

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Florida  
Power & Light Company.

DOCKET NO. 120015-EI  
ORDER NO. PSC-12-0428-PHO-EI  
ISSUED: August 17, 2012

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on August 14, 2012, in Tallahassee, Florida, before Commissioner Art Graham, as Prehearing Officer.

APPEARANCES:

R. WADE LITCHFIELD, JOHN T. BUTLER, JORDAN A. WHITE, and MARIA J. MONCADA, ESQUIRES, Florida Power and Light Company, 700 Universe Boulevard, Juno Beach, Florida, 33408;  
On behalf of Florida Power & Light Company (FPL).

JOSEPH A. MCGLOTHLIN, CHARLES J. REHWINKEL, and PATRICIA A. CHRISTENSEN, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400  
On behalf of the Citizens of the State of Florida (OPC).

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III, ESQUIRES, Gardner, Bist, Wiener, Wadsworth, Bowden, Bush, Dee, LaVia & Wright, P.A., 1300 Thomaswood Drive, Tallahassee, Florida 32308  
On behalf of the Florida Retail Federation (FRF).

JON C. MOYLE, JR. and VICKI GORDON KAUFMAN, ESQUIRES, Moyle Law Firm, P.A., The Perkins House, 118 North Gadsden Street, Tallahassee, Florida 32301  
On behalf of Florida Industrial Power Users Group (FIPUG).

KENNETH L. WISEMAN, MARK F. SUNDBACK, LISA M. PURDY, WILLIAM M. RAPPOLT, J. PETER RIPLEY, and BLAKE R. URBAN, ESQUIRES, Andrews Kurth LLP, 1350 I Street, NW, Suite 110, Washington, DC 20005  
On behalf of South Florida Hospital and Healthcare Association (SFHHA).

LT. COL. GREGORY FIKE, CHIEF, and KAREN WHITE, ESQUIRE, USAF Utility Law Field Support Center, Air Force Legal Operations Agency, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, Florida 32403  
On behalf of Federal Executive Agencies (FEA).

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QUANG HA, ESQUIRE, Algenol Biofuels Inc., 28100 Bonita Grande Drive,  
Suite 200, Bonita Springs, Florida 24135  
On behalf of Algenol Biofuels Inc. (Algenol).

WILLIAM C. GARNER and BRIAN P. ARMSTRONG, ESQUIRES, Nabors,  
Giblin and Nickerson, P.A., 1500 Mahan Drive, Suite 200, Tallahassee, Florida  
32308  
On behalf of the Village of Pinecrest, Florida (Pinecrest).

JOHN W. HENDRICKS, *pro se*, 367 South Shore Drive, Sarasota, Florida 34234  
On behalf of John W. Hendricks.

DANIEL R. LARSON and ALEXANDRIA LARSON, *pro se*, 16933 West  
Harlena Drive, Loxahatchee, Florida 33470  
On behalf of Mr. and Mrs. Daniel R. Larson.

THOMAS SAPORITO, *pro se*, 6701 Mallards Cove Road, Apartment 28H,  
Jupiter, Florida 33458  
On behalf of Thomas Saporito.

LARRY NELSON, *pro se*, 312 Roberts Road, Nokomis, Florida 34276  
On behalf of Larry Nelson.

KEINO YOUNG, MARTHA C. BROWN, LARRY D. HARRIS, and  
CAROLINE M. KLANCKE, ESQUIRES, Florida Public Service Commission,  
2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850  
On behalf of the Florida Public Service Commission (Staff).

MARY ANNE HELTON, Deputy General Counsel, Florida Public Service  
Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850  
Advisor to the Florida Public Service Commission.

## **PREHEARING ORDER**

### **I. CASE BACKGROUND**

On January 17, 2012, Florida Power & Light Company (FPL) filed a test year letter, as required by Rule 25-6.140, Florida Administrative Code (F.A.C.), notifying this Commission of its intent to file a petition in the spring of 2012 for an increase in rates effective January 1, 2013. Pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), and Rules 25-6.0425 and 25-6.043, F.A.C., FPL filed the petition for an increase in rates on March 19, 2012. On March 26, 2012, Order No. PSC-12-0143-PCO-EI (Order Establishing Procedure) was issued, scheduling the matters for an administrative hearing on August 20 – 24 and 27 - 31, 2012. Office of Public Counsel (OPC), South Florida Hospital and Healthcare Association (SFHHA), Florida Retail

Federation (FRF), Thomas Saporito (Saporito), Florida Industrial Power Users Group (FIPUG), Village of Pinecrest, Federal Executive Agencies (FEA), Glen Gibellina, Larry Nelson, John Hendricks, Algenol Biofuels Inc., and Daniel and Alexandria Larson have each been granted intervention in this docket.

## II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

## III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

## IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

- (1) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

#### V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.



VI. ORDER OF WITNESSES

Each witness whose name is preceded by a plus sign (+) will present direct and rebuttal testimony together.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
John Reed (+)	FPL	54
Eric Silagy	FPL	127
Rosemary Morley	FPL	10, 12-13
Robert E. Barrett, Jr.	FPL	9, 12-13, 19, 22, 24, 27, 29, 32, 44-45, 50, 62, 64, 81, 94, 107, 109, 111-112, 114-119, 122-124, 126, 128, 135, 186
Kim Ousdahl	FPL	16-18, 20-21, 23, 25-29, 32, 34-47, 60-61, 63, 66-77, 79-86, 103, 105, 108, 110-111, 115, 118, 120-121, 124-126, 128-134, 192
Marlene M. Santos	FPL	15, 50, 109, 112-113, 148, 166
Roxane R. Kennedy	FPL	15, 32-33, 62, 89
George K. Hardy	FPL	15, 19, 32, 87-88, 91, 157
Manuel B. Miranda	FPL	15, 19, 31-32, 63, 90
J. A. Stall	FPL	15, 89, 111
Kathleen M. Slattery	FPL	77, 99-104
William E. Avera	FPL	51, 54, 58-59
Moray Dewhurst	FPL	48-49, 51, 54, 58-61, 95-96, 106, 131
Joseph A. Ender	FPL	14, 139-142
Rena B. Deaton	FPL	10-12, 54, 143-148, 157-158, 165-174, 183-185, 187

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Kevin W. O'Donnell	OPC	48-49, 51, 59, 61
J. Randall Woolridge	OPC	48-49, 58-59, 61
Jacob Pous	OPC	116-117
David P. Vondle	OPC	74-77, 79, 80
Helmuth W. Schultz III	OPC	24, 35-37, 41, 42, 44, 87-88, 95-96, 99-100, 102, 104, 106, 109, 116, 118-119
Donna Ramas	OPC	22, 24, 27, 30-32, 34, 41, 44-47, 50, 61, 65, 89, 104, 108, 112-114, 118-119, 121, 123-126, 128-132, 134
Daniel J. Lawton	OPC	51, 54, 59, 61
Steve W. Chriss	FRF	54, 58, 60-61, 126-127
Jeffry Pollock	FIPUG	89, 140-144, 166-170, 183-184, 187
Richard A. Baudino	SFHHA	46, 51, 54, 58-61
Stephen J. Baron	SFHHA	10-13, 139-142, 144, 167, 183-184, 187
Lane Kollen	SFHHA	1, 25-29, 34, 38, 40-41, 43-45, 87-91, 95-96, 110-114, 116-117, 128-129, 131, 134-135, 186-187, 192
Michael Gorman	FEA	27, 51, 54, 58
Robert R. Stephens	FEA	139, 142
R. Paul Woods	Algenol	62, 127
John W. Hendricks	<i>Pro se</i>	49, 51, 54, 58-62, 131, 134
Thomas Saporito	<i>Pro se</i>	2, 4, 5, 10, 13, 19, 30-31, 54, 58, 60, 62, 77, 85, 94, 99, 100, 113, 127, 134-136, 143, 188

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Kathy L. Welch <sup>1</sup>	STAFF	63, 79, 99
Rhonda L. Hicks <sup>2</sup>	STAFF	15
<u>Rebuttal</u>		
Rosemary Morley	FPL	10
Kathleen M. Slattery	FPL	77, 99, 100, 102, 104
Robert E. Barrett, Jr.	FPL	44, 111, 112, 116, 117
Kim Ousdahl	FPL	18, 35-38, 39, 40, 41, 42, 43, 44, 46, 47, 60, 75-80, 110, 111, 129
Tom Flaherty	FPL	80
Terry Deason	FPL	25, 30-32, 40, 54, 100, 106, 112, 113
Rene Silva	FPL	30, 32
Manuel B. Miranda	FPL	31, 32
Marlene M. Santos	FPL	112-113
Roxane R. Kennedy	FPL	62, 89
George K. Hardy	FPL	87, 88
David DeRamus	FPL	127
John J. Reed	FPL	54
William E. Avera	FPL	51, 54, 58, 59
Moray Dewhurst	FPL	49, 51, 54, 58, 59, 60, 61, 95, 106
Joseph A. Ender	FPL	54, 139, 140, 141, 142, 143, 144, 166, 167, 168, 169, 170, 173, 183, 184, 187

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<sup>1</sup> Stipulated witness

<sup>2</sup> Stipulated witness

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Rena B. Deaton	FPL	54, 139-142, 143, 144, 166, 167, 168, 169, 170, 173, 183, 184, 187

VII. BASIC POSITIONS

**FPL:** 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<sup>3</sup> 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

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<sup>3</sup> Approximately \$3 billion of that figure is excluded from rate base.

projected to be 5.26 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.

#### OPC:

FPL seeks to increase its rates by \$690.4 million annually. OPC asserts that existing rates are too high by \$253 million (if the Canaveral Step Increase is rejected by the Commission) or \$132 million (if a Canaveral Step Increase is accepted by the Commission). The reader at first blush may wonder how the two parties can possibly be so far apart. To a perhaps surprising degree, the chasm between FPL and OPC is explained overwhelmingly by the excessive "return" (profit) on shareholders' investment that FPL wishes to exact from its customers. FPL wants a return on equity (ROE) of 11.5%. Given the struggling economy, historically low interest rates, and current conditions of capital markets, FPL's requested ROE is grossly overstated. The cost of capital has declined since the Commission authorized a 10% ROE for FPL.

Equity is more expensive than debt. A prudent utility should secure a portion of its capital requirements in the form of an amount of debt that is sufficient to maintain total capital costs at reasonable levels, to the benefit of its customers. Instead, FPL hopes to magnify the impact of its bloated ROE request on customers by applying it to a capital structure containing an extravagant 59.6% equity ratio. (In contrast, FPL's corporate parent assigns only 21.1% equity to FPL's unregulated affiliates.) For ratemaking purposes, in view of FPL's relatively lower business risk, the Commission should expect FPL to utilize more debt and less equity to reduce the capital costs borne by customers. An

adjustment to the equity ratio is also needed to prevent FPL from effectively requiring its customers to finance its parent's unregulated activities.

The separate decisions the Commission must make on ROE and equity ratio are inextricably linked. As the amount of equity that a utility includes in its capital structure increases, the utility's financial risk (contractual debt obligations) and overall risk decrease, and the ROE required by equity investors consequently decreases. OPC recommends that the Commission impute an equity ratio of 50% and authorize an ROE of 9%. Alternatively, if the Commission approves FPL's extremely high 59.6% equity ratio, it must reflect FPL's correspondingly lower risk profile in the ROE that it authorizes. OPC's expert witness, Dr. J. Randall Woolridge, will testify that the difference in risk translates to a reduction of 50 basis points in ROE.

If the Commission imputes a 50% equity ratio and adopts OPC's corresponding 9% ROE recommendation, those modifications alone will reduce FPL's requested increase of \$690.4 million by \$547 million. (If the Commission approves FPL's requested equity ratio and approves an ROE of 8.5%, the reduction will be \$476 million.). (Both reductions are calculated prior to interest synchronization)

Included within FPL's 11.5% ROE request is a proposed .25% "performance adder." FPL benefits from a protected retail market and numerous risk-reducing, ratemaking mechanisms. The Commission should reject the rationale implicit in FPL's request for an "adder," which is that, absent such a "bonus," the "obligation to serve" heretofore vaunted by FPL (and other regulated utilities) requires—and customers should expect—nothing beyond mediocrity. Besides, the differences between utilities' bills—the sole calculus underlying FPL's proposal—depends on density of development, customer mix, and other factors that are not attributable solely to quality of management. For FPL, the difference also reflects the Commission's 2010 denial of FPL's effort to increase base rates by \$1.2 billion annually. OPC opposes FPL's effort to increase rates by \$41.5 million (at 59.62% equity ratio) through its self-serving "adder" request.

The remaining difference between FPL's revenue request and OPC's position consists of the effect of numerous adjustments to plant and O&M expense, which are treated in response to individual issues below. As OPC witness Dan Lawton demonstrates through the application of financial metrics, after all of OPC's adjustments are adopted, FPL will continue to have strong financial integrity.

**FRF:**

The core question to be addressed by the Commission in this proceeding is whether Florida Power & Light Company ("FPL") *needs* any additional revenues in order to provide safe, adequate, and reliable service, to recover its legitimate costs of providing such service, and to have an opportunity to earn a fair and reasonable return on its legitimate investment in assets used and useful in

providing such service. The evidence shows that the answer to this question is that FPL does not need any increase at all in order to: (a) recover all of its legitimate costs, including a reasonable return on prudent investment provided through a reasonable and prudent capital structure; and (b) provide safe, adequate, and reliable service. Moreover, the evidence shows that FPL can provide safe, adequate, and reliable service while recovering all of its reasonable costs and earning a reasonable return on its investment – of approximately 14.7 percent before income taxes, while reducing its total annual base rate revenues by approximately \$253 million per year.

FPL's requested after-tax return on equity (ROE) of 11.5 percent equates to a before-tax return greater than 18 percent. This is excessive and unjustified relative to current capital market conditions and relative to the minimal risks that FPL faces as the monopoly provider of a necessity – electric service – pursuant to regulation by the Florida Public Service Commission under applicable Florida Statutes. In particular, the fact that FPL recovers approximately 58 percent of its total revenues through “cost recovery clauses” greatly reduces the risks that FPL faces, further demonstrating that FPL’s requested 11.5 percent ROE is unreasonable and overreaching. Additionally, FPL’s requested ROE is excessive relative to the risks that FPL faces and the returns on other low-risk investments in current capital markets. The fact that FPL’s request is unreasonable and excessive is further demonstrated by the fact that, since receiving a \$75.5 million annual rate increase in 2010, with its rates based on an allowed ROE of 10.0%, FPL’s stock price has increased significantly, FPL has increased its dividend on common stock shares three times, and FPL’s earnings have continued to grow substantially.

FPL’s requested 25-basis-point performance adder to its ROE is not cost-based and wholly unnecessary for FPL to provide safe, adequate, and reliable service, and accordingly, the Commission should request this overreaching proposal.

In summary, the combined evidence submitted by witnesses for the consumer parties in this case shows that FPL can provide safe, adequate, and reliable service with a base rate decrease in January 2013 of \$253.4 million per year. FPL also has the burden of demonstrating that it needs any increase at all in order to continue providing safe, adequate, and reliable service, while recovering its legitimate costs and earning a reasonable return on its prudent investments, after the Canaveral Modernization Project is placed into commercial service. The evidence submitted by the Citizens’ witnesses demonstrates that FPL can continue to provide safe, adequate, and reliable service after the Canaveral Project comes on line with a base rate “step” increase of no more than \$121.5 million per year.

Accordingly, the Commission should require FPL to reduce its base rates as of January 2013 so as to produce \$253.4 million per year less in base rate revenues, and the Commission should allow FPL to subsequently increase its base rates –

from the reduced levels implemented in January 2013 – by no more than \$121.5 million per year.

**FIPUG:** FPL's requested revenue requirements are greatly overstated, and in fact, as recommended by other parties to this proceeding, should be reduced and not increased. Further, FPL's cost of service study and rate design proposals contain numerous flaws which should be corrected.

### **Test Year Revenues**

Test year revenues appear to be dramatically understated. For example, it appears that FPL has projected that its sales for 2012 and 2013 will *be less* than its actual sales in 2011. That is, FPL claims it will sell less electricity in 2013 than it sold in 2011; this is not a reasonable assumption or projection. Further, in the recent Gulf Power rate case, Gulf projected load growth significantly greater than what FPL has projected. This is yet another indication of FPL's under forecast of revenue.

### **Return on Equity**

FPL's request for a return on equity (ROE) of 11.50% is unreasonable and should be rejected. Its request for an 11.25% plus a .25% "add" for good service should be dismissed out of hand. FPL's bloated request is outside the bounds of reasonableness in light of today's financial conditions and well surpasses the ROEs this Commission has recently awarded to other utilities. Further, FPL's ROE should not be increased for "good" service. As a monopoly provider, it is part of FPL's regulatory compact to provide the most efficient and economical service since it has no market competition. FPL should not be "rewarded" for doing what it is required to do. FPL's ROE should be set no higher than 9% as recommended by Public Counsel's witness.

### **Capital Structure**

The 50/50 capital structure recommended by OPC witness O'Donnell should be adopted. The structure FPL has requested is unreasonable and unjustified. Because common equity costs twice as much as debt, the capital structure FPL proposes is unreasonably expensive and will simply increase what ratepayers will pay for the utility to earn whatever ROE the Commission allows. Further evidence of the unreasonableness of the capital structure that FPL has requested is the fact that its parent company, NextEra Energy, Inc. has a capital structure with a much lower equity component than FPL proposes for itself.

### **Cost of Service**

Cost of service issues are very important in a rate case. They determine how a revenue increase, if any, is distributed among the classes. Any increase approved must be distributed fairly and not violate the principles of gradualism used by this Commission in past rate case decisions.

### **Class Revenue Allocation**

1. FPL's proposed class revenue allocation should be rejected because it would allow rates for one class to decrease while increasing the rates for other classes up to 46%. This allocation fails to recognize the principle of gradualism. If there is a base rate increase authorized in this proceeding, the principle of gradualism should be applied, which this Commission has interpreted to mean that no class should receive an increase greater than 1.5 times the system average percentage. Only base rates should be considered, not clause recovery because clause recovery changes every year and is not the subject of this case.
2. The Cape Canaveral step increase, if any, should be allocated in the same way.

### **Cost of Service Study**

FPL has made the following errors in its Cost of Service Study which should be corrected:

1. FPL has incorrectly quantified the incentive payments associated with the CILC classes. This has the effect of understating the earned returns for those classes.
2. The CILC incentives and the CDR credits, as well as curtailable load credits, should not be allocated to the non-firm loads receiving the credits. Allocating the credits to those loads violates cost causation principles and FPL's own planning practices. Non-firm credits should be allocated only to firm loads.
3. Transmission plant-related costs should be classified and allocated on an entirely demand basis, not by the 12CP and 1/13<sup>th</sup> AD method. Because transmission cost is sized to meet peak demand and serving loads throughout the year is a by-product of serving the peak demand, allocation entirely on demand is correct.
4. FPL's classification of production operation and maintenance (O&M) expenses between demand and energy should be allocated according to the NARUC Electric Utility Cost Allocation Manual. This results in the reclassification of \$99 million of other production O&M expense from energy to demand.

### **Rate Design**

Several changes are also required to FPL's proposed rate design:

1. The proposed GSLD/CILC rate designs must be rejected because they are not cost based and because the demand and non-fuel energy charges are not aligned with the corresponding costs. This results in high load factor customers receiving increases higher than the class averages.
2. The same is true of the proposed Cape Canaveral step increase where FPL proposes to collect the entire increase through the energy charge.
3. The CILC rate should be reopened. This is essentially the same program as the CDR Rider, which is not closed. CDR Rider customers receive a higher credit than CILC customers; therefore, the CILC program must be cost-effective. Further, the credits for both programs should be increased because FPL's own analysis demonstrates that such programs remain cost-effective at a credit amount over \$12/kW.

### **SFHHA:**

When Florida Power & Light Company ("FPL") last filed for an increase in base rates, financial markets were just slowly beginning to see some slight recovery from the deep recession of 2008. In recognition of the difficult economic times, the parties to FPL's last rate case entered into a settlement that provided FPL with a 10% return on equity ("ROE"), the effect of which was to allow FPL to achieve a maximum ROE of 11%.

The base rates that were provided for in that settlement have enabled FPL to flourish. In calendar year 2011, based upon those rates, which remain in effect today, FPL earned a 10.67% ROE before using its depreciation surplus to boost its return to 10.99%. *See* Attachment No. 1 to FPL Response to OPC Interrogatory No. 85. FPL also reported just days ago that its second quarter earnings, which again are based on the current base rates derived under the settlement, were up 17% from second quarter 2011 results. Thus, without any increase to base rates, FPL is earning a healthy return.

Notwithstanding that fact, FPL has proposed to increase its authorized ROE to 11.25% (which would provide it an allowed return of up to 12.25%), along with other adjustments, that would result in a \$517 million increase to base rates effective January 1, 2013, followed by an increase of an additional \$173 million effective June 1, 2013.

There is no economic justification for FPL's proposal. As is shown in the Direct Testimony of Richard A. Baudino on behalf of the South Florida Hospital and Healthcare Association ("SFHHA"), FPL and its parent company, NextEra Energy, Inc. ("NextEra") have stated in investor presentations that economic conditions in FPL's service territory have been improving in recent years. In addition, as Mr. Baudino points out, hourly wage rates and state corporate taxes in

Florida are relatively low, meaning that FPL's service territory likely will experience continued economic development and growth in employment. These economic conditions and financial results suggest FPL's authorized ROE should be reduced below 10%, not increased as FPL requests. That is particularly true given that FPL also earns revenues from a number of cost recovery clauses. FPL observed in its 2011 10-K that the cost recovery clauses are designed to permit full recovery of certain costs and provide a return on certain assets. Further, NextEra itself has represented that there is "investor confidence and demand for [FPL's] debt." See Exhibit (RAB-9) at p. 19. Given that interest rates are at historic lows, it seems anomalous for FPL to be requesting a higher ROE, particularly given its strong financial performance.

Furthermore, while FPL witnesses in this case argue the Company faces significant risks, when addressing investors, FPL takes an entirely different tact stating that it "is one of the best utility franchises in the U.S." Exh. RAB-9 at p. 10. FPL risk is reduced by the large amount of revenue recovered pursuant to the cost recovery clauses, which (according to FPL) "are expected to be a significant source of earnings growth." Exh. RAB-9, p. 25. While FPL's earnings are growing and its market is rebounding, its unregulated affiliate, NEXEra Energy Resources ("NER"), is "experiencing strong headwinds "including losses on trading activities. See Exh. RAB-9, at pp. 35, Exh. RAB-12 at p. 2 (S&P states that "NER's risks permanently hinder NextEra's credit quality, especially in light of the influence that marketing and high-risk proprietary trading results have on NER's earnings and cash flows.")

As a result, that portion of FPL's requested rate increase that is based upon FPL's request to increase its ROE to 11.25%, which FPL seeks to justify in part based upon NER's higher risk profile, should be summarily rejected. As Mr. Baudino shows, a ROE of 9.00% is clearly reasonable, in fact generous, given the particularly thick equity component of FPL's capital structure.

However, FPL's request for an inflated ROE is not the only problem with FPL's filing. Both SFHHA witness Kollen, and witnesses on behalf of the Office of Public Counsel ("OPC"), point out numerous instances in which FPL's filing inappropriately attempts to increase its purported revenue requirement. Viewed in light of the evidence they have presented to date, it is clear FPL does not need an increase in revenues. If anything, its revenue requirement is going in the opposite direction.

