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In re: Petition for rate increase by Florida Power & Light Company

c. The Document is being filed on behalf of Florida Power & Light Company.

d. There are a total of 157 pages to the Post Hearing Brief (including the table of contents) and 32 pages to the Appendices.

e. The document attached for electronic filing is Florida Power & Light Company's Post Hearing Brief and Statement of Issues and Positions

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	Docket No. 120015-EI September 21, 2012

FLORIDA POWER & LIGHT COMPANY'S POST HEARING BRIEF AND STATEMENT OF ISSUES AND POSITIONS

PART ONE: FPL'S POST HEARING BRIEF

Florida Power & Light Company ("FPL" or the "Company"), the Florida Industrial Power Users Group ("FIPUG"), the South Florida Hospital and Healthcare Association ("SFHHA") and the Federal Executive Agencies ("FEA") filed a joint motion on August 15, 2012 to approve a Stipulation and Settlement that would resolve all issues in this proceeding (the "2012 Settlement Agreement"). The Commission is scheduled to consider the 2012 Settlement Agreement on September 27-28, 2012, after the deadline for filing post-hearing briefs. Because no decision will be reached on approval of the 2012 Settlement Agreement before the briefing deadline, FPL must support its litigation positions in this brief but wishes to assure the Commission that it continues to strongly support approval of the 2012 Settlement Agreement as the best and most appropriate outcome of this proceeding.

I. INTRODUCTION

In the technical hearing that was held on August 20-24 and 27-31, 2012, FPL presented the direct testimony of 15 witnesses and rebuttal testimony of 17 witnesses, as well as over 175 exhibits, all in support of its March 19, 2012 rate petition. That evidence definitively demonstrates FPL's need for a rate increase of $516.5 million in January 2013 and a step increase of $171.9 million when the Canaveral Modernization Project goes into service, which is projected to occur on June 1, 2013. This brief will summarize and explain how FPL's evidence supports its rate request.

FPL's evidence demonstrates that the Company provides extremely high quality service to its customers at a typical bill that is the lowest of Florida's 55 utilities and 24 percent below the national average. This is an extraordinary accomplishment, one which none of the intervenors has seriously disputed.

Instead, the intervenors seek the extreme – ignoring Commission precedent and policy – arguing that FPL should receive no rate increase in January 2013 and, in fact, should be penalized with a rate *decrease* at that time. They grudgingly acknowledge that a rate increase would be warranted to begin paying for FPL's investment of nearly $1 billion in the Canaveral Modernization Project when it goes into service, but even there would lop off roughly 30 percent of the needed revenues. They premise their arguments on extreme positions that ignore the realities of operating a utility that serves approximately 4.6 million customer accounts with strong reliability, excellent customer service and low rates over time; the expectations of investors who have choices about where to invest their money; and this Commission's well-established precedent. The following examples illustrate the point:

- The intervenor witnesses on FPL's cost of capital consistently argue for reducing FPL's allowed return on common equity ("ROE") to well below the current level of 10 percent, which is already the lowest in the state, the lowest in the Southeast, and one of the lowest in the country. This disparity was not disputed by the intervenors, nor was the fact that FPL was downgraded as a result of the Commission's 2010 order establishing the 10 percent ROE. Nonetheless, the intervenor witnesses implausibly argued that FPL and its customers would not be harmed if its ROE were to be reduced further. In short, there is no credible explanation for the intervenors' extreme cost of capital recommendations, other than their end-result fixation on the misleading statistic that every 100 basis points cut from the ROE reduces FPL's rate increase by about $160 million. For a company of FPL's size, it is naturally the case that changes in the cost of capital have substantial impacts on the absolute dollar amount of revenue requirements, but that provides no legitimate basis to disregard investor expectations as to FPL's true cost of capital.

