL has added to its system the equivalent of another large electric utility, constructing the necessary infrastructure and making the corresponding investment. Notwithstanding this massive investment, FPL's base rates today are lower than they were in 1985, despite inflation of almost 100% for the same period. One is hard pressed to think of any other service or commodity that offers such a value.

FPL's base rates were last reviewed by the Commission in 2005. Following the submission of direct and rebuttal testimony, months of discovery, and the review of thousands of pages of information by Commission Staff, the Office of Public Counsel and the other parties, an agreement was reached to hold FPL's base rates flat, providing only for necessary and limited increases to accommodate expenditures associated with the development of planned generation to meet Florida's expanding requirements. Prior to that agreement, FPL actually agreed to lower its retail base rates: the Company implemented a $350 million base rate decrease in 1999 and another $250 million decrease in 2002. Additionally, FPL provided refunds of more than $220 million, resulting in a total of approximately $6 billion in direct savings to customers through the end of 2008. These base rate reductions were made possible by a combination of historic sales growth and productivity improvements.

The performance of FPL's generating units has been a major contributor to FPL's ability to control its base rates. As a result of the performance and availability of the Company's existing generating units over an extended period of time, FPL has been able to defer the need for new capacity, resulting in significant benefits and cost savings to customers. FPL's highly efficient generating fleet has also provided $3 billion in fuel savings to FPL's customers since 2002, and is expected to provided $1 billion in fuel savings per year beginning in 2014. Another key to lower base rates has been the initiative and effort of FPL's management and employees to control the Company's non-fuel operations and maintenance ("O&M") expenses. Since 1985, the Company has succeeded in lowering its non-fuel O&M expenses per kWh by more than 22%, despite the fact that the number of customers served increased by approximately 72%. This success in controlling O&M costs helped make it possible for the Company to lower base rates in 1999 and 2002 and forego a requested increase in 2005. While FPL has achieved and will continue to drive for productivity efficiencies in all aspects of its operations, operational efficiencies alone will not be sufficient to cover the dramatic decline in sales growth coupled with the significant increase in costs the Company is facing over the next several years.

FPL has aggressively responded to the recent economic downturn by revising its capital expenditure plans. The result of those actions has been a reduction in capital expenditures of nearly $530 million in 2008, with more than $400 million in additional reductions planned for 2009. This effort will result in a reduction in projected rate base for 2010 of approximately $930 million and has reduced the associated revenue requirements in 2010 by $130 million. Despite these efforts, a significant level of spending is and will continue to be necessary in order to meet customers' service requirements.

Storm restoration costs are another part of the cost of providing electric service in hurricane-prone Florida, and insurance for such losses for the transmission and distribution system is not available. Prior to the 2005 base rate settlement, FPL was authorized to fund its reserve for storm and other property-related losses through an annual accrual. Relying on customers to pay for storm restoration costs after the fact through a surcharge would place an additional cost burden on customers when they may already be incurring costs to repair their homes from storm damage, and also can produce greater rate uncertainty for customers. Even state governments could be financially constrained and unable to support the reconstruction of infrastructure or assist state residents. Perhaps most important, in the current volatile and constrained credit markets where access to capital has become more difficult, expensive, and subject to more constraining terms, the ability of financial institutions to meet lending commitments can be compromised, and exclusive reliance on access to such funds is misplaced. Thus, the Company should have the immediate liquidity on hand to ensure it can access resources on a timely basis, promoting timely restoration of electric service. These objectives can be addressed by including in FPL's cost of service an amount reflecting an average annual expected loss due to storm restoration costs. FPL has commissioned a detailed loss analysis by a catastrophic risk management expert, which provides the basis for its requested annual accrual of $150 million. Surcharges will still play an important role in handling the restoration costs for large storms that exceed the annual expected loss value and the accumulated balance in the storm fund, but the Company's base rates also should be adjusted to include an expected level of storm restoration costs as a natural element of the cost of electric service in Florida.

Based on FPL's most recent depreciation study – which studies are performed every four years – FPL's depreciation reserve is in a surplus position relative to the current calculation of theoretical reserve requirements. This depreciation reserve surplus results in a direct and substantial benefit to FPL's customers: the required rate increase for 2010 is $216 million lower than it would be without the surplus. And FPL has achieved this benefit for customers without any increase in rates over the years to recover additional depreciation expense. Consistent with FPL's and this Commission's practice, FPL proposes to amortize the surplus over the remaining lives of the assets to which the surplus relates. Using FPL's remaining-life approach – rather than drastically accelerating amortization of the surplus as proposed by interveners – results in stable rates, avoids the prospect of severe rate shock when the accelerated amortization comes to an end, and is less expensive for customers in the long run.

Finally, FPL's request will give the Company an opportunity – but not a guarantee – to earn a reasonable and adequate return on its investment. A variety of FPL-specific risks must be taken into account in this determination. These company specific risks include, among other things, FPL's particular vulnerability to hurricanes (due to its largely coastal service area), its dependence on natural gas as a fuel source, and its pursuit of the option of new nuclear generation, as well as ownership of existing nuclear generation. Also important in this consideration is the current economic environment – and its effect on investor risk perceptions and expectations, the cost of debt capital, and the qualitative benefits of a strong financial position. It is clear that a strong financial position benefits customers by ensuring that the Company has access to debt and equity markets and that such access is at a reasonable cost with reasonable terms. Indeed, these benefits are evident in FPL's comparatively low customer bills. For customers to continue to realize these benefits it is necessary that the Company be afforded the opportunity to earn a fair return on its investment and maintain a strong capital structure.

For all the reasons discussed above, and as presented in the testimony, exhibits, and minimum filing requirements filed in support of this request, FPL is respectfully requesting an increase in base rates and charges that will produce an increase in total annual base revenues of $1.044 billion beginning January 2010, and a subsequent year adjustment to produce an increase in total annual base revenues of $247.4 million beginning January 2011. Absent the requested rate relief in 2010 and 2011, the Company projects that it will earn a return on equity of 4.7% in 2010 and 3.1% in 2011.[1] These rates of return are insufficient to support the needs of the Company and its customers. Additionally, FPL is requesting the continued utilization by this Commission of the successful generation base rate adjustment ("GBRA") mechanism to account for the addition of large baseload units, such as West County Energy Center 3, as they enter commercial operation. This mechanism enables FPL to align the customer fuel cost savings achieved by the operation of these units with the necessary base rate revenue requirements thereby sending the appropriate price signals and also avoiding the need for expensive and time-consuming base rate cases.

FPL continues to invest in the electric system serving customers to ensure it can continue to deliver affordable, reliable, clean electricity over the long term. FPL is investing $200 million in 2009 alone to make its system stronger in good weather and bad. FPL is also investing in smart meters and other smart technology that will give customers more control over their bills and improve reliability. These and other investments in cleaner energy sources are strengthening our state's essential infrastructure and helping to secure Florida's energy future. To support these investments, and to retain investor confidence in the midst of uncertain and volatile capital markets, FPL is seeking an increase in base rates at this time.

IV. ISSUES AND POSITIONS

Note: There are disputes concerning the appropriateness of including the issues that appear in italics and, per agreement of Staff and the parties, those disputes are to be brought before the prehearing officer for resolution at the prehearing conference.

[1] The foregoing figures on the required rate increase and earned return on equity for 2010 and 2011 are subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16.

Accordingly, FPL is not stating a position on the disputed issues at this time but will do so following the prehearing conference for any issues that the prehearing officer decides are properly included. Italics within or following an issue reflect Staff notes that appear in the Staff's comprehensive preliminary issue list.

ISSUE 1: Does the Commission have the legal authority to approve a base rate increase using a 2010 projected test year?

FPL: Yes. The Florida Supreme Court determined in *Southern Bell Tel & Tel. Co. v. Public Service Comm'n,* 443 So.2d 92, 97 (Fla. 1983) that "[n]othing in the decisions of this Court or any legislative act prohibits the use of a projected test year by the Commission in setting a utility's rates. We agree with the Commission that it may allow the use of a projected test year as an accounting mechanism to minimize regulatory lag. The projected test period established by the Commission is a ratemaking tool which allows the Commission to determine, as accurately as possible, rates which would be just and reasonable to the customer and properly compensatory to the utility." Consistent with this authority, the Commission's rule on test year notification specifically contemplates the use of a projected test year, and the Commission has permitted the use of projected test years in numerous base rate proceedings. *See* Rule 25-6.140, F.A.C.; *e.g.*, Order No. PSC-09-0283-FOF-EI, Docket No. 080317-EI, dated April 30, 2009 (2008 TECO rate case); Order No. PSC-05-0945-S-EI, Docket No. 050078-EI, dated September 28, 2005 (2005 Progress Energy Florida's rate case); Order No. PSC-05-0902-S-EI, Docket No. 050045-EI, dated September 14, 2005 (2005 FPL rate case); Order No. 13537, Docket No. 830465-EI, dated July 24, 1984 (1983 FPL rate case). (Legal Issue)

Proposed: *Whether the FPSC has jurisdiction under Florida law at Sections 366.06(1) and 367.08(2) to consider FPL's petition for a rate increase based on FPL's projected 2010 test-year period of the 12 –months starting January 1, 2010 and ending December 31, 2010 supported by future speculative projections of costs and investments used and useful in the public service? (Saporito)*

ISSUE 2: Is FPL's projected test period of the 12 months ending December 31, 2010, appropriate?

