FPL

R. Wade Litchfield
Vice President and General Counsel

August 6, 2012

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-VIA HAND DELIVERY –

Ms. Ann Cole, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee, FL 32399-0850

Re: Docket No. 120015-EI

Dear Ms. Cole:

Enclosed please find an original and seven (7) copies of Florida Power & Light Company's (FPL) Prehearing Statement. Also enclosed is a CD containing an electronic file of FPL's Prehearing Statement.

Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

Wade Litchfield
Vice President and General Counsel
Florida Power & Light Company

RWL:ec
Enclosures
cc: Parties of Record (w/encl.)

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	Docket No. 120015-EI August 6, 2012

FLORIDA POWER & LIGHT COMPANY'S PREHEARING STATEMENT

Florida Power & Light Company ("FPL" or the "Company"), pursuant to Order No. PSC-12-0143-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	
John 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 overall performance is superior; describes how this performance has saved customers hundreds of millions of dollars compared to average-performing utilities; explains service area challenges that are specific to FPL.
Eric Silagy (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; identifies the underlying methodologies and assumptions of the customer growth, energy use per customer, net energy for load, and peak demand 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.
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 2012 and 2013 are based; provides an overview of the general business conditions affecting the forecast assumptions; explains the major cost drivers for the January 2013 base rate increase; discusses the necessity for the 2013 Cape Canaveral

	Step Increase.
Kim Ousdahl (Direct)	Supports the calculation of the rate relief requested by FPL in this proceeding, including: calculates the rate relief requested for the January 2013 Base Rate Increase; calculates FPL's requested Canaveral Step Increase when the project is scheduled to enter commercial service (June 1, 2013); explains the proposed adjustments to 2013 Test Year rate base and net operating income for ratemaking purposes; describes FPL's treatment of the theoretical depreciation reserve surplus consistent with the 2010 Rate Settlement and its plan for the reserve in the 2013 Test Year; presents FPL's proposal to move recovery of the revenue requirements for West County Energy Center Unit 3 (WCEC3) from the Capacity Cost Recovery Clause (CCRC) to base rates; calculates the revenue requirements of the ROE performance adder and demonstrates the reasonableness of the methods that FPL uses to charge costs to its affiliates, such that customers do not subsidize FPL's affiliates.
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 smart grid technologies for the benefit of our customers; discusses how Customer Service functional area O&M expense is below the Commission's O&M benchmark; explains that FPL's ranked first quartile in lowest bad debt as a percentage of revenue in a 2011 benchmarking study; discusses FPL's customer complaint resolution process and results; describes FPL's energy affordability initiatives that provide economic assistance to customers.
Roxane R. Kennedy (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; and the construction capital and test year non-fuel O&M costs of placing an additional 1,200 MW into commercial operation in June 2013 with the Canaveral Modernization Project.
George K. Hardy (Direct)	Describes the FPL distribution system's superior reliability and excellent customer service performance; describes the FPSC-approved initiatives being employed to further strengthen the distribution system; discusses FPL's safety improvements; and describes the drivers for Distribution's capital expenditures and (non-fuel) O&M expenses.
Manuel B. Miranda (Direct)	Describes the FPL transmission system's performance, including reliability and O&M expense levels; addresses initiatives to improve the storm resiliency of the transmission

	system's infrastructure; explains the ongoing need for capital investments to address the reliability challenges, increasing regulatory requirements, and to maintain FPL's high level of reliability.
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 the impact of above activities on the 2013 Test Year costs for FPL's nuclear operations.
Kathleen M. Slattery (Direct)	Presents an overview of the payroll and benefit expenses as shown in MFR C-35, demonstrating the reasonableness of FPL's forecasted payroll and benefit expenses.
William E. Avera (Direct)	Explains FPL's risks, financial requirements, and the current market environment; analyzes and determines a fair range of return on equity (ROE) for FPL; recommends 11.25% as the appropriate ROE for FPL; presents regulatory precedent to support FPL's proposed 25 basis point ROE performance adder; discusses the reasonableness and importance of FPL's capital structure.
Moray Dewhurst (Direct)	Explains the importance of the current settlement agreement following the last FPL rate case decision in enabling FPL to earn an 11% ROE and restoring a measure of confidence in the investment community; describes the financial significance of the expiration of the settlement agreement and the necessity of an adequate ROE and a strong capital structure; explains the importance to customers of maintaining FPL's financial strength; discusses FPL's risk profile in assessing FPL's capital structure and ROE requirements; supports FPL's requested 11.25% ROE; explains the policy and factual basis in support of FPL's requested 25 basis point ROE performance adder, and describes FPL's proposal that the adder be made contingent on FPL maintaining the lowest typical residential bill in the state; and describes and explains the importance of FPL's proposed storm cost recovery mechanism.
Joseph A. Ender (Direct)	Explains load research in general terms, 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 preparation of its retail cost of service study and explains 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 2013 Test Year.

Renae B. Deaton (Direct)	Discusses the forecast of base revenues from the sale of electricity; explains the proposed service charges; addresses FPL's proposed target revenues by rate class; presents the proposed rate design for achieving the target revenues by rate class.
Rebuttal Testimony	
Rosemary Morley Rebuttal	Rebuts the testimony of SFHHA witness Baron as it relates to the appropriate time period to define normal weather conditions in order to forecast electric sales; demonstrates that a multi-decade approach, like the one FPL uses, is superior to the ten-year time period supported by SFHHA witness Baron.
Kathleen M. Slattery (Rebuttal)	Rebuts the testimony of OPC witness Schultz relating to projected staffing and payroll for the 2013 test year and the associated benefits and payroll tax expense, and cost recovery of non-executive performance- based variable compensation.
Robert E. Barrett, Jr. (Rebuttal)	Rebuts the testimony of OPC witness Ramas relating to the exclusion of AMI smart meter O&M expense outside the 2013 Test Year; rebuts the testimony of OPC witness Ramas relating to the normalization of generation overhaul expenses; rebuts the testimony of SFHHA witness Kollen regarding normalization of expenses for the nuclear maintenance reserve accrual; rebuts the testimony of OPC witness Schultz relating to his proposed adjustments to the 2013 Test Year and his claims that the 2012 depreciation surplus amortization forecast cannot be relied upon; addresses the testimony of Staff witness Welch that concerns non-recurring costs and FiberNet charges.
Kim Ousdahl (Rebuttal)	Rebuts positions taken by OPC witnesses Vondle, Schultz and Ramas, SFHHA witness Kollen, and FEA witness Gorman, relative to the following areas: working capital, cost of capital, Canaveral Step Increase, affiliate transactions, nuclear maintenance reserve accrual methodology and employee benefits adjustment; addresses FPSC Staff rate case audit; and presents identified adjustments.
Tom Flaherty (Rebuttal)	Rebuts the affiliate transaction positions taken by OPC witness Vondle relative to the following topics: lack of service company for common support services; lack of service level agreements between FPL and its affiliates; asymmetric pricing; use of general allocators; absence of "growth and change" factors in the Massachusetts Formula; proposed 20% adjustments to FPL's 2013 charges to and from affiliates; and recommendation that the FPSC open an investigation into FPL's affiliate relationships and transactions.
Terry Deason (Rebuttal)	Rebuts the testimony of SFHHA witness Kollen and OPC witnesses Ramas, Shultz, and Lawton related to the following issues: Construction Work In Progress; Property Held for

	Future Use (PHFU); Working Capital; Incentive Compensation; Directors and Officers Liability Insurance; Advanced Metering Infrastructure (the "Smart Meter Program"); and ROE Performance Adder.
Rene Silva (Rebuttal)	Rebuts the testimony of OPC witness Ramas who proposes to remove from PHFU the entire investment in Other Production Future Use property.
Manuel A. Miranda (Rebuttal)	Rebuts OPC witness Ramas's proposal to decrease the 2013 Test Year property held for future use under the Transmission Future use category.
Marlene M. Santos (Rebuttal)	Rebuts the testimonies of OPC witness Ramas and SFHHA witness Kollen that recommend the Commission rely on 2009 projections of smart meter O&M costs and savings rather than the 2013 Test Year projections.
Roxane R. Kennedy (Rebuttal)	Rebuts the testimony of OPC witness Ramas relating to FPL's fossil fleet overhaul expenses; rebuts the claims of Algenol witness Woods regarding a proposed business venture between Algenol and FPL.
George K. Hardy (Rebuttal)	Rebuts the testimony of SFHHA witness Kollen regarding vegetation management O&M expenses; rebuts the testimony of OPC witness Schultz relating to vegetation management, pole inspection, and hardening plan O&M expenses.
David DeRamus (Rebuttal)	Responds to the testimonies of FRF witness Chriss and FEA witness Stephens relating to the potential base rate impacts on FPL's residential and commercial customers; and demonstrates that both FPL residential and commercial customers pay moderate amounts for electricity presently, and would continue to do so with the requested base rate increase, particularly in comparison to changes in prices for other goods and services over time.
John J. Reed (Rebuttal)	Rebuts the testimonies of FEA witness Gorman, FRF witness Chriss, and OPC witness Lawton relating to FPL's proposed ROE performance adder.
William E. Avera (Rebuttal)	Rebuts the capital structure and ROE positions of intervenor witnesses; ignore economic reality, would deviate sharply from a history of supportive regulatory policy, and shake the confidence of the investment community; demonstrates the errors in intervenor witnesses' models.
Moray Dewhurst (Rebuttal)	Rebuts the capital structure and ROE recommendations made by intervenor witnesses; rebuts OPC witness Schultz's and SFHHA's witness Kollen's oppositions to continuation of the existing storm cost recovery mechanism; rebuts OPC witness Schultz's position on D&O liability insurance; and rebuts the inaccurate representations and/or misunderstandings of statements made by intervenor witnesses related to the proposed ROE performance incentive

Joseph A. Ender (Rebuttal)	Rebuts the testimony of SFHHA witness Baron relating to the use of alternative cost of service methodologies and the adjustment of historical load research data to normalize the effects of extreme weather; rebuts the testimony of FIPUG witness Pollock regarding the allocation of Curtailable Service credits and his proposed reclassification of other production O&M expense from energy to demand; rebuts the testimony of FEA witness Stephens regarding proposed changes in distribution cost allocation methodologies.
Renae B. Deaton (Rebuttal)	Rebuts the testimony of SFHHA witness Baron regarding the Commission's policy of gradualism as it relates to limiting rate increases and witness Baron's proposed alternative revenue allocations; rebuts the testimonies of SFHHA witness Baron and FIPUG witness Pollock relating to demand and energy rates for the general service demand and CILC rate classes as well as the appropriate venue for review of the CILC and CDR rates and credits; rebuts the testimony of FRF witness Chriss regarding FPL's proposed ROE performance adder.

II. EXHIBITS

Direct Exhibit	Description	Sponsoring Witness
WEA-1	Qualifications of William E. Avera	William Avera
WEA-2	Interest Rate Trends	William Avera
WEA-3	Comparison of Proxy Risk Indicators	William Avera
WEA-4	DCF Model-Utility Proxy Group	William Avera
WEA-5	Sustainable Growth Rate-Utility Proxy Group	William Avera
WEA-6	Implied Utility Bond Yields	William Avera
WEA-7	DCF Model-Non-Utility Proxy Group	William Avera
WEA-8	Sustainable Growth Rate-Non-Utility Proxy Group	William Avera
WEA-9	CAPM-Utility Proxy Group	William Avera
WEA-10	Yield Spreads	William Avera
WEA-11	Electric Utility Risk Premium	William Avera
WEA-12	Expected Earnings Approach	William Avera
WEA-13	Summary of Cost of Equity Estimates	William Avera
WEA-14	FPL Adjusted Capital Structure	William Avera
WEA-15	Capital Structure-Electric Utility Operating Cos.	William Avera
WEA-16	Capital Structure-Utility Proxy Group	William Avera
WEA-17	Market Value Capital Structure-Utility Proxy Group	William Avera
WEA-18	Endnotes to Direct Testimony of William E. Avera	William Avera