- The intervenor witnesses argue for numerous adjustments to FPL's test year results that would run roughshod over established Commission precedent:
    - The intervenors recommend disallowance of the two sites that FPL has acquired for future expansion of its combined cycle generation fleet, in spite of unrefuted evidence that those sites are exceptionally if not uniquely suited for that use. The intervenors' only basis for this recommendation is the application of a rigid, simplistic criterion for inclusion in Property Held for Future Use ("PHFU") that is directly contrary to the Commission's established policy that there should be no hard and fast rule applied to the inclusion or exclusion of PHFU.
    - The intervenors argued to cut approximately $250 million of FPL's construction work in progress ("CWIP") out of rate base by applying an obscure provision of the Commission's AFUDC rule, one which has never been used by this Commission before and which one of the rule's authors testified could not be properly applied to FPL.
    - The intervenors recommended cutting more than $150 million out of working capital through the use of a lead-lag methodology that this Commission has never approved – and in spite of the fact that no party has performed a lead-lag study in this proceeding. They also recommended cutting unbilled revenues from the working capital calculation in violation of existing Commission policy, notwithstanding that FPL has exactly the same need to finance current operations during the period from when service is provided until payment is made, whether or not a bill has yet been rendered.

- The intervenors recommend switching from the Commission's long-established accrue-in-advance method for funding the nuclear maintenance reserve to a defer-and-amortize method, for no apparent reason other than to achieve a one-time accrual reduction that would coincide with the test year.

- The intervenors recommend substituting a projection of the 2013 operations and maintenance expense savings for the Smart Meter project that was made in 2008 for the current projection of those savings, in spite of acknowledging that they have no reason to dispute the accuracy of the current projection.
- The intervenors recommend disallowance of non-executive incentive compensation in spite of acknowledging that such compensation is common in the industry and that FPL's overall compensation levels are reasonable. They likewise recommend disallowing one-half of the cost of directors & officers liability insurance costs, again with no evidence that those costs are imprudent or unnecessary.

In stark contrast to the unsupported and unsupportable adjustments proposed by the intervenors, FPL has made its case for the requested rate relief with thorough, detailed evidence that follows the Commission's established ratemaking precedent. The evidence clearly demonstrates FPL's need for a rate increase of $516.5 million in January 2013 and a step increase of $171.9 million when the Canaveral Modernization Project goes into service. The evidence also clearly demonstrates that FPL consistently provides excellent, reliable quality of service, while maintaining the lowest rates in the state. The intervenors' extreme positions cannot obscure that evidence and should not distract the Commission from the need to provide FPL with the resources it needs to continue delivering superior quality service to its customers.

II. BACKGROUND AND OVERVIEW

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 historically has been facilitated by a constructive regulatory environment in Florida. FPL's financial position was weakened and its credit ratings were downgraded as a result of the last rate case and the Florida Public Service Commission's (the "FPSC" or the "Commission") 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 an ROE midpoint of 10 percent, the lowest among Florida IOUs, and the lowest authorized in Florida in 50 years. Investors saw the 2009 rate case and 2010 Pre-Settlement Order as politicized. In fact, NextEra Energy, Inc.'s market capitalization dropped 20% between the beginning of the rate case and the time the 2010 Pre-Settlement Order was issued.[1]

The intervenors' arguments that FPL performed well after the Company's last rate case are disingenuous, conveniently ignoring major intervening facts. As the basis for that position, intervenors improperly focused their cross examination on the Pre-Settlement Order, not the order approving the Settlement Agreement. FPL ameliorated the effect of the 2010 Pre-Settlement Order by entering 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 and helping to stabilize investor confidence. Tr. 1864 (Dewhurst). It did so, in effect, without the use of cash. Instead, the Settlement Agreement provided relief by

[1] An examination of NEE's stock price from March or January 2010 to July 2010, the time frame examined and other intervenors on cross examination, reveals nothing about investors' reactions to the last rate case. As explained by Mr. Dewhurst, such an examination is "completely incorrect" because share prices are inherently forward-looking. Tr. 1992-2045. Negative outlooks and downgrades did occur in January-March 2010, but by that point "the damage was done." *Id.* Thereafter, NEE's stock price began to "claw [its] way back." Tr. 1993.

according FPL the flexibility regarding its 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.[2] 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 2012, and with the significant reduction in available surplus depreciation, FPL's ability to earn a fair rate of return will also reach its end.