FPL: Yes. The Company is currently operating under the 2005 Stipulation and Settlement Agreement (Rate Settlement) that expires at December 31, 2009. The Company's petition requests an increase in base rates at the expiration of the Rate Settlement, effective January 4, 2010. Accordingly, 2010 is the most appropriate year to evaluate the Company's projected revenue requirement to afford the appropriate match between revenues and revenue requirements for 2010. Also, this test year coincides with the commencement in 2010 of new depreciation rates, pursuant to the comprehensive depreciation study the Company has filed in conjunction with this proceeding. (Barrett, Reed)

ISSUE 3: Are FPL's forecasts of customers, kWh, and kW by rate classes for the 2010 projected test year appropriate?

FPL: Yes. The 2010 forecast of customers, kWh, and kW by rate class are consistent with the sales and customer forecast by revenue class and reflect the particular billing determinants specified in each rate schedule. (Morley, Hanser, Deaton)

2011 PROPOSED SUBSEQUENT YEAR TEST PERIOD

ISSUE 4: Does the Commission have the legal authority to approve a subsequent year base rate adjustment using a 2011 projected test year?

FPL: Yes. Section 366.076(2), Florida Statutes, and Rule 25-6.0425, F.A.C., expressly authorize subsequent year adjustments. Moreover, nothing in the Florida Supreme Court's discussion of the Commission's authority to use projected test years in *Southern Bell Tel & Tel. Co. v. Public Service Comm'n,* 443 So.2d 92 (Fla. 1983) restricts the time period that may be used for the projected test year. The Commission clearly has authority under *Southern Bell* to approve a rate increase to go into effect in 2011, based on a 2011 test year. The authority to grant a subsequent year adjustment was confirmed by the Court in *Floridians United for Safe Energy, Inc. v. Public Service Comm'n,* 475 So. 2d 241 (Fla. 1985). (Legal Issue)

Proposed: *Whether the FPSC has jurisdiction under Florida law at Sections 366.06(1) and 367.08(2) to consider FPL's petition for a rate increase based on FPL's projected 2011 test-year period of the 12-months starting January 1, 2011 and ending December 31, 2011 supported by future speculative projections of costs and investments used and useful in the public service? (Saporito)*

ISSUE 5: Should the Commission approve in this docket FPL's request to adjust base rates in January 2011?

FPL: Yes. As discussed in Issue 4, the Commission has statutory and rule authority to approve subsequent year adjustments. On numerous previous occasions, the Commission has granted subsequent year rate relief. *See, e.g.*, Order No. PSC-09-0283-FOF-EI, Docket No. 080317-EI, dated April 30, 2009 (2008 TECO rate case); Order No. PSC-93-0165-FOF-EI, Docket No. 920324-EI, dated February 2, 1993 (1992 TECO rate case); Order No. PSC-92-1197-FOF-EI, Docket No. 910890-EI, dated October 22, 1992 (1991 Florida Power Corporation rate case); Order No. 13537, Docket No. 830465-EI, dated July 24, 1984 (1983 FPL rate case). A subsequent year adjustment in 2011 is an accepted and recognized method of addressing FPL's increasing costs and earnings deterioration in 2011. (Olivera, Barrett, Deason)

ISSUE 6: Is FPL's projected subsequent year test period of the 12 months beginning January 1, 2011 and ending December 31, 2011, appropriate?

FPL: Yes. The Company has requested an additional increase in base rates effective January 1, 2011 to avoid the need for a lengthy and costly additional base rate proceeding in 2010 and to mitigate a significant decline in the Company's financial performance. Without the additional rate adjustment, the Company's return on equity is projected to decline from 12.5% in 2010 to 10.7% in 2011. The Company's forecast of 2011 revenue requirements was developed, reviewed and approved using the same rigorous process as was used for the 2010 test year. It is reasonable and reliable for setting rates. (Barrett, Reed)

ISSUE 7: Are FPL's forecasts of customers, kWh, and kW by rate classes for the 2011 projected test year appropriate?

FPL: Yes. The 2011 forecast of customers, kWh, and kW by rate class are consistent with the sales and customer forecast by revenue class and reflect the particular billing determinants specified in each rate schedule. (Morley, Hanser, Deaton)

GENERATION BASE RATE ADJUSTMENT

ISSUE 8: Should the Commission approve a Generation Base Rate Adjustment (GBRA) which would authorize FPL to increase base rates for revenue requirements associated with new generating addition approved under the Power Plant Siting Act, at the time they enter commercial service?

FPL: Yes. The GBRA is a proven and efficient regulatory ratemaking tool, and aligns the timing of the fuel price reductions with the required base increase thereby sending customers the appropriate price signals. Its use will avoid costly and lengthy rate proceedings to recognize in rates the costs of new generation, the need for which has been reviewed and approved by the Commission in a need proceeding. (Olivera, Barrett, Ousdahl, Deason)

ISSUE 9: If the Commission approves a GBRA for FPL, how should the cost of qualifying generating plant additions be determined?

FPL: If the Commission approves FPL's request to extend the Generation Base Rate Adjustment (GBRA) mechanism, the cost of qualifying generator plant additions should be determined in accordance with the process currently in place by virtue of the Commission's Order No. PSC-05-0902-S-EI approving the 2005 settlement agreement. (Ousdahl)

ISSUE 10: Note: Staff's composite preliminary exhibit list struck the issue that had been identified as Issue 10 and did not renumber.

ISSUE 11: If the Commission approves a GBRA for FPL, how should the GBRA be designed?

FPL: The GBRA should be designed based on Order No. PSC-05-0902-S-EI approving the Stipulation and Settlement and paragraph 17 of the stipulation and settlement, as described in the direct testimony of FPL witness Deaton. (Deaton)

ISSUE 12: If the Commission approves a GBRA for FPL, should the maximum amount of the base rate adjustment associated with a qualifying generating facility be limited by a consideration of the impact of the new generating facility on FPL's earned rate of return ("earnings test")? If so, what are the appropriate financial parameters of the test, and how should the earnings test be applied?

FPL: No. The GBRA is designed to appropriately recover the base revenue requirements of a "qualifying generating facility" that is not reflected in base rates when it enters commercial operation. This mechanism allows for proper matching of fuel benefits, which are adjusted automatically through the fuel adjustment clause, with the base revenue requirements incurred to enable those fuel benefits thereby sending proper price signals to customers. The GBRA revenue requirements include the appropriate rate of return as determined by the Commission, thereby ensuring the appropriate level of earnings for the plant. This helps to ensure the appropriate level of earnings for the plant. The Company's overall level of earnings is appropriately reviewed by the Commission through its surveillance process. (Barrett)

ISSUE 13: If the Commission determines it appropriate to adopt the use of a GBRA mechanism, how should FPL be required to implement the GBRA?

FPL: The GBRA should be implemented on the same basis as was utilized in the Turkey Point Unit 5 filing in Docket No. 060001-EI and the WCEC units 1 and 2 filing in Docket No. 080001-EI as described in the direct testimony of FPL witness Deaton. (Deaton)

ISSUE 14: If the Commission chooses not to approve the continuation of the GBRA mechanisms, but approves the use of the subsequent year adjustment, what is the appropriate adjustment to FPL's rate request to incorporate the revenue requirements reflected in the West County Unit 3 MFR Schedules?

FPL: If FPL is denied its request for GBRA, the estimated first year revenue requirements, as shown on the West County Energy Center Unit 3 schedules filed in this proceeding, would need to be reflected in the subsequent year adjustment request for 2011. (Ousdahl)

JURISDICTIONAL SEPARATION

ISSUE 15: Does FPL's methodology of including its transmission-related investment, costs, and revenues of its non-jurisdictional customers when calculating retail revenue requirements properly and fairly identify the retail customers appropriate revenue responsibility for transmission investment? If no, then what adjustments are necessary?

FPL: FPL does not oppose OPC's method of addressing transmission related costs and revenues for long-term firm non-jurisdictional transmission service contracts. As detailed in the Rebuttal Testimony of FPL witness Ender, Exhibit JAE-11, jurisdictional rate base should be reduced by $261,720,000 and $286,794,000 for the 2010 Test Year and 2011 Subsequent Year Adjustment, respectively; jurisdictional NOI should be reduced by $6,867,000 and $7,161,000 for the 2010 Test Year and 2011 Subsequent Year Adjustment, respectively. As a result, jurisdictional revenue requirements should be reduced by $22,975,000 for the 2010 Test Year and $26,615,000 for the 2011 Subsequent Year Adjustment. This adjustment is listed on FPL witness Ousdahl's Exhibit KO-16. FPL believes that this issue can be stipulated. (Ender)

ISSUE 16: What is the appropriate jurisdictional separation of costs and revenues between the wholesale and retail jurisdictions?

FPL: Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the appropriate jurisdictional separation of costs and revenues between the wholesale and retail jurisdictions is that filed by FPL. The separation factors filed by FPL were developed consistent with the Commission-provided instructions of MFR E-1 and with the methodology used in the Company's clause adjustment fillings and surveillance reports. (Ender)

QUALITY OF SERVICE

<u>ISSUE 17</u>: Is the quality and reliability of electric service provided by FPL adequate?