In addition, the time has come for the Commission to properly align cost responsibility with cost causation. In doing so, it should send a strong message to FPL that the Commission will reject FPL's efforts to shift cost responsibility to large commercial class ratepayers, such as hospitals, that do not cause FPL to incur the costs FPL would have those customers bear. In particular, FPL has hidden for decades behind a long-standing practice in Florida of allocating costs among customer classes using the 12 CP and 1/13th demand methodology. Whatever the merits of that methodology in a prior era, it is no longer appropriate

on FPL's system. The evidence in this case clearly will show that the only factor that causes FPL to install new generating capacity is the need to meet summer peak load. In fact, but for the need for it to serve its summer peak, it could be decades before FPL would need to add generating capacity to its system. The evidence will show that FPL's current winter reserve margin is far above a 20% reserve margin, in fact, exceeding 40% after taking into consideration FPL's current planned additions and retirements.

That begs the question, do large high load factor customers contribute to the need for this new capacity? The clear answer is no. Evidence will be presented showing monthly demand for large commercial class customers at a relatively flat level throughout the year, contrasted with evidence that will show that other rate classes' monthly peaks rise significantly in summer months. That evidence will show that the 12 CP and 1/13th methodology, which treats the contribution to each of the twelve monthly peaks equally for purposes of assigning cost responsibility, is inconsistent with actual customer behavior that is driving the need for additional generating capacity on FPL's system. The Summer CP methodology recommended by SFHHA witness Baron, on the other hand, properly assigns cost responsibility by allocating costs based upon rate classes' contributions to the summer peak and FPL's need to add generating capacity.

Further, the evidence shows that FPL relies upon flawed data to apportion responsibility for rate increases between customer classes. As a simple mathematical matter, FPL has skewed apportionment of responsibility for revenue by changing data related to one class of customers.

In addition, SFHHA has presented evidence to show that it is entirely appropriate for the Commission to recognize a methodology for classifying distribution costs that: is set forth in the NARUC Manual; is accepted in other jurisdictions; was recently accepted by the Commission in a partial settlement of the Gulf Power Company rate case; is consistent with the way FPL plans its system; and is far from a radical methodology as FPL portrays it. The Minimum Distribution System ("MDS") methodology recognizes an indisputable fact, *i.e.*, that certain facilities, such as poles, overhead conductors, underground conductors and transformers, are required to connect a customer, regardless of the level of the customer's usage. FPL's methodology classifies all distribution costs as demand. By doing so, FPL's methodology effectively assumes that these minimum facilities will disappear if a customer were to reduce its usage to 0 kW. Of course, that is not the case. By using its methodology, FPL grossly overstates cost responsibility of large commercial class customers for these minimum facilities. For instance, FPL's methodology assumes that 35 residential customers can be served by a single pole, whereas it takes 14 poles to serve a single GSLD(T)-2 customer. That assumption is erroneous on its face. Accordingly, the Commission should take the opportunity presented by this case to correct FPL's long-standing misclassification of costs that improperly assigns cost responsibility to customer classes.



The Commission also will have to address significant rate design issues. SFHHA will show that FPL is proposing to increase the on-peak energy charge of the CILC-1D rate class in excess of 320%. FPL also is proposing to recover 100% of the Canaveral revenue increase for Rates GSLD(T)-1, 2 and 3 and for CILC through the on-peak and off-peak energy charges, despite the fact that over 80% of the Canaveral revenue requirements are demand related. FPL has not provided any reasonable basis for its proposal. Moreover, its proposal to recover the Canaveral increase through energy charges exclusively is fundamentally inconsistent with the representations it made to the Commission in the need proceeding in which it proposed to convert the Canaveral plant to a combined cycle facility. Further providing FPL the recovery of 100% of the increased costs through energy charges provides a strong potential for FPL to substantially over-recover costs in the future. In addition, FPL has misapplied the Commission's policy that has limited the rate increase for any rate class to maximum of 1.5 times the retail average. Finally, the Commission also should correct FPL's filing that understates revenues by relying on a 20-year history to determine normal weather patterns, notwithstanding indisputable evidence that during the last ten years, weather conditions in FPL's service territory have been 1.64% hotter than over the 20-year period used by FPL for projecting revenues. Correcting FPL's revenue projection to more accurately account for the higher level of mWh sales that are driven by hotter weather would offset some of FPL's claimed revenue deficiency in this case.

For all these and other reasons, the Commission should reject the entirety of FPL's requested increase in base rates. It also should reallocate class cost responsibility by recognizing that FPL's so-called parity results are erroneous and result in large commercial class customers bearing responsibility for significant levels of costs that arise because of service FPL provides to other rate classes.

**FEA:**

FEA has filed testimony on return on equity and proposed capital structure that will provide Florida Power & Light (FPL) with an opportunity to realize cash flow financial coverages and balance sheet strength that conservatively support FPL's current bond rating. The FEA recommendation represents fair compensation for FPL's investment risk, and will preserve the Company's financial integrity and credit standing, while finding an equitable balance between customers and shareholders, recognizing the reality of the economic hardships of FPL's customers.

FEA believes the Company's proposal to remove the Cape Canaveral costs from the 2013 test year to reflect the uncertainty of when it will be placed in-service is reasonable. However, it is not clear that the Company has fully removed all costs associated with the Cape Canaveral project, and should be required to fully disclose the items that are included in construction work in progress (CWIP). To the extent any of the CWIP items include any component of the Cape Canaveral

project costs, then the base-rate rate base should be adjusted to remove all Cape Canaveral costs.

FEA filed testimony outlining three shortcomings of FPL's embedded cost of service study, all related to distribution costs, and recommends that each of the shortcomings be corrected. Finally, FEA recommends that the rate modernization approach used in revenue allocation be modified.

FEA positions are based on materials filed by the parties. FEA final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

**Algenol:**

Algenol does not intend to unduly delay the proceeding by rehashing or paraphrasing issues raised by others, so we will focus on two broad points -- the impact of FPL's proposed rate increase on Algenol's commercialization in Florida and the revenue generating opportunity Algenol can provide to FPL.

Algenol is a commercial client of FPL founded in 2006 with over 150 employees and laboratories in Fort Myers, Florida and Berlin, Germany. Algenol currently occupies a state of the art, 50,000 sq. ft. research and development facility and will begin operation of a 36 acre US Department of Energy sponsored Integrated Biorefinery in 2012. Algenol already requires vast amounts of electricity to operate and its consumption of FPL electricity will only increase as its Integrated Biorefinery operates to full capacity.

Algenol intends to construct one of its first commercial facilities in Florida, contingent upon several factors, including the cost of electricity and the ability to work with carbon dioxide emitters to purchase large quantities of the greenhouse gas in order to recycle it into a valuable commodity rather than releasing it into the atmosphere. In order to commercialize its Direct to Ethanol<sup>®</sup> technology, Algenol needs CO<sub>2</sub> with stable input costs to facilitate project planning and due diligence. Commercialization will create jobs, and benefit the economy by keeping money in Florida. Increasing utility costs strain Algenol's ability to concentrate its limited resources on job creation and technological development, thereby harming Algenol's present and future business.

In order to support a rate increase, the Commission should take into consideration whether FPL has demonstrated that it explored and maximized other alternatives to increasing rates. FPL plants are some of the largest carbon dioxide emitters in the state. Algenol's Direct to Ethanol<sup>®</sup> process produces 160 gallons of ethanol from one metric ton of CO<sub>2</sub>. Algenol's process economics plan is to purchase carbon dioxide at a price which takes into account the cost of capture and delivery, which has been assumed to be \$30 per metric ton. Where an existing plant like FPL's West County Energy Center (WCEC) could emit over 10 million

metric tons per year of CO<sub>2</sub>, then the potential revenue to FPL would be over \$300 million from just one electricity producing plant. Part of this revenue could offset rate increases being sought by FPL, while going a long way to reduce the emission of the greenhouse gas. What we need to know are details of the costs that CO<sub>2</sub> capture and delivery to Algenol would pose to FPL, and that needs to be examined. We do know that carbon capture technology does exist, and may be cost-effective in the light of both revenue and environmental benefits to FPL and to ratepayers. While environmental benefits are not the focus here, they should not be dismissed either.

Algenol has attempted collaboration with FPL to implement this revenue-generating alternative on several occasions since 2009, starting with a meeting between Mr. Woods and current FPL Chief Executive Officer Eric Silagy and his project development team. In the three years since, the only response Algenol received from FPL was an email from Justin Sobol, project developer for FPL, on June 19, 2012. While Algenol prefers collaborations to occur in the ordinary course of business, putting FPL's pursuit of revenue-generating alternatives to increasing the rate base up for consideration in light of its request for a rate increase before the Commission is appropriate.

**Pinecrest:**

The Village believes that FPL's rate proposal is bloated and excessive, and that it fails to reflect an appropriate balance between the need of the customers for good service at a reasonable price against the rights of the shareholders to receive fair compensation for their investment. Nowhere is this failure more clear than in FPL's request for an 11.25 percent return on common equity (ROE) with a .25 percent performance incentive adder, which would result in an effective ROE of 11.5 percent.

In light of customers' struggles in the current economy, and in light of FPL's recent business performance, such rich returns cannot be awarded if the Commission is guided by its mandate to act in the public interest and for the public welfare. In the first quarter of this year, FPL's net income increased 72 percent over the first quarter of 2011. In the second quarter, FPL's net income increased 17 percent over the same period last year. Clearly FPL's investors continue to do quite well at the current rates.

Given FPL's comparably low business risk and access to inexpensive financing (the cost of debt is at historic lows), and its low operational risk due in large part to its ability to pass through to customers more than half of its costs in annual rate adjustment dockets, any increase above the currently authorized 10 percent ROE would border on the absurd. In fact, the record in this case will demonstrate that a reasonable rate of return supportive of FPL's current bond ratings and financing needs will fall within a range between 8.5 to 9.25 percent. FPL's ROE request includes a proposed .25% "performance adder." At first blush, this looks good for

customers. It is not. FPL's prices are as much a result of its enormous economies of scale, customer mix and fuel mix as they are its business performance.

This aggressive over-reach by FPL in its request for gaudy shareholder returns should raise a red flag to the Commission prompting it to look beyond the face of FPL's request and carefully examine how the company records and allocates its costs to ensure that the MFR's are reflective of sound accounting, but also to ensure that customers are not over- or double-charged for any of FPL's costs. For example, the Commission should take a hard look to ensure that the company properly records overhead costs when customers or third parties contribute plant or when FPL undertakes projects in-house, and that appropriate adjustments are being made to operating expenses. This is especially true where plant is contributed for the purpose of placing facilities underground.

If the Commission establishes a reasonable rate of return within a range from 8.5 to 9.25 percent, together with making all additional adjustments to rate base and O&M expenses supported by the evidence and testimony offered in answer to the individual issues set forth below, no increase in rates will be required.

**Hendricks:** FPL's petition seeks to increase base rates in 2013 with an additional step increase when the new Cape Canaveral plant comes online. The decisions facing the Commission in this case are many and complex. The outcome will impact electricity rates and the cost of living and doing business for millions of ratepayers of Florida's largest utility, and perhaps set precedents with an even broader reach. I commend the Commissioners for serving in this demanding decision making role and encourage the Commission to be open to change and not too tightly bound by past practices.

As an individual intervener I have tried to focus my necessarily limited efforts on the cost of capital issues and understanding them from a ratepayers' point of view and in the context of current opportunities. I have observed that FPL has been doing a good job of modernizing generation assets, but will argue that their requested capital financing is inefficient.

My basic position is that FPL is requesting an inefficient combination of regulatory capital structure and ROE. There are reasonable alternatives that would reduce costs and the risks of even higher costs in the future for ratepayers, while still providing the appropriate returns to the shareholders and bondholders who invest in FPL assets.

The proposed regulatory capital financing is inefficient in three ways. First, it burdens ratepayers with funding over one-half billion dollars in income tax provisions to compensate for the corporate income taxes of FPL/NEE, which would be substantially reduced with the use of more long term debt that does not incur this cost. Second, ratepayer funds that go to Washington as taxes do not

benefit the investors so reducing them should not harm investors. Third, allowing an almost 60% investor equity ratio limits the opportunity for ratepayers to benefit from locking-in historically low (and tax advantaged) debt costs for a larger share of the investments they will be expected pay for as a part of the rates. This increases the risk of future rate increases to fund the cost of equity which can change with each rate case.

Determining the appropriate regulatory ROE is difficult and I have opted to recommend a balance between the levels recommend by OPC (and other interveners) and by FPL, pending additional information and analysis.

Please consider the potential for rebalancing the equity ratio with appropriate adjustments to ROE and debt costs as a way to reduce the costs and risks for ratepayers while appropriately meeting investor requirements.

**Larsons:** It is the basic position of the Petitioners that the Commission should:

- (a) Deny the rate increase requested by FPL;
- (b) Deny the requested Return on Equity (ROE) requested by FPL.

After being denied the largest unjustified rate increase in Florida's history in 2010, FPL complained that the Public Service Commission decision to deny their \$1.3 billion dollar rate case would cause terrible things to happen. Over the past two years FPL has reported healthy profits and earnings, FPL's parent company has raised its quarterly dividend by 26%, and its stock is currently trading at a 52 week high. Having low rates does not provide the legal basis or justification to increase base rates. Prevailing economic conditions do not support the requested ROE increase. We believe that FPL should withdraw this unjustified rate case and extend the existing base rate settlement agreement for a period of two additional years.

**Saporito:** The Florida Power & Light Company's (FPL's) petition in which FPL requests authority from this Commission to increase base rates charged to its customers by \$690.4-million dollars is grossly outrageous – and clearly illustrates why this Commission must exercise its regulatory authority to restrain this monopoly's conduct and behavior through meaningful and ongoing regulatory oversight. FPL's request to increase base rates is nothing more than a demand for a 16% increase in profits at the worse possible time when customers – and the entire state of Florida – are experiencing severe and unparalleled economic hardships. This is not the time for FPL to be seeking an increase in base rates – rather this is the time that FPL should be assisting its customers and the state of Florida by **lowering** its base rates to provide needed relief for unemployed families struggling to survive, for senior citizens living on fixed incomes, and to provide a measure of relief to hospitals and to the general business sector to assist Florida's job growth and economic recovery. Notably, FPL's arrogance in requesting a

1.3-billion dollar base rate increase three-years ago came during the worst financial and economic crisis our state has ever experienced. FPL's request was regulatory diminished to approximately 75-million dollars via a settlement agreement. Since that time, the economic conditions in Florida have actually worsened with construction activities almost non-existent – and with an unemployment rate at 8.6% and well-above the national average – causing severe economic hardship to FPL customers including the business sector.

FPL's request for a return on equity (ROE) of 11.25% with a .25% performance adder is simply unconscionable in our existing dismal economic climate. Notably, as the yield on the U.S. 10-year treasury bill stands under 1.5% - a ROE of 6% is more than sufficient to attract investment in FPL – especially where FPL has a very low risk profile. Moreover, FPL recently reported a 17% profit for the current quarter which clearly evidences that the company's ROE requires a downward adjustment. FPL requests that this Commission force the customers to pay for the Cape Canaveral Natural Gas plant through a base rate increase – absent any concurrent regulatory consideration of FPL's current rate structure to absorb all of the costs without any increase in base rates – and/or absent any regulatory consideration of FPL's recent 17% profit report for the most recent quarter. Incredibly, FPL has failed to offset any need to construct more power plants – through implementation of energy conservation and energy efficient appliances such as tankless or “on-demand” water heaters and photo voltaic solar systems installed at customer locations. As Commissioner Brisé succinctly stated – *“as more and more consumers benefit from the PSC's net metering rules, Florida's economy and environment are also reaping rewards.”*. See, <http://www.evwind.es/2012/06/19/solar-power-in-florida/> As championed by Commissioner Edgar, Florida's PSC assisted growth by establishing rules in 2007 that promote development of customer-owned renewable generation. By making it easier for customers to interconnect their systems with the utility's grid, the PSC's net metering rules encourage customer use of clean renewable generation that also lowers their utility bills.

FPL's request to increase base rates is overreaching and devoid of the standards of fairness and reasonableness – and compels deliberate action by this Commission to reduce FPL's base rates in these dire economic conditions to foster a business climate which promotes job growth and economic recovery for the state of Florida to provide needed relief for the economic benefit of FPL consumers. As Chairman Brisé recently stated, *“...Our responsibility as economic regulators is to make sure at the end of the day everything is measured in such a way that when our consumers are impacted, it makes sense financially for them and it's all in the general interest.”* See, *The Florida Current (Aug. 2, 2012)*.

**Nelson:**     **i.** It is the position of Larry Nelson that all rates charged by FPL must be fair, reasonable, just and compensatory, as stated in §366.03, §366.041, §366.05 and §366.06, of the Florida Statutes.

FPL actually objected to the following proposed issue in this case on the grounds it is "subsumed" into other issues:

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

FPL would have this Commission be a "corporate court". To first determine the "appropriate" return on corporate equity (Issue 58), then apply this to the rate base to determine the "revenue requirement" (Issue 58) and then "allocate" the change in the "revenue requirement" among the customer classes. Presto! You have the fair, reasonable, just and compensatory rates.

This is a topsy-turvy world where the law is turned upside down. The return on equity doesn't determine what is just, reasonable and compensatory; what is just, reasonable and compensatory determines the return on equity. §366.041(1), Florida Statutes explicitly states this. After stating the just, reasonable and compensatory standard and enumerating certain factors that may be considered, including "the efficient use of alternative energy resources", it states, after that, as a qualifier, "provided that no public utility shall be denied a reasonable rate of return upon its rate base". Clearly, return on equity is not intended to determine "fair, reasonable, just and compensatory".

**ii.** It is the position of Larry Nelson that FPL has the burden of proof to show that the present rates are unreasonable and fail to produce a reasonable return on its investment and it has failed to do so.

The Florida Supreme Court stated in South Florida Natural Gas Company v. Public Service Commission (1988), 534 So.2d 695: "We find that, under the commission's rate setting authority, a utility seeking a change must demonstrate that the present rates are unreasonable, *see* section 366.06(1), Florida Statutes (1985), and show by a preponderance of the evidence that the rates fail to compensate the utility for its prudently incurred expenses and fail to produce a reasonable return on its investment."

In determining that the existing rates compensate the utility for its prudently incurred expenses and produce a reasonable return on its investment, the Commission needs only to look at the statements of FPL's parent, NextEra Energy Inc. (NEE) and apply common sense. The facts, as touted by NEE are:

- 21%                   Total Shareholder Return for 2011
- 209%                 Total Shareholder Return for last 10 years

- \$15 million compensation for head of NextEra Energy, Inc. for 2011
- 633% Amount by which return on NextEra Energy, Inc. stock beat return of S&P 500 over last 10 years.

Where are the changed circumstances requiring another \$690 million a year in revenue? Where is the evidence that the NEE profits came from someplace other than FPL? Where is the evidence that present rates are unreasonable and have to increase? Common sense says that when the 10 year Treasury Note is around 1.5%, its lowest rate in the history of the United States, inflation is low, unemployment is high, and the economy is bad, a government sanctioned monopoly producing a 21% rate of return to its shareholders year after year is not fair, just, reasonable and compensatory.

**iii.** It is the position of Larry Nelson that the facts show that the existing current rates for FPL are excessive and the ROE should be lowered to an amount similar to the 6.95% ROE upheld for FPL in The City of Miami v. Florida Public Service Commission, and Florida Power and Light Company (1968), 208 So.2d 249. That case concerned a similar period of low interest rates and low inflation and FPL should have its return on equity lowered to a similar amount.

**iv.** It is the position of Larry Nelson that the requested increase in customer late fees and returned payment fees provides evidence that the requested rate hike is not a good faith attempt to set fair rates that serve the public, rather it is a bad faith attempt at profiteering and price gouging captive customers. FPL's requested increase in the late payment charge would generate an additional \$33 million and take advantage of small clerical errors by customers and would disproportionately impact lower income customers. In Schedule E-7, page 8 of 8, of the MFRs ("Development of Service Charges"), the requirement for support for the requested charge is stated right on the Schedule as follows:

Provide the calculation of the current cost of providing the services listed in E-13b. At a minimum, the schedule must include an estimate of all labor, transportation, customer accounting and overhead costs incurred in providing the service, and a short narrative describing the tasks performed.

FPL provided none of that in regard to its costs of processing late payments. Instead, it simply states

"The Florida Public Service Commission has approved the same charge for Tampa Electric, Progress Energy Florida, and Florida Public Utilities Company".

The situation is much the same with regard to the requested increase in the returned payment charge, which would generate an additional \$2 million, in



Schedule E-7, page 7 of 8. There is no account of the costs of processing return payments. Only the statement:

In accordance to section 68.065, Florida Statutes, FPL proposes the following return payment charge:

That statement of FPL is a masterpiece of misdirection. Note it says in accordance "to", not in accordance "with". §68.065, Florida Statutes, not only has nothing to do with regulated companies, it also doesn't authorize a returned payment charge. What it does do, is authorize a service charge only when making a written demand for payment, if notice is served in the following specified format:

Before recovery under this section may be claimed, a written demand must be delivered by certified or registered mail, evidenced by return receipt, or by first-class mail, evidenced by an affidavit of service of mail, to the maker or drawer of the check, draft, or order of payment to the address on the check or other instrument, to the address given by the drawer at the time the instrument was issued, or to the drawer's last known address. The form of such notice shall be substantially as follows:

"You are hereby notified that a check numbered in the face amount of \$ issued by you on (date), drawn upon (name of bank), and payable to , has been dishonored. Pursuant to Florida law, you have 30 days from receipt of this notice to tender payment in cash of the full amount of the check plus a service charge of \$25, if the face value does not exceed \$50, \$30, if the face value exceeds \$50 but does not exceed \$300, \$40, if the face value exceeds \$300, or 5 percent of the face amount of the check, whichever is greater, the total amount due being \$ and cents. Unless this amount is paid in full within the 30-day period, the holder of the check or instrument may file a civil action against you for three times the amount of the check, but in no case less than \$50, in addition to the payment of the check plus any court costs, reasonable attorney fees, and any bank fees incurred by the payee in taking the action."

So FPL is asking for service charges in the same amounts as a completely inapplicable statute would authorize, if FPL served a written 30 day notice of demand for payment. Except that FPL isn't going to serve any 30 day notice and FPL would collect the returned payment charge even if the customer found out about the return payment before FPL, and electronically paid the returned amount the same day it was returned. Hence, "In accordance to". The sneaky actual meaning of that phrase is meant to be "analogous to". "Accordance" however, is

still misused because it means "conformity" and the proposed FPL return payment fee schedule is in no way in conformity to §68.065, Florida Statutes.

These two fees would generate an additional \$35 million for FPL. In combination with the increased RS-1 customer charge below, that's \$89 million that has nothing to do with electricity, but everything to do with "gotcha" fees, just like the credit card industry. FPL has made no showing that the requested increase in these fees has any relationship to the cost of the service, or that the public accepts these increased fees, which are rates. These are fees applied regardless of how much electricity you use or don't use. They are fees that snare clerical errors and low income customers. With these fees it becomes pretty apparent that FPL is not your friend. Reddy Kilowatt, servant of the (last) century, is probably rolling over in his grave.

v. It is the position of Larry Nelson that the requested increase in the monthly customer charge is not fair, just, reasonable and compensatory.