Accordingly, FPL instituted this proceeding requesting that the Commission approve a permanent increase in rates and charges sufficient to generate additional total annual revenues of $516.5 million to be effective January 2, 2013, and for approval of a base rate step adjustment of $171.9 million for the new, highly efficient generation facility now under construction at Cape Canaveral (the "Canaveral Modernization Project"), concurrent with its commercial in-service date, currently scheduled to be June 1, 2013 (the rate relief associated with the Canaveral Modernization Project will be referred to as the "Canaveral Step Increase").

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 low operating costs, 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 generation technologies, deploying other innovative

[2] The intervenors ignore these salient facts when they argue that FPL has performed well despite rate case decisions authorizing lower revenue requirements than requested by the Company. But, when faced with the evidence, even counsel for Florida Retail Federation ("FRF") ultimately admitted that FPL's prior rate case settlements "contained other value to FPL." Tr. 497. The 2010 Rate Settlement is not the only example. Among other things, FPL's 2005 rate settlement authorized the company to recover the revenue requirements for generation plants as they entered commercial service and ceased a decommissioning accrual. Still other examples exist.

technology solutions and a relentless focus on continuous improvement through quality tools and techniques. 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 non-fuel O&M costs for 2010 alone would have been $1.6 billion higher than actual costs, and the typical residential customer's 2010 base bill would today be 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 through 2011, savings which have been passed on to

customers through fuel adjustment factors. FPL is also proud of its industry-leading low emissions profiles, which yields environmental compliance costs savings that benefit customers.

These efficiencies and savings did not occur by accident. FPL's 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 the Company must purchase in order to provide affordable, reliable power have significantly increased over the past few years. FPL shoulders the responsibility to plan and invest on a long-term basis to ensure that the Company will cost-effectively meet the near and long-term power needs of almost half of Florida's population. 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 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 an 11 percent ROE in each of the years under the agreement. 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. 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 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 depreciation surplus 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 based on the data in FPL's as-filed MFRs; with the adjustment shown on Exhibit 399, this deficiency increases to $525.1 million. Even without the Exhibit 399 adjustments and disregarding the impact of the Canaveral Modernization Project, the resulting adjusted jurisdictional rate of return on average rate base for the Test Year is projected to be 5.50 percent, while the ROE is projected to be only

8.2 percent. FPL has requested a total revenue requirements increase of $516.5 million beginning in January 2013. Although the adjustments in Exhibit 399 indicate a higher increase would be warranted, FPL is not revising its request. FPL also requests a separate step increase for the Canaveral Modernization Project, to be effective upon the commercial in-service date of that project currently scheduled to be June 1, 2013. FPL's original request for this step increase was $173.9 million, but FPL is reducing that request to $171.9 million based on the Exhibit 399 adjustments.

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 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 through 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 commensurate with the level of risk perceived by the investment community and is reasonable

and 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 direct result of sustained effort, capital deployment, and a willingness to take prudent 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, 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, and be reinstated if and when FPL's residential bills again move to the lowest in the state over a relevant prior twelve month period.

FPL proposes to maintain its actual regulatory equity ratio of 59.6 percent based on investor sources (46.0 percent based on all sources). This capital structure has served FPL's customers well and 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 weakening the Company. FPL's proposed overall cost of capital in the Test Year is only 6.9 percent. This low cost of capital is a function of FPL's efficient capital structure and the resulting savings are passed directly on to customers and helps to maintain FPL's low typical bill level.

Canaveral Step Increase

FPL requests a Canaveral Step Increase of $171.9 million for the revenue requirements associated with the first twelve months of the unit's commercial operation, which adjustment would be effective on the commercial in-service date. The unit will begin to produce the savings in fuel costs upon its in-service date, 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.

Storm Cost Recovery

Finally, FPL requests authorization to continue recovering prudently incurred storm costs under the framework prescribed the 2010 Rate Settlement. If FPL incurs storm costs related to a named tropical storm, FPL may collect up to $4 per 1,000 kWh residential (roughly $400 million on a total company basis), beginning 60 days after filing a petition for recovery. This interim period may last up to 12 months. If 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 is 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.

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 base component of the typical residential bill is estimated to increase 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 updated fuel price projection that was provided as part of FPL witness Eric Silagy's testimony at the hearing on August 20, 2012, a concurrent reduction in fuel costs and other bill impacts would reduce the total residential bill impact in January 2013 to approximately $1.87 per month, or approximately 6 cents per day. 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.