<u>FPL</u>: Yes. FPL has delivered superior reliability and excellent customer service. FPL's fossil fleet continues to be among the industry leaders for reliability, availability, and generating efficiency, while reducing emissions through the use of cleaner, highly efficient combined cycle technology. The operational reliability and performance of FPL's Nuclear Generation has ranged from excellent to average compared to other utilities in the area of quality of service. Distribution reliability, as measured by System Average Interruption Duration Index (SAIDI), has been the best among major Florida investor owned utilities for four out of the last six years and for the last decade has been, on average, 45% better than the Edison Electric Institute (EEI) industry average. Transmission SAIDI has been among the best in the industry, delivering top decile or best in class performance in two of the last four years. FPL's Customer Service performance has been in the top quartile for Care Center, Billing and Payment Processing in national benchmarking studies of operational effectiveness and efficiency and has been awarded the ServiceOne Award, which recognizes utilities that provide exceptional service to their customers, for five years in a row. (Santos, Spoor, Keener, Hardy, Stall, Bennett)

<u>DEPRECIATION STUDY</u>

<u>ISSUE 18</u>: Should the current-approved depreciation rates, capital recovery schedules, and amortization schedules be revised?

<u>FPL</u>: Yes, they should be revised based on the results of FPL's 2009 Depreciation Study and subject to the depreciation adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl, Davis, Clarke, Deason, Hardy)

<u>ISSUE 19</u>: What are the appropriate depreciation rates, capital recovery schedules, and amortization schedules?

<u>FPL</u>: The appropriate depreciation rates, capital recovery schedules, and amortization schedules are incorporated in the depreciation study FPL filed on March 17, 2009, subject to the depreciation adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Clarke, Ousdahl, Davis, Deason, Hardy)

<u>ISSUE 20</u>: *INTENTIONALLY BLANK*

<u>ISSUE 21</u>: *Is FPL's proposed accelerated capital recovery appropriate? FIPUG*

ISSUE 22: *What life spans should be used for FPL's coal plants? FIPUG*

ISSUE 23: *What life spans should be used for FPL's combined cycle plants? FIPUG*

ISSUE 24: *What are the appropriate depreciation rates? City SD*

ISSUE 25: *Has FPL applied appropriate life spans to categories of production plant when developing its proposed depreciation rates? (Note: To date, the parties have identified the following categories of production plant as sub issues)*

Coal-fired production units
Large steam oil or gas-fired generating facilities
Combined cycle generating facilities OPC

ISSUE 26: *Has FPL applied the appropriate methodology to calculate the remaining life of production units? OPC*

ISSUE 27: *Has FPL appropriately quantified the level of interim retirements associated with production units? If not, what is the appropriate level, and what is the related impact on depreciation expense for generating facilities? OPC*

ISSUE 28: *Has FPL incorporated the appropriate level of net salvage associated with the interim retirements that are estimated to transpire prior to the final termination of a generating station or unit? If not, what is the appropriate level? OPC*

ISSUE 29: *Has FPL quantified the appropriate level of terminal net salvage in its request for dismantlement costs? If not, what is the appropriate level? OPC*

ISSUE 30: *Has FPL applied appropriate life characteristics (curve and life) to each mass property account (transmission, distribution, and general plant) when developing its proposed depreciation rates?*
(Note: To date, the parties have identified the following accounts as sub issues)

a. 350.2 Transmission Easements
b. 353 Transmission Substation Equipment
c. 353.1 Transmission Substation Equipment Step-Up Transformers
d. 354 Transmission Towers & Fixtures
e. 356 Transmission Overhead Conductor

f. 359 Transmission Roads and Trails
g. 362 Distribution Substation Equipment
h. 364 Distribution Poles, Towers & Fixtures OPC

ISSUE 31: *Has FPL applied appropriate net salvage levels to each mass property (transmission, distribution, and general plant) account when developing its proposed depreciation rates? (Note: To date, the parties have identified the following accounts as sub issues)*

a. 353 Transmission Station Equipment
b. 354 Transmission Tower & Fixtures
c. 355 Transmission Poles & Fixtures
d. 356 Transmission Overhead Conductors
e. 364 Distribution Poles, Towers & Fixtures
f. 365 Overhead Conductors & Devices
g. 366.6 Underground Conduit – Duct System
h. 367.6 Underground Conductor – Duct System
i. 368 Distribution Line Transformers
j. 369.1 Distribution Services – Overhead
k. 369.7 Distribution Services – Underground
l. 370 Distribution Meters
m. 370.1 Distribution Meters – AMI
n. 390 General Structures & Improvements OPC

ISSUE 32: *What are the appropriate depreciation rates for FPL, and what amount of annual depreciation expense should the Commission include in Docket 080677-EI for ratemaking purposes? OPC*

ISSUE 33: Based on the application of the depreciation parameters that the Commission has deemed appropriate to FPL's data, *and a comparison of the theoretical reserves to the book reserves,* what are FPL's *theoretical* reserve imbalances?

FPL: Based on the application of depreciation rates and principles previously approved by the Commission, FPL's theoretical reserve imbalances are those identified in the depreciation study filed in March of 2009, which total $1.245 billion. (Clark, Davis)

ISSUE 34: What, if any, corrective reserve measures should be taken with respect to the theoretical reserve imbalances identified in the prior issue?

FPL: The theoretical reserve surplus should be addressed through the Commission's long established policy of using the remaining life depreciation methodology. Under that methodology, the theoretical reserve surplus is reducing revenue requirements by $216 million per year. Any further reductions from accelerating amortization of the theoretical reserve surplus would come at the cost of larger, long-term increases in costs to be borne by customers. (Davis, Deason, Clarke)

ISSUE 35: *What steps should the Commission take to restore generational equity? FIPUG*

ISSUE 36: *What considerations and criteria should the Commission take into account when evaluating the time frame over which it should require FPL to amortize the depreciation reserve imbalances that it determines in this proceeding? OPC*

ISSUE 37: *What would be the impact, if any, of the parties' respective proposals with respect to the treatment of the depreciation reserve imbalances on FPL's financial integrity? OPC*

ISSUE 38: *What is the appropriate disposition of FPL's depreciation reserve imbalances? OPC*

ISSUE 39: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

FPL: The implementation date should be January 4, 2010. (Ousdahl, Davis)

FOSSIL DISMANTLEMENT COST STUDY

ISSUE 40: Should the current-approved annual dismantlement provision be revised?

FPL: Yes. The current-approved annual dismantlement accrual is $15,321,113. It should be increased to $21,567,577 based on FPL's 2009 dismantlement filing. (Ousdahl)

ISSUE 41: What, if any, corrective reserve measures should be approved?

FPL: The reserve reallocations requested by Florida Power & Light Company in its fossil dismantlement study (see Exhibit KO-8, pages 3 and 4 of 423) should be approved. (Ousdahl)

ISSUE 42: What is the appropriate annual provision for dismantlement?

FPL: The appropriate annual provision for dismantlement is $21,567,577 based on FPL's 2009 dismantlement filing. (Ousdahl)

ISSUE 43: Does FPL employ reasonable depreciation parameters and costs when it assumes that it must restore all generation sites to "greenfield" status upon their retirement?

FPL: Yes. FPL's history of dismantling power plants includes partial dismantlement associated with re-powerings. However, as the Commission noted in Order No. 24741: "While the timing of ultimate removal certainly could remain a question, there will undoubtedly come a time this action will become necessary and site restoration will likewise be required." (Ousdahl)

ISSUE 44: In future dismantlement studies filed with the Commission, should FPL consider alternative demolition approaches? *May be stipulated.*

FPL: FPL consistently considers the appropriateness of alternative demolition approaches in its studies. (Ousdahl)

RATE BASE

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 45: Has the Company removed all non-utility activities from rate base? (May remove issue, OPC to let parties know.)

FPL: Yes. All non-utility activities have been appropriately removed from rate base. (Ousdahl, Barrett)

ISSUE 46: Should the net over-recovery/under-recovery of fuel, capacity, conservation, and environmental cost recovery clause expenses be included in the calculation of working capital allowance for FPL?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: No. Both over-recoveries and under-recoveries should be removed from rate base, because they both pay or earn a return through the appropriate cost recovery clause mechanism. (Ousdahl)

ISSUE 47: Are the costs associated with Advanced Metering Infrastructure (AMI) meters appropriately included in rate base?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL has been focused on AMI solutions for several years, and has a deployment plan in place to install "Smart Meters" for over four million residential and small/medium business customers. The costs associated with AMI are based on this deployment plan and have been properly included in rate base for 2010 and 2011. (Santos)

ISSUE 48: *Is FPL's proposed base rate adjustment formula regarding the application of the Commission's Nuclear Cost Recovery Rule appropriate? (My notes reflect this issue and issue 59 were the same and moved to Other Issues section) *City SD*

ISSUE 49: *Should FPL's estimated plant in service be reduced to reflect the actual capital expenditures implemented in 2009 on an annualized basis carried forward into the projected test Year(s) and for reductions of a similar magnitude?*

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year? SFHHA

ISSUE 50: Are FPL's requested levels of Plant in Service appropriate?

A. For the 2010 projected test year in the amount of $28,288,080,000?

B. If applicable, for the 2011 subsequent projected test year in the amount of $29,599,965,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 requested levels of Plant in Service are appropriate. (Barrett)

Whether FPL's petition for a rate increase is prudent and necessary to make investments used and useful in the public service? (Saporito's version of issue)

ISSUE 51: Are FPL's requested levels of accumulated depreciation appropriate?