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 Forecasting Assumptions	Robert E. Barrett, Jr.
REB-5	Budget and Actual Net Income 2004-2011	Robert E. Barrett, Jr.
REB-6	FPL's Revenue Request 2013 vs. 2012	Robert E. Barrett, Jr.
REB-7	Drivers of the Increase in Revenue Requirements for 2010-2013	Robert E. Barrett, Jr.
REB-8	Impact of Amortization of Surplus Depreciation on 2013 Revenue Requirements	Robert E. Barrett, Jr.
RBD-1	MFR's and Schedules Sponsored or Co-Sponsored by Renae Deaton	Renae B. Deaton
RBD-2	FPL Bill Comparisons- January 2012 to January 2013 and June 2013	Renae B. Deaton
RBD-3	Florida Utility Bill Comparison	Renae B. Deaton
RBD-4	Change in the Consumer Price Index versus FPL Bills	Renae B. Deaton
RBD-5	Parity of Major Rate Classes Current and Proposed	Renae B. Deaton
RBD-6	Summary of Proposed Rates	Renae B. Deaton
RBD-7	Bill Calculation Under Proposed RTR	Renae B. Deaton
RBD-8	FPL Proposed ROE Performance Adder	Renae B. Deaton
MD-1	MFR's Sponsored or Co-Sponsored by Moray P. Dewhurst	Moray P. Dewhurst
MD-2	Matrix of Florida PSC-Approved ROEs Since 1960	Moray P. Dewhurst
JAE-1	MFR's and Schedules Sponsored or Co-Sponsored by Joseph A. Ender	Joseph A. Ender
JAE-2	Load Research Rate Classes and Related Rate Schedules	Joseph A. Ender
JAE-3	Rate Class Extrapolation Methodology	Joseph A. Ender
JAE-4	Cost of Service Study Cost of Service Methodology by Component	Joseph A. Ender
JAE-5	Rates of Return and Parity and Present Rates For the Test Year 2013	Joseph A. Ender
JAE-6	Target Revenue Requirements at Proposed Rates For the Test Year 2013	Joseph A. Ender
GKH-1	Summary of Co-Sponsored MFRs	George K. Hardy
GKH-2	Distribution Reliability Programs	George K. Hardy
RRK-1	MFRs and Schedules Sponsored and Co-Sponsored by Roxane R. Kennedy	Roxane R. Kennedy
RRK-2	FPL Fossil Generating Capability and Mix Changes	Roxane R. Kennedy

RRK-3	FPL Fossil Performance Improvements	Roxane R. Kennedy
RRK-4	FPL Fossil Net Heat Rate Comparison	Roxane R. Kennedy
RRK-5	FPL Fossil Availability Comparison	Roxane R. Kennedy
RRK-6	FPL Fossil Forced Outage Rate Comparison	Roxane R. Kennedy
RRK-7	FPL Fossil Total Non-Fuel O&M Production Cost Comparison	Roxane R. Kennedy
RRK-8	FPL Fossil Emission Rate Reductions	Roxane R. Kennedy
RRK-9	Drivers of 2013 Base O&M Benchmark Variance	Roxane R. Kennedy
RRK-10	FPL Fossil Capacity-Managed per Employee Improvements	Roxane R. Kennedy
MM-1	Summary of Sponsored MFRs	Manuel B. Miranda
MM-2	2011 SGS Statistical Services ("SGS") Transmission Reliability Benchmarking Study All Voltages 2008-2010 (3 years)	Manuel B. Miranda
RM-1	Minimum Filing Requirements Sponsored and Co-Sponsored by Dr. Rosemary Morley	Dr. Rosemary Morley
RM-2	Weather-normalized Calendar	Dr. Rosemary Morley
KO-1	MFRs & Schedules Sponsored and Co-Sponsored by Kim Ousdahl	Kim Ousdahl
KO-2	MFR A-1 for the 2013 Test Year	Kim Ousdahl
KO-3	Listing of MFRs & Schedules Directly Supporting Requested Revenue Increase	Kim Ousdahl
KO-4	2013 ROE Calculation Without Rate Relief	Kim Ousdahl
KO-5	Removal of Rate Base and NOI related to Canaveral Step Increase	Kim Ousdahl
KO-6	Capital Recovery Schedule	Kim Ousdahl
KO-7	Calculation of Capitalized Executive Incentive Adjustment	Kim Ousdahl
KO-8	Revenue Requirement Impact of ROE Performance Adder	Kim Ousdahl
KO-9	FPL's Cost Allocation Manual	Kim Ousdahl
KO-10	Direct Charges to Affiliates	Kim Ousdahl
KO-11	Schedule of FPL Service Fee	Kim Ousdahl
KO-12	Affiliate Management Fee Cost Drivers	Kim Ousdahl
KO-13	FPL Affiliate Management Fee Formula Ratios	Kim Ousdahl
JJR-1	Curriculum Vitae	John J. Reed
JJR-2	Testimony Listing	John J. Reed
JJR-3	Productive Efficiency Rankings	John J. Reed
JJR-4	Productive Efficiency Rankings	John J. Reed
JJR-5	Operational Metrics	John J. Reed
JJR-6	Benchmarking Workpapers	John J. Reed
JJR-7	2010 Assessment and Efficiency Tables	John J. Reed
JJR-8	2010 Combined Rankings	John J. Reed

JJR-9	Emissions Comparison	John J. Reed
JJR-10	CPI and PPI	John J. Reed
JJR-11	Weekly Earnings	John J. Reed
JJR-12	Utility Construction Costs	John J. Reed
MMS-1	Summary of Sponsored MFRs	Marlene M. Santos
MMS-2	Customer Service Awards	Marlene M. Santos
MMS-3	Customer Care Center Satisfaction Research	Marlene M. Santos
MMS-4	Field Organization Satisfaction Research	Marlene M. Santos
MMS-5	Online Energy Dashboard	Marlene M. Santos
MMS-6	Complaints for Florida Invested-Owned Utilities	Marlene M. Santos
ES-1	Eric Silagy Biography	Eric Silagy
ES-2	FPL Typical 1,000-kWh Residential Bill Comparison January 2012 to January 2013 and June 2013	Eric Silagy
ES-3	Change in FPL Typical 1,000-kWh Residential Customer Bill Compared to Changes in Other Consumer Costs	Eric Silagy
KS-1	MFRs Sponsored and Co-Sponsored by Kathleen Slattery	Kathleen Slattery
KS-2	Position to Market (2011 Base Pay)	Kathleen Slattery
KS-3	FERC Total Salaries & Wages 2010	Kathleen Slattery
KS-4	Merit Pay Program Awards, 2009 to 2011	Kathleen Slattery
KS-5	Relative Value Comparison-2011 Total Benefit Program	Kathleen Slattery
KS-6	Relative Value Comparison-2011 Active Employee Medical Plan	Kathleen Slattery
KS-7	Average Medical Cost per Employee 2007-2012	Kathleen Slattery
KS-8	Relative Value Comparison-2011 Pension & 401(K) Employee Savings Plan	Kathleen Slattery
JAS-1	Schedule of Minimum Filing Requirements	J.A. Stall
JAS-2	NRC Performance Indicators	J.A. Stall
JAS-3	NRC Inspection Findings	J.A. Stall
JAS-4	NRC Regulatory Status	J.A. Stall

Rebuttal Exhibit	**Description**	**Sponsoring Witness**
DWD-1	Curriculum Vitae of David W. DeRamus, Ph.D.	David W. DeRamus
DWD-2	FPL Serves 4% of the Whole Country	David W. DeRamus
DWD-3	Percent of U.S. Households with Rates Less than FPL	David W. DeRamus
DWD-4	Consumer Price Index (CPI) of Various Goods	David W. DeRamus

	and Services, Miami - Ft. Lauderdale	
DWD-5	Residential Customers, Statistical Distribution by kWh Consumption	David W. DeRamus
DWD-6	Residential Customer Bills, Statistical Distribution of Electricity Cost	David W. DeRamus
DWD-7	Residential Customer Bills, Statistical Distribution of Electricity Cost: Focus on Bottom Quintile	David W. DeRamus
DWD-8	Index of Typical FPL Bill Compared to Miami - Ft. Lauderdale CPI	David W. DeRamus
DWD-9	Residential Customers, Statistical Distribution of Rate Increase Impact	David W. DeRamus
DWD-10	Residential Customers, Statistical Distribution of Rate Increase Impact: Focus on Bottom Quintile	David W. DeRamus
DWD-11	Commercial Customers, Median Daily Bill	David W. DeRamus
DWD-12	Commercial Customers, Median kWh Rate	David W. DeRamus
DWD-13	Hospital Electricity Cost as a % of Total Cost	David W. DeRamus
DWD-14	Commercial Customers, Rate Increase Impact by Customer Type and Size	David W. DeRamus
DWD-15	Commercial Customers, Rate Increase Impact	David W. DeRamus
DWD-16	Commercial Customers, Rate Increase Impact, Pharmacies	David W. DeRamus
DWD-17	Commercial Customers, Rate Increase Impact, Big Box Stores	David W. DeRamus
DWD-18	Commercial Customers, Rate Increase Impact, Department Stores	David W. DeRamus
DWD-19	Commercial Customers, Rate Increase Impact, Hospitals	David W. DeRamus
DWD-20	Commercial Customers, Rate Increase Impact, Supermarkets	David W. DeRamus
JAE-7	Impact of MDS Methodology on Rate Class Revenue Requirements	Joseph A. Ender
JAE-8	Allocation of 2013 Projected Production and Transmission Plant in Service Using Summer CP and 12 CP and 1/13th Methodologies	Joseph A. Ender
JAE-9	Impact of Summer CP Production Methodology on Rate Class Revenue Requirements	Joseph A. Ender
JAE-10	Impact of Alternative Summer CP and 25% AD Versus FPL's Proposed 12 CP and 1/13th for Production Plant	Joseph A. Ender
JAE-11	Impact of Summer CP Transmission Methodology on Rate Class Revenue Requirements	Joseph A. Ender
JAE-12	Impact of Summer CP and MDS Methodologies on Rate Class Revenue Requirements	Joseph A. Ender

JAE-13	Analysis of Production O&M Expense Classification to Demand and Energy	Joseph A. Ender
JAE-14	Impact of Corrected Production O&M Expense Classification on Rate Classes	Joseph A. Ender
JAE-15	Summary of Distribution Cost Allocation to Primary and Secondary Voltage Customers	Joseph A. Ender
JJR-13	Operational Metrics through 2011	John J. Reed
KS-9	FPL Budget vs. Actual - Gross Base Payroll and Overtime ($000s) - 2002 to 2011	Kathleen Slattery
GKH-3	Hardening Plan O&M Expenses / Miles	George K. Hardy
GKH-4	PIP Costs - Actual vs. Budget	George K. Hardy
KO-14	Summary of ARO – Rate Base	Kim Ousdahl
KO-15	Responses to Discovery Served by Intervenors	Kim Ousdahl
KO-16	Summary of 2013 Test Year Identified Adjustments	Kim Ousdahl
KO-17	Affiliates - Sole Source Arrangements	Kim Ousdahl
KO-18	Cost of Removal Adjustments	Kim Ousdahl
KO-19	Identified Adjustments - DOE & AMI	Kim Ousdahl
KO-20	Summary of Customer Deposit Interest Change for the 2013 Test Year	Kim Ousdahl
MM-3	Aerial Photo of Manatee Ringling	Manuel B. Miranda
MM-4	Aerial Photo of Arch Creek	Manuel B. Miranda
MD-3	Regional Comparison: ROE and Key Customer Metrics	Moray P. Dewhurst
MD-4	Corrected DJL-3	Moray P. Dewhurst
MD-5	S&P's PPA Guidance	Moray P. Dewhurst
MD-6	Effect of OPC's Recommendations on S&P Metrics	Moray P. Dewhurst
MD-7	Effect of OPC's Recommendations on Moody's Credit Rating Triggers	Moray P. Dewhurst
MD-8	FPL ROE 1999-2012	Moray P. Dewhurst
MD-9	Climatological Probability – Southeastern U.S.	Moray P. Dewhurst
MD-10	Business Risk Comparison – Florida IOUs	Moray P. Dewhurst
RBD-9	Impact of Changes to Rate Increase Limitations	Renae B. Deaton
RBD-10	Comparison of Net Impact of Cape Canaveral Recovery through Energy vs. Demand Charges	Renae B. Deaton
RBD-11	Changes to Cape Canaveral Rates due to Revised Allocation Factors	Renae B. Deaton
RS-1	Location of McDaniel and Fort Drum Sites	Rene Silva
RM-3	Comparison of Rolling 10 and 20 Year Average Annual Cooling Degree Hours (2000 - 2011)	Rosemary Morley
RM-4	Annual Cooling Degree Hours (1992 - 2011)	Rosemary Morley
TD-1	Biographical Information for Terry Deason	Terry Deason

TJF-1	Prior Regulatory Experience	Tom J. Flaherty
TJF-2	Comparative Service Company Composition	Tom J. Flaherty
TJF-3	Direct Charge Levels for Various Utilities	Tom J. Flaherty
TJF-4	Trend of FPL MWh and Customers	Tom J. Flaherty
TJF-5	Form 1 Benchmarking Summary – FPL Compared to Average	Tom J. Flaherty
WEA-19	Expected Earnings Approach	William E. Avera
WEA-20	Allowed ROE	William E. Avera
WEA-21	Revised DCF Analysis - Woolridge Historical Growth	William E. Avera
WEA-22	Revised DCF Analysis - Woolridge Projected EPS Growth	William E. Avera
WEA-23	Revised DCF Analysis - Gorman Constant Growth	William E. Avera
WEA-24	Revised DCF Analysis - Baudino Constant Growth	William E. Avera
WEA-25	br+sv Growth Rate - Average Return	William E. Avera
WEA-26	Gorman Annual Growth Outlook – Revised	William E. Avera
WEA-27	Revised DCF Analysis - Gorman Multi-Stage	William E. Avera
WEA-28	Revised CAPM - Current Bond Yields	William E. Avera
WEA-29	Revised CAPM - Projected Bond Yields	William E. Avera
WEA-30	Corrected Baudino CAPM	William E. Avera
WEA-31	Corrected Gorman Risk Premium	William E. Avera
WEA-32	Flotation Cost Adjustment	William E. Avera

III. STATEMENT OF BASIC POSITION

Historically, FPL has been able to maintain a strong financial position while simultaneously delivering superior reliability and excellent customer service at a reasonable cost. This has been facilitated by historically constructive regulation in Florida. FPL's financial position was weakened and its credit ratings were downgraded as a result of the FPSC's initial post-hearing order addressing FPL's base rate case of 2009, Order No. PSC-10-0153-FOF-EI ("2010 Pre-Settlement Order"). The 2010 Pre-Settlement Order established a return on equity ("ROE") midpoint of 10 percent, the lowest among Florida IOUs, and the lowest authorized in Florida in 50 years. Investors saw the 2010 Pre-Settlement Order as a politicized outcome.