The increase in the monthly RS-1 customer charge would generate an additional \$54 million. The existing customer charge of \$5.90 was challenged in a proceeding just a year ago (docket 05554) as being excessive in relation to the costs of the service. FPL responded by claiming that the cost underlying the \$5.90 charge was \$5.89 and the proceeding was dismissed. However, the breakdown of the \$5.90 attributed \$3.69 to "Miscellaneous Customer Accounts" which was unchallenged. FPL at that time said the customer charge has stayed at the \$5.15 to \$5.90 level for the past 30 years. But now, in this requested rate increase, somehow a percentage increase greater than the last 30 years is sought in just two years. \$54 million a year is a huge increase. Inquiry into the requested rate, as well as the existing rate, should be made to determine what the actual costs are, if the claimed costs are used and useful to the ratepayers, if the claimed costs are reasonable and prudent and useful to the ratepayers, and if the requested and existing monthly RS-1 customer fee is fair just and reasonable. §366.06, Florida Statutes, indicates that all rates, not just the overall rate, have to be fair, just and reasonable.

vi. It is the position of Larry Nelson that the Commission does not have the power to grant a 25 basis point performance incentive to FPL without specific statutory authority, that even if the Commission had such authority that the granting of such incentive by comparison to other utilities would be impermissible as arbitrary and unreasonable, and that it would be against public policy as creating innumerable equal protection issues for other utilities and because it would be anti-competitive and create incentives for price fixing.

vii. It is the position of Larry Nelson that the failure of FPL to promote demand side renewable energy systems, solar energy and cogeneration merits a decreased ROE or other punishment under §366.82(10) and that there is an inherent conflict

between cogeneration, which generates no ROE because the assets are owned by the co-generator, and also deprives FPL of electricity sales, and shareholder profits which are based on ROE and which must be acknowledged and addressed in rates.

**viii.** It is the position of Larry Nelson that the proposed advertising expense for the test year is not a reasonable and prudent expense of service to the ratepayer. The proposed advertising expense for the test year of 2013 is \$516,478. That is a 332% increase over 2011's advertising expense of \$155,397. The proposed advertising expense would raise the per customer cost 367% from \$.03 per customer to \$.11 a customer.

**STAFF:** Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

## VIII. ISSUES AND POSITIONS

### 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?

### POSITIONS

**FPL:** 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)

**OPC:** No. The disposition of a request to recover storm-related costs involves factual and policy determinations, such as the amount to be collected; the issue of whether the amount should be limited by the utility's earnings level; the time period over which any surcharge should be spread; and the appropriate level of the storm reserve. Chapter 120, F.S., gives affected parties the right to raise and litigate such issues. In Docket No. 080677-EI, parties entered a negotiated resolution of such issues as part of a larger global settlement. The settlement expires on December 31, 2013. At that time, parties will again have the right to

identify issues, present evidence, cross-examine witnesses, and argue positions on all storm recovery requests. To *limit* the scope of permissible inquiry, and to *prejudge* the amount and time frame of future recovery, applicability of earnings levels to FPL's future requests, and level of reserve to be restored in the form of *predetermined* outcomes in the absence of a stipulation and settlement of those potential issues would be to violate parties' substantive and procedural due process rights.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. The storm recovery mechanism FPL proposes was part of a comprehensive settlement of FPL's last rate case. It has no precedential value and is not appropriate for use in a fully litigated rate case.

**SFHHA:** No. The storm cost recovery mechanism was an element of the settlement agreement approved in Docket No. 090130-EI. Paragraph 10 of the settlement agreement specifies that "No party will assert in any proceeding before the Commission that this Agreement or any of the terms in the Agreement shall have any precedential value." Further, terms applicable to the recovery mechanism include proposals that are unrelated to base rates and beyond the scope of this proceeding.

**FEA:** Agree with OPC.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No; FPL should withdraw this unjustified rate case and extend the existing base rate settlement agreement for a period of two additional years.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

- FPL:** 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)
- OPC:** No position.
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** No. The purpose of a test year is to take a snap shot in time for purposes of a utility's revenues and expenses. To include in expenses a plant that will not go in service during the test year skews the analysis of revenues and expenses in the utility's favor.
- SFHHA:** No. The Commission does not have authority to approve FPL's requested step increase if the CMP goes into service after the 2013 test year. In requesting a test year, utilities must provide "[a] general statement of major plant expansions . . . which: 1. Have occurred in the most recent 18 months or since the last test year, whichever is less; 2. Will occur during the requested test year." F.A.C. § 25-30.430.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** No position.
- Hendricks:** No position.
- Larsons:** No; FPL should be required to file a limited proceeding to seek recovery for CMP in rates.
- Saporito:** NO - the Commission lacks requisite jurisdiction and authority to decide issues that are clearly outside of the test year in question in this docket.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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 specifically 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)

**OPC:** Yes. To prevent subsidization of unregulated affiliates by FPL’s ratepayers, Rule 25-6.1351 requires FPL to demonstrate that it has charged the greater of market price or fully allocated cost to affiliates, or paid the lesser of market price or fully allocated cost for charges to affiliates, unless it documents how specific, individual departures from these criteria benefit ratepayers.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Yes. These are transactions between corporate affiliates and are not arm’s length business transactions. Thus, the rule attempts to ensure that that the prices charged between the related companies are market based.

**SFHHA:** SFHHA supports OPC’s position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes. FPL customers are unjustly subsidizing the costs of FPL affiliates while not sharing in the revenue generated.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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 Rule 25-6.1351 and should be allowed in the cost of service borne by customers?

### **POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden to prove it is entitled to collect from customers, through the ratemaking process, the expenses it includes in the test year "cost of service." One component of the test year expense calculation consists of payments to, and revenues from, affiliates. The appropriateness of those payments/revenues is governed by the criteria of Rule 25-6.1351, which applies to FPL. The burden of proof is therefore on FPL to demonstrate compliance with the rule.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** A utility seeking an increase in rates always has the burden of proof. In particular, as to affiliate transactions, the Commission has held that: "...it is the utility's burden to prove that its costs are reasonable." Order No. PSC-01-1374-PAA-WS.

**SFHHA:** SFHHA supports OPC's position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** FPL has the burden of proof to demonstrate that the amounts comply with Commission Rule 25-6.1351. The affiliate transactions should be subject to a high degree of scrutiny to protect FPL customers.

**Saporito:** FPL has the burden of proof in this proceeding to demonstrate the amounts comply with Commission Rule 25-6.1351 and such costs should not be allowed in the cost of service borne by customers in this docket.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 5:** Does the Commission possess the power to grant a 25 basis point performance incentive to FPL?

### **POSITIONS**

**FPL:** Yes. 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 (emphasis added); *see also* Order No. PSC-02-0787-FOF-E at 3 (Commission awarded Gulf a 25 basis point ROE adder in recognition of its past performance and as incentive for future performance.)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** While the Commission has noted in the past that it has such authority, the facts in this case do not warrant such an incentive.

**SFHHA:** The Commission has expressed in the past that it has the authority to grant a percentage incentive to a utility’s ROE, but the facts in this case do not support the grant of such an incentive.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** Yes.



**Larsons:** No. Absent specific legislative authority the Commission lacks the discretion to approve such a request.

**Saporito:** NO, the Commission lacks requisite jurisdiction and authority to grant a 25 basis point performance incentive to FPL. Moreover, FPL is a monopoly utility and, as such, it is required as a matter of course – and (within the prevue of the Commission’s regulations) – to provide safe, reliable, and affordable power to its consumers at the lowest achievable price.

**Nelson:** While the Commission has the authority to award a performance incentive retrospectively as part of a fair, just and reasonable rate, it does not have the authority to so do prospectively, as a future contingency that is in addition to a fair, just and reasonable rate. Furthermore, it does not have the authority to do so in an arbitrary manner, based on its performance relative to other utilities as opposed to concrete metrics.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 6:** DROPPED

**ISSUE 7:** DROPPED

**ISSUE 8:** DROPPED

### **TEST PERIOD AND FORECASTING**

**ISSUE 9:** Is FPL’s projected test period of the 12 months ending December 31, 2013 appropriate?

### **POSITIONS**

**FPL:** Yes. The Company is currently operating under the 2010 Stipulation and Settlement approved in Docket No. 080677-EI (“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)

**OPC:** FPL has the burden of demonstrating that the test period it proposes is representative of going-forward operations and conditions. Until the Commission has received all the evidence in this case, a final determination of the appropriateness of 2013 as a test year cannot be made.

**FRF:** Yes.

- FIPUG:** No position regarding the test year so long as activities occurring outside the test period are not included in it.
- SFHHA:** No position.
- FEA:** Agree with FIPUG.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** Yes.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- 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?

**POSITIONS**

- FPL:** 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)
- OPC:** No position.
- FRF:** No. FPL's forecasts of sales and revenues are understated and should be adjusted to reflect more realistic weather forecasts and also to reflect more realistic values of usage per customer, as compared to FPL's actual experience over the last decade for which actual data are available.

**FIPUG:** No. FPL has understated its test year revenues. FPL has projected that its sales for 2012 and 2013 will be less than its actual sales in 2011. That is, FPL claims it will sell less electricity in 2013 than it sold in 2011; this is not a reasonable assumption and has the effect of depressing FPL revenues.

**SFHHA:** No. FPL inappropriately relies on a 20 year normal weather assumption to determine weather patterns, which forms the basis of FPL's projected billing determinants and rate class revenues in this case. Alternatively, a 10 year actual weather history using cooling degree hours as the weather metric would produce a higher level of mWh sales and revenues than assumed by FPL in this proceeding.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No. The FPL forecasts are not appropriate and should be evaluated against the evidence presented at hearing.

**Saporito:** NO - FPL's forecasts of Customers, KWH, and KW by Rate Class and Revenue Class, for the 2013 projected test year is not appropriate. FPL's forecasts appear to be erroneous and inaccurate.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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 witness Deaton (MFR E-13b). (Deaton)

**OPC:** No position.

- FRF:** No. FPL's projected revenues from sales of electricity for 2012 and 2013 are understated and should be adjusted to reflect more realistic weather assumptions, based on actual weather experience for 2012 and on reputable weather forecasts for the balance of 2012 and 2013, as well as to reflect more realistic values of usage per customer, as compared to FPL's actual experience over the last decade for which actual data are available.
- FIPUG:** No. See Issue No. 10.
- SFHHA:** No. First, FPL improperly replaces the actual 3-year January CP and GNCP residential class load factors with alternate values and improperly performs a "reconciliation" test to determine whether monthly GNCP demand is less than or equal to monthly NCP demand. Second, FPL improperly uses a 12 CP and 1/13th average demand allocation methodology, rather than a summer 1 CP demand allocation methodology. Third, FPL's methodology to allocate distribution plant costs to retail rate classes fails to recognize a customer component of primary or secondary lines, poles, or transformers by classifying these costs as demand related. Fourth, FPL improperly developed target revenue increases for each rate class and applied the 1.5 times limitation rule to the target revenue increases for each rate class based on "total revenues," not "base and miscellaneous revenues," which are the rates at issue in this case. The appropriate adjustments and appropriate revenue increases for each rate class are set forth in Baron Exhibit SJB-8.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** No. The FPL projections are not appropriate and should be evaluated against the evidence presented at hearing.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- 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?

**POSITIONS**

- FPL:** 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)
- OPC:** No position.
- FRF:** FPL's projected sales and revenues for the 2013 test year are understated. If the Commission is not able to make appropriate adjustments for rates that will become effective in January 2013, then the Commission should make appropriate provisions to protect FPL's customers from FPL over-earnings that will result if rates are set based on understated sales forecasts.
- FIPUG:** The Commission should correct FPL's under projection of its sales and revenues in the test year. Further, the Commission should adopt the rate allocation method set forth in the testimony of witness Pollock.
- SFHHA:** FPL should correct flaws in its calculation of demand allocation factors, incorporate the minimum distribution system methodology, use the 1 CP demand allocation methodology, and develop target revenue increases for each rate class based on "base and miscellaneous revenues." Schedules A through D in Baron Exhibit SJB-8 present the results of these adjustments. Also, a 10 year actual weather history would produce a more accurate level of mWh revenues.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** The Commission should seek to mitigate the impact of uncertainty and protect ratepayers by adopting the most likely projections based upon the evidence presented at hearing. FPL's projections are biased in favor of FPL.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that the inflation, customer growth, and other trend factors it proposed are appropriate.

**FRF:** FPL's usage per customer and overall sales values for the 2013 test year are understated. The FRF is still evaluating data, including FPL's usage per customer, which FPL claims will be far less in 2013 than in any year of the preceding decade, and also including updated weather forecasts from recognized sources, and will take a final position after the hearing. If the FRF is required to state a definitive position on the impacts of these factors at this time, the FRF tentatively believes that FPL's overall revenues at current rates, adjusted for more appropriate weather forecasts and usage per residential customer values, should be between \$150 million per year and \$200 million per year greater than FPL has forecast, such that FPL's requested increase in base rate revenues should be correspondingly reduced by such an amount.

**FIPUG:** FPL has understated customer growth, revenues and sales for the test year as well as inappropriate weather assumptions. The Commission should utilize appropriate data for these items.

**SFHHA:** The appropriate trend factor for use in forecasting the 2013 test year budget includes the actual weather history in the FPL service territory for the past 10 years, using cooling degree hours as the appropriate weather metric, which is the principal weather variable used by FPL in its net energy for load (mWh) forecast. Baron Exhibit SJB-13 presents the results of FPL's actual weather history using cooling degree hours.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Prevailing economic conditions suggest these factors should remain relatively constant when forecasting the 2013 test year budget.

**Saporito:** The appropriate inflation, customer growth, and other trend factors for use in forecasting the 2013 test year budget - must include consideration of US. Federal Reserve's inflation forecasts; and consideration of Florida's high unemployment rate; and other factors which would otherwise limit or negate FPL's need for a rate increase.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

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

**OPC:** FPL has the burden of demonstrating that the separation studies supporting its jurisdictional factors are appropriate.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

### **QUALITY OF SERVICE**

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

### **POSITIONS**

**FPL:** 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)

**OPC:** The Commission should consider all evidence submitted during the hearing by customers in evaluating FPL's claims as to the quality and reliability of the service it provides.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village takes no position pending completion of all Commission-scheduled service hearings, and the presentation of all evidence in the docket.

**Hendricks:** No position.

**Larsons:** Yes.



**Saporito:** Intervenor adopts the position of OPC.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

### **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?

### **POSITIONS**

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

**OPC:** As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing capital items in rate base rather than in cost recovery clauses.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Yes.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** Yes. At this time, OPC does not object to extending the amortization period of the new SAP general ledger system from 5 years to 20 years. However, OPC reserves the right to address this issue in future depreciation-related proceedings and to recommend a different amortization period based on any new evidence, facts, or other relevant information.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** Yes. I have not seen any specific data on this project, but offer the following general observation since I have extensive experience planning and assessing large systems projects. A complex GL implementation is a major project and should have a useful life in the 20 year range.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

- FPL:** Yes. All non-utility activities have been appropriately removed from rate base. (Ousdahl)
- OPC:** FPL has the burden of demonstrating that only utility-related costs are properly recorded in its books and records and reflected in the MFRs.
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** SFHHA supports OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** No.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 19:** Whether FPL's request for 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?

**POSITIONS**

- FPL:** Yes. FPL's costs associated with the additional facilities are necessary to serve the load resulting from the approximately 100,000 new customer accounts being added during 2011-2013 have been appropriately reflected in FPL's base rate increase request. (Barrett, Hardy, Miranda)
- OPC:** Based on the testimony of OPC witnesses, FPL does not need a base rate increase to provide a reasonable recovery of its projected operating expenses and earn a fair return on its investment in rate base.

**FRF:** No. FPL does not need a base rate increase to provide safe, adequate and reliable service to its projected customers in the 2013 test year.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** Yes.

**Larsons:** The most recent earnings conference confirms that FPL is earning a healthy rate of return and does not require a base rate increase. These costs can be absorbed within the current rate structure without the need to increase base rates.

**Saporito:** NO, FPL's request for a base rate increase is NOT 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 – as evidenced by news reports of a significant rise in rental units due to home foreclosures, and falling home values which investors have purchased for the purpose of renting. Both of these property types are already connected to FPL's electric grid for which no further build-out of infrastructure is required. Moreover, FPL's definition of "new customer accounts" appears to have blurred the definition of a new customer account insofar as labeling consumers who occupy an existing rental unit or a foreclosed home as a new customer account – even though such structures are already connected to FPL's electric grid. Finally, FPL reported a 17% gain in earnings during the most recent quarter which is more than sufficient to address any infrastructure issues.

**Nelson:** Agree with OPC.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

### **POSITIONS**

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

**OPC:** FPL has the burden of demonstrating that these overhead costs are properly recorded in its books and records and reflected in the MFRs.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with SFHHA.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** FPL has the burden of demonstrating that these overhead costs are properly recorded in its books and records and are reflected in MFRs.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that these costs are properly recorded in its books and records and reflected in the MFRs.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** FPL has the burden of demonstrating that these adjustments are properly recorded in its books and records and are reflected in MFRs.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)

**OPC:** The appropriate amount of jurisdictional plant is \$30,424,227,000. (Ramas)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC, subject to appropriate adjustments which may be necessary based on the resolution to ISSUES 20 and 21.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No; the FPL schedules are not appropriate and should be evaluated against the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

- FPL:** Yes. Subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-16, the 2013 requested level of Accumulated Depreciation is appropriate. (Barrett)
- OPC:** The appropriate amount of jurisdictional accumulated depreciation is \$11,921,986,000, which reflects an increase to the reserve of \$20,275,000. (Schultz, Ramas)
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** This is a fall out issue.
- SFHHA:** SFHHA supports OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** No.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

- FPL:** 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)



**OPC:** No position.

**FRF:** Yes. Agree with SFHHA.

**FIPUG:** Yes. Agree with SFHHA.

**SFHHA:** Yes. Several CWIP projects included in rate base are long-lived generation and transmission assets, the costs of which should be borne by the customers served by such assets consistent with cost causation principles. CWIP imposes the costs on current rate-payers, who may not be taking service from FPL when the asset ultimately is placed in service. Removing these CWIP projects from rate base and authorizing AFUDC treatment provides FPL the opportunity to recover its financing costs and protects current customers from having to pay a portion of the costs prior to the assets being placed in service.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

### **POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** Yes. Agree with SFHHA.

**FIPUG:** Yes. Agree with SFHHA.

**SFHHA:** The Commission should reduce the CWIP in rate base proposed by FPL (\$501.676 million) by approximately 50%, or \$251.676 million, to a level of \$250 million. The portion removed from CWIP should qualify for AFUDC treatment.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate proportion of costs should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No. CWIP should be reduced by \$4,234,000 (\$4,685,000 system) per the Company response to Staff Interrogatory No. 88. (Ramas)

**FRF:** No. Agree with the SFHHA and Citizens/Public Counsel as to specific adjustments.

**FIPUG:** No. Agree with SFHHA and Public Counsel.

**SFHHA:** No. Because the Commission should modify the criteria for the accrual of AFUDC in order provide for intergenerational equity and allow recovery of long-life assets over the long term, rather than providing for upfront recovery, \$251.676 million of FPL's CWIP in rate base should be removed and instead qualify for AFUDC treatment, thereby reducing CWIP in rate base to \$250 million for the 2013 projected test year. *See Issue Nos. 25 and 26.*

**FEA:** No. Until FPL can demonstrate that the CWIP balances that it seeks to include in test year rate base excludes balances associated with the Cape Canaveral project.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with SFHHA.

**SFHHA:** No. FPL's proposed accrual of Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel is not appropriate because such costs are simply an estimate for rulemaking purposes, and FPL cannot project these costs with any degree of certainty.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

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

**OPC:** No position.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. Agree with SFHHA.

**SFHHA:** No. FPL's proposed level of Nuclear Fuel is not appropriate because it is significantly more than FPL has incurred or budgeted in prior years and more than it projects to incur in later years, and is simply an estimate for ratemaking purposes.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No. FPL has not demonstrated that the site costs are appropriate or that the sites will be used to serve customers within a reasonable time. This is primarily manifested in a combination of one or more of: lack of an estimated date for needing the land, lack of plans to develop or have specific expected in-service date for generation facilities at the site(s), or lack of ownership. PHFFU should be reduced by \$104,805,000 (\$108,952,000 system). (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** Agree with OPC.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** NO, the Commission lacks requisite jurisdiction and authority to consider plant and equipment and generation sites proposed - but not in service - by FPL in this docket.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No. FPL has not demonstrated that these 9 sites warrant inclusion in rate base – either because their projected in-service dates fall outside the Ten-Year Site Plan horizon or because they have no announced in-service date. Property Held For Future Use should be reduced by \$7,732,000 (\$8,555,000 system). (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel that PHFFU should be reduced by \$7,732,000 on a jurisdictional basis.

**FIPUG:** No. The need for such sites is speculative and too far in the future to include them in Plant Held for Future Use.

**SFHHA:** SFHHA supports OPC.

**FEA:** Agree with OPC.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** NO, the Commission lacks requisite jurisdiction and authority to consider plant and equipment and generation sites proposed - but not in service - by FPL in this docket.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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 PHFU 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)

**OPC:** No. FPL's Property Held for Future Use balance should be reduced by \$112,537,000 pursuant to the adjustments recommended in Issues 30 and 31. (Ramas)

**FRF:** No. FPL's CWIP balance and PHFFU amounts should be reduced in accordance with the adjustments recommended by the SFHHA and the Citizens in Issues 25-31.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No. Commission policy is to exclude unamortized rate case expense from rate base for rate setting purposes. FPL has not demonstrated why this long-standing policy should not be followed. Rate base should be reduced by \$4,826,000 (jurisdictional and system). (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel.

**FIPUG:** No. Agree with SFHHA and Public Counsel.

**SFHHA:** No. The Commission's long-standing practice of excluding unamortized rate case expense from working capital apportions the cost of a rate case between ratepayers and shareholders customers. Customers should not be required to pay a return on funds spent to increase their rates. Further, the amortization period proposed is short, which minimizes carrying costs. Such costs are typically financed with short-term debt, and excluding such costs eliminates the potential for overrecovery.

**FEA:** Agree with OPC.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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)

**OPC:** No, not in its entirety. The Commission should exclude 65.10% of the amounts FPL proposes to include in projected test year working capital due to the lack of demonstration that the amounts included relate to providing current service to customers. Working capital should be reduced by \$88,680,327 (\$90,116,880 system). (Schultz)

**FRF:** No. Agree with the Citizens/Public Counsel that working capital should be reduced by \$88,680,327 on a jurisdictional basis.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

### **POSITIONS**

**FPL:** 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)

**OPC:** Yes. FPL has failed to meet its burden to demonstrate that the amounts it proposes to include in projected test year working capital relate to providing current service to customers. Working capital should be reduced by \$266,850,000 (\$271,365,000 system). (Schultz)

**FRF:** Yes. Agree with the Citizens/Public Counsel that working capital should be reduced by \$266,850,000 on a jurisdictional basis.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

- OPC:** Yes. FPL has failed to meet its burden to demonstrate that the amounts it proposes to include in projected test year working capital relate to providing current service to customers. Working capital should be reduced by \$3,836,435 (\$3,896,171 system). (Schultz)
- FRF:** Yes. Agree with the Citizens/Public Counsel that working capital should be reduced by \$3,836,435 on a jurisdictional basis.
- FIPUG:** Yes. Agree with Public Counsel.
- SFHHA:** SFHHA supports OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** Yes.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 38:** Should unbilled revenues be included in working capital for the 2013 test year?

**POSITIONS**

- FPL:** 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)
- OPC:** FPL has the burden of proof to demonstrate that it has adhered to Commission policy on this issue in calculating working capital under the balance sheet approach, to the extent it is used in this case. The Commission should hold the company to this burden.
- FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. Agree with SFHHA.