A. For the 2010 projected test year in the amount of $12,590,521,000?

B. If applicable, for the 2011 subsequent projected test year in the amount of $13,306,984,000?

FPL: Yes, the accumulated depreciation reserves for the projected and subsequent projected test years, 2010 and 2011, are appropriate, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl, Barrett)

ISSUE 52: Is FPL's proposed adjustment to CWIP for the Florida EnergySecure Line (gas pipeline) appropriate?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. On January 1, 2010 the pipeline should be transferred from the deferred debit account to CWIP and AFUDC will be recorded thereafter. (Ousdahl)

ISSUE 53: Has FPL removed any Environmental Cost Recovery Clause (ECRC) capital cost recovery items from the ECRC and placed them into rate base?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: No. FPL has not removed any ECRC capital cost recovery items from the ECRC and placed them in base rates. (Ousdahl)

ISSUE 54: Should FPL be permitted to record in rate base the incremental difference between Allowance for Funds Used During Construction (AFUDC) permitted by Section 366.93, F.S. for nuclear construction and FPL's most currently approved AFUDC for recovery when the nuclear plants enter commercial operation? *This issue will be decided in a different docket.*

FPL: FPL understands that no position is necessary because this issue will be decided in a different docket.

ISSUE 55: Are FPL's requested levels of Construction Work in Progress (CWIP) appropriate?

A. For the 2010 projected test year in the amount of $707,530,000?
B. If applicable, for the 2011 subsequent projected test year in the amount of $772,484,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 requested levels of CWIP are appropriate. (Barrett)

ISSUE 56: Are FPL's requested levels of Property Held for Future Use appropriate?

A. For the 2010 projected test year in the amount of $74,502,000?
B. If applicable, for the 2011 subsequent projected test year in the amount of $71,452,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 requested levels of Property Held for Future Use are appropriate. (Barrett)

ISSUE 57: Should any adjustments be made to FPL's fuel inventories? *(may be removed pending staff review of discovery)*

FPL: No. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 projections of FPL's fuel inventories are appropriate. (Barrett)

ISSUE 58: Is FPL's proposed accrual of Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel appropriate?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL's proposed accruals are appropriate for the 2010 and 2011 projected test years. Amounts are in accordance with the Commission order No. PSC-02-055-PAA-EI and consistent with prior Commission findings. The proposed adjustment as set forth in witness Ousdahl's direct testimony pages 27 and 28 should be approved. (Ousdahl)

ISSUE 59: Should nuclear fuel be capitalized and included in rate base due to the dissolution of FPL Fuels, Inc.?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. The nuclear fuel assets should be included in rate base like any other investment providing utility service to customers. (Ousdahl, Pimentel)

ISSUE 60: Are FPL's requested levels of Nuclear Fuel appropriate?

A. For the 2010 projected test year in the amount of $374,733,000?
B. If applicable, for the 2011 subsequent projected test year in the amount of $408,125,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 requested levels of Nuclear Fuel are appropriate. (Barrett, Ousdahl)

ISSUE 61: Should the unamortized balance of the FPL Glades Power Park (FGPP) be included in rate base?

FPL: Yes. In Order No. PSC-09-0013-PAA-EI, Docket No. 070432-EI, issued on January 5, 2009, the Commission granted FPL recovery of these costs and provided for amortization of $34.1 million of these costs over a five-year period beginning on January 1, 2010. (Ousdahl)

ISSUE 62: Are FPL's requested levels of Working Capital appropriate?

A. For the 2010 projected test year in the amount of $209,262,000?
B. If applicable, for the 2011 subsequent projected test year in the amount of $335,360,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 requested levels of Working Capital are appropriate. (Barrett)

ISSUE 63: Is FPL's requested rate base appropriate?

A. For the 2010 projected test year in the amount of $17,063,586,000?
B. If applicable, for the 2011 subsequent projected test year in the amount of $17,880,402,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 requested rate base amounts are appropriate. (Barrett)

COST OF CAPITAL

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 64: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: The appropriate amount of accumulated deferred income taxes to be included in the capital structure on a total Company basis is $3,351,931,000 and on a jurisdictionally adjusted basis is $2,723,327,000 for the 2010 projected test year. For the projected 2011 subsequent test year, the total Company basis is $3,417,608,000 and the jurisdictionally adjusted basis is $2,655,102,000. These amounts are subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16 for the 2010 and 2011 test and subsequent years. (Ousdahl, Pimentel)

<u>ISSUE 65</u>: *Should FPL be required to use the entire amount of customer deposits and ADIT related to utility rate base in its capital structure? SFHHA*

<u>ISSUE 66</u>: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

<u>FPL</u>: The appropriate amount for the unamortized investment tax credits to be included in the capital structure on a total Company basis is $63,939,000 and on a jurisdictionally adjusted basis is $56,983,000 for the 2010 projected test year. For the 2011 subsequent projected test year, the total Company basis is $191,748,000 and the jurisdictionally adjusted basis is $161,290,000. The appropriate cost rate to be used for unamortized investment tax credits is 9.74% for 2010 and 9.77% for 2011. These amounts and the cost rates are subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16 for the 2010 and 2011 test and subsequent years. (Ousdahl, Pimentel)

<u>ISSUE 67</u>: What is the appropriate cost rate for short-term debt?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

<u>FPL</u>: The appropriate cost rate for short-term debt for the 2010 test year is 2.96% and for the 2011 subsequent projected test year is 4.61%, which includes both interest charges related to commercial paper borrowings based on the 30 day forward LIBOR curve as of November 30, 2008 and fixed costs related to maintaining back-up credit facilities to support FPL's commercial paper program. (Pimentel)

<u>ISSUE 68</u>: What is the appropriate cost rate for long-term debt?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

<u>FPL</u>: The appropriate cost rate for long-term debt is 5.55% for 2010 and 5.81% for 2011. It is calculated by taking the weighted average cost rate of the Company's existing debt and projected debt offerings in 2009, 2010 and 2011. The projected debt issuances for 2009, 2010 and 2011 utilized projected rates derived from the Blue Chip Financial Forecasts. (Pimentel)

<u>ISSUE 69</u>: Have rate base and capital structure been reconciled appropriately?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 rate base and capital structure have been reconciled appropriately. (Ousdahl)

ISSUE 70: Has FPL appropriately described the actual 59% equity ratio that it proposes to use for ratemaking purposes as an "adjusted 55.8% equity ratio" on the basis of imputed debt associated with FPL's purchased power contracts?

FPL: The issue, as worded, mischaracterizes the Company's actual capital structure. FPL does not have an actual equity ratio of 59%. Before any Commission Adjustments, FPL's actual equity ratio per books is approximately 55.6% based on a 13 month average as shown on Exhibit AP-12. FPL's regulatory capital structure, which accounts for Commission required specific adjustments, is approximately 59% (investor sources only). In assessing the appropriate capital structure for FPL, it is essential to recognize the debt-equivalence of purchased power obligations, consistent with financial market expectations and impacts. This results in an adjusted equity ratio of 55.8%. FPL is not asking to impute or project equity that is not actually invested in the Company. (Pimentel, Avera, Deason)

ISSUE 71: What is the appropriate equity ratio that should be used for FPL for ratemaking purposes in this case?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: FPL's capital structure should remain at approximately 55.8% equity (as a percentage of investor sources of funds on an adjusted basis). Maintaining FPL's capital structure will indicate to the capital markets the Commission's continued commitment to support the financial integrity of the company and provide the financial flexibility and resilience needed to absorb unexpected financial shocks, such as a substantial hurricane or a credit liquidity crisis as was experienced during the fourth quarter of 2008, as well as to support FPL's estimated $16 billion in capital investment and construction requirements over the next five years. (Pimentel, Avera, Deason)

ISSUE 72: *Do FPL's power purchase contracts justify or warrant any changes to FPL's capital structure in the form of imputed debt or equity for ratemaking purposes?*

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year? *(FIPUG and FRF)*

ISSUE 73: What is the appropriate capital structure for FPL for the purpose of setting rates in this docket?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the proposed capital structure as presented on MFR D-1A for both the 2010 test year and the 2011 subsequent projected test year is appropriate. This existing capital structure has served customers well by helping support high quality service at low rates, while enabling FPL to successfully weather financial challenges such as the impact of major hurricanes and of the recent credit crisis. Maintaining this capital structure will indicate to the capital markets the Commission's continued commitment to support the financial integrity of the Company and provide the ability to attract capital required for FPL to meet its customers' electric service needs. (Pimentel)

ISSUE 74: *Has the fuel adjustment clause decreased FPL's cost of equity and, if so, by how many basis points? City of SD*

ISSUE 75: *Has the nuclear cost recovery clause decreased FPL's cost of equity and, if so, by how many basis points? City of SD*

ISSUE 76: *Has the conservation cost recovery clause decreased FPL's cost of equity and, if so, by how many basis points? City of SD*

ISSUE 77: *Has the environmental cost recovery clause decreased FPL's cost of equity and, if so, by how many basis points? City of SD*

ISSUE 78: *Has the Generation Base Rate Adjustment reduced FPL's cost of equity and, if so, by how many basis points? City of SD*

ISSUE 79: *Is it appropriate to adjust the equity cost rate for flotation costs? OPC*