To ameliorate the situation, albeit temporarily, FPL entered into a settlement agreement (the "2010 Rate Settlement" or "Settlement Agreement"). The Settlement Agreement enabled FPL to earn an ROE of 11 percent in each year during the term of the agreement, more closely reflecting investors' opportunity cost of capital. However, it did so primarily by permitting the flexible amortization of surplus depreciation, a non-cash item. Effectively, this amounts to the reversal of depreciation taken in prior years, placing rate base back on the Company's books. While this mechanism served as a useful stop-gap measure, it did not address the true cash flow degradation created by the Commission's 2010 Pre-Settlement Order. Furthermore, the

Settlement Agreement expires at the end of this year, and with the abatement of the surplus depreciation, FPL's ability to earn a fair rate of return will also reach its end.

Accordingly, FPL respectfully petitions the Florida Public Service Commission (the "Commission") for approval of a permanent increase in rates and charges sufficient to generate additional total annual revenues of $516.5 million to be effective January 2, 2013 (the first billing cycle day of January 2013), and for approval of a base rate step adjustment of $173.9 million for the new, highly efficient generation facility currently under construction at Cape Canaveral (the "Canaveral Modernization Project"), concurrent with its commercial in-service date (currently scheduled to be June 1, 2013).

FPL provides its residential customers with a typical (1,000 kWh) bill that is the lowest of Florida's 55 electric utilities and 25 percent lower than the national average, while at the same time delivering excellent service and reliability. For years, FPL has been a leader in key electric utility industry categories such as reliability, low emissions and conservation. This is the result of, among other things, FPL's long-term strategy of sustained investment in modern fuel-efficient technologies and its commitment to manage operating costs efficiently. To maintain the level of service and reliability that FPL's customers expect and deserve, FPL must continue investing in system reliability, fuel efficiency and clean energy. The requested increase will support these investments that benefit customers, and will provide the Company a reasonable opportunity to earn a fair rate of return on its investment.

FPL has mitigated or deferred the need for a base rate increase through its cost control activities and strong fossil fleet performance. For over ten years, FPL has ranked highest in productive efficiency compared to all Florida utilities and comparable large utilities nationwide. The best indicator of this is FPL's total non-fuel O&M expense performance. This metric covers all primary operating functions – generation, transmission, distribution and customer service – and also includes all administrative and general functions. Had FPL's performance been merely average, the Company's O&M costs for 2010 alone would have been $1.6 billion higher than actual costs, and the typical customer's 2010 base bill would have been approximately $16 higher.

Similarly, FPL's fossil fleet performance has ranked top-decile or best in class among comparable companies in terms of availability and forced outages in eight of the last ten years. During that period, FPL's fossil fleet averaged more than a 92 percent equivalent availability factor and an approximate 2 percent equivalent forced outage rate. This superior performance has helped avoid or defer the need to add capacity to FPL's system. Moreover, the addition of highly efficient generating units and improvements to FPL's existing generating fleet have reduced FPL's system average heat rate by 19 percent since 2001. This resulted in a cumulative $5.5 billion reduction in fuel costs, which savings have been passed on to customers through fuel adjustment factors. FPL is also proud of its industry-leading low emissions profiles, which, again, yields environmental compliance costs savings that benefit customers.

These efficiencies and savings did not occur by accident. FPL management and employees work diligently to control expenses despite escalating costs, continued customer growth, and increased reliability requirements. These achievements are the product of long-range management and investment strategies, appropriately structured compensation, and a team of motivated employees.

While FPL's focus on efficiency and productivity has lessened the impact of rising costs, the costs of many materials and products that the Company must purchase in order to provide affordable, reliable power have significantly increased over the past few years. As the electric service provider for close to half of Florida's residents, however, FPL shoulders the responsibility to plan and invest on a long-term basis to ensure that the Company will cost-effectively meet customers' near and long-term needs. This means that, increases in goods and materials notwithstanding, FPL must plan ahead and make sound investments in smarter, cleaner and increasingly efficient infrastructure. To that end, from 2011 through 2013, FPL will have invested approximately $9 billion[1] in infrastructure, or an average of approximately $3 billion annually. In order to sustain this level of investment, it is crucial that FPL maintain its balance sheet strength and recover through base rates its prudently incurred costs, including the appropriate cost of equity capital, or ROE.

Increased Revenue Requirements

As noted above, the 2010 Rate Settlement, which expires at the end of 2012, has served as a temporary financial bridge, and through the flexible amortization of non-cash depreciation surplus credits, has enabled FPL to earn 11 percent in each of the years under the agreement. For example, FPL projects that it will have to amortize $526 million of depreciation surplus as non-cash earnings in 2012 to offset cost pressures, leaving the much smaller amount of $191 million available to amortize in 2013. Together with the impact of the increase to rate base resulting from the amortization, this creates a need for $367 million of additional revenues in 2013 compared to 2012. This represents a significant loss in earnings for the Company; moreover, all else being equal, the Company will have an additional $191 million earnings gap in 2014, the very next year after new rates are set in 2013 because of the expiration of the credits after 2013.

FPL's proposed 2013 base rate increase is needed to address increased revenue requirements since 2010, the test year last used for establishing base rates. FPL annually undergoes a rigorous and established budget forecast process that appropriately relies on inputs from internal and external subject matter experts. FPL's forecast also accounts for charges to and from affiliates pursuant to the Commission's established affiliate transaction rules. Based on FPL's forecast, there are six primary sources that drive the increase:

Inflation	$162 million
Difference in Weighted Average Cost of Capital	$122 million
Long Term Infrastructure Investments	$116 million
Surplus Depreciation Amortization	$104 million
System Growth	$ 65 million
Regulatory Commitments	$ 56 million
Productivity Improvements	($ 76) million
Revenue Growth	($ 32) million

The total resulting base revenue deficiency in 2013 is $516.5 million. Absent rate relief, the resulting adjusted jurisdictional rate of return on average rate base is projected to be 5.26

[1] Approximately $3 billion of that figure is excluded from rate base.

percent, while the ROE is projected to be only 7.7 percent for the test year. Thus, FPL requests a total revenue requirements increase of $516.5 million beginning in January 2013, with a separate step increase of $173.9 million for the Canaveral Step Increase, to be effective upon the commercial in-service date of that project currently scheduled to be June 1, 2013.

Return on Equity and Capital Structure

In return for the investment FPL makes to provide customers with reliable, clean and affordable electric service, shareholders must be provided with the opportunity to earn a reasonable and adequate return on their investment. Indeed, all witnesses agree that the Commission is required to set an ROE that is fair and compensatory. FPL-specific risks must be taken into account in making this determination. This includes, among other things, FPL's relatively limited transmission connectivity to other parts of the nation and higher likelihood of adverse weather events than most other parts of the country. Additional risks include FPL's extensive utilization of nuclear power and FPL's heavy use of natural gas, which presents risks of price volatility and fundamental supply availability. On balance, FPL's use of nuclear power and natural gas certainly benefit customers and contribute to low monthly bills, but the incremental risk must be properly reflected when considering the appropriate degree of financial strength that FPL should maintain and the appropriate authorized ROE and capital structure.

In this case, FPL requests that it be allowed the opportunity to earn an ROE range of 10.25 percent to 12.25 percent, with a midpoint of 11.25 percent. This range is fair and reasonable, and it is appropriate to assure that FPL has the financial strength to continue providing enhanced value to its customers and to respond to unforeseen financial impacts that FPL may experience in the future. This request is in line with the authorized ROEs for investor owned utilities in Florida and the Southeast United States. FPL also seeks an ROE performance adder of 25 basis points, which recognizes FPL's outstanding operational performance. As set forth more fully in the testimony of FPL witnesses, FPL's ability to deliver exceptional value to its customers is not an artifact of external forces; it is a function of sustained effort, capital deployment, and a willingness to take risks and innovate. As a matter of public policy, these are all characteristics which the Commission should encourage and support among the utilities subject to its oversight, and it can do so by authorizing FPL's proposed performance adder.

In addition, FPL's proposal for an ROE performance adder is consistent with the Commission's authority, past policy and practice. In setting rates, the Commission may "give consideration, among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service *and the value of such service to the public*." Section 366.041(1), Florida Statutes (2012) (emphasis added).

FPL recognizes that the Commission should assess the sustainability of performance, in order to avoid providing an incentive for temporary but unsustainable performance. For practical purposes, however, FPL proposes that the performance adder be contingent upon FPL maintaining the lowest typical residential bills in Florida among the state's 55 electric utilities. FPL proposes that it would continue to be allowed the opportunity to earn this adder so long as its typical residential bill remains the lowest in the state, but would reduce its base rates to reflect the removal of the adder for the calendar year following a relevant prior twelve-month period in which this is not the case.

FPL proposes to maintain its actual equity ratio of 59.6 percent based on investor sources (46.0 percent based on all sources). This is consistent with the capital structure that FPL has maintained for many years. Since FPL's requirements for financial strength have in no way diminished, any change in this capital structure would be viewed by investors as a negative departure. FPL's proposed overall cost of capital in the Test Year is 7.0 percent. That low cost of capital is passed directly on to customers and helps to maintain FPL's low typical bill level.

In short, FPL's requested ROE and the maintenance of its actual capital structure, which has served customers so well for so long, will continue to support investor confidence and FPL's competitive access to capital.

Cape Canaveral Step Increase

FPL requests a Canaveral Step Increase of $173.9 million for the revenue requirements associated with the first twelve months of the Canaveral Modernization Project's commercial operation, which adjustment would be effective on the commercial in-service date. Customers will begin to realize the savings in fuel costs upon the in-service date of the new unit, and as a result FPL will synchronize revenues and savings by requesting that its 2013 fuel cost recovery factors be reduced as of June 1, 2013 to reflect the fuel savings resulting from the facility's efficient technology.

Transfer of West County Energy Center 3 to Base Rates

Pursuant to the terms of the 2010 Rate Settlement, the revenues associated with West County Energy Center 3 (WCEC3) are being collected through FPL's Capacity Cost Recovery Clause. However, the 2010 Rate Settlement envisions transfer of recovery for WCEC 3 costs to base rates concurrent with FPL's next base rate case. Accordingly, FPL requests such transfer in this proceeding. As described in FPL's pre-filed testimony, transferring recovery of WCEC 3's costs to base rates will not require any change in accounting treatment and will require no accounting adjustment to the test year.

Storm Cost Recovery

Finally, FPL proposes for the immediate future to continue recovering prudently incurred storm costs under the framework prescribed the 2010 Rate Settlement. In short, if FPL incurs storm costs related to a named tropical storm, FPL may collect up to $4 per 1,000 kWh (roughly $400 million), beginning 60 days after filing a petition for recovery with the Commission. This interim period may last up to 12 months. If FPL's costs related to named storms exceed $800 million in any one year, the Company may also request that the Commission increase the $4 per 1,000 kWh accordingly continuation of this mechanism has been proposed in lieu of seeking an annual accrual to the storm reserve. Ready access to funds in the immediate wake of a storm is simply too critical for the company to go forward without either approach. Specific details of the recovery mechanism are set forth in Paragraph 3 of the 2010 Rate Settlement.

Bill Impact

Even with the proposed rate increase, FPL's typical residential bill is expected to remain the lowest in the state as compared to the current bills of the other Florida electric utilities. The proposed revenue requirements will increase the base component of the typical residential bill from $43.26 in December 2012 to $48.49 in January 2013 and then to $50.35 in June 2013. Based on the Company's estimated projection as filed with the Company's "Notice of Identified Adjustments" on April 27, 2012, a concurrent reduction in fuel costs and other bill impacts would reduce the total bill impact in 2013 to approximately $1.41 per month, or less than 4 cents per day. FPL plans to provide an updated typical residential bill projection prior to the commencement of the technical hearing on August 20, 2012. Even with the requested increase, FPL's typical residential bill in 2013 is projected to be below the level in 2006, which was prior to the recent economic downturn. FPL's low bills and high reliability help make Florida a more affordable and desirable place to live and run a business. This is especially important as the state emerges from a challenging economic climate.

IV. ISSUES AND POSITIONS

There are disputes concerning the appropriateness of including the issues that appear in italics. Those disputes are to be brought before the prehearing officer for resolution at the prehearing conference. 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. All issues that are subject to an objection appear in ***bold and italics***. FPL will set forth the bases for its objection to each respective issue below.