**SFHHA:** No. The unbilled revenues represent an estimate of revenues earned during a particular month, but not yet billed. There is no related carrying cost because unbilled revenues serve as an accounting placeholder for a future receivable and do not represent a cost that FPL must finance at the end of each month. Further, FPL does not incur incremental costs to earn unbilled revenue.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 39:** Has FPL adhered to the Commission's policy of including net clause over-recoveries and excluding net clause under-recoveries in its calculation of working capital? If not, what adjustments should be made?

### **POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of proof to demonstrate that it has adhered to Commission policy of excluding clause over-recoveries and including clause under-recoveries in its calculation of working capital under the balance sheet approach, to the extent it is used in this case. The Commission should hold the company to this burden.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with OPC.

**SFHHA:** SFHHA supports OPC position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** Yes.

**Larsons:** Yes.

**Saporito:** Intervenor adopts the position of OPC on this issue.

**Nelson:** Agree with OPC.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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)

**OPC:** FPL has presented its test year working capital using the balance sheet approach. If the Commission continues to use this approach, FPL must demonstrate that it applied the method correctly and that the projected working capital on which it seeks to recover a return from customers accurately reflects the actual working capital required to provide utility service to customers.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** The Commission should adopt a proxy for the results of a lead/lag approach because FPL has not prepared a cash working capital study using the lead/lag approach and refused to perform one. In comparison to FPL's balance sheet approach, which is outdated and fails to accurately quantify FPL's cash working capital investment, the lead/lag approach more accurately quantifies the investment by tracking and measuring the timing of cash flows related to revenues and expenses.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate methodology should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

## **POSITIONS**

**FPL:** 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)

**OPC:** The Commission should adjust working capital when using the balance sheet approach for the adjustments summarized on page 50 of the testimony of OPC witness Schultz in the amount of \$359,366,762 (\$365,378,051 system). Additionally, working capital should be reduced \$4,826,000 (jurisdictional and system) to remove unamortized rate case expense pursuant to Commission policy as recommended by OPC witness Ramas in Issue 34. (Schultz, Ramas)

**FRF:** Agree with the Citizens/Public Counsel that, using the balance sheet approach, FPL's working capital should be reduced by approximately \$364.2 million on a jurisdictional basis.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** The Commission should set FPL's cash working capital at \$0 as a proxy for the results of the lead/lag approach, which is a conservative approach given that lead/lag studies frequently result in substantially negative cash working capital rate base amounts due to sophisticated cash management techniques used by utilities to minimize investments in cash working capital. This results in a net reduction to FPL's working capital of \$156.284 million on a jurisdictional basis.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate adjustments should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has not met its burden of demonstrating that it is in compliance with Commission Rule 25-14.014, F.A.C., and that the ARO adjustment is revenue neutral in its implementation. (Schultz)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.



**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** Agree with SFHHA.

**FRF:** Agree with SFHHA.

**FIPUG:** Yes. Agree with SFHHA.

**SFHHA:** Yes. The nuclear maintenance reserve should be modified from a pre-paid to a post-paid variation of reserve accounting for at least two reasons. First, the prepaid variation of reserve accounting is more expensive to FPL customers. Second, the prepaid variation of reserve accounting can lead to a stranded liability at the end of a unit's life.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of SFHHA.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

### **POSITIONS**

**FPL:** 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)

**OPC:** No. As set out in Issues 33-37, the Commission should allow FPL working capital of no more than \$853,016,238 if the balance sheet approach is used. (Schultz, Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel that the appropriate amount of working capital is no more than \$853,016,000.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** No.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)

**OPC:** The appropriate rate base should be \$20,535,584,000 on a jurisdictional basis. (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel that the appropriate amount of rate base is \$20,535,584,000 on a jurisdictional basis.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** No. FPL's requested jurisdictional rate base for the 2013 projected test year should be reduced by a minimum of \$395.756 million to a level of \$20,641.067 million. This incorporates SFHHA's recommendations regarding cash working capital, nuclear maintenance reserve, unamortized rate case expense and CWIP in rate base.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**COST OF CAPITAL**

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

**POSITIONS**

**FPL:** 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)

**OPC:** The appropriate amount of accumulated deferred income taxes prior to reconciliation should be \$4,365,176,000. After the pro rata reconciliation to rate base, the amount of deferred income taxes should be \$4,261,168,000. (Ramas)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** If SFHHA's adjustments to FPL's as-filed rate base components are adopted by the Commission, then a corresponding adjustment should be made to the amount of ADIT included in FPL's capital structure. As shown in Exhibit LK-27, page 1, Section II, SFHHA's rate base adjustments would increase FPL's ADIT capitalization by \$3.898 million. As a result the total amount of ADIT that should be included in FPL's capital structure is \$4,369.074 million.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

- FPL:** 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)
- OPC:** The appropriate amount of unamortized investment tax credits prior to reconciliation should be \$923,000. After the pro rata reconciliation to rate base, the amount of investment tax credits should be \$901,000. (Ramas)
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** SFHHA supports OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 48:** What is the appropriate cost rate for short-term debt for the 2013 projected test year?

**POSITIONS**

- FPL:** 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)

- OPC:** OPC does not take issue with FPL's short-term debt cost rate of 2.11%. (Woolridge, O'Donnell)
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** No position.
- SFHHA:** SFHHA supports OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 49:** What is the appropriate cost rate for long-term debt for the 2013 projected test year?

**POSITIONS**

- FPL:** 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)
- OPC:** OPC does not take issue with FPL's long-term debt cost rate of 5.18%, as addressed by FPL witness Dewhurst in his rebuttal testimony. (Woolridge, O'Donnell)
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** No position.
- SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** 6.3%. Assuming that the Commission adopts my recommended equity ratio as specified in the response to Issue 51 and explained in context in the response to Issue 60, the appropriate cost rate for long-term debt is approximately 6.3%. The appropriate cost rate for long-term debt for 2013 is higher than the FPL request because I am recommending a higher percentage of debt. This shifts more risk to the debt holders, reduces risk for the FPL ratepayers and will contribute to reducing overall costs to the ratepayers. The table in the response to Issue 60 indicates how this recommendation would vary with different assumptions and choices.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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)

**OPC:** OPC does not take issue with FPL's revised customer deposit rate of 1.99%, consistent with FPL witness Ousdahl's rebuttal testimony. (Ramas)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** FPL's equity ratio should remain at approximately 59.6% as a percentage of investor sources. This equity ratio appropriately 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)

**OPC:** Equity costs more than debt, but debt's financial risk increases overall risk profile. NEE's unregulated operations are riskier than FPL's. Logically, NEE should temper the higher business risk of unregulated affiliates with lower debt (higher equity ratio), and leverage FPL's lower business risk with more debt to lower overall costs of capital borne by customers. Perversely, NEE places only 21.1% equity in unregulated businesses but 59.62% equity in FPL, evincing NEE's intent to exploit the safer returns from FPL by financing its riskier unregulated



businesses at FPL customers' expense. To protect customers from paying higher rates to support an unnecessarily expensive capital structure, the Commission should either impute more debt in FPL's capital structure or reflect the lower risk of inordinately high equity in a commensurately lower ROE. OPC proposes a 50% equity ratio, which is higher than the overall ratios of NEE (38.9%), Avera's proxy group, (47.3%), and Woolridge's proxy group (45%). OPC's recommended 9% ROE is tied to OPC's 50% equity ratio recommendation. If the Commission approves FPL's 59.62% equity ratio, it should lower ROE to 8.50%. (O'Donnell, Lawton)

**FRF:** Agree with the Citizens/Public Counsel that a 50% equity ratio is appropriate, and indeed generous in FPL's favor. The FRF also agrees that, if the Commission decides to set FPL's rates on the basis of FPL's proposed 59.6% equity ratio, its ROE should be reduced to 8.50%.

**FIPUG:** The appropriate equity ratio is 50%. This is fair to both the ratepayers and FPL and reduces ratepayers' costs due to FPL's proposed capital structure which is over weighted in equity.

**SFHHA:** At a ROE of no greater than 9.00%, SFHHA would not oppose FPL's as-filed for common equity balance of \$9,684.101 million. *See* Direct Testimony of Baudino, page 42:1-2.

For ROE levels above 9.00%, FPL's equity ratio should decrease by 200 basis points for every 50 basis point ROE increase. FPL's equity ratio (59.7%) of investor-supplied capital exceeds that of every electric utility holding company included in FPL's Utility Proxy Group. *See* Issues Nos. 59, 61.

**FEA:** FEA proposes an equity ratio of 44.08%. This equity ratio includes modification to FPL's "Pro Rata" adjustments. Specifically, FEA proposes to allocate deferred taxes based on FPL's total plant investment.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** 45%. If the Commission adopts my recommended ROE as specified in the response to Issue 58 and explained in context in the response to Issue 60, the appropriate equity ratio for investor sources is approximately 45%. The appropriate equity ratio depends on the regulatory ROE and the current and reasonably expected financial market conditions during the next several years. The table in the response to Issue 60 indicates how this recommendation would vary with different assumptions and choices.

The table in response to Issue 60 shows my estimate that a 45% equity ratio will reduce the revenue requirement by about 4.5% relative to FPL's equity ratio recommendation, even if the FPL requested ROE is retained and adjusted for the recommended equity ratio. This is due to the reduction in income taxes in the revenue multiplier. Even more importantly, the 45% equity ratio will provide incentives for FPL to lock-in long term fixed rate financing for a much larger portion of capital and substantially reduce ratepayers' dependence on volatile equity financing for the longer run.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 52:** DROPPED

**ISSUE 53:** DROPPED

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

### **POSITIONS**

**FPL:** 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)

**OPC:** No. FPL enjoys a protected retail market; cost recovery mechanisms for fuel costs, purchased power costs, environmental costs, and conservation costs that enable FPL to collect these significant costs from customers on a current basis, trued up to actual levels; the ability to request increases in rates; and other risk-reducing, revenue-enhancing benefits. In return for its privileged monopoly

position, and the opportunity to earn a fair return, customers rightfully expect FPL to fulfill its obligation to provide the best possible service at the lowest reasonable costs. FPL's proposal of an ROE "performance adder" is therefore inconsistent with the regulatory scheme from which it benefits. Further, the differentials between FPL's rates and those of other Florida utilities are due in part to the Commission's denial of FPL's effort in Docket No. 080677-EI to increase rates by \$1.2 billion annually. Finally, the relative levels of rates among utilities are affected by type and vintage of generating equipment, customer mix, density of development, and other factors that are not measurements of management performance. (Lawton)

**FRF:** No. FPL's proposed performance adder is not cost-based and is completely inconsistent with FPL's duty to provide safe, adequate, and reliable service at the lowest possible cost. Moreover, attempting to develop and implement such a measure as a "one-off" application in a rate case is inappropriate.

**FIPUG:** No. FPL is a monopoly. Thus, its customers have no choice of providers. In return for the monopoly FPL is bound by state statute to offer the most efficient and cost-effective service. It should not be rewarded for taking action which the statute requires.

**SFHHA:** No. FPL has failed to demonstrate that it provides superior service that would authorize such an adder. The evidence that FPL purports to offer in support is the result of FPL's circumstances, not the efforts of its management. In addition, there have been recent examples of poor management. FPL has experienced massive cost overruns in construction of nuclear facilities. FPL's smart meter installation is over budget, failing to produce savings supposedly benefitting ratepayers. FPL continues to pursue a corporate financing strategy that burdens its ratepayers with excessive capital costs from equity, while failing to lock-in low, long-term debt rates. FPL also benefits from having a single continuous service territory that FPL and credit rating agencies describe as being one of the best in the nation. The success that has been enjoyed by the company is largely the product of those circumstances, not its management.

**FEA:** No. The 25 basis point performance adder proposed by FPL should be rejected by the Commission.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No. FPL proposes this incentive for keeping the lowest typical bill in the state, but as long as natural gas prices remain low for the next few years this is not likely to require any extraordinary effort beyond current expectations.

**Larsons:** No. The FPL request is without merit. FPL has an underlying duty to serve its customers without additional incentives.

**Saporito:** NO, FPL is a monopoly utility and, as such, is required to provide safe, reliable, electric power to its customers at the lowest price possible - without any performance adder to the authorized return on equity.

**Nelson:** **OBJECTION: Larry Nelson objects to the form of the question.** The question does not identify the legal and policy issues contained therein (see legal issues 5, 6, E and F, and policy issues 7 and G, above).

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 55:** DROPPED

**ISSUE 56:** DROPPED

**ISSUE 57:** DROPPED

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

### **POSITIONS**

**FPL:** 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)

**OPC:** The economy is suffering. 30-year utility bond rates are below 4.0%. Interest rates are at levels not seen since the 1950s. In this environment, investors' expectations have declined. Further, the risk of the electric utility industry is among the lowest of any. OPC's analyses of FPL's cost of equity reflect these influences. Using both historical data and analysts' projections to quantify expected growth, Dr. Woolridge applied the DCF model to derive a range of required return of 8.5-9%. Based on OPC's recommended 50% equity ratio, Dr.

Woolridge quantified an ROE of 9%. For FPL's requested 59.62% equity ratio, he recommended 8.5% to reflect the correspondingly lower financial and overall risk.

In his DCF, FPL witness Dr. Avera relied on inappropriate proxy groups and on the overly optimistic expected EPS growth rates of Wall Street analysts. Within his CAPM, he presumed that a 10% earnings growth rate can occur in an economy growing at 5%, thereby generating an unrealistic projected market return of 13.5% and an inflated risk premium of 10.5%. His analyses result in a grossly overstated ROE request. (Woolridge)

**FRF:** The appropriate ROE is necessarily related to the equity ratio used in setting FPL's rates. The FRF agrees with the Citizens/Public Counsel that FPL's rates should be set using an ROE of 9.0% if the Commission adopts OPC's recommended 50% equity ratio. The FRF also agrees that, if the Commission uses FPL's proposed equity ratio of 59.6%, the Commission should set FPL's rates using an ROE of 8.5%.

**FIPUG:** Given market conditions today, FPL's ROE should be no higher than 9%.

**SFHHA:** 9.00% based upon the DCF methodology applied to a group of comparison electric utility companies with similar bond ratings that derive at least 50% of their revenue from electric utility operations. SFHHA's CAPM results also fall well below 9.00%.

FPL's recommended 11.5% ROE was based on a flawed analysis. The DCF utility proxy group utilized by FPL did not support the recommendation. Instead, FPL emphasized a non-utility proxy group that was not comparable to FPL. Because utilities have captive customers in franchised service territories, equity investors experience less risk by investing in utilities. In addition, FPL's recommendation was based upon various inappropriate adders, such as a flotation cost adjustment and a performance adder. FPL has not provided evidence that it incurred any flotation costs given that its shares are not publicly-traded, and the performance adder is inappropriate. *See Issue 43.*

**FEA:** The appropriate ROE for FPL is 9.25%, which is the midpoint of FEA witness Gorman's recommendation of 9.10% to 9.40%.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** 10.75%. If the Commission adopts my recommended equity ratio as specified in the response to Issue 51 and explained in context in the response to Issue 60, the appropriate ROE is approximately 10.75%. The appropriate ROE depends on the

regulatory capital structure and a table in the response to Issue 60 indicates how this recommendation would vary with different assumptions and choices. My assumption of constant investor-capital WACC, with adjustments for the increasing percentage of long-term fixed rate debt, results in ROE estimates that increase with debt percentage as one would expect. My ROE recommendation is based on the mid-point between relying on the ROE request of FPL (which yields 12.25%) and the ROE recommendation of OPC (which yields 9.25%) as most appropriate estimate.

**Larsons:** 0.0% - 6.0%; FPL has a strong balance sheet and low risk. Prevailing economic conditions do not support the FPL request to increase ROE. Nothing has fundamentally changed from the last rate case. The current authorized ROE has allowed FPL to record healthy profits over the past two years. The risk associated with its unregulated operations should not be borne by FPL customers.

**Saporito:** The appropriate authorized return on equity (ROE) to use in establishing FPL's revenue requirement is 6% which is approximately 4-times greater than the current yield on the U.S. 10-year treasury bill - and more that sufficient to attract investment in FPL.

**Nelson:** In the range of 6% to 7%.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** If OPC's proposed 50% equity ratio is adopted, the capital structure is:

<u>(\$ in 000's)</u>	<u>Juris. Capital Structure Per Company</u>	<u>OPC Adj. to Cap. Struct.</u>	<u>Adjusted Amounts</u>	<u>Ratio</u>
Long-Term Debt	\$6,199,550	\$1,476,157	\$7,675,707	36.49%

Short-Term Debt	\$360,542	\$85,848	\$446,390	2.12%
Preferred Stock	\$0	\$0	\$0	0.00%
Common Equity	\$9,684,101	(\$1,562,005)	\$8,122,097	38.61%
Customer Deposits	\$426,531	\$0	\$426,531	2.03%
Deferred Taxes	\$4,365,176	\$0	\$4,365,176	20.75%
Investment Tax Credits	\$923	\$0	\$923	0.00%
Total	<u>\$21,036,823</u>	<u>\$0</u>	<u>\$21,036,823</u>	<u>100.00%</u>

If the Commission approves FPL's requested 59.62% equity ratio, the appropriate ROE is 8.50%, and the capital structure is:

(\$ in 000's)	Juris. Capital Structure Per FPL	Capital Ratio Per FPL
Long-Term Debt	\$6,199,550	29.47%
Short-Term Debt	\$360,542	1.71%
Preferred Stock	\$0	0.00%
Common Equity	\$9,684,101	46.03%
Customer Deposits	\$426,531	2.03%
Deferred Taxes	\$4,365,176	20.75%
Investment Tax Credits	\$923	0.00%
Total	<u>\$21,036,823</u>	<u>100.00%</u>

(O'Donnell, Woolridge, Lawton)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** The appropriate capital structure is 50% equity and 50% debt. This is fair to both the ratepayers and FPL and reduces ratepayers' costs due to FPL's proposed capital structure which is over weighted in equity.

**SFHHA:** So long as the Commission sets FPL's ROE at 9.00%, FPL's as-filed for capital structure, as adjusted for SFHHA's rate base adjustments, is appropriate for ratemaking purposes in this case. See Direct Testimony of Baudino, page 42, and Exh. LK-27, Page 1, Section II.

Nevertheless, FPL has employed an excessive equity ratio to boost returns of its owners at the expense of ratepayers. FPL claims that its equity rich capital structure lowers capital costs passed onto ratepayers by lowering its risk.

However, the thick equity component has not been demonstrated to produce the lowest reasonable rates. FPL's investor-supplied equity ratio should be decreased by 2% (i.e. equity decreased by \$327.446 million) for every 0.50% increase in ROE above 9%. See Issue Nos. 51 and 61. That adjustment is necessary to hold FPL accountable for its claim that its equity rich capital structure lowers FPL's risk and capital costs.

**FEA:** The appropriate capital structure should reflect the FEA position in issue 51.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** The appropriate investor capital structure is 45% common equity and 55% long-term debt. I have not investigated the non-investor sources of capital and take no position on them, except to assert that the common equity and long term debt components should be as recommended.

**Larsons:** The appropriate capital structure should be based upon OPC witness testimony.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

## **POSITIONS**

**FPL:** 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)

**OPC:** See position on issues 54, 58, 59 and 61.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** See Responses to Issues 58, 59 and 61.



**FEA:** No. See FEA position on issues 51, 54, and 58.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No, FPL's proposed capital financing is not appropriate. It is far too equity heavy for a time when long term debt is available at historically low rates and the gap between average utility ROE and debt costs is so high. When viewed from the ratepayer perspective, the PreTax Weighted Cost of investor Capital (PTWACC), which drives the revenue requirement, is more meaningful than the WACC. I found the supporting analysis for both FPL and other interveners ROE to have merit and would encourage the Commissioners and Commission Staff to focus on assessing their differences. My analysis suggests that a lower equity ratio is strongly advantageous at this time but the appropriate ROE is not so clear.

**Comparison of Alternative Capital Structure and ROE Combinations**

Case #		Equity %	ROE	Log Term Debt %	LT Debt Interest Rate	Wgtd Avg Cost Invest Capital	Income Tax in Rev Req	PreTax Wgtd Avg Cost Invest Capital	% Reduction in Rev Req from FPL Req
1	FPL Requested	59.6%	11.50%	40.4%	5.26%	8.98%	3.84%	12.82%	0.00%
3	FPL CS, OPC ROE	59.6%	8.50%	40.4%	5.26%	7.19%	2.84%	10.03%	-27.81%
4	OPC Midpoint CS Option	55%	8.75%	45.0%	5.41%	7.25%	2.70%	9.94%	-28.92%
2	OPC Recommended	50%	9.00%	50.0%	5.63%	7.32%	2.52%	9.84%	-30.31%
5	JWH Rec CS w/FPL ROE	45%	12.25%	55.0%	6.68%	9.19%	3.09%	12.27%	-4.44%
6	JWH Rec CS w/ midpoint ROE	45%	10.75%	55.0%	6.28%	8.29%	2.71%	11.00%	-16.52%
7	JWH Rec CS w/OPC ROE	45%	9.25%	55.0%	5.88%	7.40%	2.33%	9.73%	-31.75%

**Larsons:** No. The performance adder is not justified.

**Saporito:** Intervenor defers to OPC's position on this issue with respect to the "combination" of the above-itemized components - however - with respect to the regulatory ROE and the performance adder components - FPL's ROE should be set at 6% and the Commission should not reward FPL with any amount of performance adder. FPL is a monopoly utility and is required to provide the lowest electric rates possible.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

- FPL:** 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)
- OPC:** Using OPC's primary capital structure that includes a 50% equity ratio and a 9% ROE, the appropriate cost of capital should be 5.45%. Using OPC's alternate capital structure (FPL's requested equity ratio and an 8.5% ROE), the appropriate cost of capital should be 5.52%. Both the primary and alternate OPC positions have been adjusted for the reductions to the cost of long-term debt and customer deposits as addressed in Issues 49 and 50. (O'Donnell, Woolridge, Lawton, Ramas)
- FRF:** Agree with the Citizens/Public Counsel that the appropriate weighted average cost of capital is 5.45%, based on an equity ratio of 50%, and that, if the Commission decides to allow FPL's 59.6% equity ratio, then the appropriate WACC is 5.52%.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** So long as FPL's ROE is set at 9.00%, FPL's weighted average cost of capital should be 5.85%. *See* Direct Testimony of Baudino, page 42; Exh. LK-27, Page 1, Section II. However, for every 0.50% increase in FPL's ROE above 9.00%, FPL's equity should be adjusted downward 2%, and FPL's debt should be increased by a corresponding amount. *See* Table 4 of SFHHA Witness Baudino's Direct Testimony, page 43.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** The appropriate weighted average cost of capital from investor sources (common equity and long-term debt) is approximately 8.29%, which is the midpoint between my estimates based on FPL's request and OPC's recommendation. I have not investigated the non-investor sources of capital and take no position on the WACC that includes them, except to assert that the common equity and long term debt components should be as recommended.
- Larsons:** The appropriate weighted average cost of capital should be based upon OPC witness testimony.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

### **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.)

### **POSITIONS**

**FPL:** 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)

**OPC:** FPL should take reasonable and cost-effective steps to offset test year revenue requirements. However, the Commission should not require or allow FPL to pursue revenue opportunities where such pursuit would not be in the best interests of the customers.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** As reflected in the above Statement of Basic Position, Algenol has attempted to collaborate with FPL to implement a revenue-generating alternative on several occasions since 2009. FPL has not engaged in any sort of collaborative effort with Algenol to evaluate Algenol's revenue-generating offer. The technology to capture carbon dioxide exists, and FPL should evaluate revenue opportunities and costs therefrom before or in connection with a request for a base rate increase. The Commission should exercise its broad discretion in determining a course of action, if any, and what factors to consider.