ISSUE 80: What return on common equity should the Commission authorize in this case?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: The Commission should authorize 12.5% as the return on common equity for both 2010 and 2011. Granting FPL's requested return on equity will appropriately take into account overall utility industry risks, as well as FPL's company-specific risk factors, such as (i) the need to invest $16 billion to provide service over the next five years; (ii) the Company's operation of nuclear plants and development of new nuclear plants; (iii) high exposure to natural gas price volatility and related hedging requirements; and (iv) FPL's uniquely high level of hurricane risk exposure both in terms of geographical distribution of assets and likelihood of hurricane strikes. Granting FPL's requested return on common equity is critical to maintaining FPL's financial strength and flexibility, and will help FPL attract the large amounts of capital that are needed to serve its customers on reasonable terms. (Pimentel, Avera)

ISSUE 81: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the weighted average cost of capital is 8.00% for 2010 and 8.18% for 2011. The associated components, amounts and cost rates are reflected in FPL's MFR D-1a for the 2010 and 2011. (Pimentel, Ousdahl)

NET OPERATING INCOME

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 82: What are the appropriate inflation, customer growth, *and other trend factors* for use in forecasting?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: The appropriate inflation, customer growth and other trend factors for use in forecasting for the 2010 projected test year and the 2011 subsequent projected test year are those provided in MFR F-8. These factors shown in MFR F-8 were appropriately developed and represent reasonable expectations regarding inflation, customer growth and other trend factors. (Morley, Barrett)

ISSUE 83: Should FPL's proposal to transfer capacity charges and capacity-related revenue associated with the St. John's River Power Park from base rates to the Capacity Cost Recovery Clause be approved?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. Capacity charges associated with St. Johns River Power Park (SJRPP) and certain capacity related revenues that are currently in base rates should be removed for year 2010 and 2011 from base rates and included in the capacity clause in order to be consistent with the recovery mechanism for other capacity arrangements and to comply with the Commission's decision in Order No. 25773, Docket No. 910794-EQ. (Ousdahl)

ISSUE 84: Has FPL made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL has made the appropriate test years adjustments to remove fuel revenues and expenses recoverable through the Fuel Adjustment Clause, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

ISSUE 85: Has FPL made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL has made the appropriate test years adjustments to remove conservation revenues and expenses recoverable through the Conservation Cost Recovery Clause, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

ISSUE 86: Has FPL made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL has made the appropriate test years adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

ISSUE 87: Has FPL made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL has made the appropriate test years adjustments to remove environmental revenues and expenses recoverable through the Environmental Cost Recovery Clause, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

ISSUE 88: Should an adjustment be made to operating revenue to reflect the incorrect forecasting of FPL's C/I Demand Reduction Rider Incentive Credits and Offsets?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. The proposed Company adjustment to the 2010 projected test year and the 2011 subsequent projected test year for C/I Demand Reduction Rider Incentive Credits and Offsets is appropriate. These revenues were inadvertently not included in the per books forecast of operating revenues and should be included as a Company adjustment. (Barrett, Ousdahl)

ISSUE 89: Is an adjustment appropriate to FPL's Late Payment Fee Revenues if the minimum Late Payment Charge is approved in Issue (79 right now)?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL has identified that Late Payment Fee revenues should be increased by $751,895 in 2010 and $775,931 in 2011. This adjustment is identified in FPL witness Ousdahl's Exhibit KO-16. No other adjustment is appropriate. (Santos)

ISSUE 90: Are any adjustments necessary to FPL's Revenue Forecast?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: All necessary adjustments to FPL's revenue forecast are listed on FPL witness Ousdahl's Exhibit KO-16. (Deaton, Santos, Barrett)

ISSUE 91: Are FPL's projected levels of Total Operating Revenues appropriate?

A. For the 2010 projected test year in the amount of $4,114,727,000?
B. If applicable, for the 2011 subsequent projected test year in the amount of $4,175,024,000?

FPL: Yes, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, FPL's projected levels of Total Operating Revenues are appropriate for the a) 2010 projected test year and b) the 2011 subsequent projected test year. (Deaton, Santos, Barrett)

ISSUE 92: Has FPL made the appropriate adjustments to remove charitable contributions?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

FPL: Yes. FPL has reflected the amounts applicable to charitable contributions below the line for the projected test year 2010 and for the subsequent test year 2011. Therefore, no adjustment to remove charitable contributions from net operating income is required. (Ousdahl)

ISSUE 93: Should an adjustment be made to remove FPL's contributions recorded above the line for the historical museum?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: No, FPL Historical Museum expenses are properly classified as operating expenses above the line. (Ousdahl)

ISSUE 94: Should an adjustment be made for FPL's Aviation cost for the test year?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

FPL: No. FPL properly forecasted the FPL portion of aviation expenses for the projected and subsequent projected test years. (Ousdahl)

ISSUE 95: Are the cost savings associated with AMI meters appropriately included in net operating income?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes, FPL has included the appropriate cost savings associated with AMI in 2010 and 2011. The savings for AMI only occur as the meters are deployed, and after all components and supporting processes are fully developed, tested and implemented. The testimony of intervenors suggesting savings be in direct proportion to the number deployed by year is unrealistic. (Santos)

ISSUE 96: What is the appropriate level of Bad Debt Expense?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the appropriate level of Bad Debt Expense is:
A. 2010: $32,511,098
B. 2011: $24,592,308 (Santos)

ISSUE 97: Should an adjustment be made to remove the portion of Bad Debt Expense associated with clause revenue that is currently being recovered in base rates and include them as recoverable expenses in the respective recovery clauses?
A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. The Company adjustment proposed removes estimated bad debt expense related to clause revenues from base rates and includes the clause related bad debt expense with the clause revenues giving rise to the bad debt exposure itself. Beginning in 2010, FPL's bad debt expense associated with clause revenue would be recovered through the clauses. The Company adjustment is subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

ISSUE 98: Should an adjustment be made to advertising expenses?
A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

FPL: No. An adjustment is not necessary as advertising expenses included in 2010 and 2011 are utility related and informational, educational or related to consumer safety (Santos)

ISSUE 99: Has FPL made the appropriate adjustments to remove lobbying expenses?
A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

FPL: FPL has reflected the amounts applicable to lobbying expenses below the line for the projected test year 2010 and for the subsequent test year 2011. Therefore, no adjustment to remove lobbying expenses from net operating income is required. (Ousdahl)

ISSUE 100: Are any adjustments necessary to FPL's payroll to reflect the historical average level of unfilled positions and jurisdictional overtime?

FPL: No. FPL's payroll budget is a reasonable projection of what is required for the Company to most efficiently deliver on its commitments to customer service and reliability. FPL's staffing-level forecasts are management's reasonable estimates of what is required to do the work based on optimal staffing levels. Every effort is made to fill the forecast positions, but a number of factors have made it increasingly difficult for the Company to fill all open positions. Among these are the massive fluctuations in the South Florida housing market, limited availability of a technical and engineering related labor force, workforce demographics including growing numbers reaching retirement eligibility, and the fiscal constraints the Company has placed on the competitiveness of its pay and benefits package. All of these factors have historically resulted in the hiring process lagging slightly behind expectations. But this does not mean that the Company does not incur the costs corresponding to the budgeted headcount in ensuring that the budgeted work is completed. FPL's historical experience is that vacancies have resulted in actual gross payroll (including overtime) exceeding the budget projections. This, not headcount, is the appropriate measure of FPL's true costs. (Slattery)

ISSUE 101: Should FPL reduce expenses for productivity improvements given the Company's lower historical rate of growth in payroll costs?

FPL: No. FPL's forecasted productivity, as measured by payroll per customer, included in the 2010 test year and the 2011 subsequent year is reasonable and reflects lower rates of growth than the historic periods of 2006 through 2008. Moreover, total cost performance, rather than performance on only one component of costs, is more important to customer bills. FPL has demonstrated superior cost performance over a sustained period of time with total non-fuel O&M per customer levels that were best-in-class among 27 peer companies over the period 1998-2007 and costs levels about half of that peer group average. FPL's corporate commitment to superior operating efficiency has put the Company in the enviable position of being a low cost provider. FPL cannot reasonably be expected to achieve substantial additional operating cost savings beyond those which it has already achieved through its demonstrated commitment to managing costs. In order to ensure that customers continue to receive the level of service that FPL has historically provided, O&M expenses must be allowed to reflect a level commensurate with the operational improvements necessary to continue to provide exemplary service to customers. (Barrett, Reed)

ISSUE 102: Is it appropriate for FPL to increase its forecasted Operating and Maintenance Expenses due to estimated needs for nuclear production staffing?