Legal Issues

Issue 1: Absent a stipulation of parties in this case, does the Commission possess legal authority to grant FPL's proposal to continue utilizing the storm cost recovery mechanism that was one of the terms of the settlement agreement that the Commission approved in Order No. PSC-11-0089-S-EI?

Yes. The Commission has legal authority to implement the proposed storm cost recovery mechanism based on the merits of the proposal, regardless of whether it was embodied in a prior settlement agreement. There is substantial Commission precedent for prompt recovery of costs on an interim or projected basis, subject to true-up later. *See, e.g., In re: General investigation of fuel adjustment clauses of electric companies*, Docket No. 74680-CI, Order No. 6357 at 7 (Nov. 26, 1974); *Re Florida Power & Light Company*, Docket No. 041291-EI, Order No. PSC-05-0937-FOF-EI at pp. 34-35 (Sept. 21, 2005). (legal issue)

Issue 2: Does the Commission have the legal authority to approve FPL's requested base rate step increase for the Canaveral Modernization Project (CMP) if the CMP does not go into service until after the 2013 test year?

Yes. There is substantial Commission precedent for the use of step increases as FPL proposes. *See, e.g., Re Tampa Electric Company*, Docket No. 080317-EI PSC-09-0571-FOF-EI (Aug. 21, 2009); *In re*: *Application for a rate increase by Tampa Electric Company*, Docket No. 920324-EI, Order No. PSC-93-0165-FOF-EI (Feb. 2, 1993); and *In re*: *Petition for a rate increase by Florida Power Corporation*, Docket No. 910890-EI, Order No. PSC-92-1197-FOF-EI (Oct. 22, 1992). The purpose of the step increase is to synchronize the CMP revenue requirements with fuel savings resulting from its operation. That purpose will be served by the proposed step increase regardless of whether the in-service date is as projected, is early or is delayed. (legal issue)

Issue 3: Does Commission Rule 25-6.1351, "Cost Allocation and Affiliate Transactions," require FPL to implement and apply the criteria (greater of market price or fully allocated cost for charges to affiliates, lesser of market price or fully allocated cost for charges paid to affiliates) and related requirements of the rule to all affiliate transactions? (OPC)

The answer to this issue as worded is "no." By the terms of Commission Rule 25-6.1351, the criteria cited in the issue are not applicable to "all" affiliate transactions. For example, the rule is generally inapplicable to the purchase of fuel and related transportation services that are subject to Commission review and approval in cost recovery proceedings. Moreover, the criteria cited in the issue are applicable only to "non-tariffed affiliate transactions impacting regulated activities" and are specifially inapplicable to "the allocation of costs for services between a utility and its parent company or between a utility and its regulated utility affiliates or to services received by a utility from an affiliate that exists solely to provide services to members of the utility's corporate family." FPL's affiliate transactions fully comply with the terms of Commission Rule 25-6.1351. (legal issue)

Issue 4: With respect to amounts that FPL charges or pays to affiliates, who has the burden of proof in this proceeding to demonstrate the amounts comply with Commission Rule25-6.1351 and should be allowed in the cost of service borne by customers? (OPC)

FPL is the petitioner in this docket and therefore the burden of proof of supporting its proposed rates and charges rests with FPL. (legal issue)

Issue 5: OBJECTION: ***Does the Commission possess legal authority to grant increased profit as a performance based reward over and above fair, reasonable, just and compensatory rates without specific legislative authority such as that granted to the Commission by the legislature in §366.82 Fla. Stat.? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 54 and 60.

Issue 6: OBJECTION: ***If the answer to Issue 5 is yes, does the Commission possess the legal authority to reward FPL based on performance relative to other businesses, many of which are FPL counterparties, and none of which are comparable to FPL in size, location, resources, customer base, etc., rather than on absolute measurements of performance? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 54 and 60.

Issue 7: OBJECTION: ***If the answer to Issue 6 is yes, must the Commission consider the negative policy implications of rewarding FPL for performance relative to its counterparties in giving FPL an incentive to use its market power and legislative lobbying power to keep other Florida electric utility rates higher than its own in order to reap the incentive reward for performance measured relative to such entities? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 54 and 60.

Issue 8: OBJECTION: ***Is there an inherent conflict between the interests of the rate paying public and the interests of NextEra Energy, Inc. shareholders such that the Commission must disallow FPL expenses benefiting shareholders rather than ratepayers in order to comply with its statutory mandate under §366.01 Fla. Stat. to protect the public welfare? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 60 and 77.

Test Period and Forecasting

Issue 9: Is FPL's projected test period of the 12 months ending December 31, 2013 appropriate?

Yes. The Company is currently operating under the 2010 Stipulation and Settlement approved in Docket No. 080677-El ("2010 Rate Settlement") that expires December 31, 2012. The Company's petition requests an increase in base rates at the expiration of the 2010 Rate Settlement, effective January 1, 2013. Accordingly, 2013 is the most appropriate year to evaluate the Company's projected revenue requirements to afford the appropriate match between revenues and revenue requirements for 2013. (Barrett)

Issue 10: Are FPL's forecasts of Customers, kWh, and kW by Rate Class and Revenue Class, for the 2013 projected test year appropriate? If not, what forecasts of Customers, kWh, and kW by Rate Class and Revenue Class should the Commission use in determining revenues and setting rates in this case?

Yes. FPL's forecast of customers, kWh and kW by Rate Class and Revenue Class for the 2013 projected test year are appropriate. FPL relies on statistically sound forecasting methods and reasonable input assumptions. Consistent with

Commission precedent, FPL's forecast assumes normal weather conditions. Additionally, the forecast of customers, kWh, and kW by rate class is consistent with the sales and customer forecast by revenue class and reflects the billing determinants specified in each rate schedule. (Morley, Deaton)

Issue 11: Are FPL's projected revenues from sales of electricity by rate class at present rates for the 2012 prior year and projected 2013 test year appropriate? If not, what are the appropriate projected amounts of revenues from sales of electricity for the 2012 prior year and projected 2013 test year?

Yes. FPL has correctly estimated the 2012 and 2013 revenues from sales of electricity at present rates. The revenue calculations for 2013 are detailed in MFRs E-13b, E-13c, and E-13d and summarized in E-13a as sponsored by FPL witnesses Deaton (MFR E-13b). (Deaton)

Issue 12: What, if any, provisions should the Commission make in setting FPL's rates for the 2013 test year to address uncertainty related to projected billing determinants and revenues?

No provisions are necessary or appropriate. The FPSC has a long history of setting rates based on a Test Year comprised of reasonable forecasts of revenues and costs. In addition, Earnings Surveillance Reports provide timely information regarding whether rates, once set, result in earnings that are too high or too low. (Barrett, Deaton, Morley)

Issue 13: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2013 test year budget?

The appropriate inflation factors for forecasting the 2013 test year budget are a 1.9% increase in the consumer price index (CPI) for 2012 and a 2.0% increase in 2013. These projected CPI increases are below the long-term average rate of inflation and are consistent with projections by leading industry experts. The appropriate customer growth and trend factors are those included in the MFRs. These represent reasonable expectations regarding projected customer growth and other trend factors. (Morley, Barrett)

Issue 14: Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

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

Issue 15: Is the quality and reliability of electric service provided by FPL adequate?

Yes. FPL has delivered superior reliability and excellent customer service. FPL's fossil fleet continues to be among industry leaders for reliability, availability, and generating efficiency, while reducing emissions through the use of cleaner, highly efficient combined cycle technology. In addition, Distribution and Transmission reliability has been the best among major Florida investor owned utilities. FPL's Customer Service has been recognized for low cost and high performance in national benchmarking studies of operational effectiveness and efficiency. (Santos, Miranda, Hardy, Kennedy, Stall)

Rate Base

Issue 16: Should the revenue requirement associated with the West County Energy Center Unit 3 currently collected through the Capacity Cost Recovery Clause be included in base rates?

Yes. Pursuant to FPL's 2010 Rate Settlement, FPL should reflect revenue requirements associated with WCEC3 in base rates. (Ousdahl)

Issue 17: Should FPL's adjustment to extend the amortization period of the new SAP general ledger system from 5 years to 20 years be approved?

Yes. FPL's adjustment to extend the amortization period of the SAP general ledger system from five to twenty years should be approved in order to more appropriately recognize the longer benefit period expected from this major business system. (Ousdahl)

Issue 18: Has FPL made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation and Working Capital for the 2013 projected test year?

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

Issue 19: OBJECTION: ***Whether FPL's allegation that a base rate increase is needed to construct the poles, wires, and transformers needed to serve an anticipated 100,000 new customer accounts from the end of 2010 through the end of 2013 is accurate and true? (Mr. Saporito's Issue Objected to by FPL)***

Issue 20: Are FPL's overhead costs (salaries, materials and supplies, benefits, etc.) related to in-house capital improvement projects properly recorded in rate base?

Yes. All overhead costs related to capital improvement projects are properly recorded in rate base as an increase to plant-in-service. (Ousdahl)

Issue 21: Has FPL properly reduced rate base by contributions in aid of construction related to underground placement of distribution and transmission facilities?

Yes. All contributions in aid of construction related to any capital project are properly recorded in rate base as a decrease to plant-in-service. (Ousdahl)

Issue 22: Is FPL's requested level of Plant in Service in the amount of $30,424,227,000 ($31,078,941,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of Plant in Service is appropriate. (Barrett)

Issue 23: Should capital recovery schedules be approved for Cutler Units 5 and 6, Sanford Unit 3, and Port Everglades? If so, what are the appropriate capital recovery schedules?

Yes. As reflected on Exhibit KO-6, the appropriate capital recovery schedule amount should be ($5,439,194) (system). The 13-month average adjustment to rate base for the 2013 Test Year is ($668,000) (jurisdictional). These amounts are subject to the adjustment listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

Issue 24: Is FPL's requested level of Accumulated Depreciation in the amount of $11,901,711,000 ($12,970,028,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of Accumulated Depreciation is appropriate. (Barrett)

Issue 25: For purposes of this rate case, should the Commission exercise its authority under Rule 25-6.0141(1)(g) to exclude a proportion of costs incurred by FPL to finance projects during construction from Construction Work in Progress ("CWIP") to be recovered upfront in rate base, and instead treat that proportion of costs subject to an allowance for funds used during construction ("AFUDC") to be recovered over the lives of the underlying assets?

No. It would be inappropriate to make such a significant unilateral change to Commission policy that has been adopted after a due process procedure and codified in Rule No. 25-6.0141, F.A.C. There is no valid basis to deviate from the AFUDC thresholds pursuant to Paragraph (1)(g) of that rule. (Ousdahl, Deason)

Issue 26: If the answer to Issue **25** is in the affirmative, what proportion of costs incurred by FPL to finance projects during construction should be treated as CWIP to be recovered upfront in rate base, and what proportion should be treated subject to AFUDC to be recovered over the lives of the underlying assets?

There is no valid basis to change the AFUDC thresholds set in Rule 25-6.0141, F.A.C. or to deviate from those thresholds pursuant to Paragraph (1)(g) of that rule. FPL's proposed proportions of 2013 CWIP to include in rate base and to treat as subject to AFUDC are consistent with the rule and are appropriate. (Ousdahl)

Issue 27: Is FPL's requested Construction Work in Progress in the amount of $501,676,000 ($514,978,000 system) for the 2013 projected test year appropriate?

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of CWIP to be included in rate base is appropriate. (Barrett, Ousdahl)

Issue 28: Is FPL's proposed accrual of Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel for the 2013 projected test year appropriate?

Yes. FPL's proposed accruals for Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel for the Test Year is in accordance with Commission Order No. PSC-11-0381-PAA-EI. (Ousdahl)

Issue 29: Is FPL's requested level of Nuclear Fuel of $565,229,000 ($576,317,000 system) for the 2013 projected test year appropriate?

Yes. The 2013 requested level of Nuclear Fuel is appropriate. (Barrett, Ousdahl)

Issue 30: Should the Commission approve FPL's request to include the Fort Drum, McDaniel, and Hendry County proposed generation sites in Plant Held For Future Use?

Yes. FPL has a clear plan for these sites, which are the best sites available for cost-effective gas-fired facilities needed to meet customer needs as early as 2019. FPL's decision to purchase these sites during a distressed market was prudent. Removing these valuable and scarce sites from rate base would be inconsistent with sound regulatory policy and prior Commission precedent. It would also signal FPL to sell sites that hold significant value for FPL's customers. (Silva, Deason)

Issue 31: Should the Commission approve FPL's request to include nine proposed transmission line sites for which projected in-service dates are either 2022-2023 or indeterminate ("TBA") within Plant Held For Future Use?