**Pinecrest:** No position.

**Hendricks:** This issue refers to “revenue related to supply of CO2 captured from an FPL facility,” but to the best of my knowledge utility scale capture of CO2 is not economically feasible. A recent International Energy Agency (IEA) white paper projects it will not be ready before 2020, and even then it would be immature technology requiring large capital investments and substantially reducing fuel efficiency. This is an interesting research and development area, but it would not be appropriate for FPL ratepayers to bear any costs of investigating CO2 sales as a revenue source until carbon capture becomes economically feasible at a utility scale.

**Larsons:** No.

**Saporito:** To the extent that any action on the part of FPL to capture CO2 emissions from any of their power plants results in any costs or charges to FPL's customers for procurement, installation, maintenance, operations, consultation, or research of any equipment required to capture CO2 for the purpose of resale in realized revenue generation - Intervenor strongly objects and urges the Commission to disallow any rate adjustment to FPL for such purpose.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

### **POSITIONS**

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

**OPC:** See OPC's positions on Issues 64 and 79.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. The burden is on FPL to demonstrate that it has properly accounted for revenues paid to it by utilities. FPL has provided no support for its accounting of revenues from FiberNet.

**SFHHA:** No position

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that the other operating revenues it proposed are appropriate.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with OPC.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** Projected amounts of other operating revenues are not accurate to the extent that they do not maximize the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

### **POSITIONS**

**FPL:** 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)

**OPC:** The appropriate amount of Total Operating Revenues is \$4,407,253,000 on a jurisdictional basis. (Ramas)

**FRF:** No. FPL's operating revenues should be adjusted to include additional revenues that FPL will likely realize when appropriate adjustments are made to its per customer usage levels and for weather.

**FIPUG:** Agree with FRF.

**SFHHA:** SFHHA supports FRF.

**FEA:** No position.

**Algenol:** No, FPL's projected level of Total Operating Revenues of \$4,407,253,000 (\$4,505,007,000 system) for the 2013 projected test year cannot be appropriate to the extent that FPL did not maximize the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** No position.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** Yes. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing normal recurring operating expenses such as security costs in base rates rather than in cost recovery clauses. Including the incremental security costs in base rates is consistent with how these costs are treated for each of the other IOUs.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Yes. These types of costs should be recovered through base rates, as is done for all other utilities.

**SFHHA:** SFHHA supports OPC.

**FEA:** Agree with OPC.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

### **POSITIONS**

**FPL:** 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)



**OPC:** No. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing normal recurring operating expenses such as security costs and related payroll loadings in base rates rather than in cost recovery clauses. This is consistent with how security costs are treated for each of the other IOUs.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. FIPUG agrees with Public Counsel that normal recurring operating expenses and payroll loadings should be recovered in base rates.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** No position.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** No position.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

### **POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 72:** Has FPL made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the ECCR?

**POSITIONS**

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

**OPC:** No position.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** FPL has the burden of proof to show that it has made the required adjustments.

**SFHHA:** SFHHA supports OPC's position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** Yes.

**Larsons:** No.

**Saporito:** Intervenor adopts the position of OPC on this issue.

**Nelson:** FPL has the burden of proof to show that it has made the required adjustments.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing normal recurring operating expenses such as payroll loadings in base rates rather than in cost recovery clauses.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. FIPUG agrees with Public Counsel that normal recurring operating expenses should be recovered in base rates.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

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

**OPC:** FPL has the burden of demonstrating that all non-utility activities and costs attributable to its affiliates are not included in its filing. In addition to adjustments warranted by the totality of evidence taken in this case, the Commission should make the adjustments recommended by OPC witness Vondle to ensure that FPL's transactions with its affiliates do not impose inappropriate costs on its customers. (Vondle)

**FRF:** Agree with the Citizens/Public Counsel.

- FIPUG:** Agree with Public Counsel.
- SFHHA:** Supports the position of OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** No.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 75:** Is the percentage value (or other assignment value or methodology basis) used to allocate NextEra Energy, Inc. corporate costs and/or expenses to FPL appropriate?

**POSITIONS**

- FPL:** 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)
- OPC:** FPL has the burden of demonstrating that all non-utility activities and costs attributable to its affiliates are not included in its filing. In addition to adjustments warranted by the totality of evidence taken in this case, the Commission should make the adjustments recommended by OPC witness Vondle to ensure that FPL's transactions with its affiliates do not impose inappropriate costs on its customers. (Vondle)
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** No.
- SFHHA:** Supports the position of OPC.
- FEA:** No position.

- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** No. FPL customers are subsidizing unregulated costs/expenses and growth.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 76:** Should the percentage value (or other assignment value or methodology basis) 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) of NextEra Energy, Inc. corporate costs and/or expenses allocated to NextEra Energy Resources, LLC?

### **POSITIONS**

- FPL:** 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)
- OPC:** FPL has the burden of demonstrating that all non-utility activities and costs attributable to its affiliates are not included in its filing. In addition to adjustments warranted by the totality of evidence taken in this case, the Commission should make the adjustments recommended by OPC witness Vondle to ensure that FPL's transactions with its affiliates do not impose inappropriate costs on its customers. (Vondle)
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** Supports the position of OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that all non-utility activities and costs attributable to its affiliates are not included in its filing. In addition to adjustments warranted by the totality of evidence taken in this case, the Commission should make the adjustments recommended by OPC witness Vondle to ensure that FPL's transactions with its affiliates do not impose inappropriate costs on its customers. (Vondle)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** NO, FPL executive compensation is outrageous and extravagant and requires a downward adjustment.



**Nelson:**       **OBJECTION:** Larry Nelson objects to the form of the question. The question misstates the legal standard for expenses and costs. Rates are required to be fair, just and reasonable. Costs and expenses must be reasonable and prudent and useful to ratepayers. It is the position of Larry Nelson that some NextEra Energy, Inc. corporate costs and/or expenses allocated to FPL are not reasonable and prudent and useful to ratepayers.

**STAFF:**       No position pending evidence adduced at the hearing.

**ISSUE 78:**     DROPPED

**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?

**POSITIONS**

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

**OPC:**         Yes. To demonstrate its customers are not subsidizing affiliates, and to support its test year request in this case, FPL should employ such measures as bidding for services, service agreements between FPL and its affiliates, analyses of market prices, the creation of a virtual service company, and positive time reporting. Instead, the record reveals severe deficiencies in the manner in which FPL accounts for affiliate transactions, and a resulting dearth of the type of information necessary to enable the Commission to determine the reasonableness of affiliate-related amounts in this case. Further, FPL applies a "general allocator" to some expenses that, because of its emphasis on revenues, steers a disproportionate amount of costs to FPL. Based on FPL's abject failure to meet its burden of proof, a case could be made that the Commission should disallow all affiliate-related expenses. Instead, OPC witness Vondle recommends the Commission reduce payments to affiliates and increase revenues from affiliates by 20%, as an order of magnitude proxy for proof missing from FPL's presentation. OPC's adjustment reduces test year O&M expenses by \$34.5 million. (Vondle)

**FRF:**         Yes. Agree with the Citizens/Public Counsel.

**FIPUG:**        Yes. The recommendations of OPC witness Vondle should be adopted.

**SFHHA:**        Supports the position of OPC.

**FEA:**         No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** The Commission should open an investigatory docket to examine FPL's affiliate transactions. The proceeding should, at a minimum, address the nine areas of deficiency identified by OPC witness Vondle: the lack of full or virtual service company, deficiencies in service agreements, asymmetric pricing, allocation methodologies, positive time reporting, general allocator, proof of benefit of purchases from FPL affiliates to ratepayers, plus absence of competitive bidding and compensation to ratepayers for use of FPL's name. (Vondle)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** The Commission should open a separate docket to investigate FPL affiliate transactions. Further, to the extent the Commission awards any portion of any increase based on costs of affiliate transactions, such costs should be subject to refund, pending the outcome of the investigatory docket.

**SFHHA:** Supports the position of OPC.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The Commission should open a separate docket, require that FPL operate as an independent stand-alone utility, and deny all excessive corporate overhead expenses that are being subsidized by FPL customers.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** FPL has the burden of demonstrating that these costs are properly recorded in its books and records and reflected in the MFRs. See also OPC's position on Issue 104.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** FPL has the burden of demonstrating that these costs are properly recorded in its books and records and are reflected in MFRs.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that these costs are properly recorded in its books and records and reflected in the MFRs.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** FPL has the burden of demonstrating that these adjustments are properly recorded in its books and records and are reflected in MFRs.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** Yes. FPL's overhead costs are appropriately charged to either capital or O&M expense based on the work performed. (Ousdahl)

**OPC:** FPL has the burden of demonstrating that these costs are properly recorded in its books and records and reflected in the MFRs.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** FPL has the burden of demonstrating that these adjustments are properly recorded in its books and records and are reflected in MFRs.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

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

- OPC:** FPL has the burden of demonstrating that these costs are properly recorded in its books and records and reflected in the MFRs.
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** SFHHA supports OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** FPL has the burden of demonstrating that these adjustments are properly recorded in its books and records and are reflected in MFRs.
- Hendricks:** No position.
- Larsons:** No.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- 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?

**POSITIONS**

- FPL:** 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)
- OPC:** FPL has the burden of demonstrating that these costs are properly recorded in its books and records and reflected in the MFRs.
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** Yes. The above activities inure to the benefit of stockholders, not ratepayers. Thus, ratepayers should not be required to fund such activities.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** FPL has the burden of demonstrating that these adjustments are properly recorded in its books and records and are reflected in MFRs.

**Hendricks:** No, assuming they are for appropriate and reasonable activities.

**Larsons:** Yes.

**Saporito:** YES, those items should be removed from this docket and should not be considered by the Commission as they do not directly apply to FPL's customer use of electric power subject to a base rate adjustment in the instant action.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that these costs are properly recorded in its books and records and reflected in the MFRs.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** FPL has the burden of demonstrating that these adjustments are properly recorded in its books and records and are reflected in MFRs.

**Hendricks:** Yes, as long as these contractors and consultants are providing appropriate services under reasonable terms.

**Larsons:** These costs should be borne by shareholders.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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)

**OPC:** FPL's tree trimming expense should be reduced by \$9,236,000 (\$9,240,000 system) to reflect the company's historical pattern of under-spending its budgeted tree trimming expense by an average of 13%. (Schultz)

**FRF:** Agree with the Citizens/Public Counsel that FPL's test year tree trimming expense should be reduced by \$9,236,000 on a jurisdictional basis.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** There is no valid justification for an increase of \$9.425 million in FPL's vegetation management expense in 2013 compared to 2012. FPL's vegetation management expense for 2013 should be limited to its budgeted 2012 level, which equates to a reduction of \$9.447 million grossed up from FPL's proposed rate increase. The 2012 level is approximately equal to the actual 2011 level, which followed two years of significant increases by FPL.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.



**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL's pole inspection expense should be reduced by \$2,733,000 (\$2,734,000 system) to account for the company's historical pattern of under-spending its budgeted pole inspection expense by an average of 19.51%. (Schultz)

**FRF:** Agree with the Citizens/Public Counsel that FPL's pole inspection expense for the 2013 test year should be reduced by \$2,733,000 on a jurisdictional basis.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC's recommended reduction of \$2.740 million from FPL's proposed pole inspection expense in 2013.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 89:** What is the appropriate amount of FPL's production plant O&M expense for the 2013 projected test year?

### **POSITIONS**

- FPL:** 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)
- OPC:** O&M production plant generation overhaul expense should be based on the normalized costs of steam generation overhaul costs using a four-year average cost level that is based on the actual and projected costs for 2010 through 2012, as modified to remove retired units and to add new units. These costs should be inflated to 2013 levels based on the CPI-U compound multiplier. FPL's projected test year generation overhaul expenses should be reduced by \$9,000,000 (\$9,177,000 system) (Ramas)
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** FPL proposes \$663.392 million for its production plant O&M expense for the 2013 projected test year. SFHHA recommends a reduction to this expense for 2013, including at a minimum, *inter alia*, \$15.183 million for FPL's nuclear outage maintenance expense, using the average of the three most recent years, and \$37.402 million, reflecting the excessive amount for the amortization of the regulatory reliability due to FPL's flawed methodology. SFHHA also agrees with OPC's recommended reductions to this expense.
- FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** See OPC's positions on Issues 87 and 88.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** FPL proposes \$55.677 million for its transmission expense for the 2013 projected test year. SFHAA agrees with OPC's recommended reductions to this expense.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** See OPC's positions on Issues 87 and 88.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** FPL proposes \$286.058 million for its distribution O&M expense for the 2013 projected test year. SFHAA recommends a reduction to this expense for 2013, including, *inter alia*, a reduction of \$9.447 million on FPL's vegetation management expense and \$23.687 million due to savings from AMI meters. SFHAA also agrees with OPC's recommended reductions to this expense.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 92:** DROPPED

**ISSUE 93:** DROPPED

**ISSUE 94:** DROPPED

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No. Legalities aside, in the absence of a stipulation and settlement, as a matter of policy the Commission should not foreclose parties' opportunities to address future storm-related requests, or peremptorily exclude consideration of earnings from storm cost recovery metrics, or limit its own discretion to tailor future responses to specific factual circumstances. History demonstrates that the combination of a reserve and the ability to seek post-storm surcharges provides FPL adequate remedies for storm cost recovery. (Schultz)

**FRF:** No. Agree with the Citizens/Public Counsel.

**FIPUG:** No. The Commission should address storm restoration expenses if and when a need arises.

**SFHHA:** No. The proposed mechanism is unnecessary and would be harmful to customers. The reserve is significantly funded at this time. Further, the 2012 settlement agreement cannot serve as precedent. FPL's proposal is flawed because, *inter alia*, it would allow recovery regardless of an existing reserve, the recovery is effectively self-executing without Commission review, the recovery period is unnecessarily short (12-month), and would fully restore the reserve.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 96:** What is the appropriate annual storm damage accrual and storm damage reserve for the 2013 projected test period?

**POSITIONS**

- FPL:** 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)
- OPC:** OPC submits that FPL's current storm reserve, which currently is greater than \$200 million, is adequate in light of the availability of timely post-storm surcharges upon the requisite showing. Therefore, no increase in the reserve is warranted. Similarly, no annual accrual is needed, and it should remain at zero. (Schultz)
- FRF:** The appropriate accrual is zero. FPL's existing storm damage reserve is greater than \$200 million, which is the amount previously approved for FPL, and there is no reason to change either the accrual or the target level for the storm damage reserve.
- FIPUG:** No additional monies should be accrued beyond the approximately \$200 million that is currently earmarked for storm restoration costs.
- SFHHA:** No accrual is necessary. FPL has a substantial storm damage reserve and has mechanisms available to it to obtain funds in the event of excessive storm damages. The cost to ratepayers of those alternative mechanisms (such as securitization) would be less than the cost of an annual accrual.
- FEA:** Agree with FIPUG.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 97:** DROPPED

**ISSUE 98:** DROPPED

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

**POSITIONS**

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

**OPC:** Yes. To the extent the treatment of executive incentive compensation in FPL's filing is not consistent with the Commission's decision in FPL's last rate case, further adjustments may be warranted as suggested by discovery responses. (Schultz)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes, it should be lowered.

- Saporito:** YES, the Commission should adjust FPL's level of executive compensation for the 2013 projected test year downward.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 100:** Should an adjustment be made to FPL's level of non-executive compensation for the 2013 projected test year?

**POSITIONS**

- FPL:** No adjustments are required other than those listed on FPL witness Ousdahl's Exhibit KO-16. (Slattery, Deason)
- OPC:** Yes. Non-executive incentive compensation should be reduced \$22,371,000 (\$22,726,000 system) to properly allocate the benefits of non-executive incentive compensation between shareholders and ratepayers on a 50/50 basis consistent with the allocation for executive incentive compensation as ordered in the last FPL rate case. (Schultz).
- FRF:** Yes. Agree with the Citizens/Public Counsel that non-executive incentive compensation should be reduced by \$22,371,000 for the test year.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** No position.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** Yes.
- Saporito:** YES, the Commission should adjust FPL's level of non-executive compensation for the 2013 projected test year downward.
- Nelson:** No position.



**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that any salary increases projected for 2013 are reasonable and appropriate under the conditions affecting the company. The Commission should ensure that customers do not bear salary increase costs that are excessive.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. At this time, when many ratepayers have had no salary increases or have experienced salary reductions or layoffs, it is inappropriate to award salary increases to FPL employees. Such increases are passed directly on to ratepayers, who themselves have suffered financially. Such salary increases are unfair and unreasonable, especially considering that the average salary for an FPL employee is approximately \$100,000 per year.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No. The Commission should reduce the number of forecasted positions in the 2013 test year from 10,147 to 9,766 based on FPL's historical pattern of not filling the forecasted or budgeted complement. This reduction in employees reduces total payroll (capitalized and expensed), excluding incentive compensation, by \$34,866,000, resulting in a reduction in payroll expense for ratemaking purposes of \$24,578,000 (\$24,968,000 system). Benefits Expense should also be reduced by \$4,814,000 (\$4,886,000 system). (Schultz)

**FRF:** No. Agree with the Citizens/Public Counsel that the number of forecasted positions for the 2013 test year should be reduced from 10,147 positions to 9,766 positions based on FPL's history of not filling the forecasted or budgeted employee complement.

**FIPUG:** No. FPL's employee positions for 2013 are overstated.

**SFHHA:** No. FPL's projected level of employee positions for 2013 (*i.e.*, 10,147) is excessive. The average number of employees in 2011 was 9,971 (*see* Schedule C-35). In April 2012, the employee count was just 9,932 (*see* OPC Int. No. 33). FPL has a history of not filling the number of its authorized positions and FPL Witness Slattery stated that the industry continues to face a severe shortage of skilled workers.

**FEA:** Agree with OPC.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that any OPEB costs projected for 2013 are reasonable and appropriate under the conditions affecting the company. The Commission should ensure that customers do not bear OPEB costs that are excessive.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)

**OPC:** In addition to the adjustments described in Issues 99-103, the Commission should reduce FPL's benefits expense by \$9,957,000 (\$10,106,000 system). FPL has failed to meet its burden of demonstrating that its proposed O&M expense factor of 82.1% should be used for benefit costs instead of the historical average of 75.47%. Altogether, Salaries and Employee Benefits expense should be reduced by at least \$61,720,000 (\$62,686,000 system) as reflected on OPC witness Schultz's Exhibits HWS-2-4. (Schultz, Ramas)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** No position.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that any pension costs projected for 2013 are reasonable and appropriate under the conditions affecting the company. The Commission should ensure that customers do not bear pension costs that are excessive.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** Yes. The Commission should reduce Directors and Officers Liability Insurance expense by \$1,369,000 (\$1,391,000 system) consistent with Commission precedent that allocates the cost evenly between shareholders and ratepayers. (Schultz)

**FRF:** Yes. Agree with the Citizens/Public Counsel as to specific adjustments.

**FIPUG:** Yes. Agree with Public Counsel.

**SFHHA:** No position.

**FEA:** Agree with OPC.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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, as reflected on MFR B-21, is \$5,200,000 (system) (\$5,121,000 jurisdictional). (Barrett)

**OPC:** FPL has the burden of demonstrating that any injuries and damages reserve accruals projected for 2013 are reasonable and appropriate under the conditions

affecting the company. The Commission should ensure that customers do not bear Injuries & Damages costs that are excessive.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** Rate case expense should be reduced by \$2,076,884 to account for excessive projected expenses. This adjustment reasonably limits FPL's rate case expense to the amount authorized in the 2009 rate case plus an allowance for inflation. The appropriate amortization period should be four years. (Ramas)

**FRF:** Agree with the Citizens/Public Counsel that FPL's rate case expense should be reduced by \$2,076,884.

**FIPUG:** The amount that FPL has included in rate case expense is excessive, particularly in the area of travel expenses, overtime labor, payroll, and outside experts. The requested amount should be reduced.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount and period should be determined based upon the evidence presented at hearing. Excess Rate Case Expense should be denied.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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)

**OPC:** FPL's bad debt expense should be reduced by \$1,760,000 to remove the accrual to increase the uncollectibles reserve. FPL's proposal is purely subjective and is not appropriate for ratemaking. (Schultz)

**FRF:** Agree with the Citizens/Public Counsel that FPL's bad debt expense should be reduced by \$1,760,000.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.



**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** Agree with SFHHA.

**FRF:** Agree with SFHHA.

**FIPUG:** Agree with SFHHA.

**SFHHA:** The appropriate accounting methodology for the Nuclear Outage Maintenance Expense is the post-paid variation of reserve accounting. SFHHA supports the post-paid variation of reserve accounting because, compared with the pre-paid variation of reserve accounting, the post-paid variation of reserve account is less expensive to FPL customers and does not cause a stranded liability at the end of a unit's life.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of SFHHA.

**Hendricks:** No position.

**Larsons:** The appropriate methodology should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that any Nuclear Outage Maintenance costs projected for 2013 are reasonable and appropriate under the conditions affecting the company. The Commission should ensure that customers do not bear Nuclear Outage Maintenance Expense and Nuclear Outage Maintenance Reserve costs that are excessive.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** The appropriate amount of the Nuclear Outage Maintenance Expense for the 2013 test year should consist of the average of the Nuclear Outage Maintenance Expense for the years 2012, 2011, and 2010.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No. The Commission should utilize the net savings of \$19,943,000 projected in the last rate case instead of the net expense of \$3,735,000 (\$3,744,000 system) FPL has included in the filing. See also OPC's position on Issue 113. Test year expenses should be reduced \$3,735,000 (\$3,744,000 system). (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel that test year expenses should be reduced by \$3,735,000 on a jurisdictional basis.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** No. FPL proposes to increase its projected annual AMI meter expense for 2013 from \$10.458 million in its prior rate case to \$20.739 million in this rate case. The Commission relied on FPL's projection of expenses when it approved FPL's base rate increase in the prior FPL proceeding, and should hold FPL to its projections. During 2009-2013, FPL's estimate of the cost of the meters in 2012 has *surged* by more than 50%. See Issue No. 113.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No. FPL should be held to the net O&M savings projection for 2013 identified in Order No. PSC-10-0153-FOF-EI resulting in \$19,893,000 (\$19,943,000 system) of net savings. In approving inclusion of the AMI capital costs in rate base in the prior case, the Commission considered future savings to customers that would result. It would be inappropriate to now include the full capital costs in rates and include none of the annual cost savings that will result. (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel's proposed adjustments.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** No. In 2009, FPL estimated savings in 2012 of \$18 million from the AMI smart meters; now however, that estimate of 2012 savings has collapsed by 50%. The Commission relied on FPL's projection of savings when it approved FPL's rate base increase in the prior FPL proceeding, and should hold FPL to its projections. *See* Issue No. 112.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** NO, FPL's calculations with respect to the AMI smart meters is bogus and not accurate.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)

**OPC:** The appropriate amount of O&M Expense should be \$1,398,494,000 on a jurisdictional basis. This reflects a decrease of \$143,828,000. (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel that the appropriate level of O&M expense for rate-setting purposes is \$1,398,494,000 on a jurisdictional basis.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** No. FPL's requested level of O&M Expense of \$1,565,788,000 (\$1,568,633,000 system) for the 2013 projected test year is not appropriate, in part, because FPL overestimates its proposed nuclear outage maintenance, vegetation management, and AMI meters expenses. FPL also underestimates savings attributable to AMI meters for the 2013 projected test year. FPL's overestimations and underestimations have the net impact of overestimating FPL's requested level of O&M Expense.