FPL: Yes. The requested head count increase represents the number of employees needed to support the level of effort necessary to ensure safe and reliable operations of our nuclear plants. Due to the specialized nature of requirements for nuclear experience, it is imperative that an experienced nuclear operator train its employees. It can take as long as 8-9 years to develop an operator candidate into a senior reactor operator. Additionally, other positions can take 1-3 years to train. FPL will need to hire to forecasted amounts to ensure adequate staffing to prudently plan for attrition and retirements, both of which are inevitable in managing a large workforce. (Stall, Slattery)

ISSUE 103: Should an adjustment be made to FPL's requested level of Salaries and Employee Benefits?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: No. There should be no adjustment to salaries and benefits for either year. The projected level of total compensation and benefits expense for both the 2010 Test and 2011 Subsequent Years is appropriate and reasonable. The reasonableness is demonstrated in a number of ways, including comparison of FPL's salaries to the relevant comparative market, comparison of growth of the total costs to principal inflation indices, comparison of FPL's salary cost and productivity measures to those of similar utilities, and comparison of relative value of benefits programs to other utility and general industry companies. Compensation to employees is a necessary cost of providing safe, efficient and reliable service to customers. As such, 100% of reasonable compensation costs should be included for ratemaking purposes. FPL's overall incentive compensation program aligns shareholder and customer interests. (Slattery, Meischeid, Deason)

ISSUE 104: *Should an adjustment be made to FPL's level of executive compensation?*

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year? (OPC)

ISSUE 105: *Should an adjustment be made to FPL's level of non-executive compensation?*

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year? (OPC)

ISSUE 106: Should an adjustment be made to Pension Expense?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

FPL: No. The pension amounts were estimated from an actuarial calculation for the 2010 and 2011 FPL Group plan costs and related obligations using consistent methodologies and reasonable, supportable assumptions. (Slattery)

ISSUE 107: Is a test year adjustment necessary to reflect FPL's receipt of an environmental insurance refund in 2008?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: No. The original policy was purchased in a non-base rate setting year, and the purchase was never included in FPL's Environmental Cost Recovery Clause (ECRC). The commutation of this AEGIS policy does not represent an accounting gain and should not be treated as anything other than a change in a period cost. (Ousdahl)

ISSUE 108: Is a test year adjustment appropriate to reflect the expected settlement received from the Department of Energy?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. Adjustments to the 2010 and 2011 test years are set forth on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

ISSUE 109: Should adjustments be made for the net operating income effects of transactions with affiliated companies for FPL?

FPL: The only appropriate adjustment is to correct affiliate payroll loadings. That adjustment is listed on FPL's witness Ousdahl's Exhibit KO-16. (Ousdahl)

ISSUE 110: Is *an adjustment appropriate to the allocation factor for FPL Group's executive costs? OPC*

ISSUE 111: Are any adjustments necessary to FPL's Affiliate Management Fee Cost Driver allocation factors? OPC

ISSUE 112: Are any adjustments necessary to FPL's Affiliate Management Fee Massachusetts Formula allocation factors? OPC

ISSUE 113: Are any adjustments necessary to the costs charged to FPL by FiberNet? OPC

ISSUE 114: *Should an adjustment be made to allow ratepayers to receive the benefit of FPLES margins on gas sales as a result of the sale of FPL's gas contracts to FPLES? OPC*

ISSUE 115: *Is an adjustment appropriate to recognize compensation for the services that FPL provides to FLPES for billing on FPL's electric bills? OPC*

ISSUE 116: *Is an adjustment appropriate to recognize compensation for the services that FPL provides to FLPES to the extent that FPL service representatives provide referrals or perform similar functions for FPLES? OPC*

ISSUE 117: *Is an adjustment appropriate to increase power monitoring revenue for services provided by FPL to allow customers to monitor their power and voltage conditions? OPC*

ISSUE 118: *What is the total operating income impact of affiliate adjustments, if any, that is necessary for the 2010 test year? OPC*

ISSUE 119: Should the Commission order notification requirements to report the future transfer of the FPL-NED assets from FPL to a separate company under FPL Group Capital?

FPL: FPL does not believe that an order is necessary; however, FPL will commit to notify the Commission when the transfer of FPL-NED assets, which is currently in process, has been finalized. (Ousdahl)

ISSUE 120: Should an adjustment be made to FPL's requested storm damage reserve, annual accrual of $150 million, and target level of $650 million?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: No. FPL's requested annual storm damage accrual and target reserve level are needed to address the expected annual storm losses for FPL's extensive and hurricane-prone service territory, key policy considerations underlying storm cost recovery framework and the Commission's policy of determining a reserve balance sufficient to protect against most years' storm restoration costs, but not the most extreme years. Such a level reduces dependence on relief mechanisms such as special assessments, providing more stability in customer bills. (Pimentel, Harris)

<u>ISSUE 121</u>: What adjustment, if any, should be made to the fossil dismantlement accrual?

<u>FPL</u>: The annual dismantlement accrual should be increased from $15,321,113 to $21,567,577 based on the 2009 Dismantlement Study. (Ousdahl)

<u>ISSUE 122</u>: What is the appropriate amount and amortization period of Rate Case Expense?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

<u>FPL</u>: FPL's estimated rate case expense is $3,657,000. A three-year amortization period of the estimated expense is appropriate. (Ousdahl, Barrett)

<u>ISSUE 123</u>: Should an adjustment continue to be made to Administrative and General Expenses to eliminate "Atrium Expenses" per Order No. 10306, Docket No. 810002-EU?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

<u>FPL</u>: No. FPL believes that the amount included in its 2010 and 2011 revenue requirements related to atrium maintenance expenses ($22 thousand) is insignificant and an administrative burden to provide as a Commission adjustment every month in its required FPSC surveillance reporting. Therefore, this adjustment is no longer appropriate. (Ousdahl)

<u>ISSUE 124</u>: Should FPL's request to move payroll loading associated with the Environmental Cost Recovery Clause (ECCR) payroll currently recovered in base rates to the ECRC be approved?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

<u>FPL</u>: Yes. These payroll loadings are associated with payroll dollars recovered through the ECCR clause. In Docket No. 850002-PU, it was determined that these costs were included in base rates. These costs should be moved to the ECCR clause in order to properly recover the fully loaded ECCR payroll costs in the clause. (Ousdahl)

ISSUE 125: Should an adjustment be made to remove payroll loadings on incremental security costs that are currently included in base rates and include them in the Capacity Cost Recovery Clause?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. The payroll loadings on incremental security costs that are currently included in base rates should be recovered through the Capacity Cost Recovery Clause. This treatment is used by FPL for similar payroll loading costs recovered through other cost recovery clauses. (Ousdahl)

ISSUE 126: Should an adjustment be made to move the incremental hedging costs that are currently being recovered through the Fuel Cost Recovery Clause to base rates?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. Incremental hedging costs are currently being recovered through the Fuel Cost Recovery Clause (FCRC). Order No. PSC-02-1484-FOF-EI in Docket No 011605-EI, stated that incremental hedging costs were recoverable as part of the fuel clause until the early part of 2006 or the establishment of new base rates in the Company's next base rate case. FPL clause recovery of these costs was extended through December 31, 2009 pursuant to Order No PSC-05-1252-FOF-EI issued on December 23, 2005. FPL is therefore proposing that these costs be recovered through base rates as a result of this proceeding, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

ISSUE 127: Should the Commission adjustment in FPL's 1985 base rate case, Docket No. 830465-EI, for imputed revenues associated with orange groves be reversed?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL is now leasing the property at the Manatee Plant site to other parties for grove operations (orange, lime and avocado) and has included the rental revenues above the line in our 2010 Test Year forecast. Therefore, it is no longer necessary or appropriate to impute rental revenues. Thus, this Commission adjustment should be reversed. (Ousdahl)

ISSUE 128: Is FPL's requested level of O&M Expense appropriate?

A. For the 2010 projected test year in the amount of $1,694,367,000?

B. If applicable, for the 2011 subsequent projected test year in the amount of $1,781,961,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 requested levels of O&M Expense are appropriate. FPL filed a full set of MFRs for 2010 and 2011 that were the result of a rigorous budgeting and forecasting process, including close scrutiny in the review and approval of O&M expense levels. FPL's O&M has ranked in the top quartile among comparable companies and first among regional utilities over the past 10 years. For 2007 alone, if FPL had been merely an average performer among the 28 straight electric companies utilized by FPL witness Reed, its non-fuel O&M costs charged to customers would have been between $700 million and $1.3 billion higher than its actual costs. (Barrett, Reed)

ISSUE 129: Should FPL be permitted to collect depreciation expense for its new Customer Information System prior to its implementation date?

FPL: No. FPL agrees that depreciation of this system should commence upon the implementation date. FPL identified a problem in the projection of plant in service and depreciation expense regarding its new Customer Information System, CIS III. As a result, depreciation expense is overstated by $0.5 million in 2010 and $4.9 million in 2011. Also, rate base is understated due to the accumulated depreciation in 2010 by $0.2 million and in 2011 by $2.3 million. These adjustments and their revenue requirement impacts are presented on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl, Bennett)

ISSUE 130: Should FPL's depreciation expenses be reduced for the effects of its capital expenditure reductions?