Yes. These properties were identified in FPL's planning studies as necessary to meet customer growth, improve customer reliability, or to comply with NERC standards. Exclusion from rate base and subsequent sale of these properties would compromise FPL's ability to cost-effectively meet customers' long term transmission needs. Exclusion also would signal that utilities should dramatically alter their planning processes for locating and acquiring alternative property to build the necessary transmission facilities, to the detriment of customers. (Miranda, Deason)

Issue 32: Is FPL's requested level of Property Held for Future Use in the amount of \$230,192,000 (\$237,400,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FPL's PHFU balance is appropriate, because it reflects properties that were prudently purchased and are necessary to serve customers. The only properties contested are FPL's Other Production PHFU (\$108,951,000 system) and nine properties in Transmission PHFU (\$8,555,000 system). *See* Issues 30 and 31 regarding contested properties. The remaining uncontested balance of FPL's PFHU of \$119,894,000 (system) includes properties prudently bought and retained for customer needs in Nuclear (\$9,316,000 system), Transmission (\$39,365,000 system), Distribution (\$40,976,000 system) and General (\$30,237,000 system) Plant. (Silva, Kennedy, Miranda, Barrett, Hardy, Ousdahl, Deason)

Issue 33: Should any adjustments be made to FPL's fossil fuel inventories for the 2013 projected test year?

No. The 2013 projections for FPL's fossil fuel inventories are appropriate and reflect the necessary levels FPL must maintain at each plant to sustain operations during transit time and to cover contingencies that may delay delivery, such as weather, port delays, and plant-specific delivery infrastructure risks. (Kennedy)

Issue 34: Should unamortized rate case expense be included in Working Capital?

Yes. FPL's proposed adjustment to include the unamortized balance of rate case expenses in Working Capital in order to avoid a disallowance of reasonable and necessary costs. Full recovery of necessary rate case expenses is appropriate but will not occur unless FPL is afforded the opportunity to earn a return on the unamortized balance of those expenses. (Ousdahl)

Issue 35: Should Account 143, Other Accounts Receivable, be included in working capital for the 2013 test year?

Yes. The balance sheet approach defines working capital as utility-related current assets and deferred debits that do not already earn a return, less utility-related current liabilities, deferred credits and operating reserves upon which the Company does not already pay a return. The amounts recorded in FERC account 143, Other Accounts Receivable, relate to providing electric service and represent assets not already earning a return. Accordingly, FERC account 143 should be included in working capital. (Ousdahl)

Issue 36: Should an adjustment be made to the amount of Account 182.3, Other Regulatory Assets, included in working capital for the 2013 test year?

No. The balance sheet approach defines working capital as utility-related current assets and deferred debits that do not already earn a return, less utility-related current liabilities, deferred credits and operating reserves upon which the Company does not already pay a return. By definition, FERC account 182.3, Other Regulatory Assets, is related to providing electric service, and it represents assets that do not already earn a return. Accordingly, this account should be included in working capital. (Ousdahl)

Issue 37: Should an adjustment be made to the amount of Account 186, Miscellaneous Deferred Debits, included in working capital for the 2013 test year?

No. The balance sheet approach defines working capital as utility-related current assets and deferred debits that do not already earn a return, less utility-related current liabilities, deferred credits and operating reserves upon which the Company does not already pay a return. The amounts recorded in FERC account 186, Miscellaneous Deferred Debits, are related to providing electric service and represent assets not already earning a return. Accordingly, this account should be included in working capital. (Ousdahl)

Issue 38: Should unbilled revenues be included in working capital for the 2013 test year?

Yes. FPL incurs costs to deliver energy to customers, all of which have been accrued or paid. Delivery of that energy gives rise to both customer accounts receivables and a receivable for unbilled revenues. FPL must finance the costs of delivering energy, whether or not the energy sales have yet been billed. For this reason, the Commission has a long standing practice of including unbilled revenues in working capital. (Ousdahl)

Issue 39: Should the net over-recovery/under-recovery of fuel, capacity, conservation, and environmental cost recovery clause expenses be included in the calculation of the working capital allowance?

FPL has appropriately reflected the inclusion of recovery clause net over-recoveries and the removal of recovery clause net under-recoveries in working capital. Pursuant to Commission precedent and as ordered in FPL's last base rate proceeding, FPL is required to exclude net under recoveries from rate base and include net over recoveries. (Ousdahl)

Issue 40: What is the appropriate methodology for calculating FPL's Working Capital for the 2013 projected test year?

The balance sheet approach is the appropriate methodology for calculating Working Capital for the 2013 Test Year. This Commission authorized this methodology in the early 1980's and has been consistently applied since then. This approach reasonably measures the investment in current operations that FPL must make to deliver electric service and is therefore appropriate for calculating Working Capital. No witness has presented a viable, internally consistent calculation of Working Capital using an alternative methodology. (Ousdahl, Deason)

Issue 41: If FPL's balance sheet approach methodology for calculating its Working Capital is adopted, what adjustments, if any, should be made to FPL's proposed Working Capital?

Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 level of Working Capital requested in this filing of $1,217,209,000 (jurisdictional) is appropriate and no other adjustments are appropriate. (Ousdahl)

Issue 42: Are FPL's adjustments to the Asset Retirement Obligation (ARO) revenue neutral as required by Commission rule?

Yes. In compliance with Rule No. 25-14.014 F.A.C., the AROs included in FPL's 2013 Test Year are revenue neutral for ratemaking purposes. (Ousdahl)

Issue 43: Should the nuclear maintenance reserve be modified to reflect post-paid reserve accounting in lieu of pre-paid reserve accounting?

No. The appropriate accounting methodology for Nuclear Outage Maintenance Expense is the "accrue-in-advance" method, which was authorized by the Commission in Order No. PSC-96-1421-FOF-EI in order to levelize the amount of expense for both financial and ratemaking purposes. (Ousdahl)

Issue 44: Is FPL's requested level of Working Capital in the amount of $1,217,209,000 ($2,032,805,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of Working Capital is appropriate. (Barrett, Ousdahl)

Issue 45: Is FPL's requested rate base in the amount of $21,036,823,000 ($21,470,413,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of rate base is appropriate. (Barrett, Ousdahl)

Cost of Capital

Issue 46: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the appropriate amount of accumulated deferred taxes included in capital structure for the 2013 Test Year is $4,365,176,000 (jurisdictional). (Ousdahl)

Issue 47: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

The appropriate amount of unamortized investment tax credits and cost rate included in capital structure for the 2013 test year is $923,000 (jurisdictional) and 9.06%, respectively. The determination of the cost rate should only include the long-term sources of capital; common and preferred stock and long-term debt.

This amount and cost rate is subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16 for the 2013 test year. (Ousdahl)

Issue 48: What is the appropriate cost rate for short-term debt for the 2013 projected test year?

The appropriate cost rate for short-term debt is 2.11%, which includes both interest charges related to commercial paper borrowings based on the 2011 December Blue Chip Financial Forecasts and fixed costs related to maintaining back-up credit facilities to support FPL's commercial paper program. (Dewhurst)

Issue 49: What is the appropriate cost rate for long-term debt for the 2013 projected test year?

Subject to the adjustment for FPL's May 2012 long-term debt issuance described in Mr. Dewhurst's rebuttal testimony, the appropriate cost rate for long-term debt for the 2013 projected test year is 5.26%. (Dewhurst)

Issue 50: What is the appropriate cost rate for customer deposits for the 2013 projected test year?

In Order No. PSC-12-0358-FOF-PU, the Commission implemented a change to Rule No. 25-6.097, F.A.C., Customer Deposits, to decrease customer deposit interest rates for residential customers from 6% to 2% and business customers from 7% to 3% when the utility elects not to refund such a deposit after 23 months. Based on this revision to the approved interest rates, the appropriate cost rate for customer deposits for the 2013 Test Year is 1. 99%. (Santos, Barrett)

Issue 51: What is the appropriate equity ratio that should be used for FPL for ratemaking purposes in this case?

FPL's equity ratio should remain at approximately 59.6% as a percentage of investor sources. This equity ratio appropriate reflects FPL's business risk profile and has served customers well over an extended period of time. Maintaining FPL's capital structure will provide the financial flexibility and strength needed to absorb unexpected financial shocks, such as a substantial hurricane or a credit liquidity crisis, support FPL's substantial capital investment and construction requirements, and indicate to capital markets the Commission's continued commitment to support the financial integrity of the Company. Weakening FPL's capital structure, on the other hand, would result in further degradation of credit and likely downgrades to ratings, damaging customers' long term interests. Such damage is unnecessary in light of the fact that FPL's weighted average cost of capital, including FPL's current 59.6% equity ratio, would be 7% -- helping to keep customers' bills the lowest in the state. (Dewhurst, Avera)

<u>Issue 52</u>: OBJECTION: ***What is the FPL "average residential bill" for detached single family dwellings, as opposed to apartments, separately metered garages, etc? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 54 and 60.

<u>Issue 53</u>: OBJECTION: ***To the extent the data is available, what is the current hypothetical average 1000 kWh residential bill for every investor owned utility in the United States? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 54 and 60.

<u>Issue 54</u>: Should FPL's request for a 25 basis point performance adder to the authorized return on equity and proposed annual review mechanism be approved?

Yes. The requested incentive is an appropriate means to recognize FPL's superior service, including its award-winning customer service, first quartile reliability, and customer bills that are the lowest in the state, and will encourage all electric investor owned utilities in Florida to strive to improve performance for the benefit of all Floridians. The requested incentive is consistent with past Commission decisions incrementally increasing (or decreasing) an authorized ROE in recognition of performance. In addition, FPL's proposed annual review mechanism is reasonable and administratively efficient. As explained in FPL witness Deaton's direct testimony, should FPL not maintain the lowest typical residential bill in the state on average, over the 12 month review period, FPL proposes to reduce rates to remove the adder on a prospective basis until FPL's bill is once again the lowest. (Dewhurst, Deaton, Deason, Reed)

<u>Issue 55</u>: OBJECTION: ***What are the historical ROE figures for FPL for every year of its existence? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This is in the nature of discovery rather than an issue; it is point or position that should be subsumed under Issue No. 58.

Issue 56: OBJECTION: ***What are the current ROE figures for every investor owned utility in the United States? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 58.

Issue 57: OBJECTION: ***Is the existing FPL rate structure, which resulted in a 21% total return to shareholders of NextEra Energy, Inc. in 2011, and a total 10 year shareholder return of 209%, beating the S&P 500 by over 600%, on its face unjust, unreasonable or excessive such that the Commission should dismiss the instant rate case and, on its own motion under §366.06 and/or §366.07, and lower FPL Return on Equity to a figure more appropriate to the current economic conditions and the current cost of borrowing? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This is in the nature of discovery rather than an issue; it is point or position that should be subsumed under Issue Nos. 58 and 61.

Issue 58: What is the appropriate authorized return on equity (ROE) to use in establishing FPL's revenue requirement?

The Commission should authorize 11.5% as the return on common equity. Granting FPL's requested return on equity will appropriately take into account FPL's company-specific risk factors, including: (i) planned investments totaling $9 billion to continue to maintain and improve its system for customers; (ii) the Company's operation of nuclear plants and development of new nuclear plants; (iii) high exposure to natural gas price volatility; 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. 11.5% is roughly the average of authorized ROEs in the Southeast United States, a region in which FPL is one of the top performing utilities. (Dewhurst, Avera)

Issue 59: What is the appropriate capital structure that should be used by FPL for ratemaking purposes in this case?

The proposed capital structure as presented on MFR D-1A is appropriate. This 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 the global economic crisis. Maintaining this capital structure will provide the ability to attract capital required for FPL to meet its customers' electric service needs and indicate to the capital markets the Commission's continued commitment to support the financial integrity of the Company. (Dewhurst, Avera)

Issue 60: Is the combination of regulatory ROE, debt costs, capital structure and performance adder (if any) appropriate?

Yes. Please see FPL's positions on Issues 51, 54, 58, 59, and 61. As explained in response to Issue 61 below, this combination will result in a weighted average cost of capital of 7%, which is below the average weighted average cost of capital of FPL's peer electric IOUs, helping to keep customer bills low. (Dewhurst, Ousdahl)

Issue 61: What is the appropriate weighted average cost of capital?

The associated components, amounts and cost rates are reflected in FPL's MFR D-1a for the 2013 Test Year, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16; the recent change to Rule No. 25-6.097, F.A.C., Customer Deposits; and the adjustment for FPL's May 2012 long-term debt issuance described in Mr. Dewhurst's rebuttal testimony. Subject to those adjustments, the appropriate after-tax weighted average cost of capital for the 2013 Test Year is 7.00%. (Dewhurst, Ousdahl)

Net Operating Income

Issue 62: Has FPL maximized the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year? If not, what action, if any, should the Commission take in setting FPL's rates in this case? (For purposes of this issue, "net jurisdictional revenue" **may** include net revenue related to the supply of CO2 captured from an FPL facility.)

Yes. FPL has appropriately maximized the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 Test Year. FPL does not believe that the proposal by Algenol to collaborate in the capture, transport, and processing of CO2 from FPL's power plants would meet these criteria. (Kennedy, Barrett)

Issue 63: Does FPL properly account for revenues received from FPL Fibernet and other telecommunications companies for utilizing long-haul fiber optic facilities hosted by FPL's electric transmission system? (FIPUG)

Yes. FPL properly accounts for all revenues received from FPL Fibernet and other telecommunication companies for attachments to its transmission facilities. (Miranda, Ousdahl)

Issue 64: What are the appropriate projected amounts of other operating revenues for the 2013 projected test year?

Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the appropriate amount of other operating revenues for the 2013 test year is $140,637,000 (jurisdictional). (Barrett)

Issue 65: Is FPL's projected level of Total Operating Revenues of $4,407,253,000 ($4,505,007,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of Total Operating Revenues is appropriate. (Barrett)

Issue 66: Has FPL made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?

Yes. FPL has made the appropriate test year adjustments to remove fuel revenues and expenses recoverable through the Fuel Adjustment Clause. (Ousdahl)

Issue 67: Should an adjustment be made to transfer incremental security costs from the Capacity Cost Recovery Clause to base rates?

No. Due to continued volatility of post 9/11 plant security costs, the Capacity Cost Recovery Clause ("CCRC") continues to be the appropriate recovery mechanism. If costs are transferred to base rates, FPL should be permitted to recover amounts above the base rate level through the CCRC. FPL cannot predict how security requirements may change and must comply with those requirements. Therefore, FPL should be permitted to recover increases in plant security costs if they occur. (Ousdahl)

Issue 68: If incremental security costs continue to be recovered in the Capacity Cost Recovery Clause, should the Commission approve FPL's adjustment to transfer incremental security payroll loadings from base rates to the Capacity Cost Recovery Clause?

Yes. As a matter of proper accounting, all payroll related costs should be recovered consistently with the direct payroll dollars to which they relate. (Ousdahl)

Issue 69: Has FPL made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

Yes. FPL has made the appropriate test year adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause. (Ousdahl)

Issue 70: Has FPL made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

Yes. FPL has made the appropriate test year adjustments to remove environmental revenues and expenses recoverable through the Environmental Cost Recovery Clause ("ECRC"). (Ousdahl)

Issue 71: Should FPL's adjustment to remove all costs for the Substation Pollution Discharge Prevention Program from base rates and include them in the Environmental Cost Recovery Clause be approved?

Yes. In Order No. PSC-97-1047-FOF-EI, the Commission required ECRC-recoverable expenses related to the Substation Pollutant Discharge Prevention program to be adjusted downward by the level of O&M expense which FPL had historically experienced for certain activities, until base rates were reset in the future. Because base rates are now being, reset, it is appropriate to transfer recovery of those O&M expenses to the ECRC. (Ousdahl)

Issue 72: Has FPL made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause?

Yes. FPL has made the appropriate test year adjustments to remove conservation revenues and expenses recoverable through the Energy Conservation Cost Recovery Clause. (Ousdahl)

Issue 73: Should FPL's adjustment to remove ECCR clause related payroll loadings of $1,815,000 for FICA and unemployment taxes from base rates and include them in the Energy Conservation Cost Recovery Clause be approved?

Yes. As a matter of proper accounting, all payroll related costs should be recovered consistently with the direct payroll dollars to which they relate. (Ousdahl)

Issue 74: Has FPL made the appropriate adjustments to remove all non-utility activities from operating revenues and operating expenses for the 2013 projected test year?

Yes. All non-utility activities have been appropriately removed from operating revenues and expenses. (Ousdahl)

Issue 75: Is the percentage value or other assignment value or methodology basis, if any used to allocate NextEra Energy, Inc. corporate costs and/or expenses to FPL appropriate?

Yes. The amounts and percentages that are allocated to FPL from NextEra Energy Inc. reflect appropriate cost causation based allocators. The charges to FPL are considered fair, just and reasonable. (Ousdahl)

Issue 76: Should the percentage value or other assignment value or methodology basis, if any of NextEra Energy, Inc. corporate costs and/or expenses allocated to FPL be equal to the percentage value or other assignment value or methodology basis, if any of NextEra Energy, Inc. corporate costs and/or expenses allocated to NextEra Energy Resources?

No. The amounts and percentages of costs that are allocated to FPL from NextEra Energy Inc. are based on allocators that properly reflect cost causation. The charges to FPL are considered fair, just and reasonable. (Ousdahl)

Issue 77: Are the amounts of the NextEra Energy, Inc. corporate costs and/or expenses (including executive compensation and benefits) allocated to FPL fair, just, and reasonable?

Yes. The amounts and percentages that are allocated to FPL from NextEra Energy Inc. reflect appropriate cost causation based allocators. The charges to FPL are fair, just and reasonable. (Ousdahl, Slattery)

Issue 78: OBJECTION: ***What portion of NextEra Energy, Inc. expenses borne by FPL customers are not useful in serving the FPL rate paying public but rather benefit NextEra Energy, Inc. shareholders? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 74, 75, 76, 77, and 79.

Issue 79: Should any adjustments be made to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies for the 2013 projected test year?

No adjustments are required other than the adjustments listed on FPL witness Ousdahl's Exhibit KO-16. (Ousdahl)

Issue 80: What additional action (including, but not limited to, establishing a separate investigatory docket), if any, should the Commission take related to affiliate transactions as a result of the evidence taken in this docket?

None. FPL has responded to voluminous discovery regarding affiliate transactions, yet there is no evidence in this docket that changes to FPL's affiliate-transaction methodology are warranted. FPL's organizational structure along with its billing methodologies for support and fleet services are consistently applied over many years, well understood by regulators, and have been fully explored, analyzed, questioned and vetted in FPL's 2009 base rate proceeding, in Docket No. 100077, and again in this docket. (Ousdahl, Flaherty)

Issue 81: Are FPL's overhead costs (salaries, materials and supplies, benefits, etc.) allocated to capital projects properly deducted from operating expenses?

Yes. FPL's overhead costs are appropriately charged to either capital or operating and maintenance expense in relation to the work performed. (Ousdahl, Barrett)

Issue 82: Has FPL made appropriate reductions in operating expenses where capital projects are not done in-house, but employee salaries and related overhead costs have been included in rate base?

FPL does not understand what this issue intends to address and therefore cannot provide a position to the question as written. FPL will provide a position at the Prehearing Conference if it receives clarification sufficiently in advance of August 14, 2012. (Ousdahl)

Issue 83: Has FPL properly reduced operating expenses in amounts equal to overheads reimbursed by third parties through contributions in aid of construction related to underground placement of distribution and transmission facilities?

Yes. FPL's overhead costs are appropriately charged to either capital or operating and maintenance expense based on the work performed. (Ousdahl)

Issue 84: Has FPL properly reduced operating expenses in amounts equal to any overheads charged to third parties as contributions in aid of construction, fees or other payments to FPL?

Yes. FPL's overhead costs are appropriately charged to either capital or operating and maintenance expense based on to the work performed. (Ousdahl)

Issue 85: Should FPL salaries, costs and overheads for activities associated with (a) public relations or external affairs, (b) shareholder services, (c) attempted acquisitions of electric facilities, and (d) efforts opposing municipalizations pursuant to a franchise agreement be removed from operating expenses?

No. After properly allocating costs to affiliates for these services, the remaining amounts are properly included in FPL's net operating income for the 2013 Test Year. (Ousdahl)

Issue 86: Should FPL costs to pay contractors for legal, public relations or other consulting services be borne by customers or FPL shareholders?

As written, the issue is too vague for FPL to provide a specific response. FPL properly records costs associated with legal, public relations and other consulting services. (Ousdahl)

Issue 87: What is the appropriate amount of FPL's tree trimming expense for the 2013 projected test year?

FPL's 2013 tree trimming expense of $68,655,000 (jurisdictional) is appropriate. The increase in FPL's Test Year tree trimming expense is in line with recent historical increases and primarily results from additional feeder miles trimmed, increased contractor rates and increases in lateral trimming expenses due to the location of the miles to be trimmed in 2013 (i.e., rates vary per management region). (Hardy)

Issue 88: What is the appropriate amount of FPL's pole inspection expense for the 2013 projected test year?

FPL's 2013 pole inspection expense of $14,015,000 (jurisdictional) is appropriate. 2007-2011 actual pole inspection costs (capital and O&M expenses) are in line with budgeted amounts and FPL's Test Year pole inspection expense is lower than actual 2011 and 2012 pole inspection expenses. (Hardy)

Issue 89: What is the appropriate amount of FPL's production plant O&M expense for the 2013 projected test year?

FPL's production plant O&M expense of $663,393,000 (jurisdictional) is appropriate. The non nuclear O&M request ($252,836,000) is commensurate with the transformation to a clean, highly efficient combined cycle technology fleet that includes 1,200 MWs of new WCEC3 capacity. The nuclear O&M request ($410,557,000) is necessary to maintain nuclear facilities in order to maximize fuel savings, enhance system fuel diversity, and permit the safe and reliable operation of its nuclear units into their renewed license terms. (Kennedy, Stall)

Issue 90: What is the appropriate amount of FPL's transmission O&M expense for the 2013 projected test year?

The appropriate amount of Transmission Expense for the 2013 Test Year is $55,677,000 (jurisdictional). (Miranda)

Issue 91: What is the appropriate amount of FPL's distribution O&M expense for the 2013 projected test year?

FPL's 2013 Distribution O&M expense of $286,058,000 (jurisdictional) is appropriate. (Hardy)

Issue 92: OBJECTION: ***Is the proposed advertising expense of $516,478 for the test year of 2013, which is a 332% increase over 2011's advertising expense of $155,397 and which would raise the per customer cost 367% from $.03 to $.11, a legitimate cost, used and useful in serving the public? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 94.

Issue 93: OBJECTION: ***Is an advertising expense of $155,397 for the test year of 2013 inadequate to serve the needs of the public? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 94.

Issue 94: What is the appropriate amount of advertising expenses for the 2013 projected test year?

This issue was not challenged by any intervenor witness. Nevertheless, FPL states that the appropriate level of advertising expenses for 2013 is the amount requested of $516,478 (jurisdictional). (Barrett)

Issue 95: If in its resolution of Legal Issue 1 the Commission determines it has legal authority to do so, should it approve FPL's proposed storm cost recovery mechanism?

Yes. The best practice, consistent with historical Commission policy, is to contribute to a storm reserve on an on-going basis. However, in the interest of minimizing the number of disputed issues, FPL requested to continue the storm cost recovery mechanism that has been in place for the last two years which provides an appropriate means to quickly collect costs necessarily incurred to restore power after a major storm, without impacting customers' bills at this time. (Dewhurst)

Issue 96: What is the appropriate annual storm damage accrual and storm damage reserve for the 2013 projected test period?

FPL has not requested an annual storm damage accrual or a target reserve level in this proceeding. Alternatively, FPL is requesting that if FPL incurs storm costs related to a named tropical storm or hurricane, the Company may begin collecting up to $4 per 1,000 kWh beginning 60 days after filing a petition for recovery. (Dewhurst)

Issue 97: OBJECTION: ***What portion of NextEra Energy, Inc. executive compensation expenses borne by FPL customers are not useful in serving the FPL rate paying public but rather benefit NextEra Energy, Inc. shareholders? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 99.

Issue 98: OBJECTION: ***What has been the total compensation for the head of FPL or, if a subsidiary, its parent company, for every year of FPL's existence? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 99.

Issue 99: Should an adjustment be made to FPL's level of executive compensation for the 2013 projected test year?

No adjustments are required other than those listed on FPL witness Ousdahl's Exhibit KO-16. (Slattery)

Issue 100: Should an adjustment be made to FPL's level of non-executive compensation for the 2013 projected test year?

No adjustments are required other than those listed on FPL witness Ousdahl's Exhibit KO-16. (Slattery, Deason)

Issue 101: Are FPL's proposed increases to average salaries for the 2013 projected test year appropriate?

Yes. The proposed increases to average salaries for the 2013 projected Test Year are appropriate and reasonable. The reasonableness of current salaries is demonstrated by comparison of FPL's base pay to the relevant comparative market (Exhibit KS-2). In addition, FPL's proposed increases to average salaries align with market projections provided by WorldatWork Index, The Conference Board, and other market surveys. (Slattery)

Issue 102: Is FPL's projected level of employee positions for the 2013 projected test year appropriate?

Yes. FPL's budgeted level is appropriate and represents management's best estimate of what is required to do the work at optimal staffing levels. In addition, the current number of employees is about 60 positions above the requested 2013 level. Any assessment of the number of employee positions must be evaluated in light of total payroll costs. Analysis of historical gross base and overtime payroll demonstrate that the requested number of positions is necessary and reasonable. (Slattery)

Issue 103: What is the appropriate amount of Other Post Employment Benefits Expense for the 2013 projected test year?

The appropriate amount of Other Post Employment Benefits Expense, excluding amounts forecasted to be included in capital expenditures, for the 2013 Test Year is $16,960,000 (jurisdictional). (Ousdahl, Slattery)

Issue 104: What is the appropriate amount of FPL's requested level of Salaries and Employee Benefits for the 2013 projected test year? (Fallout Issue)

One hundred percent of the Test Year level of Salaries and Employee Benefits expense are appropriate, other than portions of incentive compensation already excluded. The reasonableness of salary and benefit expense is demonstrated in a number of ways, including comparison of: FPL's salaries to the relevant comparative market; FPL's salary cost and efficiency to those of similar utilities; and the relative value of benefits programs to other utility and general industry companies. (Slattery)

Issue 105: What is the appropriate amount of Pension Expense for the 2013 projected test year?