III. LEGAL STANDARD FOR COMMISSION DECISION-MAKING

As an administrative agency, the Commission is governed by the Administrative Procedure Act, Chapter 120, Florida Statutes ("APA"). In contested proceedings, the APA provides that "[f]indings of fact shall be based upon a preponderance of the evidence . . . and shall be based exclusively on the evidence of record and on matters officially recognized." Section 120.57(1)(j), Fla. Stat. (emphasis added). The Commission is also obligated to set "fair,

just, and reasonable rates." *See* Section 366.06(1), Fla. Stat. Rates must be fair and reasonable to FPL as well as to its customers. Accordingly, the Commission must determine new just and reasonable rates if it finds that "such [current] rates are insufficient to yield reasonable compensation for the services rendered[.]" Section 366.06(2), Fla. Stat.

"Reasonable compensation" includes both the recovery of prudently incurred costs of providing service, and the opportunity to earn an appropriate ROE. The U.S. Supreme Court has determined that an appropriate ROE is one which is consistent with returns on investments that have similar risk characteristics. *Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923); *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). Additionally, the appropriate rate of return is one which will enable the Company "to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." *Bluefield*, 262 U.S. at 693. Both the U.S. Supreme Court and the Florida Supreme Court have held that setting the ROE is a utility-specific, factual determination. *Bluefield*, 262 U.S. at 692; *United Tel. Co. v. Mayo*, 345 So. 2d 648 (Fla. 1977).

IV. FPL'S QUALITY OF SERVICE AND VALUE TO CUSTOMERS

A. Quality of Service (Issue 15)

FPL's fossil fleet, transmission and distribution operations and customer service operations provide customers superior quality service. Objective performance metrics and surveys demonstrate that FPL outperforms comparable utilities both within and outside of Florida. No intervenor took positions disputing FPL's proven quality of service.

FPL's fossil fleet performance has consistently exceeded fossil industry performance averages and frequently ranked Top Decile or Best-in-Class among large electric utility fossil

fleet peers. Tr. 854 (Kennedy). Over the past decade through 2011, FPL's fossil fleet demonstrated excellent plant availability, measured in terms of the Equivalent Availability Factor ("EAF") and reliability, measured by the Equivalent Forced Outage Rate ("EFOR"). During this period, FPL averaged an EAF of more than 92 percent and an EFOR of 2 percent, compared to 87 percent and approximately 7 percent fossil industry averages. Tr. 857 (Kennedy). Far outperforming its peers, this performance has ranked TopDecile or Best-in-Class for eight of the last ten years. Tr. 865-66 (Kennedy). It is FPL's customers who have reaped the true benefits of this performance: achieving these high levels of availability and reliability has helped FPL avoid or defer the need to add additional capacity to the system. Tr. 857 (Kennedy).

FPL's fossil fleet net heat rate performance, a reflection of generating efficiency, has also been either TopDecile or Best-in-Class over the last ten years. Tr. 861-62 (Kennedy). FPL fossil fleet net heat rate has improved by almost 24 percent since 1990, and by 19 percent over the last ten years (2001-2011). Tr. 856 (Kennedy). As a result, the Company has been able to cut fuel costs by a cumulative $5.5 billion since 2001. Tr. 856 (Kennedy); Exhibit 170. Stated differently, a 19 percent heat rate improvement in FPL's fossil generating fleet with $3.5 billion in fossil fuel cost in 2011 would represent more than $650 million in fuel cost savings in 2011 alone. Tr. 856 (Kennedy). Whether fuel prices are high or low, the percentage of fuel cost savings for customers will remain the same. *Id.*

Reduced heat rates also yield environmental benefits. Since 1990, FPL has reduced its fossil CO_2 emission rate by 31 percent and its fossil SO_2 and NO_x emissions rates by 92 percent, each resulting in less greenhouse gas and other pollutant emissions. Tr. 861-62 (Kennedy); Exhibit 174. A cleaner environment benefits not only FPL customers, but all Floridians, now and for years to come.