FPL: No adjustments are needed to FPL's projected depreciation expenses related to capital expenditure reductions, with the exception of the depreciation items listed on FPL witness Ousdahl's Exhibit KO-16. Capital expenditure reductions in 2009 relative to the 2009 forecast filed in this proceeding relate to clause recoverable projects and do not affect the projected plant in service balances that comprise retail rate base. (Barrett)

ISSUE 131: Should any adjustment be made to Depreciation Expense?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: No adjustments are necessary to depreciation expense as filed except for items impacting depreciation that are listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl, Clarke, Davis, Deason)

ISSUE 132: Should an adjustment be made to Taxes Other Than Income Taxes for the 2010 and 2011 projected test years?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: No. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 projections of Taxes Other Than Income Taxes are appropriate. (Barrett, Ousdahl)

ISSUE 133: Should an adjustment be made to reflect any test year revenue requirement impacts of "The American Recovery and Reinvestment Act" signed into law by the President on February 17, 2009?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. FPL has reviewed the "The American Recovery and Reinvestment Act" and has determined that it would make an adjustment for the amount of bonus depreciation that it will be able to deduct for 2009. This additional bonus depreciation will affect the amount of accumulated deferred income taxes to be included as cost free capital in the capital structure. The adjustments are listed on FPL witness Ousdahl's Exhibit KO-16 for 2010 and 2011. No adjustment is necessary for the incremental costs related to Smart Grid Investment Grant Program because any grants obtained will offset the incremental cost of the new projects. The Department of Energy (DOE) funds will only cover the incremental expenditures over and above those currently included in the test year or subsequent year. Also any incremental cost to convert some bucket trucks or company owned passenger vehicles to plug in electrical vehicles will be provided for by DOE funds with no incremental costs being included in the 2010 test year or 2011 subsequent test year. (Ousdahl, Bennett)

ISSUE 134: Should an adjustment be made to Income Tax expense?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: No. The projected income tax expense included in the forecast of \$376,295,000 (system) and \$371,621,000 (jurisdictional) for the 2010 projected test year and \$306,087,000 (system) and \$301,108,000 (jurisdictional) for the 2011 subsequent test year are appropriate, subject to any adjustments listed on FPL witness Ousdahl's Exhibit KO-16 for the 2010 and 2011 period which may affect income tax expense. (Ousdahl)

ISSUE 135: Is FPL's projected Net Operating Income appropriate?

A. For the 2010 projected test year in the amount of \$725,883,000?

B. If applicable, for the 2011 subsequent projected test year in the amount of $662,776,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 projections of Net Operating Income are appropriate. (Barrett)

REVENUE REQUIREMENTS

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 136: What are the appropriate revenue expansion factors and the appropriate net operating income multipliers, including the appropriate elements and rates, for FPL?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: The appropriate projected 2010 and 2011 revenue expansion are 1.63342 and 1.63256 respectively. The elements and rates are shown on MFR C-44 for each year, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl, Santos)

ISSUE 137: Is FPL's requested annual operating revenue increase appropriate?

A. For the 2010 projected test year in the amount of $1,043,535,000?
B. If applicable, for the 2011 subsequent projected test year in the amount of $247,367,000?

FPL: Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2010 and 2011 FPL's requested annual operating revenue increases are appropriate. (Barrett, Ousdahl)

ISSUE 138: *Whether FPL's rates should be decreased by $1.3 billion dollars?Saporito*

COST OF SERVICE AND RATE DESIGN ISSUES

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 139: Has FPL correctly calculated revenues at current rates for the 2010 and 2011 projected test year?

A. For the 2010 projected test year?

B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, FPL has correctly calculated the 2010 and 2011 revenues at current rates. These revenue calculations are detailed in MFRs E-13b, E-13c, and E-13d and summarized in E-13a as sponsored by FPL witnesses Deaton and Santos (MFR E-13b) for the test and subsequent years. FPL's projection of revenues at existing rates assumes GBRA increases for Turkey Point Unit 5 and West County Units 1 and 2. (Deaton, Santos)

ISSUE 140: Should FPL use a minimum distribution cost methodology (utilizing either a "zero intercept" or a "minimum size" approach) to allocate distribution plant costs to rate classes?

FPL: No. The appropriate methodology to allocate distribution plant costs to rate classes is that filed by FPL in this proceeding. The Commission has consistently rejected the use of a minimum distribution cost methodology (utilizing either a "zero intercept" or a "minimum size" approach) for investor-owned utilities and a compelling case for ignoring that precedent has not been made. The minimum distribution cost (MDS) methodology is inconsistent with FPL's distribution system planning and how costs are incurred on FPL's system. Furthermore, use of this inappropriate methodology 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. (Ender)

ISSUE 141: What is the appropriate Cost of Service Methodology to be used to allocate base rate and cost recovery costs to the rate classes?

FPL: The appropriate Cost of Service Methodology to be used to allocate base rate costs to rate classes is that filed by FPL in this proceeding. This Cost of Service Methodology was the method approved by the Commission in FPL's last fully litigated rate case with one exception. The previously approved methodology incorporated special treatment for the St. Lucie No. 2 nuclear generating unit which should no longer apply. FPL's Cost of Service studies in this proceeding are limited to base rate costs. All costs recovered through cost recovery clauses have been removed as Commission Adjustments, and therefore excluded. (Ender)

ISSUE 142: How should the change in revenue requirement be allocated among the customer classes?

FPL: The increase should be allocated as shown in MFR E-8. The proposed revenue increase allocation moves all rate classes closer to parity to the greatest extent practicable. Limiting the increases to any rate class to no more than 150% of the system average should be rejected in this case, as it would allow subsidizations between the rate classes to perpetuate and would unfairly burden rate classes which are above parity. (Deaton)

ISSUE 143: Has FPL properly adjusted revenues to account for unbilled revenues?

FPL: Yes. The appropriate adjustment to account for the increase in unbilled revenue is that shown in MFR E-12. (Deaton)

ISSUE 144: Are FPL's proposed service charges for initial connect, field collection, reconnect for non-payment, existing connect, and returned payment charges appropriate?

FPL: Yes. The appropriate service charges are those shown in MFR E-14, Attachment 1 and listed below (Santos)

Initial Connection New Premise	$100.00
Field Collection	$19.00
Reconnection Charge	$48.00
Connect/Disconnect Existing Premise	$21.00
Returned Payment	A Returned Payment Charge as allowed by Florida Statute 68.065 shall apply for each check or draft dishonored by the bank upon which it is drawn.

ISSUE 145: Is FPL's proposal to increase the minimum late payment charge to $10 appropriate?

FPL: Yes. FPL has seen a steady increase in the number of customers making late payments. From 2006 to 2008 this number increased by an average of 150,000 customers. Other industries use late payment charges greater than $10 to encourage customers to pay on time, and other Florida utilities use a fee similar to what FPL is proposing. FPL believes the $10 minimum charge will provide the appropriate incentives to improve payment behavior. The proposal to increase the minimum late payment charge to $10 is appropriate and designed to provide an incentive for customers to improve payment behavior. (Santos)

ISSUE 146: Are FPL's proposed Temporary Service Charges appropriate? (4.030)

FPL: Yes. The appropriate Temporary/Construction Service Charges, as shown in MFR E-14, Attachment 1, are: (1) for Overhead: $255; and (2) for Underground: $142. (Spoor)

ISSUE 147: Is FPL's proposed increase in the charges to obtain a Building Efficiency Rating System (BERS) rating appropriate? (4.041)

FPL: Yes. FPL has properly calculated the proposed charges for providing BERS audits pursuant to Florida Administrative Code Rule 25-17.003 (4) (a). (Santos)

ISSUE 148: Are FPL's proposed termination factors to be applied to the total installed cost of facilities when customers terminate their Premium Lighting or Recreational Lighting agreement prior to the expiration of the contract term appropriate? (8.722 and 8.745)

FPL: Yes, FPL's proposed termination factors as determined in Attachment 3 of MFR E-14 and presented in the tariff sheets provided in Attachment 1 of MFR E-14 appropriately reflects FPL's cost. (Deaton)

ISSUE 149: Are FPL's proposed charges under the Street Lighting Vandalism Option notification appropriate? (8.717)

FPL: Yes. The appropriate charge, as shown in MFR-E-14, Attachments 1 and 3, is $279.98. (Spoor)

ISSUE 150: Is FPL's proposed Present Value Revenue Requirement multiplier to be applied to the installed cost of premium lighting facilities under rate Schedule Premium Lighting (PL-1) and the installed cost of recreational lighting facilities under the rate Schedule Recreational Lighting (RL-1) to determine the lump sum advance payment amount for such facilities appropriate? (8.720 and 8.743)

FPL: Yes, FPL's proposed Present Value Revenue Requirement multiplier as determined in Attachment 3 of MFR E-14 and presented in the tariff sheets provided in Attachment 1 of MFR E-14 appropriately reflects FPL's cost. (Deaton)

ISSUE 151: Is FPL's proposal to close the Wireless Internet Rate (WIES) schedule to new customers appropriate?

FPL: Yes. As outlined in the current WIES tariff FPL is authorized to petition the Commission to close the WIES rate schedule if the kWh under the rate schedule have not reached 360,000 kWh by June 2004. For the twelve month period ending June 2009, kWh sales under the WIES have only reached 20,640 kWh. (Deaton)

ISSUE 152: Should FPL's proposal to close the relamping option on the Street Lighting (SL-1) and Outdoor Lighting (OL-1) tariffs for new street light installations be approved? (8.716 and 8.725)

FPL: Yes. Removing this option for new customers clarifies maintenance responsibilities and eliminates potential customer dissatisfaction, since customers choosing this option often believe that FPL is responsible for all maintenance instead of just re-lamping. (Spoor, Deaton)

ISSUE 153: Should FPL's proposal to remove the 10 year and 20 year payment options from the PL-1 and RL-1 tariff be approved? (8.720 and 8.743)

FPL: Yes. Removing this option will avoid collection issues that often occur when the original customer requesting the payment option (e.g., a developer) transfers payment responsibility to another party (e.g., a homeowner's association). (Spoor, Deaton)

ISSUE 154: Is FPL's proposed monthly kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider appropriate? (8.820)

FPL: Yes, FPL's monthly kW credit as determined in Attachment 2 of MFR E-14 and presented in the tariff sheets provided in Attachment 1 of MFR E-14 appropriately reflects FPL's cost. (Deaton)

ISSUE 155: Is FPL's proposed monthly fixed charge carrying rate to be applied to the installed cost of customer-requested distribution equipment for which there are no tariffed charges appropriate? (10.010)

FPL: Yes, FPL's proposed monthly fixed charge carrying rates provided in MFR E-14, Attachment 1 of FPL's filing appropriately reflect FPL's cost. (Deaton)

ISSUE 156: Is FPL's proposed Monthly Rental Factor to be applied to the in-place value of customer-rented distribution substations to determine the monthly rental fee for such facilities appropriate? (10.015)

FPL: Yes, FPL's proposed monthly rental factor provided in MFR E-14, Attachment 1 of FPL's filing appropriately reflects FPL's cost. (Deaton)

ISSUE 157: Are FPL's proposed termination factors to be applied to the in-place value of customer-rented distribution substations to calculate the termination fee appropriate? (10.015)

FPL: Yes, FPL's proposed monthly rental factor provided in MFR E-14, Attachment 1 of FPL's filing appropriately reflects FPL's cost. (Deaton)

ISSUE 158: Is FPL's proposed minimum charge for non-metered service under the GS rate appropriate?