Subject to the adjustment listed on FPL witness Ousdahl's Exhibit KO-16, the appropriate amount of Pension Expense, excluding amounts forecasted to be included in capital expenditures, for the 2013 Test Year is ($28,223,000) (jurisdictional). (Ousdahl)

Issue 106: Should an adjustment be made to the amount of the Directors and Officers Liability Insurance expense that FPL included in the 2013 projected test year?

No. Directors and Officers Liability (DOL) insurance is a prudent and reasonable expense needed to attract and retain qualified directors and officers who provide the needed expertise to run a utility. Having a well-run utility benefits customers and having adequate liability coverage helps protect assets of the utility from lawsuits that could divert capital to cover losses. DOL insurance is a necessary cost of providing service and should be reflected in FPL's base rates. (Dewhurst, Deason)

Issue 107: What is the appropriate amount of accrual for the Injuries & Damages reserve for the 2013 projected test year?

This issue was not challenged by any intervenor witness. Nevertheless, FPL states that the appropriate amount of accrual for the Injuries & Damages reserve for the 2013 projected test year is $5,121,000 (jurisdictional). (Barrett)

Issue 108: What is the appropriate amount and amortization period for Rate Case Expense for the 2013 projected test year?

FPL's estimated rate case expense is $ $3,925,000 (jurisdictional). A four year amortization period is appropriate for the rate case expense. (Ousdahl)

Issue 109: What is the appropriate amount of uncollectible expense and bad debt rate for the 2013 projected test year?

The appropriate amount of uncollectible expense is $18,407,703 as filed in MFR C-4. The appropriate bad debt rate is 0.166% as filed in MFR C-11. (Santos, Barrett)

Issue 110: What is the appropriate accounting methodology for the Nuclear Outage Maintenance Expense?

The appropriate accounting methodology for Nuclear Outage Maintenance Expense is the "accrue-in-advance" method, which was authorized by the Commission in Order No. PSC-96-1421-FOF-EI to levelize the amount of expense for both financial and ratemaking purposes. (Ousdahl)

Issue 111: What is the appropriate amount of the Nuclear Outage Maintenance Expense and Nuclear Outage Maintenance Reserve for the 2013 test year?

The appropriate amounts for the nuclear outage maintenance expense and 13-month average nuclear outage maintenance reserve for the 2013 test year are $103,434,000 (jurisdictional) and $52,230,000 (jurisdictional), respectively. (Barrett, Ousdahl, Stall)

Issue 112: Has FPL included the appropriate amount of expense associated with the AMI smart meters in the 2013 projected test year?

Yes. The projected Test Year level of expense was based on the most current information at the time the forecast was developed. The testimony of intervenors suggesting FPL should be held to the 2013 forecasted expense provided in the 2009 rate case is not appropriate. (Barrett, Santos, Deason)

Issue 113: Has FPL included the appropriate amount of savings associated with the AMI smart meters in the 2013 projected test year?

Yes. The projected Test Year level of savings was based on the most current information at the time the forecast was developed. The testimony of intervenors suggesting FPL should be held to the 2013 forecasted savings provided in the 2009 rate case is not appropriate. (Santos, Deason)

Issue 114: Is FPL's requested level of O&M Expense of **$1,542,322,000** ($1,568,633,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, FPL's requested level of 2013 O&M Expense is appropriate. (Barrett)

Issue 115: What is the appropriate amount of depreciation and fossil dismantlement expense for the 2013 projected test year?

Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the appropriate amount of depreciation expense for plant-in-service assets and fossil dismantlement expense for the 2013 test year is $786,138,000, and $17,773,000, respectively (jurisdictional). (Barrett, Ousdahl)

Issue 116: Is FPL's requested amortization of $191,000,000 the appropriate amount of the theoretical depreciation reserve surplus to be amortized for the 2013 projected test year?

Yes. FPL's requested level of 2013 Depreciation Reserve Surplus amortization is appropriate. (Barrett)

Issue 117: Given that in Order No. PSC-11-0089-S-EI the Commission directed FPL to complete the amortization of $894 million of depreciation surplus during the period 2010-2013, and in light of the Commission's decision regarding the amount of remaining reserve surplus to be amortized in the 2013 test year in conjunction with the resolution of Issue 116, should the Commission direct FPL to discontinue recording amortization of reserve surplus on its books after 2013 unless authorized or directed by subsequent Commission order?

FPL proposes to amortize $191 million of depreciation surplus in 2013 and to cease the recording of depreciation surplus amortization at the end of 2013, per the 2010 Rate Settlement, regardless of whether this results in the amortization of more or less than the original $894 million of depreciation surplus. This is fair to both FPL and customers. (Barrett)

Issue 118: Is FPL's requested level of Depreciation and Amortization Expense of $802,761,000 ($819,794,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of Depreciation and Amortization Expense is appropriate. (Barrett, Ousdahl)

Issue 119: Is FPL's requested level of Taxes Other Than Income of $371,710,000 ($378,853,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, FPL's requested level of 2013 Taxes Other Than Income Taxes is appropriate. (Barrett)

Issue 120: Should the Commission adjust FPL's test year current state income taxes or rate base to recognize benefits, if any, that FPL has provided, or will provide, to any affiliates in furtherance of the affiliate's ability to elect to apportion adjusted Federal income tax under s.220.153, Florida Statutes (single sales factor)?

No. FPL calculates the state income tax on a separate-return basis, the Commission's long-standing practice. Under this approach, FPL is treated for ratemaking purposes as paying the amount of tax due under a separate tax return rather than being included in a consolidated tax return. This practice ensures that any benefits or burdens that result from FPL's operations accrue to its customers and insulates those customers from the risks associated with non-regulated operations. (Ousdahl)

Issue 121: Is FPL's requested level of Income Taxes of $513,276,000 ($528,838,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, FPL's requested level of 2013 O&M Income Taxes is appropriate. (Ousdahl)

Issue 122: Is FPL's requested level of (Gain)/Loss on Disposal of Plant of negative $2,641,000 (negative $2,641,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of (Gain)/Loss on Disposal of Plant is appropriate. (Barrett)

Issue 123: Is FPL's requested level of Total Operating Expenses of $3,250,894,000 ($3,317,404,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of Total Operating Expenses is appropriate. (Barrett)

Issue 124: Is FPL's projected Net Operating Income of $1,156,359,000 ($1,187,603,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

Yes. Subject to the adjustment listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of Net Operating Income is appropriate. (Barrett, Ousdahl)

Revenue Requirements

Issue 125: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL?

The appropriate projected 2013 revenue expansion is 0.61279 and the NOI multiplier is 1.63188. The elements and rates are shown on MFR C-44 for the 2013 test year. (Ousdahl)

Issue 126: Is FPL's requested annual operating revenue increase of $516,521,000 for the 2013 projected test year appropriate? (Fallout Issue)

Yes. FPL's requested annual operating revenue increase for the 2013 Test Year is appropriate. (Barrett, Ousdahl)

Issue 127: What economic impact will FPL's request for a rate increase have on customers, businesses and communities in Florida, including economic development activities and raising capital in Florida?

FPL's requested rate increase is reasonable and necessary to give FPL the opportunity to earn a fair rate of return. FPL delivers exceptional value to customers in terms of cost, reliability, and customer service, thus helping to ensure Florida remains an attractive place to live and a competitive environment for business. FPL customers would continue to pay moderate amounts for electricity, particularly in comparison with the increases in prices for other goods and services. (Silagy, DeRamus)

Canaveral Base Rate Step Adjustment

Issue 128: Should the Commission approve a base rate step adjustment for the Canaveral Modernization Project?

Yes. The Canaveral Step Increase is timed to coincide with the commercial operation date of the Canaveral Modernization Project. At that point, the project will begin generating its projected fuel efficiencies for the benefit of customers. FPL proposes that the Fuel Clause factors be adjusted on the commercial operation date, in order to reflect and coincide with these projected fuel efficiencies. (Barrett, Ousdahl)

Issue 129: Should deferred taxes be included in the capital structure rather than as a reduction to rate base for the Canaveral Modernization Project base rate step adjustment?

No. All forecasted deferred taxes related to the construction of the Canaveral Modernization Project and generated during its first year of operations are appropriately included as a reduction to rate base. However, the Company is not opposed to including deferred taxes as a component of capital structure rather than a reduction to rate base because the revenue requirement result is the same in either instance. (Ousdahl)

Issue 130: Is FPL's requested rate base of $821,325,000 ($837,297,000 system) for the Canaveral Modernization Project appropriate?

Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16 and assuming that deferred taxes related to the construction of the Canaveral Modernization Project are removed from rate base as FPL proposes, FPL's requested 2013 rate base for the Canaveral Step Increase is appropriate. (Ousdahl)

Issue 131: What is the appropriate weighted average cost of capital, including the proper components, amounts and cost rates associated with the capital structure, to calculate the base rate step adjustment for the Canaveral Modernization Project?

Subject to the adjustment described herein, the appropriate after-tax weighted average cost of capital for the Canaveral Step Increase is 9.06%. The components, amounts and cost rates associated with the capital structure are reflected in FPL's MFR D-1a for the Canaveral Step Increase, subject to an adjustment for FPL's May 2012 long-term debt issuance described in Mr. Dewhurst's rebuttal testimony. (Dewhurst, Ousdahl)

Issue 132: Is FPL's requested net operating loss of $32,092,000 ($32,712,000 system) for the or Canaveral Modernization Project appropriate?

Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, FPL's requested net operating loss for the Canaveral Step Increase is appropriate. (Ousdahl)

Issue 133: Is FPL's requested Net Operating Income Multiplier of 1.63188 for the Canaveral Modernization Project appropriate?

Yes. The Net Operating Income Multiplier for the Canaveral Step Increase of 1.63188 is appropriate. (Ousdahl)

Issue 134: Is FPL's requested base rate step increase of $173,851,000 for the Canaveral Modernization Project appropriate?

Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the base rate step increase of $173,851,000 is appropriate. (Ousdahl)

Issue 135: What is the appropriate effective date for implementing FPL's requested base rate step increase for the Canaveral Modernization Project?

In order to best synchronize the recovery of revenue requirements with the realization of fuel savings on customer bills, the appropriate effective date for implementing FPL's requested Canaveral Step Increase is the commercial operation date for the Canaveral Modernization Project, which is estimated to be June 1, 2013. (Barrett)

Cost of Service and Rate Design Issues

Issue 136: OBJECTION: ***Are the proposed FPL rates fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 126.

Issue 137: OBJECTION: ***Are the proposed FPL rates unjust, unreasonable, excessive or unjustly discriminatory or preferential? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 126, 142, and 144.

Issue 138: OBJECTION: ***Are existing FPL rates fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 126.

Issue 139: Should FPL employ a minimum distribution system ("MDS") cost of service methodology to classify and allocate distribution costs; if not, what methodology should be used?

No. The appropriate methodology to allocate distribution plant costs is that filed by FPL. The Commission has consistently rejected the use of the MDS method for IOUs (with the exception of the MDS approved for Gulf as part of a Settlement Agreement) and a compelling case for ignoring that precedent has not been made. The MDS methodology is inconsistent with FPL's distribution planning and would increase the costs to residential and small commercial customers. (Ender)

Issue 140: What is the appropriate cost of service methodology to be used to allocate production costs to the rate classes?

The Commission should approve FPL's proposed 12 CP and 1/13th methodology because it accurately reflects FPL's generation plan as it: (1) recognizes that the type of generation unit selected is influenced by both energy and peak demand; (2) reflects the influence of the summer reserve margin criterion; and (3) recognizes that capacity must be available throughout the year to meet FPL's winter reserve margin and the annual Loss of Load Probability criteria. (Ender)

Issue 141 What is the appropriate cost of service methodology to be used to allocate transmission plant-related costs to the rate classes?

The 12 CP and 1/13th method used by FPL is the appropriate cost of service methodology for allocating transmission plant-related costs to rate classes. The 12 CP and 1/13th method has a long-standing history of approval by the Commission. (Ender)

Issue 142: Has FPL properly allocated costs to the rate classes?

FPL: Yes. FPL's cost of service study results for the projected 2013 Test Year were accurately determined and fairly present each rate class's cost responsibility. The methodologies used to allocate rate base, other operating revenues, and expenses were appropriately applied and are consistent with those previously approved by this Commission. (Ender)

Issue 143: Is FPL's proposed allocation of the Cape Canaveral Modernization step increase reasonable?

Yes. FPL's proposed allocation of the Cape Canaveral Modernization step increase is reasonable. The revenue requirements are allocated to customer classes based on the cost of service data in MFR E-6b equalized at proposed rates for the 2013 Test Year. RBD-11 outlines the revised cost allocation and the resulting energy factors by rate class. (Deaton)

Issue 144: How should the change in revenue requirement be allocated among the customer classes?

The increase should be allocated as shown in MFR E-8. FPL followed Commission guidance and limited the increases to no more than 150% of the system average in total including clauses. The result is all classes are moved closer to parity to the greatest extent practical. (Deaton)

Issue 145: Should FPL's current time-of-use residential rate be closed to new customers, effective January 1, 2013?

Yes. FPL's time-of-use residential rate should be closed to new customers effective January 1, 2013 and the current customers should be migrated to either RS-1 or the new RTR-1 rider, once billing system changes are complete. If the RTR-1 rider is not approved, the RST-1 rate should still be closed. (Deaton)

Issue 146: Should the Commission approve FPL's new Residential Time-of-Use Rider?