FPL's transmission operations also exhibit superior performance. To evaluate reliability performance, FPL uses standard, comprehensive industry measures for frequency and duration of outages such as the System Average Interruption Duration Index ("SAIDI"). In a 2011 industry transmission reliability benchmarking study, FPL's SAIDI for 2010 data and for aggregate data from 2008 through 2010 was in the top 10% of survey participants. Tr. 975 (Miranda). During the five years ending 2010, Transmission had the best average Transmission SAIDI of Florida investor-owned utilities. *Id.* And the level of reliability continued to improve even further. In 2010, FPL's Transmission SAIDI was 3.99, and, in 2011 improved by 21 percent to 3.17. *Id.*

FPL's Distribution team has likewise followed suit. Over the last decade, FPL's distribution service reliability, as measured by SAIDI, ranks the best among Florida's IOUs. Tr. 918-19 (Hardy). Through the implementation of targeted initiatives over this time period, FPL also has achieved a 48 percent reduction in distribution-related logged FPSC complaints. Tr. 919 (Hardy). FPL manages to deliver this superior reliability and customer service performance while also maintaining a focus on safety. *Id.*

FPL is equally proud of its excellent level of customer service achievements. Last year, the Company was awarded the ServiceOne Award by the PA Consulting Group for the eighth consecutive year, an unprecedented achievement in the electric utility industry. Tr. 752, 806 (Santos); Exhibit 162.

This overall performance is a result of the commitment of FPL's management and employees to providing superior reliability and service at a reasonable cost. Tr. 975-76, 920.

B. Economic Impact of FPL's Rate Request (Issue 127)

Left with no basis to disagree about FPL's level of performance, intervenors resort to arguing, with no legal basis, that the Commission should consider the economic impact of the

rate increase. While intervenors assume negative impacts to customers and the economy, the evidence shows otherwise. The testimony of Dr. DeRamus proves that FPL's commercial and residential bills are moderate and will continue to be moderate with the requested increase, particularly in comparison to increases in prices for other goods and services. Tr. 4093, 4104-4107, 4109, 4112 (DeRamus). The increases are well below increases in the consumer price index ("CPI") and the rate at which retailers have increased their prices for goods and services. Tr. 4141 (DeRamus). Even with the requested increase, FPL customers will receive their electricity at rates that are substantially lower than those of customers of other electric utilities in Florida and the vast majority of United States.

The evidence not only refutes the claims of negative economic impacts, but also demonstrates the positive impacts FPL's capital investments have had and will continue to have on Florida's economy. FPL's investments in efficiency improvements have provided and will continue to provide substantial reductions in fuel costs, which represent long-term savings to customers, regardless of the future movement of fuel prices. Tr. 4123-24, 4118, 4127-28, 4142-43 (DeRamus). Dr. DeRamus specifically identified both the Canaveral Modernization Project and the CT hot gas path upgrade project as examples of efficiency improvements resulting from FPL's current base rate request, Tr. 4156, 4175-76 (DeRamus).

FPL's Advanced Meter Infrastructure (or "smart meters") is another example of a long-term investment that benefits customers. Although not yet fully deployed, smart meter technology is already providing benefits to FPL's customers. Customers with activated smart meters have access to an online energy dashboard that provides information that allows them to see how much energy they are using by the hour, day, and month. This helps customers manage their energy consumption. Tr. 750 (Santos). Smart meters also offer convenience by eliminating

the need to access customers' properties for meter readings. Remote readings, in turn, facilitate account openings and closings, substantially reduce the number of estimated and prorated bills, and assists in the identification and reduction of electricity theft. Tr. 764-65 (Santos). In addition to increased visibility and management, smart meters are projected to provide net savings of approximately $34 million in 2014 and about $42 million in 2015. Tr. 1281 (Santos).

Underlying the base rate request are positive net present value investments for customers, and a fully informed customer would want FPL to make those investments, as they result in lower long-term costs of electricity. Tr. 4123-24, 4118, 4127-28, 4142-43 (DeRamus). Since none of the intervenors has suggested that these investments and costs are unreasonable or imprudent, from a regulatory perspective, the only relevant question then becomes whether FPL has appropriately measured its costs, including its cost of capital, which is indisputably an actual cost of doing business. Tr. 1633 (Avera), 3896 (Deason).