FPL: Yes, the proposed minimum charge for non-metered service under the GS rate appropriately reflects the difference between the GS customer charge and the metering costs for serving GS-1 customers. (Deaton)

ISSUE 159: What are the appropriate customer charges?

FPL: The appropriate customer charges are those shown in MFR A-3. These charges are subject to revision to reflect the impact, if any, of adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Deaton, Ender)

ISSUE 160: What are the appropriate demand charges?

FPL: The appropriate demand charges are those shown in MFR A-3. These charges are subject to revision to reflect the impact, if any, of adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Deaton, Ender)

ISSUE 161: What are the appropriate energy charges?

FPL: The appropriate energy charges are those shown in MFR A-3. These charges are subject to revision to reflect the impact, if any, of adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Deaton, Ender)

ISSUE 162: What are the appropriate lighting rate charges?

FPL: The appropriate lighting rate schedule charges are those presented in the tariff sheets provided in MFR E-14, Attachment 1 of FPL's filing. These charges are subject to revision to reflect the impact, if any, of adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Deaton, Spoor)

ISSUE 163: What is the appropriate level and design of the charges under the Standby and Supplemental Services (SST-1) rate schedule?

FPL: The appropriate level and design of the charges under the Standby and Supplemental Services (SST-1) rate schedule are discussed in RBD-7 of FPL witness Deaton's direct testimony. Additionally, the tariff sheets incorporating the appropriate level and design of the charges under SST-1 rate schedule are contained in MFR E-14, Attachment 1. (Deaton)

ISSUE 164: What is the appropriate level and design of charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule?

FPL: The appropriate level and design of the charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule are discussed in RBD-7 of FPL witness Deaton's direct testimony. Additionally, the tariff sheets incorporating the appropriate level and design of the charges under ISST-1 rate schedule are contained in MFR E-14, Attachment 1. (Deaton)

ISSUE 165: Is FPL's design of the HLFT rates appropriate?

FPL: Yes, FPL's design of the HLFT rates, as discussed in RBD-7 of witness Deaton's direct testimony, is appropriate. The rates as designed are consistent with the methodology approved by the Commission in Docket No. 050045-EI. (Deaton)

ISSUE 166: Is FPL's design of the CILC rate appropriate?

FPL: Yes, FPL's design of the CILC rate, as discussed in RBD-7 of witness Deaton's direct testimony, is appropriate. The rate as designed is consistent with the methodology approved by the Commission in Docket No. 891045-EI. (Deaton, Santos)

ISSUE 167: *What should the CDR credit be set at? FIPUG*

ISSUE 168: What is the appropriate method of designing time of use rates for FPL? (AFFIRM Issue)

FPL: The appropriate method for designing time-of-use rates for FPL is as discussed in Exhibit RBD-7 to FPL witness Deaton's direct testimony. This method is consistent with Commission Order No. PSC-92-1197-FOF-EI in Docket No. 910890-EI. (Deaton)

ISSUE 169: *Has FPL carried its burden of proof as to the legality and appropriateness of the proposed commercial time of use rates? AFFIRM*

ISSUE 170: *Should FPL be directed to develop a prepayment option in lieu of monthly billing for those customers who can benefit from such an alternative? (OPC Issue)*

ISSUE 171: *What is a fair and reasonable rate for the customers of Florida Power and Light Company? AGO*

ISSUE 172: What is the appropriate effective date for FPL's revised rates and charges?

FPL: The effective date for FPL's revised rates and charges for electric service should be for meter readings on and after January 1, 2010 for the test year and January 1, 2011 for the subsequent year. The effective date for FPL's revised service charges should be January 1, 2010. (Deaton)

OTHER ISSUES

ISSUE 173: Should an adjustment be made in base rates to include FPL's nuclear uprates being placed into service during the projected test years if any portion of prudently incurred NCRC recovery is denied?

A. For the 2010 projected test year?
B. If applicable, for the 2011 subsequent projected test year?

FPL: Yes. As with any other asset providing service to utility customers, the nuclear uprate additions are entitled to recovery from customers. If any prudently incurred nuclear plant investment and operating costs are determined to be ineligible for cost recovery through the NCRC, those costs should be recoverable through base rates. (Ousdahl)

ISSUE 174: *Should FPL be required to reduce base rates on January 1, 2014, to recognize the change in the separation factor resulting from the increased wholesale load served under the Lee County Contract? (Staff)*

<u>ISSUE 175</u>: Should an adjustment be made to FPL's revenue forecast as a result of the PSC's decision in the DSM Goals Docket, Docket No. 080407-EG? If so, what adjustment should be made? (FPL)

<u>ISSUE 176</u>: Should FPL be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

<u>FPL</u>: FPL has no objection to making such a filing. (Ousdahl)

<u>ISSUE 177</u>: Should this docket be closed?

<u>FPL:</u> No position on this issue is necessary.

V. STIPULATIONS

No issues have been stipulated at this time.

VI. PENDING MOTIONS

The following Motions are pending:

1) FPL's Motion to Strike South Daytona's Reply to FPL's Response in Opposition to South Daytona's Motion to Dismiss filed July 20, 2009;

2) FPL's Motion for Temporary Protective Order of Certain Information included in FPL's Responses to OPC's 10th Request for PODs (Nos. 251, 252, and 258) filed July 17, 2009;

3) FPL's Motion for Temporary Protective Order of Certain Confidential Information in response to SFHHA's 10th Set of Interrogatories (No. 296) filed June 29, 2009;

4) FPL's Revised Motion for Temporary Protective Order of Certain Information included in Responses to OPC's 9th Request for PODs (Nos. 231-234, 244, 246; Attorney General's 2nd set of interrogatories (Nos. 38, 41-42, 48-49, 63-65, 68; SCU-4's 1st set of interrogatories (Nos. 7, 12, 16); Staff's 1st Request for PODs (No. 3); and Staff's 3rd Set of Interrogatories (No. 16) filed June 26, 2009 (Original filed June 26, 2009);

5) FPL's Motion for Temporary Protective Order of Certain Confidential

Information in Response to OPC's 8th Request for PODs (No. 225) filed June 9, 2009;

6) FPL's Motion for Temporary Protective Order of Certain Confidential Information included in Supplemental Response to OPC's 1st Request for PODs (No. 1) and Supplemental Responses to OPC's 2nd Request for PODs (Nos. 42, 92, and 98) filed May 19, 2009;

7) FPL's Motion for Temporary Protective Order Of Certain Confidential Information Included in Response to OPC's 4th set of Interrogatories (No. 252) and Response to SFHHA's 1st Request for PODs (No. 12) filed May 15, 2009; and

8) FPL's Motion for Temporary Protective Order of Certain Confidential Information in Responses to OPCs' 1st set of interrogatories (Nos. 33-corrected), in connection with 2009 depreciation and dismantlement study filed May 8, 2009.

VII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION

The following Requests for Confidential Classification are pending:

1) FPL's Request for Confidential Classification of information contained in the testimony and exhibits of OPC Witness Dismukes, filed August 6, 2009; and

2) FPL's Request for Confidential Classification of information contained in the testimony and exhibits of SFHHA Witness Kollen, filed August 6, 2009.

3) FPL's Request for Confidential Classification of information relating to Staff's First POD No. 3 filed August 4, 2009;

4) FPL's Request for Confidential Classification of information provided pursuant to Audit No. 09-110-4-1 filed July 30, 2009;

5) FPL's Revised Request for Confidential Classification of Staff's 3rd Set of Interrogatories (No. 16), 4th Set of Interrogatories (No. 32), and 8th Set of Interrogatories (No. 97), and Request for Determination by full Commission filed July 27, 2009 (Original request filed July 21, 2009);

6) FPL's Request for Confidential Classification of response to SFHHA's 10th Request for Production of Documents (No. 102), filed July 21, 2009.

VIII. OBJECTIONS TO WITNESSES' QUALIFICATIONS

At this time, FPL has no objections to any witness qualifications.

IX. REQUIREMENTS OF THE PREHEARING ORDER THAT CANNOT BE MET

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

Respectfully submitted this 6th day of August, 2009.

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By: ______________________
R. Wade Litchfield
Auth. House Counsel No. 0062190

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement has been furnished electronically this 6th day of August, 2009, to the following:

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