**FEA:** No.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

- FPL:** 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)
- OPC:** FPL has the burden of demonstrating that its proposed depreciation and fossil dismantlement expense is appropriate. Until the Commission has received all the evidence in this case, a final determination of the appropriateness cannot be made.
- FRF:** Agree with the Citizens/Public Counsel.
- FIPUG:** No position.
- SFHHA:** No position.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** No position.
- Hendricks:** No position.
- Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- 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?

**POSITIONS**

- FPL:** Yes. FPL's requested level of 2013 Depreciation Reserve Surplus amortization is appropriate. (Barrett)
- OPC:** No. Amortization of the theoretical depreciation reserve surplus in the test year should be increased by a net amount of \$40,550,000 (jurisdictional) as shown on Exhibit HWS-10, to account for appropriate adjustments to 2012 projected revenue requirements. Adjustments to the employee complement (with

corresponding benefits and payroll taxes adjustments), tree trimming, pole inspections and uncollectibles reduce the needed amortization of the surplus in 2012 with a corresponding increase to the remaining amount available for 2013. (Schultz, Pous)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** No position at this time. However, Order No. PSC-11-0089-S-EI directed FPL to complete the amortization of \$894 million of depreciation surplus between 2010-2013. While the \$191 million proposed by FPL for 2013 and the estimated \$703 million through December 31, 2012 sums to \$894 million, SFHHA notes the actual remaining depreciation reserve surplus at December 31, 2012 may be more or less than FPL projected for purposes of this proceeding.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

## **POSITIONS**

**FPL:** 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)

**OPC:** Yes. After the Commission rules regarding the 2013 amount that will complete the four-year amortization of \$894 million of reserve surplus that it ordered in Order No. PSC-10-0153-FOF-EI, going forward the situation should revert to the normal interplay among rate base, return, and expenses unless and until the Commission again orders FPL to return reserve surplus to customers in a future base rate proceeding. (Pous)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** Yes. Further, FPL cannot continue on its own volition an accounting adjustment for the negative depreciation expense after 2013 and effectively defer an additional \$191 million each year without Commission authorization. This approach would be unsupported, a stealth rate increase, and inconsistent with Generally Accepted Accounting Principles (“GAAP”).

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)



**OPC:** The appropriate amount of Depreciation and Amortization Expense is \$762,211,000 (jurisdictional), which reflects a decrease of \$40,550,000 in Surplus Depreciation Reserve Amortization addressed in Issue 116. (Ramas, Schultz)

**FRF:** No. Agree with the Citizens/Public Counsel that the appropriate amount of Depreciation and Amortization expense is \$762,211,000.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

### **POSITIONS**

**FPL:** 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)

**OPC:** The appropriate amount of Taxes Other Than Income should be \$370,133,000 on a jurisdictional basis. To correspond with OPC witness Schultz' adjustment to payroll in Issue 102, Payroll Tax Expense should be reduced by \$1,577,000 (\$1,601,000 system). (Schultz, Ramas)

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)?

### **POSITIONS**

**FPL:** 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)

**OPC:** Yes. To the extent that FPL or its affiliates have utilized any items projected for inclusion in the rate base in order to qualify affiliate profits for a reduction in state income taxes, the Commission should reduce rate base accordingly or impose an appropriate adjustment (reduction) to FPL's income tax expense.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)

**OPC:** No. Income tax expense should be adjusted to reflect the income tax impact of OPC's recommended adjustments. Further adjustments may be required subject to the resolution of Issue 120. The final amount is subject to the resolution of other issues. (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel.

**FIPUG:** No. Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)

**OPC:** FPL has the burden of demonstrating that the gain or loss on disposal of plant it proposes is representative of going-forward operations and conditions. Until the Commission has received all the evidence in this case, a final determination of the appropriateness of this amount cannot be made.

**FRF:** Agree with the Citizens/Public Counsel.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)

**OPC:** The appropriate amount of Total Operating Expenses should be \$3,110,050,000 (jurisdictional), which reflects a recommended reduction of \$140,844,000. The final amount is subject to the resolution of other issues. (Ramas)

**FRF:** No. Agree with the Citizens/Public Counsel that the appropriate level of Total Operating Expenses is \$3,110,050,000 for the 2013 test year.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** SFHHA supports OPC.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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)

**POSITIONS**

**FPL:** 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)

- OPC:** The appropriate amount of Net Operating Income should be \$1,297,203,000 (jurisdictional). The final amount is subject to the resolution of other issues. (Ramas)
- FRF:** No. The appropriate amount of Net Operating Income is at least \$1,297,203,000, and may be greater, depending on adjustments to FPL's sales forecasts.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** SFHHA supports OPC.
- FEA:** Agree with FIPUG.
- Algenol:** No, FPL's projected Net Operating Income of \$1,156,359,000 (\$1,187,603,000 system) for the 2013 projected test year cannot be appropriate to the extent that FPL did not maximize the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** No.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.

#### **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?

#### **POSITIONS**

- 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)
- OPC:** The appropriate NOI multiplier should be 1.63188. (Ramas)
- FRF:** The appropriate NOI multiplier is 1.63188.

- FIPUG:** The appropriate NOI multiplier is 1.63188.
- SFHHA:** SFHHA supports OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** The appropriate values should be determined based upon the evidence presented at hearing.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 126:** Is FPL's requested annual operating revenue increase of \$516,521,000 for the 2013 projected test year appropriate? (Fallout Issue)

**POSITIONS**

- FPL:** Yes. FPL's requested annual operating revenue increase for the 2013 Test Year is appropriate. (Barrett, Ousdahl)
- OPC:** No. Based on OPC's primary recommendation, annual operating revenues should be decreased by \$253,446,000. Based on OPC's alternative recommendation, annual operating revenues should be decreased by \$184,396,000. The final amount is subject to the resolution of other issues. (Ramas)
- FRF:** No. FPL's allowed test year revenue requirements should be reduced from current levels by \$253,446,000 per year.
- FIPUG:** No. Operating revenues should be decreased by \$253,446,000.
- SFHHA:** No. FPL's requested annual operating revenue increase should be reduced by at least \$515.1 million.
- FEA:** Agree with FIPUG.

- Algenol:** No, FPL's requested annual operating revenue increase of \$516,521,000 for the 2013 projected test year cannot be appropriate to the extent that FPL did not maximize the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** The appropriate amount should be determined based upon the evidence presented at hearing.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- 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?

**POSITIONS**

- FPL:** 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)
- OPC:** No position.
- FRF:** Any rate increase granted to FPL will necessarily reduce the disposable income available to Florida residents and businesses, thereby likely reducing economic growth in Florida. Higher rates will also make it less attractive for businesses to locate in FPL's service area.
- FIPUG:** A rate increase for FPL will have a devastating effect on its customers as they try to recover from the current dire economic circumstances. Obviously, electricity is an essential service and consumers have no alternative but to take such service from FPL. Any increase falls upon consumers at a time when they have very difficult spending decisions to make. Further, such an increase will affect the ability of industry to expand and locate in Florida. Businesses look carefully at



electricity costs and may well choose to take new jobs to other states where electric rates are lower.

**SFHHA:** FPL's rate increase will drain revenue from the Florida economy. The biggest component of the disparity in parties' positions in this case is ROE. ROE amounts achieved by FPL are being used to help subsidize merchant projects outside of Florida, and to pay investors (many of whom live outside of Florida) excessive returns.

**FEA:** Agree with FIPUG.

**Algenol:** As reflected in the above Statement of Basic Position, an unreasonable increase to ratepayers will significantly constrain Algenol's carefully planned budget, forcing it to raise additional capital faster and limiting its ability to pursue large commercial production facilities in Florida, thereby inhibiting the creation of thousands of jobs. However, there are benefits from improvements in plants and cheaper fuel sources. It is worth noting that conversion to a natural gas fired plants provides a better source of CO<sub>2</sub> for Algenol's process.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The proposed rate increase will have a negative effect on all of the above.

**Saporito:** FPL's request for a rate increase will have dire economic consequences on consumers and businesses and communities in Florida. FPL seeks a 16% increase in profits while senior citizens have to choose between paying for medications or paying FPL. Florida's unemployment rate stands at 8.6% and well-above the national average – forcing customers from their homes into rental units. Hospitals, food stores, gas stations and various other businesses must pass any rate increase onto consumers. Any increase in FPL rates would further harm Florida's fragile economic recovery and cause another recession. Clearly, FPL's requested rate increase would result in consumers paying well in excess of \$7.09/month as the cost of fuel increases and as businesses pass their higher FPL rates back to the consumers.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

#### **BASE RATE STEP ADJUSTMENT**

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

**POSITIONS**

- FPL:** 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)
- OPC:** FPL has the burden of demonstrating that the Canaveral Modernization Project should result in a rate increase. In any event, any such rate increase should be no greater than \$121,486,000 based on the OPC primary recommendation using a 50% equity capital structure and 8.5% ROE and other adjustments shown in the testimony of OPC witness Ramas and Exhibit DR-3. The final amount is subject to the resolution of other issues. (Ramas)
- FRF:** Agree with the Citizens that FPL has the burden of demonstrating that any revenue requirements associated with the Canaveral Project should result in any rate increase at all. Agree with the Citizens that any increase for the Canaveral Project should be no greater than \$121.5 million per year.
- FIPUG:** Only if the plant comes on line during the test year. If it does, the adjustments suggested by OPC witness Ramas should be made.
- SFHHA:** The Commission should approve a base rate step adjustment for the Canaveral Modernization Project only if the project commences commercial operation within the test year and, at a maximum, only at the adjusted level recommended in the testimony of SFHHA's witness, Lane Kollen.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** No.
- Saporito:** NO, FPL has failed to reduce its base-load demand through alternative energy sources such as "on-demand" or tankless water heaters, and PV Solar Systems installed on customer homes and businesses.
- Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** In order to reflect the full impact on revenue requirements associated with the deferred income taxes that will result from the Canaveral Modernization Project, the Canaveral Modernization Project deferred income taxes should be reflected as a reduction to rate base for the step adjustment. This is consistent with the approach taken by both FPL and OPC in their Canaveral Step Increase calculations. (Ramas)

**FRF:** Yes.

**FIPUG:** Agree with Public Counsel.

**SFHHA:** At a minimum, the ADIT amount for the Canaveral Modernization Project ("CMP") should be \$166.768 million, as opposed to the FPL's as-filed amount of \$121.936 million. The decrease is necessary to account for the nature of the bonus depreciation associated with the project, which is available in its entirety on the day the asset is placed into service for taxes purposes.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No. Canaveral Modernization Project rate base should be reduced to reflect updated projections filed by FPL. This results in a reduction in rate base of \$9,782,000 (total company). (Ramas)

**FRF:** No. Agree with the Citizens that rate base for the Canaveral Project should be reduced by \$9,782,000.

**FIPUG:** An increase, if any, to account for the Canaveral Modernization Project is dependent on when the plant comes on line.

**SFHHA:** SFHHA supports OPC.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** The Commission should use the same overall weighted average cost of capital to set base rates as reflected in Issue 61 of 5.45% using OPC's primary recommendation or 5.52% under OPC's alternative capital structure. If the Commission determines in Issue 129 that deferred taxes associated with the project should be included in the capital structure, then the capital structure should be revised to add the deferred taxes associated with the Canaveral Modernization Project. (Ramas)

**FRF:** The appropriate weighted average cost of capital is 5.45%, based on the primary capital structure and ROE recommendations of the Citizens' witnesses.

**FIPUG:** These items should be the same as approved for the general rate increase, if any increase is granted.

**SFHHA:** The appropriate weighted average cost of capital for the CMP is 7.49%. See Exh. LK-28 at Page 1, Section III. That cost reflects an adjustment to FPL's as-filed CMP capitalization. FPL failed to remove CWIP from its common equity and debt that it had removed from its base rate capitalization. The CMP capitalization should match its base rates. FPL's CMP equity and long-term debt ratios should be 59.58% and 40.42%, respectively.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** The appropriate weighted average cost of capital for the CC project is 8.29% with a 45% investor equity ratio as recommended for the base rate. Even if the Commission might have some concerns about this being too rapid a shift for the base rate, it should be adopted for the CC step increase and any other major projects implemented while this rate structure is in place. The historically very

low interest rates now prevailing provide a rare opportunity to lock-in more low cost fixed rate financing that will reduce the risks of future rate increases. The current wide gap between bond and equity costs presents an opportunity to reduce risks that should not be ignored. With these rates available, the tax savings of shifting from equity to debt more than compensate for the slightly higher WACC required.

- Larsons:** Not applicable because the step increase should be denied.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 132:** Is FPL's requested net operating loss of \$32,092,000 (\$32,712,000 system) for the Canaveral Modernization Project appropriate?

**POSITIONS**

- FPL:** 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)
- OPC:** No. The appropriate net operating loss should be \$29,304,000. (Ramas)
- FRF:** No. Agree with OPC that the appropriate net operating loss is \$29,304,000.
- FIPUG:** Agree with Public Counsel.
- SFHHA:** SFHHA supports OPC.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No position.
- Larsons:** No.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** Yes.

**FRF:** Yes.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** The Village adopts the position of OPC.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

- OPC:** No. FPL has the burden of demonstrating that any revenue requirement associated with the Canaveral Modernization Project should result in increased rates. If the Commission determines that FPL has nevertheless met this burden, any such rate increase should be no greater than \$121,486,000 based on the OPC primary recommendation using a 50% equity capital structure and 9% ROE and other adjustments shown in the testimony of OPC witness Ramas and Exhibit DR-3. (Ramas)
- FRF:** No. FPL has the burden of demonstrating that FPL needs any increase at all in order to recover its legitimate costs and provide safe, adequate, and reliable service at the lowest possible cost. Agree with OPC that the appropriate annual increase for the Canaveral Project is no more than \$121.5 million.
- FIPUG:** No.
- SFHHA:** No. FPL's requested base rate step increase should be reduced by at least \$26.378 million to reflect reductions of: \$6.052 million related to additional ADIT-bonus depreciation; \$1.451 million to set common equity and long-term debt at the same levels applicable to the base revenue requirement; and \$18.876 million to set the ROE at 9.0%.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** The Village adopts the position of OPC.
- Hendricks:** No. If the recommended equity ratio and ROE are adopted the required increase should be reduced by about 17% while also reducing the risk of future rate increases to support this facility.
- Larsons:** No.
- Saporito:** NO, FPL has failed to reduce its base-load demand through alternative energy sources such as "on-demand" or tankless water heaters, and PV Solar Systems installed on customer homes and businesses.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 135:** What is the appropriate effective date for implementing FPL's requested base rate step increase for the Canaveral Modernization Project?



**POSITIONS**

- FPL:** 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)
- OPC:** No position.
- FRF:** Any base rate increase associated with the Canaveral Modernization Project should be simultaneous with the in-service date of the Canaveral Project.
- FIPUG:** If the plant comes on line during the test year and any increase is granted, it should take effect when the plant comes on line. If the plant comes on line after the test year, FPL may seek recovery for it in its next rate case.
- SFHHA:** The effective date for the requested base rate step increase for the Canaveral Modernization Project, if any, should be the date of commercial operation of the project so long as that date is in the test year. If commercial operation commences after the test year, FPL must make a separate filing to place rates into effect.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** No position.
- Hendricks:** No position.
- Larsons:** Not applicable because the step increase should be denied.
- Saporito:** NEVER - the Commission should reject and deny any base rate step increase for the Canaveral Modernization Project. FPL has failed to reduce its base-load demand through alternative energy sources such as "on-demand" or tankless water heaters, and PV Solar Systems installed on customer homes and businesses.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.

**COST OF SERVICE AND RATE DESIGN ISSUES**

**ISSUE 136:** DROPPED

**ISSUE 137:** DROPPED

**ISSUE 138:** DROPPED

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** Yes. Additionally, there is a customer-related component of certain distribution plant costs, as cited in the NARUC *Electric Utility Cost Allocation Manual*, which should be recognized in setting rates.

**SFHHA:** Yes. Certain distribution costs are incurred due to the presence of a customer on the system, regardless of the level of the customer’s demand. The MDS methodology recognizes that fact and reflects a classification that allocates such costs to rate classes by tying rate class cost responsibility to rate class cost causation. The NARUC cost allocation manual describes the MDS methodology as one of two methodologies that properly recognize this cost causation/cost responsibility principle.

**FEA:** Yes. Within the context of its next rate case, FPL should employ a cost methodology which utilizes the new MDS cost of service methodology.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** Because FPL's predominant seasonal loads are in the summer, a method that places more emphasis on summer peaks would be more appropriate than the 12CP-13<sup>th</sup> AD method FPL has selected. However, because the Commission has consistently approved this method, FIPUG will not object to it.

**SFHHA:** Summer month reserve margin requirements are the binding constraint for planning FPL's system. Customer class demands during off-peak fall and spring months do not cause FPL to add new generation capacity to the system. Accordingly, a summer coincident peak methodology is the appropriate methodology for allocating production costs. It assigns cost responsibility to rate classes based upon each rate classes' contribution to the need for additional generation capacity to meet the summer reserve margin.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate methodology should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** Transmission plant should be classified and allocated entirely on a demand basis. The rationale for this is that transmission plant is sized to meet peak demand. Serving loads throughout the year is a by-product of serving peak demand and is unrelated to energy usage.

**SFHHA:** Transmission plant-related costs should be allocated to rate classes based upon a 100 percent demand basis. The appropriate demand allocator is the summer coincident peak methodology; however, at a minimum, transmission plant-related costs should be allocated using 12 CP.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate methodology should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**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)

**OPC:** No position.

**FRF:** No position regarding the methodology for allocating costs to rate classes. However, FPL's proposed costs are unjust, unfair, and unreasonable, and accordingly, the amounts allocated to rate classes are unjust, unfair, and unreasonable.

**FIPUG:** No. Assuming that an increase is granted, which FIPUG does not endorse, FPL has violated the principles of gradualism by allowing rates for one class to decrease while increasing rates for some other classes as much as 46%. The Commission should apply its long-standing gradualism policy to limit increases per class and should base increases, if any, only on base rates, not on clause recovery. Clause recovery is unstable and changes year by year and further, is not the subject of this case.

**SFHHA:** No. FPL's classification method for distribution costs is based upon customer demand, regardless whether costs were incurred to provide service to any particular customer class. FPL's methodology overstates the cost responsibility of large general rate schedules, for instance, by assigning them costs associated with vacant residential dwellings or vacant small commercial buildings. Additionally, FPL's 12 CP and 1/13th average demand methodology for assigning production costs is inappropriate because it assigns responsibility by treating a customer class' contribution to each monthly peak equally, even though no monthly peak other than the summer peak causes FPL to need additional generation capacity. FPL places significant weight on the "parity" results from its cost of service study when assigning increases to rate classes. The proposed increases to its general service rate classes are substantially higher than the system average increase due to FPL's flawed parity results. Finally, FPL's demand

allocation factors have not been properly calculated do to substitutions of actual data and improper adjustment process.

**FEA:** FPL should assign the cost of single-phase primary voltage facilities only to secondary voltage customers in the context of its next rate case.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No. FPL's proposed allocation is inconsistent with the methodology that FPL has used to allocate production capacity costs both in this case and in its filings in the Capacity Cost Recovery Clause. Further, the proposed allocation resembles a pure energy allocation and is in no way cost-based and are inconsistent with the 12CP-1/13<sup>th</sup> AD method that FPL uses to allocate production costs. Any increase for the Cape Canaveral Modernization should be allocated on a 12 CP-1/13<sup>th</sup> basis.

**SFHHA:** No. FPL's proposed allocation of the Cape Canaveral Modernization step increase should be allocated based upon a Summer CP methodology.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** NO, FPL has failed to reduce its base-load demand through alternative energy sources such as “on-demand” or tankless water heaters, and PV Solar Systems installed on customer homes and businesses.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** A change in revenue requirements, if any, should be based on the application of the principle of gradualism, using the appropriate cost of service study. Classes should move toward cost subject to the Commission’s gradualism policy, based only on clause revenues.

**SFHHA:** FPL’s revenue requirement, as determined in this case, should be allocated among customer classes consistent with SFHHA’s recommendations as set forth in Exhibit SJB-8, Schedule D. That exhibit incorporates: (1) the corrections to the demand allocators that are required for the reasons explained at pages 11 through 21 of Mr. Baron’s testimony on behalf of SFHHA; (2) the MDS methodology for classifying certain distribution costs; and (3) a Summer CP methodology. Schedules A through C of Exhibit SJB-8 set forth alternatives that more

appropriately would allocate FPL's revenue requirement if the Commission were to adopt one or more, but not all of, Mr. Baron's recommendations. At a minimum, it is necessary to adopt Schedule A of Exhibit SJB-8 to correct FPL's error in using "total revenues" rather than base revenues: (1) to allocate its Step 1 proposed increase and (2) for purposes of determining compliance with the Commission's policy that limits an increase for any rate class to a maximum of the average retail increase.

**FEA:** No position.

**Algenol:** No position.

**Pincrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate allocation should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.



**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** **OBJECTION.** Larry Nelson objects to the form of the question. The late payment charge is a rate or charge and the issue of law is whether the rate is fair, just, reasonable and compensatory. Moreover, FPL has the burden of proof to show the existing rate is unfair, unjust, unreasonable and non-compensatory.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 149:** DROPPED

**ISSUE 150:** DROPPED

**ISSUE 151:** DROPPED

**ISSUE 152:** DROPPED

**ISSUE 153:** DROPPED

**ISSUE 154:** DROPPED

**ISSUE 155:** DROPPED

**ISSUE 156:** DROPPED

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 158:** Should FPL's proposed change to the Returned Payment Charge be approved?

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** **OBJECTION:** Larry Nelson objects to the form of the question. The returned payment charge is a rate or charge and the issue of law is whether the rate is fair, just, reasonable and compensatory. Moreover FPL has the burden of proof to show the existing rate is unfair, unjust, unreasonable and non-compensatory and the stated rationale for the charge in the MFR's is essentially a fraud on the Commission: "In accordance to" a completely inapplicable statute.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 159:** DROPPED

**ISSUE 160:** DROPPED

**ISSUE 161:** DROPPED

**ISSUE 162:** DROPPED

**ISSUE 163:** DROPPED

**ISSUE 164:** DROPPED

**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)

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate credit should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No. FPL did not appropriately quantify the CILC incentive payments nor did it properly allocate such payments. As to the quantification problem, FPL's restated revenues to account for the payments do not reflect the revenues that each CILC class would generate under the applicable firm rate. This is necessary to reflect

the cost differential between firm and non-firm service. This results in the earned returns for this class being understated. The CILC incentive payments should be recalculated to reflect the cost differential between firm and non-firm service as shown in FIPUG witness Pollock's testimony.

**SFHHA:** No. FPL incorrectly estimated incentive payments by inaccurately calculating the cost differential between firm and non-firm service. As a result, FPL understated incentive payments to rate schedules CILC-1T and CILC-1D, and overstated incentive payments to the CILC-1G rate schedule.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 167:** Should the CILC rate be reopened?

### **POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** Yes. The CILC rate should be reopened and credits to this class should be increased. As to reopening the rate, circumstances have greatly changed since the rate was closed in 1996. Equipment costs for new generation were much lower in 1996 than they are now. Thus, additional CILC load is now very cost-effective. This is an option that should be available to customers and to the state of Florida.

In addition, the payments to current (and potentially new CILC) customer should be raised to compensate such customers for the capacity they provide. While FPL recruits new customers to its CDR Rider program, such customers are paid much more for their capacity than CILC customers. Thus, CILC payments should be raised to the same level as CDR.