Yes. FPL's new Residential Time-of-Use Rider (RTR-1) should be approved effective upon completion of the necessary changes to the billing system. The RTR-1 rider includes the inverted rate structure in RS-1 and ensures any savings realized on the TOU option is due to lower on-peak usage. (Deaton)

Issue 147: Should FPL's proposal to credit the fuel charge for lighting customers who are required to turn off outside lights during turtle nesting season be approved?

Yes. FPL does not incur fuel costs associated with lights that are turned off. Revisions to rate schedules SL-1 and OL-1 should be approved that would allow for credits to the fuel charges on affected customers' bills when those customers are required to keep outside lights off during the turtle nesting season. (Deaton)

Issue 148: Should FPL's proposed change to the late payment charge be approved?

Yes. The proposed $5.00 minimum is consistent with other Florida investor-owned electric utilities. The increased late payment charge revenue will reduce the customer charge revenue requirements for the general body of customers and may provide a greater incentive for customers to pay their electric bill more timely. (Deaton, Santos)

__Issue 149__: OBJECTION: ***Is the proposed new minimum late charge of $5.00 or 1.5% per month unjust, unreasonable or excessive? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 148.

__Issue 150__: OBJECTION: ***Is the existing late charge of 1.5% per month fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 148.

__Issue 151__: OBJECTION: ***What is the actual legitimate cost to FPL of late payments? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 148.

__Issue 152__: OBJECTION: ***Is there evidence of public acceptance of a new $5.00 minimum late charge? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 148.

__Issue 153__: OBJECTION: ***What is the historic distribution of the amounts of late payments? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 148.

__Issue 154__: OBJECTION: ***What percentage of late payments are under $5.00? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 144 and 148.

__Issue 155__: OBJECTION: ***What percentage of late payments are caused by apparent clerical errors, such as being a penny off, transposing cents and ten cents, etc.? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 15 and 148.

Issue 156: OBJECTION: ***Is it appropriate to raise the minimum late payment charge to $5.00 resulting in a 103% increase to FPL of revenue from late fees, an additional $33 million? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 144 and 148.

Issue 157: Should FPL's proposed change to the temporary construction service rate be approved?

Yes. The proposed temporary/construction service rate charges for overhead ($297) and underground ($175), as shown in MFR E-14, Attachment 1, are appropriate and should be approved. (Deaton, Hardy)

Issue 158 Should FPL's proposed change to the Returned Payment Charge be approved?

Yes. The proposed Returned Payment Charge is in accordance with Section 68.065, Florida Statutes. The proposed change is consistent with the Commission-approved return check charge for all other investor-owned electric companies in Florida. (Deaton)

Issue 159 OBJECTION: ***Is the proposed increase in the minimum returned check fee from $23.24 to up to $40 unjust, unreasonable or excessive? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 158.

Issue 160 OBJECTION: ***Is the existing minimum returned check fee of $23.24 fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 158.

Issue 161 OBJECTION: ***Is the existing minimum returned check fee of $23.24 unjust, unreasonable, or excessive? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 158.

Issue 162 OBJECTION: ***What is the actual legitimate cost to FPL of a returned check? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 15 and 158.

Issue 163 OBJECTION: ***Is there evidence of public acceptance of a new minimum returned check fee of up to $40? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 158.

Issue 164 OBJECTION: ***Is it appropriate to raise the minimum returned check fee with a resulting 41% increase in returned check fee revenue to FPL, an additional $2 million? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 144 and 158.

Issue 165: What is the appropriate monthly kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider? (8.820)

The appropriate monthly transformer credit is calculated to be $0.28 per kW as reflected on MFR E-14 Attachment 2 of 4 page 27 of 87. (Deaton)

Issue 166 Has FPL correctly quantified the incentive payments associated with the Commercial/Industrial Load Control (CILC) classes?

Yes. The incentive payments included in the test year are based on the difference in base demand and energy revenues under the CILC rate and the otherwise applicable firm rate schedule, as required in Commission Order No. 22747 (amended) approving the CILC program in Docket No. 891045-EG. (Deaton, Santos)

Issue 167 Should the CILC rate be reopened?

No. The CILC rate is a DSM program. The proper venue for addressing conservation programs is in the DSM plan docket. FPL's DSM plan was recently assessed by the Commission in Docket No. 100155-EG. The Commission concluded in that docket that FPL's current programs should continue without modification. (Deaton)

Issue 168 Is FPL's proposed design of the demand and non-fuel energy charges for the CILC rate appropriate?

Yes. FPL's design of the CILC rate, as discussed in RBD-6 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)

Issue 169 Should the Commercial/Industrial Demand Reduction Credit Rider (CDR) credit be increased?

No. The CDR credit is recovered through ECCR as it is a conservation program. The proper venue for addressing conservation programs is in the DSM plan docket. FPL's DSM plan was recently assessed by the Commission in Docket No. 100155-EG. The Commission concluded in that docket that FPL's current programs should continue without modification. (Deaton)

Issue 170 Should CILC and CDR credits be allocated to non-firm loads?

Yes. The CILC and CDR credits are properly adjusted out of the base revenue at present rates for the CILC and CDR customer classes as this revenue is collected from all customers through the ECCR clause. (Deaton)

Issue 171: What is the appropriate level and design of the charges under the Standby and Supplemental Services (SST-1) rate schedule?

The appropriate level and design of the charges under the Standby and Supplemental Services (SST-1) rate schedule are discussed in RBD-6 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 172: What is the appropriate level and design of charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule?

The appropriate level and design of the charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule are discussed in RBD-6 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 173: What is the appropriate method of designing time of use rates for FPL?

The appropriate method for designing time-of-use rates for FPL is as discussed in Exhibit RBD-6 to FPL witness Deaton's direct testimony. This method is consistent with Commission guidance provided in Order Nos. PSC-10-0153-FOF-EI, PSC-92-1197-FOF-EI and PSC-11-0216-PAA-EI. (Deaton)

Issue 174: What are the appropriate customer charges for January 1, 2013?

The appropriate customer charges are those shown in MFR A-3. (Deaton)

Issue 175: OBJECTION: ***Is the proposed residential RS-1 monthly customer charge of $7.00 unjust, unreasonable or excessive? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 174.

Issue 176: OBJECTION: ***Is the existing residential RS-1 monthly customer charge of $5.90 fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 174.

Issue 177: OBJECTION: ***Is the existing residential RS-1 monthly customer charge of $5.90 unjust, unreasonable, or excessive? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 174.

Issue 178: OBJECTION: ***Was the cost of monthly RS-1 customer service $5.89 per month in 2010 and/or 2011 as stated by S.E. Romig, FPL Director, Rates and Tariffs, in his letter of August 5, 2011 to Mr. Thomas Saporito filed on August 8, 2011 in Docket 05554? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 174.

Issue 179: OBJECTION: ***In reference to the letter in Issue 178, what are the specific customer accounts and amounts making up the $3.69 of the $5.89 which is designated as "Miscellaneous Customer Accounts" in the attachment to Mr. Romig's letter? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 174.

Issue 180: OBJECTION: ***What is the actual legitimate cost of providing monthly RS-1 service? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 142, 174, 184, and 187.

Issue 181: OBJECTION: ***Is there evidence of public acceptance of a $7.00 RS-1 monthly customer charge? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 174.

Issue 182: OBJECTION: ***Is it appropriate to raise the RS-1 monthly customer charge 19% with a resulting increase in revenue to FPL of $54 million? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue No. 174.

Issue 183: What are the appropriate demand charges for January 1, 2013?

The appropriate demand charges are those shown in MFR A-3. (Deaton)

Issue 184: What are the appropriate energy charges for January 1, 2013?

The appropriate energy charges are those shown in MFR A-3. (Deaton)

Issue 185: What are the appropriate lighting rate charges for January 1, 2013?

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

Issue 186: What is the appropriate effective date for FPL's revised rates and charges, prior to a Base Rate Step adjustment, if any, associated with the Canaveral Modernization project? (Barrett)

The appropriate effective date for the revised base rates and charges prior to the Cape Canaveral Modernization project is January 2nd, 2013. (Barrett)

<u>Issue 187</u>: What are the appropriate charges after the Canaveral Modernization Project comes on line?

The appropriate charges for the Canaveral Modernization Project are reflected in the Cape Canaveral Schedule A-3 as adjusted for the changes listed in Exhibit RBD-11 to FPL witness Deaton's rebuttal testimony. (Deaton)

<u>Other Issues</u>

<u>Issue 188</u>: OBJECTION: ***Whether FPL's investment in energy conservation; advertisements; consumer energy efficient appliances; and consumer electric generating systems is prudent, appropriate, and/or reasonable? (Mr. Saporito's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue relates to Energy Conservation and Demand Side Management programs, which are not the subject of this proceeding.

<u>Issue 189</u>: OBJECTION: ***Whether FPL's incentive to expand its capital base in order to increase or maintain NextEra Energy, Inc. total shareholder return is in conflict with the mandate of the Florida Legislature to promote co-generation and demand side renewable energy which does not increase FPL's capital base? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue relates to Energy Conservation and Demand Side Management programs, which are not the subject of this proceeding.

<u>Issue 190</u>: OBJECTION: ***What actions has FPL taken to promote or discourage utilization of demand side renewable energy systems, solar energy, and cogeneration that the Commission is mandated by §§366.80 - 366.85 to consider in establishing the appropriate rates in the instant rate case? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue relates to Energy Conservation and Demand Side Management programs or need determination dockets, which are not the subject of this proceeding.

<u>Issue 191</u>: OBJECTION: ***How many of Florida's 54 other electric utilities (other than FPL) buy electric power from FPL? (Mr. Nelson's Issue Objected to by FPL)***

FPL objects to the inclusion of this issue in the prehearing order. This issue should be subsumed under Issue Nos. 54 and 60.

<u>Issue 192</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?

FPL has no objection to making such a filing. (Ousdahl)

<u>Issue 193</u>: Should this docket be closed?

Yes.

V. ISSUES TO WHICH THE PARTIES HAVE STIPULATED

No issues have been stipulated at this time.

VI. PENDING MOTIONS

The following Motions are pending:

1. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Its Supplemental Response to OPC's First Request for Production of Documents (No.5), filed July 31, 2012;

2. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to SFHHA's First Request for Production (No. 63), filed July 13, 2012;

3. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Its Responses to SFHHA's Sixth Set of Interrogatories (No. 251) and Seventh Request for Production (Nos. 143, 146, 150-152, and 156), filed June 25, 2012;

4. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Its Responses to OPC's Twelfth Request for Production (No. 101), filed June 25, 2012;

5. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Its Supplemental Response to Public Counsel's Second Set of Interrogatories (No. 43), filed June 22, 2012;

6. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to OPC's Eleventh Request for Production of Documents (No. 99), filed June 12, 2012;

7. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to Public Counsel's Tenth Request for Production (No. 91), filed June 11, 2012;

8. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to FIPUG's Sixth Request for Production of Documents (No. 29), filed June 8, 2012;

9. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to Staff's Seventh Interrogatories and Sixth Request for Production and OPC's Ninth Request for Production, filed June 5, 2012;

10. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to SFHHA's Fourth Set of Interrogatories (Nos. 204, 206), filed June 5, 2012;

11. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to OPC's Eighth Set of Interrogatories and Eighth Request for Production of Documents, filed June 4, 2012;

12. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to SFHHA's Fourth Request for Production (No. 131), filed May 29, 2012;

13. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to OPC's Sixth Request for Production of Documents (No. 60), filed May 15, 2012;

14. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to OPC's Sixth Request for Production of Documents (Nos. 55, 59, and 67), filed May 14, 2012;

15. FPL's Motion for Temporary Protective Order, filed May 8, 2012;

16. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to SFHHA's Second Request for Production (No. 125), filed May 7, 2012;

17. FPL's Motion for Temporary Protective Order for Certain Confidential Information Provided In Response to Public Counsel's Second Request for Production (No. 12), filed May 4, 2012;

18. FPL's Motion for Temporary Protective Order, filed April 30, 2012;

19. FPL's Motion for Temporary Protective Order, filed April 27, 2012;

20. FPL's Motion for Temporary Protective Order, filed April 26, 2012;

21. FPL's Motion for Temporary Protective Order, filed April 25, 2012;

22. FPL's Motion for Temporary Protective Order, filed April 23, 2012.

VII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION

The following Requests for Confidential Classification are pending:

1) FPL's Request for Confidential Classification of MFRs D-2 and F-4, filed March 19, 2012;

2) FPL's Request for Confidential Classification of Information Provided Pursuant to Audit No. 12-100-4-1, filed on July 20, 2012;

3) FPL's Request for Confidential Classification of Documents Produced In Discovery, filed on July 23, 2012; and

4) FPL's Notice of Intent to Request Confidential Classification, filed on July 26, 2012.

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 2012.

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CERTIFICATE OF SERVICE
DOCKET NO. 120015-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement was served electronically and by U.S. Mail this 6th day of August 2012, to the following:

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