**SFHHA:** Yes. FPL's recent analysis in Docket No. 10055-EG of its Demand Side Management Plan demonstrates that Rider CDR is cost-effective. As discussed in the testimony of Jeffrey Pollock, it therefore follows that the CILC rate must be cost-effective as well. As a result, there is no reason not to open up the CILC rate. Further, it is necessary to open up the CILC rate to eliminate discrimination relative to Rider CDR.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** FPL's proposed demand charges significantly deemphasize demand. This results in a corresponding, but much larger increase, in energy charges. This results in



high load factor customers receiving larger base rate increases than the class average. It would also send the wrong price signal and discourage load management. The demand charge (and the energy charge) should be revised to reflect unit costs.

FPL has improperly emphasized energy charges and failed to base such charges on appropriate unit costs. For example, for the GSLD-1 and GSLD-2 rates, the non-fuel energy charges would be 143% and 156% higher, respectively, than their costs. Because demand charges are understated, energy charges are overstated, resulting in a significant amount of demand-related costs being collected in the energy charge. The triple digit increase FPL seeks would inappropriately and adversely affect high load customers. FPL's proposal to recover the entire step increase, if any, for the Cape Canaveral Modernization project through energy charges is entirely inappropriate. This would have the effect of raising energy charges by 38% to over 200%.

**SFHHA:** No. FPL proposes an on-peak energy charge increase in excess of 320% for CILC-1D because of the protocols it adopted for CILC-1D rate design. Specifically, the Firm On-peak demand charge, the Load Control On-peak demand charge, the Max Demand charge and off-peak non-fuel energy charge are all set at unit cost based on proposed revenue levels at equal rate of return. All additional revenue is recovered from the On-peak energy charge. Exhibit SJB-9 sets forth a revenue neutral alternative based on setting non-fuel energy charges of CILC-1D at unit cost, which is \$0.00700/kWh, and then uniformly increasing all three of the CILC-1D demand charges by an equal percentage to meet the revenue target.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** Yes. The CDR credit has not changed since 2004. However, the costs for new generation, upon which the credit is based, have changed dramatically. The current credit produces a benefit/cost ratio of 3.1. If this ratio were set at 1.2 the program would still be cost-effective. Thus, the credit should be increased to \$12.07 per kW.

**SFHHA:** Yes. The credit should be increased to \$12.07 per kw. As shown in Mr. Pollock's testimony, the current credit is based upon the costs of new generation as determined in 2004. The costs of generation have increased since that time. The credit therefore should be increased to reflect those cost increases. Raising the credit to \$12.07 per kw would recognize the increased costs, and Rider CDR would remain economic at that level.

**FEA:** Agree with FIPUG.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 170:** Should CILC and CDR credits be allocated to non-firm loads?

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No. Non-firm customers provide capacity to FPL when it needs additional capacity to maintain its firm loads. FPL calls upon this capacity by curtailing non-firm capacity. In return to agreeing to curtail load when called upon by FPL, FPL pays these customers a credit. These credits can be viewed as a cost to provide service to firm loads. Therefore, the credits should be allocated only to firm loads. Otherwise, non-firm customers are, in essence, paying a portion of their own credit.

**SFHHA:** SFHHA supports FIPUG.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** No.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

### **POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate charges should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 172:** What is the appropriate level and design of charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule?

**POSITIONS**

**FPL:** 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)

**OPC:** No position.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate charges should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 173:** What is the appropriate method of designing time of use rates for FPL?

**POSITIONS**

**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)

**OPC:** No position at this time pending further development of the record.

**FRF:** No position.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** Four TOU periods.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** No position.

**FRF:** FPL's appropriate customer charges for January 1, 2013 are those that will result from reducing FPL's total revenues by approximately \$253 million per year, as recommended by the Citizens' witnesses, and allocating those cost reductions according to the cost of service allocation methodology approved by the Commission.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate charges should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** **OBJECTION: Larry Nelson objects to the form of the question.** "[A]ppropriate" does not state a legal or factual issue with regard to a rate or charge. The legal standard for a rate or charge is fair, just, reasonable and compensatory and the burden is on FPL, under South Florida Natural Gas Company v. Public Service Commission (1988), 534 So.2d 695, to show that the existing charge is unreasonable and insufficient.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 175:** DROPPED

**ISSUE 176:** DROPPED

**ISSUE 177:** DROPPED

**ISSUE 178:** DROPPED

**ISSUE 179:** DROPPED

**ISSUE 180:** DROPPED

**ISSUE 181:** DROPPED

**ISSUE 182:** DROPPED

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

**POSITIONS**

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

**OPC:** No position.

**FRF:** FPL's appropriate demand charges for January 1, 2013 are those that will result from reducing FPL's total revenues by approximately \$253 million per year, as recommended by the Citizens' witnesses, and allocating those cost reductions according to the cost of service allocation methodology approved by the Commission.

**FIPUG:** See Issue 168.

**SFHHA:** The appropriate demand charges for rate CILC-1D should be based on the methodology as set forth in Mr. Baron's Exhibit SJB-9. No position at this time regarding other rate schedules.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate charges should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

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

**POSITIONS**

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

**OPC:** No position.

**FRF:** FPL's appropriate energy charges for January 1, 2013 are those that will result from reducing FPL's total revenues by approximately \$253 million per year, as recommended by the Citizens' witnesses, and allocating those cost reductions according to the cost of service allocation methodology approved by the Commission.

**FIPUG:** See Issue 168.

**SFHHA:** The appropriate energy charges for rate CILC-1D should be based on the methodology as set forth in Mr. Baron's Exhibit SJB-9. No position at this time regarding other rate schedules.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate charges should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.



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

**POSITIONS**

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

**OPC:** No position.

**FRF:** FPL's appropriate lighting service charges for January 1, 2013 are those that will result from reducing FPL's total revenues by approximately \$253 million per year, as recommended by the Citizens' witnesses, and allocating those cost reductions according to the cost of service allocation methodology approved by the Commission.

**FIPUG:** No position.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No position.

**Pincrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate charges should be determined based upon the evidence presented at hearing.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**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?

**POSITIONS**

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

- OPC:** No position.
- FRF:** The appropriate effective date for FPL's revised rates and charges, prior to any step adjustment associated with the Canaveral Modernization Project, is for service rendered on the first date of the first billing cycle of January 2013.
- FIPUG:** If any increase is granted for this project and it comes on line in the test year, the increase should occur when the plant comes on line. If it comes on line after the test year, FPL may seek recovery in its next rate case.
- SFHHA:** January 1, 2013.
- FEA:** No position.
- Algenol:** No position.
- Pinecrest:** No position.
- Hendricks:** No position.
- Larsons:** January 1, 2013.
- Saporito:** Intervenor defers to OPC's position on this issue.
- Nelson:** No position.
- STAFF:** No position pending evidence adduced at the hearing.
- ISSUE 187:** What are the appropriate charges after the Canaveral Modernization Project comes on line?

**POSITIONS**

- FPL:** 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)
- OPC:** No position.
- FRF:** The appropriate charges after the Canaveral Modernization Project are those that would result from allowing FPL to recover, through base rates, the revenue requirements recommended by the Citizens' witnesses, provided that any increase in charges for the Canaveral Project revenue requirements should not be effective before the Project achieves commercial service.

**FIPUG:** The appropriate charges, if any, should reflect the correct allocation and computation of demand and non-fuel energy charges recommended by FIPUG witness, Pollock.

**SFHHA:** The Canaveral increases should be recovered from the GSLD(T) and CILC rate classes in both demand and energy charges (*see* Baron at 53:8-12) based on FPL's classification of Canaveral revenue requirements between demand and energy in its cost of service study. FPL's proposal to recover 100% of the Canaveral increase from these rate classes in energy charges is inconsistent with FPL's need claim to convert the Canaveral facility and could lead to future over-collections.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** No position.

**Hendricks:** No position.

**Larsons:** The appropriate charges should be determined based upon the evidence presented at a limited proceeding separate from this docket.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

#### **OTHER ISSUES**

**ISSUE 188:** DROPPED

**ISSUE 189:** DROPPED

**ISSUE 190:** DROPPED

**ISSUE 191:** DROPPED

**ISSUE 192:** 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?

**POSITIONS**

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

**OPC:** Yes.

**FRF:** Yes.

**FIPUG:** Yes.

**SFHHA:** Yes.

**FEA:** No position.

**Algenol:** No position.

**Pinecrest:** Yes.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

**ISSUE 193:** Should this docket be closed?

**POSITIONS**

**FPL:** Yes.

**OPC:** No.

**FRF:** Yes. After the Commission's order or orders have become final and are no longer subject to appeal, this docket should be closed.

**FIPUG:** Yes, assuming that all appropriate documents have been filed, and all appeals, if any, have been resolved, this docket should be closed.

**SFHHA:** No position.

**FEA:** No position.

**Algenol:** No.

**Pinecrest:** No.

**Hendricks:** No position.

**Larsons:** Yes.

**Saporito:** Intervenor defers to OPC's position on this issue.

**Nelson:** No position.

**STAFF:** No position pending evidence adduced at the hearing.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
	<u>Direct</u>		
William Avera	FPL	WEA-1	Qualifications of William E. Avera
William Avera	FPL	WEA-2	Interest Rate Trends
William Avera	FPL	WEA-3	Comparison of Proxy Risk Indicators
William Avera	FPL	WEA-4	DCF Model-Utility Proxy Group
William Avera	FPL	WEA-5	Sustainable Growth Rate-Utility Proxy Group
William Avera	FPL	WEA-6	Implied Utility Bond Yields
William Avera	FPL	WEA-7	DCF Model-Non-Utility Proxy Group
William Avera	FPL	WEA-8	Sustainable Growth Rate-Non-Utility Proxy Group
William Avera	FPL	WEA-9	CAPM-Utility Proxy Group
William Avera	FPL	WEA-10	Yield Spreads

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
William Avera	FPL	WEA-11	Electric Utility Risk Premium
William Avera	FPL	WEA-12	Expected Earnings Approach
William Avera	FPL	WEA-13	Summary of Cost of Equity Estimates
William Avera	FPL	WEA-14	FPL Adjusted Capital Structure
William Avera	FPL	WEA-15	Capital Structure-Electric Utility Operating Cos.
William Avera	FPL	WEA-16	Capital Structure-Utility Proxy Group
William Avera	FPL	WEA-17	Market Value Capital Structure-Utility Proxy Group
William Avera	FPL	WEA-18	Endnotes to Direct Testimony of William E. Avera
Robert E. Barrett, Jr.	FPL	REB-1	Listing of MFRs and Schedules Sponsored In Whole or In Part by Robert E. Barrett, Jr.
Robert E. Barrett, Jr.	FPL	REB-2	Planning Process Guidelines
Robert E. Barrett, Jr.	FPL	REB-3	MFR F-5 Forecasting Flowcharts and Models
Robert E. Barrett, Jr.	FPL	REB-4	MFR F-8 Major Forecasting Assumptions
Robert E. Barrett, Jr.	FPL	REB-5	Budget and Actual Net Income 2004-2011
Robert E. Barrett, Jr.	FPL	REB-6	FPL's Revenue Request 2013 vs. 2012
Robert E. Barrett, Jr.	FPL	REB-7	Drivers of the Increase in Revenue Requirements for 2010-2013
Robert E. Barrett, Jr.	FPL	REB-8	Impact of Amortization of Surplus Depreciation on 2013 Revenue Requirements

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Renaë B. Deaton	FPL	RBD-1	MFR's and Schedules Sponsored or Co-Sponsored by Renaë Deaton
Renaë B. Deaton	FPL	RBD-2	FPL Bill Comparisons- January 2012 to January 2013 and June 2013
Renaë B. Deaton	FPL	RBD-3	Florida Utility Bill Comparison
Renaë B. Deaton	FPL	RBD-4	Change in the Consumer Price Index versus FPL Bills
Renaë B. Deaton	FPL	RBD-5	Parity of Major Rate Classes Current and Proposed
Renaë B. Deaton	FPL	RBD-6	Summary of Proposed Rates
Renaë B. Deaton	FPL	RBD-7	Bill Calculation Under Proposed RTR
Renaë B. Deaton	FPL	RBD-8	FPL Proposed ROE Performance Adder
Moray P. Dewhurst	FPL	MD-1	MFRs Sponsored or Co-Sponsored by Moray P. Dewhurst
Moray P. Dewhurst	FPL	MD-2	Matrix of Florida PSC- Approved ROEs Since 1960
Joseph A. Ender	FPL	JAE-1	MFRs and Schedules Sponsored or Co-Sponsored by Joseph A. Ender
Joseph A. Ender	FPL	JAE-2	Load Research Rate Classes and Related Rate Schedules
Joseph A. Ender	FPL	JAE-3	Rate Class Extrapolation Methodology
Joseph A. Ender	FPL	JAE-4	Cost of Service Study Cost of Service Methodology by Component

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Joseph A. Ender	FPL	JAE-5	Rates of Return and Parity and Present Rates For the Test Year 2013
Joseph A. Ender	FPL	JAE-6	Target Revenue Requirements at Proposed Rates For the Test Year 2013
George K. Hardy	FPL	GKH-1	Summary of Co-Sponsored MFRs
George K. Hardy	FPL	GKH-2	Distribution Reliability Programs
Roxane R. Kennedy	FPL	RRK-1	MFRs and Schedules Sponsored and Co-Sponsored by Roxane R. Kennedy
Roxane R. Kennedy	FPL	RRK-2	FPL Fossil Generating Capability and Mix Changes
Roxane R. Kennedy	FPL	RRK-3	FPL Fossil Performance Improvements
Roxane R. Kennedy	FPL	RRK-4	FPL Fossil Net Heat Rate Comparison
Roxane R. Kennedy	FPL	RRK-5	FPL Fossil Availability Comparison
Roxane R. Kennedy	FPL	RRK-6	FPL Fossil Forced Outage Rate Comparison
Roxane R. Kennedy	FPL	RRK-7	FPL Fossil Total Non-Fuel O&M Production Cost Comparison
Roxane R. Kennedy	FPL	RRK-8	FPL Fossil Emission Rate Reductions
Roxane R. Kennedy	FPL	RRK-9	Drivers of 2013 Base O&M Benchmark Variance
Roxane R. Kennedy	FPL	RRK-10	FPL Fossil Capacity-Managed per Employee Improvements
Manuel B. Miranda	FPL	MM-1	Summary of Sponsored MFRs



<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Manuel B. Miranda	FPL	MM-2	2011 SGS Statistical Services (“SGS”) Transmission Reliability Benchmarking Study All Voltages 2008-2010 (3 years)
Dr. Rosemary Morley	FPL	RM-1	Minimum Filing Requirements Sponsored and Co-Sponsored by Dr. Rosemary Morley
Dr. Rosemary Morley	FPL	RM-2	Weather-normalized Calendar
Kim Ousdahl	FPL	KO-1	MFRs & Schedules Sponsored and Co-Sponsored by Kim Ousdahl
Kim Ousdahl	FPL	KO-2	MFR A-1 for the 2013 Test Year
Kim Ousdahl	FPL	KO-3	Listing of MFRs & Schedules Directly Supporting Requested Revenue Increase
Kim Ousdahl	FPL	KO-4	2013 ROE Calculation Without Rate Relief
Kim Ousdahl	FPL	KO-5	Removal of Rate Base and NOI related to Canaveral Step Increase
Kim Ousdahl	FPL	KO-6	Capital Recovery Schedule
Kim Ousdahl	FPL	KO-7	Calculation of Capitalized Executive Incentive Adjustment
Kim Ousdahl	FPL	KO-8	Revenue Requirement Impact of ROE Performance Adder
Kim Ousdahl	FPL	KO-9	FPL’s Cost Allocation Manual
Kim Ousdahl	FPL	KO-10	Direct Charges to Affiliates
Kim Ousdahl	FPL	KO-11	Schedule of FPL Service Fee Cost Pools and Billings

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Kim Ousdahl	FPL	KO-12	Affiliate Management Fee Cost Drivers
Kim Ousdahl	FPL	KO-13	FPL Affiliate Management Fee Formula Ratios
John J. Reed	FPL	JJR-1	Curriculum Vitae
John J. Reed	FPL	JJR-2	Testimony Listing
John J. Reed	FPL	JJR-3	Productive Efficiency Rankings
John J. Reed	FPL	JJR-4	Productive Efficiency Rankings
John J. Reed	FPL	JJR-5	Operational Metrics
John J. Reed	FPL	JJR-6	Benchmarking Workpapers
John J. Reed	FPL	JJR-7	2010 Assessment and Efficiency Tables
John J. Reed	FPL	JJR-8	2010 Combined Rankings
John J. Reed	FPL	JJR-9	Emissions Comparison
John J. Reed	FPL	JJR-10	CPI and PPI
John J. Reed	FPL	JJR-11	Weekly Earnings
John J. Reed	FPL	JJR-12	Utility Construction Costs
Marlene M. Santos	FPL	MMS-1	Summary of Sponsored MFRs
Marlene M. Santos	FPL	MMS-2	Customer Service Awards
Marlene M. Santos	FPL	MMS-3	Customer Care Center Satisfaction Research
Marlene M. Santos	FPL	MMS-4	Field Organization Satisfaction Research
Marlene M. Santos	FPL	MMS-5	Online Energy Dashboard

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Marlene M. Santos	FPL	MMS-6	Complaints for Florida Investor-Owned Utilities
Eric Silagy	FPL	ES-1	Eric Silagy Biography
Eric Silagy	FPL	ES-2	FPL Typical 1,000-kWh Residential Bill Comparison January 2012 to January 2013 and June 2013
Eric Silagy	FPL	ES-3	Change in FPL Typical 1,000-kWh Residential Customer Bill Compared to Changes in Other Consumer Costs
Kathleen Slattery	FPL	KS-1	MFRs Sponsored and Co-Sponsored by Kathleen Slattery
Kathleen Slattery	FPL	KS-2	Position to Market (2011 Base Pay)
Kathleen Slattery	FPL	KS-3	FERC Total Salaries & Wages 2010
Kathleen Slattery	FPL	KS-4	Merit Pay Program Awards, 2009 to 2011
Kathleen Slattery	FPL	KS-5	Relative Value Comparison-2011 Total Benefit Program
Kathleen Slattery	FPL	KS-6	Relative Value Comparison-2011 Active Employee Medical Plan
Kathleen Slattery	FPL	KS-7	Average Medical Cost per Employee 2007-2012
Kathleen Slattery	FPL	KS-8	Relative Value Comparison-2011 Pension & 401(K) Employee Savings Plan
J.A. Stall	FPL	JAS-1	Schedule of Minimum Filing Requirements
J.A. Stall	FPL	JAS-2	NRC Performance Indicators
J.A. Stall	FPL	JAS-3	NRC Inspection Findings

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
J.A. Stall	FPL	JAS-4	NRC Regulatory Status
Kevin W. O'Donnell	OPC	Appendix A	Resume of Kevin O'Donnell
Kevin W. O'Donnell	OPC	KWO-1	Company Requested Capital Structure and Return on Equity
Kevin W. O'Donnell	OPC	KWO-2	Avera Comparable Group Common Equity Ratios
Kevin W. O'Donnell	OPC	KWO-3	Value Line Electric Utility Common Equity Ratios
Kevin W. O'Donnell	OPC	KWO-4	NextEra Consolidated Capital Structure
Kevin W. O'Donnell	OPC	KWO-5	NextEra Unregulated Operations Capital Structure
Kevin W. O'Donnell	OPC	KWO-6	NextEra Capital Structure Comparison
Kevin W. O'Donnell	OPC	KWO-7	Dividend Payment from FPL to NextEra
Kevin W. O'Donnell	OPC	KWO-8	OPC Recommended Capital Structure and ROE
Kevin W. O'Donnell	OPC	KWO-9	FPL Requested Capital Structure and 8.5% Return on Equity
Kevin W. O'Donnell	OPC	KWO-10	Revenue Requirement Impacts
J. Randall Woolridge	OPC	Appendix A	Resume of Dr. J. Randall Woolridge
J. Randall Woolridge	OPC	Appendix B	Research on Analysts' EPS Growth Rate Forecasts
J. Randall Woolridge	OPC	Appendix C	Building Blocks Equity Risk Premium
J. Randall Woolridge	OPC	JRW-1	Return on Equity Recommendation
J. Randall Woolridge	OPC	JRW-2	Interest Rates

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
J. Randall Woolridge	OPC	JRW-3	Capital Cost Indicators
J. Randall Woolridge	OPC	JRW-4	Summary Financial Statistics for Proxy Group
J. Randall Woolridge	OPC	JRW-5	Capital Structure Ratios
J. Randall Woolridge	OPC	JRW-6	The Relationship Between Estimated ROE and Market-to-Book Ratios
J. Randall Woolridge	OPC	JRW-7	Utility Capital Cost Indicators
J. Randall Woolridge	OPC	JRW-8	Industry Average Betas
J. Randall Woolridge	OPC	JRW-9	Three-Stage DCF Model
J. Randall Woolridge	OPC	JRW-10	DCF Study
J. Randall Woolridge	OPC	JRW-11	CAPM Study
J. Randall Woolridge	OPC	JRW-12	Summary of FPL's Proposed Equity Cost Rate
J. Randall Woolridge	OPC	JRW-13	Financial Statistics for Avera Group
J. Randall Woolridge	OPC	JRW-14	DCF Growth Rate Analysis
J. Randall Woolridge	OPC	JRW-15	GDP and S&P 500 Growth Rates
Jacob Pous	OPC	JP-Appendix A	Resume
David P. Vondle	OPC	DPV-1	Summary of Qualifications
David P. Vondle	OPC	DPV-2	PSC Rule 25-6.1351
David P. Vondle	OPC	DPV-3	MFR Schedule C-30
Helmuth W. Schultz III	OPC	HWS-1	Summary of Qualifications
Helmuth W. Schultz III	OPC	HWS-2	2013 Payroll Adjustment

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Helmuth W. Schultz III	OPC	HWS-3	2013 Employee Incentive Compensation Adjustment
Helmuth W. Schultz III	OPC	HWS-4	2013 Benefits Adjustments
Helmuth W. Schultz III	OPC	HWS-5	Payroll Tax Expense Adjustment
Helmuth W. Schultz III	OPC	HWS-6	Distribution Vegetative Management – Tree Trimming
Helmuth W. Schultz III	OPC	HWS-7	Pole Inspection Expense
Helmuth W. Schultz III	OPC	HWS-8	Directors and Officers Liability Insurance Adjustment
Helmuth W. Schultz III	OPC	HWS-9	Uncollectible Expense Adjustment
Helmuth W. Schultz III	OPC	HWS-10	2012 Depreciation Surplus Adjustment
Helmuth W. Schultz III	OPC	HWS-11	Working Capital Analysis
Donna Ramas	OPC	DR-1	Resume of Donna Ramas
Donna Ramas	OPC	DR-2	January 2013 Rate Change – Primary
Donna Ramas	OPC	DR-3	Canaveral Step Increase – Primary
Donna Ramas	OPC	DR-4	January 2013 Rate Change – Alternative
Donna Ramas	OPC	DR-5	Canaveral Step Increase – Alternative
Donna Ramas	OPC	DR-6	FPL Rate Case Exp Workpaper
Daniel J. Lawton	OPC	DJL-1	Resume of Daniel J. Lawton
Daniel J. Lawton	OPC	DJL-2	ROE Performance Adder Cost

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Daniel J. Lawton	OPC	DJL-3	Financial Metrics
Steve W. Chriss	FRF	SWC-1	Calculation of Proposed Test Year Jurisdictional Revenues Collected through Base Rates
Steve W. Chriss	FRF	SWC-2	Calculation of Revenue Requirement Impact of FPL's Proposed Return on Equity Adder
Jeffry Pollock	FIPUG	JP-1	2013 Class Revenue Allocation, CC Step Revenue Allocation, Cumulative Revenue Allocation
Jeffry Pollock	FIPUG	JP-2	Summary of COS Results
Jeffry Pollock	FIPUG	JP-3	Analysis of CILC Incentives
Jeffry Pollock	FIPUG	JP-4	Allocation of Non-Firm Credits
Jeffry Pollock	FIPUG	JP-5	Firm Production Demand Allocator
Jeffry Pollock	FIPUG	JP-6	Cost Causation
Jeffry Pollock	FIPUG	JP-7	Analysis of Peak Characteristics
Jeffry Pollock	FIPUG	JP-8	Reserve Margin as Percent of Firm Peak Demand
Jeffry Pollock	FIPUG	JP-9	NARUC CAM Excerpt
Jeffry Pollock	FIPUG	JP-10	Classification of Production O&M Expense
Jeffry Pollock	FIPUG	JP-11	Revised Class Cost of Service Study

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Jeffry Pollock	FIPUG	JP-12	Proposed Rate Design
Jeffry Pollock	FIPUG	JP-13	Comparison of CILC & CDR Credits
Jeffry Pollock	FIPUG	JP-14	Cost Effectiveness of CDR
Richard A. Baudino	SFHHA	RAB-1	Resume of Richard A. Baudino
Richard A. Baudino	SFHHA	RAB-2	Historical Bond Yields
Richard A. Baudino	SFHHA	RAB-3	DCF Dividend Yield Calculations
Richard A. Baudino	SFHHA	RAB-4	DCF Growth Rates and ROE Calculation
Richard A. Baudino	SFHHA	RAB-5	CAPM Analysis: Comparison Group
Richard A. Baudino	SFHHA	RAB-6	CAPM Analysis: Historic Market Premium
Richard A. Baudino	SFHHA	RAB-7	Avera Utility Proxy Group Growth Rates
Richard A. Baudino	SFHHA	RAB-8	Five Year VIX Chart
Richard A. Baudino	SFHHA	RAB-9	NextEra Investor Presentations
Richard A. Baudino	SFHHA	RAB-10	Avera Prior Testimony
Richard A. Baudino	SFHHA	RAB-11	Selected FPL Data Responses
Richard A. Baudino	SFHHA	RAB-12	Credit Rating Agency Report



<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Richard A. Baudino	SFHHA	RAB-13	Florida Corporate State Income Tax and Wage Data
Stephen J. Baron	SFHHA	SJB-1	List of Expert Testimony Appearances
Stephen J. Baron	SFHHA	SJB-2	SFHHA Corrected Class Cost of Service Study
Stephen J. Baron	SFHHA	SJB-3	NARUC: Electric Utility Cost Allocation Manual
Stephen J. Baron	SFHHA	SJB-4	Gulf Power Co. Exhibit Re: MDS Customer/Demand Percentages by FERC Account
Stephen J. Baron	SFHHA	SJB-5	Analysis of FPL Account 364 Minimum Size Poles
Stephen J. Baron	SFHHA	SJB-6	MDS, Corrected Demand Allocators
Stephen J. Baron	SFHHA	SJB-7	MDS - 1 CP Prod/Trans. Demand, Corrected Demand Allocators
Stephen J. Baron	SFHHA	SJB-8	SFHHA Recommended Revenue Allocation Methodology
Stephen J. Baron	SFHHA	SJB-9	Rate Class CILC-1D - SFHHA Recommended Rate Design
Stephen J. Baron	SFHHA	SJB-10	FPL's Response to FIPUG's Interrogatory No. 14
Stephen J. Baron	SFHHA	SJB-11	Excerpt from MFR No. E-6b, Attachment No. 2 of 2
Stephen J. Baron	SFHHA	SJB-12	FPL's Response to SFHHA's Interrogatory No. 56
Stephen J. Baron	SFHHA	SJB-13	FPL Cooling Degree Data

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Lane Kollen	SFHHA	LK-1	Resume of Lane Kollen
Lane Kollen	SFHHA	LK-2	FPL's Response to SFHHA's Interrogatory No. 209
Lane Kollen	SFHHA	LK-3	FPL's Response to SFHHA's Interrogatory No. 210
Lane Kollen	SFHHA	LK-4	FPL's Response to SFHHA's Interrogatory No. 211
Lane Kollen	SFHHA	LK-5	FPL's Response to SFHHA's Interrogatory No. 212
Lane Kollen	SFHHA	LK-6	FPL's Response to SFHHA's Interrogatory No. 213
Lane Kollen	SFHHA	LK-7	SFHHA Reduction in Cash Working Capital in Rate Base
Lane Kollen	SFHHA	LK-8	FPL's Response to SFHHA's Interrogatory Nos. 198 and 199
Lane Kollen	SFHHA	LK-9	SFHHA Adjustment to Nuclear Outage Maintenance Expense and Related Reserves
Lane Kollen	SFHHA	LK-10	FPL's Response to Staff's Interrogatory No. 98
Lane Kollen	SFHHA	LK-11	FPSC Rule 25-6.0141 - Allowance for Funds Used During Construction
Lane Kollen	SFHHA	LK-12	FPL's Response to SFHHA's Document Request No. 9

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Lane Kollen	SFHHA	LK-13	FPL's Response to SFHHA's Interrogatory No. 194
Lane Kollen	SFHHA	LK-14	FPL's Response to SFHHA's Interrogatory No. 196
Lane Kollen	SFHHA	LK-15	FPL's Response to OPC's Interrogatory No. 200
Lane Kollen	SFHHA	LK-16	FPL's Response to OPC's Interrogatory No. 134 - Revised
Lane Kollen	SFHHA	LK-17	FPL's Response to OPC's Interrogatory No. 225
Lane Kollen	SFHHA	LK-18	FPL's Response to Staff's Interrogatory No. 200
Lane Kollen	SFHHA	LK-19	FPL's Response to Staff's Interrogatory No. 219
Lane Kollen	SFHHA	LK-20	FPL's Response to OPC's Interrogatory No. 98
Lane Kollen	SFHHA	LK-21	FPL's Response to OPC's Interrogatory No. 199
Lane Kollen	SFHHA	LK-22	FPL's Response to OPC's Interrogatory No. 227
Lane Kollen	SFHHA	LK-23	FPL's Response to OPC's Interrogatory No. 173
Lane Kollen	SFHHA	LK-24	FPL's Response to SFHHA's Interrogatory No. 241

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Lane Kollen	SFHHA	LK-25	FPL's Response to SFHHA's Interrogatory No. 242
Lane Kollen	SFHHA	LK-26	SFHHA Adjustment Regarding ADIT in Capital Structure
Lane Kollen	SFHHA	LK-27	SFHHA Cost of Capital Adjustments
Lane Kollen	SFHHA	LK-28	Cost of Capital for Canaveral Step Increase
Lane Kollen	SFHHA	LK-29	Impacts of Cost of Capital Changes to Environmental Clause Cost Recovery
Michael Gorman	FEA	App A	Qualifications of Michael P. Gorman
Michael Gorman	FEA	MPG-1	Rate of Return
Michael Gorman	FEA	MPG-2	Embedded Cost of Debt
Michael Gorman	FEA	MPG-3	Proxy Group
Michael Gorman	FEA	MPG-4	Consensus Analysts' Growth Rates
Michael Gorman	FEA	MPG-5	Consensus Analysts' Constant Growth DCF
Michael Gorman	FEA	MPG-6	Payout Ratios
Michael Gorman	FEA	MPG-7	Sustainable Growth Rate
Michael Gorman	FEA	MPG-8	Sustainable Growth Rate Constant Growth DCF
Michael Gorman	FEA	MPG-9	Electricity Sales Are Linked to US Economic Growth

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Michael Gorman	FEA	MPG-10	Multi-Stage Growth DCF Model
Michael Gorman	FEA	MPG-11	Common Stock Market/Book Ratio
Michael Gorman	FEA	MPG-12	Equity Risk Premium-Treasury Bond
Michael Gorman	FEA	MPG-13	Equity Risk Premium-Utility Bond
Michael Gorman	FEA	MPG-14	Bond Yield Spreads
Michael Gorman	FEA	MPG-15	Treasury & Utility Bond Yields
Michael Gorman	FEA	MPG-16	Value Line Beta
Michael Gorman	FEA	MPG-17	CAPM Return
Michael Gorman	FEA	MPG-18	Standard and Poor's Credit Metrics
Michael Gorman	FEA	MPG-19	Avera's Constant Growth DCF Model
Michael Gorman	FEA	MPG-20	Multi-Stage Growth DCF Model
Michael Gorman	FEA	MPG-21	Interest Rate Forecasts
Robert Stephens	FEA	App A	Qualifications of Robert R. Stephens
Robert Stephens	FEA	RRS-1	Rate Increase Mitigation
John W. Hendricks	<i>Pro-se</i>	JWH-1	Components of the Cost of Investor Capital
John W. Hendricks	<i>Pro-se</i>	JWH-2	Utility Proxy Group Two Dimensional View
John W. Hendricks	<i>Pro-se</i>	JWH-3	Utility Proxy Group with FPL & NEE N-R
John W. Hendricks	<i>Pro-se</i>	JWH-4	Historical Utility and Treasury Bond Yields

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
John W. Hendricks	<i>Pro-se</i>	JWH-5 A&B	Historical Relationship between Utility Allowed ROE and Bond Yields
John W. Hendricks	<i>Pro-se</i>	JWH-6	Customer View of Cost of Capital vs. Equity Percentage
John W. Hendricks	<i>Pro-se</i>	JWH-7	Comparison of Alternative Capital Structure and ROE Combinations
Thomas Saporito	<i>Pro-se</i>	TS-1	40 Gallon Electric Water Heater
Thomas Saporito	<i>Pro-se</i>	TS-2	EcoSmart Tankless Water Heater
Thomas Saporito	<i>Pro-se</i>	TS-3	Typical Electric Usage of Appliances
Thomas Saporito	<i>Pro-se</i>	TS-4	Saporito's May 2012 FPL Electric Bill
Thomas Saporito	<i>Pro-se</i>	TS-5	Ally Bank CD Rate Schedule
Thomas Saporito	<i>Pro-se</i>	TS-6	Facts About FPL's Rate Request
Thomas Saporito	<i>Pro-se</i>	TS-7	Bureau of Labor Statistics Data
Thomas Saporito	<i>Pro-se</i>	TS-8	Nextera Annual Report 2011 Specific Pages Extracted
Thomas Saporito	<i>Pro-se</i>	TS-9	Florida Unemployment Rate
Thomas Saporito	<i>Pro-se</i>	TS-10	Bloomenergy ES-5700 Energy Saver Bloomenergy Customer Listings
Thomas Saporito	<i>Pro-se</i>	TS-11	eia January 2012 - Effect of Increased Natural Gas Exports on Domestic Energy Markets. <b>*FPL objects to this exhibit.</b>

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Larry Nelson	<i>Pro-se</i>	LN-1	FPL answers to Larry Nelson's First Set Of Interrogatories (1-49) To Florida Power & Light Company.
Larry Nelson	<i>Pro-se</i>	LN-2	NextEra Energy Inc. SEC filing, Schedule 14A, filed 05/11/12
Larry Nelson	<i>Pro-se</i>	LN-3	NextEra Energy Inc. 2011 Annual Report, page AR-1
Larry Nelson	<i>Pro-se</i>	LN-4	NextEra Energy Inc. 2011 Proxy Statement
Larry Nelson	<i>Pro-se</i>	LN-5	MFR Schedule E-7
Larry Nelson	<i>Pro-se</i>	LN-6	MFR Schedule E-13b
Larry Nelson	<i>Pro-se</i>	LN-7	MFR Schedule E-13c
Kathy L. Welch	STAFF	KLW-1	History of Testimony of Kathy L. Welch.
Kathy L. Welch	STAFF	KLW-2	Auditor's Report of Florida Power & Light Company
Rhonda L. Hicks	STAFF	RLH-1	Summary of Complaints
<u>Rebuttal</u>			
David W. DeRamus	FPL	DWD-1	Curriculum Vitae of David W. DeRamus, Ph.D.
David W. DeRamus	FPL	DWD-2	FPL Serves 4% of the Whole Country
David W. DeRamus	FPL	DWD-3	Percent of U.S. Households with Rates Less than FPL
David W. DeRamus	FPL	DWD-4	Consumer Price Index (CPI) of Various Goods and Services, Miami - Ft. Lauderdale

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
David W. DeRamus	FPL	DWD-5	Residential Customers, Statistical Distribution by kWh Consumption
David W. DeRamus	FPL	DWD-6	Residential Customer Bills, Statistical Distribution of Electricity Cost
David W. DeRamus	FPL	DWD-7	Residential Customer Bills, Statistical Distribution of Electricity Cost: Focus on Bottom Quintile
David W. DeRamus	FPL	DWD-8	Index of Typical FPL Bill Compared to Miami - Ft. Lauderdale CPI
David W. DeRamus	FPL	DWD-9	Residential Customers, Statistical Distribution of Rate Increase Impact
David W. DeRamus	FPL	DWD-10	Residential Customers, Statistical Distribution of Rate Increase Impact: Focus on Bottom Quintile
David W. DeRamus	FPL	DWD-11	Commercial Customers, Median Daily Bill
David W. DeRamus	FPL	DWD-12	Commercial Customers, Median kWh Rate
David W. DeRamus	FPL	DWD-13	Hospital Electricity Cost as a % of Total Cost
David W. DeRamus	FPL	DWD-14	Commercial Customers, Rate Increase Impact by Customer Type and Size
David W. DeRamus	FPL	DWD-15	Commercial Customers, Rate Increase Impact
David W. DeRamus	FPL	DWD-16	Commercial Customers, Rate Increase Impact, Pharmacies
David W. DeRamus	FPL	DWD-17	Commercial Customers, Rate Increase Impact, Big Box Stores



<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
David W. DeRamus	FPL	DWD-18	Commercial Customers, Rate Increase Impact, Department Stores
David W. DeRamus	FPL	DWD-19	Commercial Customers, Rate Increase Impact, Hospitals
David W. DeRamus	FPL	DWD-20	Commercial Customers, Rate Increase Impact, Supermarkets
Joseph A. Ender	FPL	JAE-7	Impact of MDS Methodology on Rate Class Revenue Requirements
Joseph A. Ender	FPL	JAE-8	Allocation of 2013 Projected Production and Transmission Plant in Service Using Summer CP and 12 CP and 1/13 <sup>th</sup> Methodologies
Joseph A. Ender	FPL	JAE-9	Impact of Summer CP Production Methodology on Rate Class Revenue Requirements
Joseph A. Ender	FPL	JAE-10	Impact of Alternative Summer CP and 25% AD Versus FPL's Proposed 12 CP and 1/13 <sup>th</sup> for Production Plant
Joseph A. Ender	FPL	JAE-11	Impact of Summer CP Transmission Methodology on Rate Class Revenue Requirements
Joseph A. Ender	FPL	JAE-12	Impact of Summer CP and MDS Methodologies on Rate Class Revenue Requirements
Joseph A. Ender	FPL	JAE-13	Analysis of Production O&M Expense Classification to Demand and Energy
Joseph A. Ender	FPL	JAE-14	Impact of Corrected Production O&M Expense Classification on Rate Classes

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Joseph A. Ender	FPL	JAE-15	Summary of Distribution Cost Allocation to Primary and Secondary Voltage Customers
John J. Reed	FPL	JJR-13	Operational Metrics through 2011
Kathleen Slattery	FPL	KS-9	FPL Budget vs. Actual - Gross Base Payroll and Overtime (\$000s) - 2002 to 2011
George K. Hardy	FPL	GKH-3	Hardening Plan O&M Expenses / Miles
George K. Hardy	FPL	GKH-4	PIP Costs - Actual vs. Budget
Kim Ousdahl	FPL	KO-14	Summary of ARO – Rate Base
Kim Ousdahl	FPL	KO-15	Responses to Discovery Served by Intervenors
Kim Ousdahl	FPL	KO-16	Summary of 2013 Test Year Identified Adjustments
Kim Ousdahl	FPL	KO-17	Affiliates - Sole Source Arrangements
Kim Ousdahl	FPL	KO-18	Cost of Removal Adjustments
Kim Ousdahl	FPL	KO-19	Identified Adjustments - DOE & AMI
Kim Ousdahl	FPL	KO-20	Summary of Customer Deposit Interest Change for the 2013 Test Year
Manuel B. Miranda	FPL	MM-3	Aerial Photo of Manatee Ringling
Manuel B. Miranda	FPL	MM-4	Aerial Photo of Arch Creek
Moray P. Dewhurst	FPL	MD-3	Regional Comparison: ROE and Key Customer Metrics
Moray P. Dewhurst	FPL	MD-4	Corrected DJL-3

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Moray P. Dewhurst	FPL	MD-5	S&P's PPA Guidance
Moray P. Dewhurst	FPL	MD-6	Effect of OPC's Recommendations on S&P Metrics
Moray P. Dewhurst	FPL	MD-7	Effect of OPC's Recommendations on Moody's Credit Rating Triggers
Moray P. Dewhurst	FPL	MD-8	FPL ROE 1999-2012
Moray P. Dewhurst	FPL	MD-9	Climatological Probability – Southeastern U.S.
Moray P. Dewhurst	FPL	MD-10	Business Risk Comparison – Florida IOUs
Renaë B. Deaton	FPL	RBD-9	Impact of Changes to Rate Increase Limitations
Renaë B. Deaton	FPL	RBD-10	Comparison of Net Impact of Cape Canaveral Recovery through Energy vs. Demand Charges
Renaë B. Deaton	FPL	RBD-11	Changes to Cape Canaveral Rates due to Revised Allocation Factors
Rene Silva	FPL	RS-1	Location of McDaniel and Fort Drum Sites
Rosemary Morley	FPL	RM-3	Comparison of Rolling 10 and 20 Year Average Annual Cooling Degree Hours (2000 - 2011)
Rosemary Morley	FPL	RM-4	Annual Cooling Degree Hours (1992 - 2011)
Terry Deason	FPL	TD-1	Biographical Information for Terry Deason
Tom J. Flaherty	FPL	TJF-1	Prior Regulatory Experience

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

<u>Witness</u>	<u>Proffered By</u>	<u>Description</u>
William E. Avera	FPL                      WEA-32	Flotation Cost Adjustment

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X.     PROPOSED STIPULATIONS

No issues have been stipulated at this time.

XI.    PENDING MOTIONS

The following Motions are pending:

1. On July 24, 2012, SFHHA filed a Motion to Compel FPL to Respond to Certain Requests to Produce Documents ("Motion to Compel"). FPL responded to the Motion to Compel on July 31, 2012. On August 1, 2012, SFHHA filed a Supplement to the Motion to Compel. On August 2, 2012, FPL filed a Motion to Strike SFHHA's Supplement to the Motion to Compel. As of the date of this filing, the Commission has not yet issued a ruling on the Motion to Compel, Supplement to the Motion to Compel, or Motion to Strike.

XII.   PENDING CONFIDENTIALITY MATTERS

The following Requests for Confidential Classification 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.
23. FPL's Notice of Intent to Request Confidential Classification, filed on July 26, 2012.

### XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position on each issue, generally limited to no more than 75 words, set off with asterisks, shall be included in that statement. However, each party will be allowed to select up to seven issues for which the summary of each position shall be expanded to no more than 180 words, set off with asterisks. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 75 words for general issues and 180 words for the seven selected issues, it must be reduced to no more than 75 and 180 words respectively. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding. Also, failure of a party to adhere to the word limitation will result in elimination of all words after the first 75 or 180, as applicable. Moreover, if a party uses the 180 word limitation on more than seven selected issues, it will result in the Commission accepting the first seven position statements and a reduction of the words to 75 words for any remaining position statements beyond the first seven selected issues.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief shall together total no more than 150 pages and shall be filed at the same time.

Given the number of parties and the difficulty and expense of providing paper copies, the parties have requested, as an exception to the Commission's document e-filing requirements, permission to electronically file their post hearing briefs. I believe that, under the circumstances

of this docket, such an exception is warranted, and therefore, the parties' request for permission to e-file post-hearing briefs is granted.

In granting this exemption from the Commission's e-filing requirements, however, I specifically wish to caution the parties on a number of items. First, for compatibility among multiple computer systems, the parties are strongly encouraged to submit their post-hearing briefs as .PDF (Adobe Acrobat format) files. Second, due to variations in electronic formats, the file size of a 150 page document may vary considerably. Accordingly, a party's post-hearing brief may exceed the size limitations of the Commission's e-filing system. As stated by Rule 28-106.104(7)(b), F.A.C.: "[a] party who elects to file any document by electronic mail shall be responsible for any delay, disruption, or interruption of the signals and accepts the full risk that the document may not be properly filed with the agency clerk as a result." For electronic transmissions received, the Office of Commission Clerk will review each e-filing and contact the parties if the document is rejected or otherwise unacceptable, giving the reason for non-acceptance along with suggestions on how to re-submit the document for a successful e-filing experience.

#### XIV. RULINGS

Opening statements, if any, shall be limited to 20 minutes for FPL. Additionally, opening statements, if any, shall not exceed 10 minutes for OPC, and 5 minutes each for all other intervenors. There shall be no sharing of time.

Pursuant to Section VI(B) of the Order Establishing Procedure (Attendance at Prehearing Conference), Intervenor Glen Gibellina is dismissed from this proceeding for failure to appear at the Prehearing Conference.

Mr. Nelson's motion for declaratory relief is moot for the reasons stated at the Prehearing Conference.

FEA's unopposed motion for leave to consider its late-filed prehearing statement due to poor weather and driving conditions is granted.

SFHHA's unopposed motion to suspend its motion to compel due to the fact that the parties are trying to resolve this dispute themselves is granted.

Pursuant to Rule 28-106.211, F.A.C., as Prehearing Officer in this proceeding, I am charged with the duties of issuing orders necessary to effectuate discovery, prevent delay, and to promote the just, speedy, and inexpensive determination of all aspects of this case. Part of my duties in this proceeding is the determination of issues. Thus, I want the parties to be informed that issues already resolved in Order No. PSC-08-0591-FOF-EI, Petition for determination of need for conversion of Cape Canaveral Plant in Brevard County, regarding FPL, are not appropriate issues to be raised in this docket. Likewise, any cross-examination questions pertaining to these issues are also inappropriate.



Similarly, by Order No. PSC-09-0855-FOF-EG, issued December 30, 2009, the Commission established annual numeric goals for summer peak demand, winter peak demand, and annual energy consumption for FPL for the period 2010 through 2019. On March 30, 2010, FPL filed a petition requesting approval of its DSM plan pursuant to Rule 25-17.0021, F.A.C. On August 16, 2011, in Docket No. 100155-EG, the Commission issued Order No. PSC-11-0346-PAA-EG. In the Order, the Commission modified the DSM plan of FPL, such that the modified plan would consist of those existing programs in effect as of the date of the Order. The Commission reviews, and approves for recovery, prudently incurred conservation expenses in the annual Conservation Cost Recovery Clause proceeding. Issues regarding FPL's performance in achieving its goals or implementing the Commission-ordered plan may be raised in that proceeding or in future conservation goals proceedings, and are not appropriate for consideration in a base rate proceeding. Parties shall govern themselves accordingly.

Unless otherwise agreed upon by the parties and approved by Commission, witnesses must be presented at the hearing as stated in Section VI (Order of Witnesses) of this Prehearing Order. Due to the size and complexity of this case each party will be held responsible for fully adhering to the Order of Witnesses.

It is therefore,

ORDERED by Commissioner Art Graham, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Art Graham, as Prehearing Officer, this 17th day of August, 2015.



ART GRAHAM  
Commissioner and Prehearing Officer  
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.