It is disingenuous for intervenors such as Florida Retail Federation ("FRF") to be opposing a base rate increase necessitated by FPL's rising cost of materials and labor, when these intervenors themselves have increased the prices of their own goods and services far faster than FPL (Tr. 4104-05 (DeRamus); Exhibit 418), even while many of them have simultaneously earned an ROE for their shareholders more than double the amount that FPL is requesting in this proceeding, (Exhibit 200, showing Wal-Mart Stores ROE of 24.8%), and even while many retailer costs have recently declined significantly. Tr. 4150 (DeRamus).

FPL has also undertaken substantial efforts over many years to ensure that its costs are far below industry norms, as reflected in the fact that FPL's total fossil O&M costs are less than one-third of the national average (Exhibit 173), and they have declined significantly in both real (inflation-adjusted) and even nominal terms over the past 10 years. Tr. 857-58, 867-68

(Kennedy). Thus, the fact that FPL's costs to customers have increased at a rate well below the rate of inflation is not simply an artifact of natural gas prices, but rather reflects a portfolio of investments and on-going activities to improve efficiencies across a number of different dimensions, all of which have contributed to providing FPL customers with not only $1.4 billion in annual customer savings, but also the lowest bill in the state Tr. 4141-42, 4156; 4175-76; 4182 (DeRamus), but also industry-leading levels of performance, reliability, and customer service. Tr. 752-53 (Santos); Exhibits 125, 127, 130. Additionally, by investing in nuclear generation, FPL has been able to deliver more than $14 billion in *additional* fuel savings to FPL customers from January 2000 through December 2011. Tr. 1473 (Stall). This benefit is in addition to the enhanced system fuel diversity, and reduction of greenhouse gases, sulfur dioxide, nitrogen oxides and Particulate Matter emissions. Tr. 1473 (Stall). This is an excellent value proposition for FPL's customers.

This Commission's decision in this case must be based on providing for the recovery of reasonable and necessary costs, including an opportunity to earn a fair rate of return. By allowing appropriate cost recovery FPL can remain a low-cost, reliable electricity provider which will return economic benefits to Florida over the short and long run.

V. TEST PERIOD AND FORECASTING

A. Test Year and FPL's Budgeting Process (Issue 9)

FPL's use of a 2013 projected test year is appropriate. Tr. 1148-49 (Barrett). FPL is currently operating under the 2010 Rate Settlement, which expires on December 31, 2012. Tr. 1148 (Barrett). In the absence of rate relief, FPL's 2013 ROE would be 7.7 percent.

FPL developed its financial forecast for the 2013 Test Year, including O&M and capital budgets, according to FPL's rigorous, established budget and forecast process. Tr. 1145, 1149

(Barrett). FPL relies on inputs from internal and external subject matter experts and then processes the data through the Consolidated Financial Model ("CFM"), a widely used utility financial forecast model. Tr. 1151 (Barrett). The figures generated by the CFM are then scrutinized before submitting the resulting MFRs to the Commission. Tr. 1151-52 (Barrett).

In cross examination, SFHHA tried to discredit the CFM by suggesting that the information needed to test its accuracy was not made available to SFHHA through discovery. This is simply inaccurate, as FPL witness Barrett explained. In response to SFHHA's request, FPL compiled a series of flow charts that provided a roadmap of all of the major modules contained in the CFM. The roadmap showed the calculations performed and the connections between the various components. FPL offered these materials to SFHHA as a first step in helping them understand the CFM's functionality, but SFHHA never followed up. Tr. 1243 (Barrett). FPL cannot be held responsible for SFHHA's choice not to explore this option, and SFHHA offered no alternative of its own. Tr. 1239. In short, any suggestion that FPL failed to disclose information regarding the CFM is just not true.

Furthermore, as Mr. Barrett explained, it is not the model that is critical but rather the MFRs submitted by the Company. Tr. 1201-02 (Barrett). It is uncontested that the MFRs were subject to extensive review. FPL has an obligation to disclose all errors impacting revenue requirements, and the Company has done just that. Tr. 1089 (Ousdahl).

B. FPL's Load Forecast is Reasonable

1. FPL's forecasts of customers, KWH, and KW by Rate Class and Revenue Class (Issues 10, 11)

A fundamental building block of the financial forecast is FPL's energy sales revenue forecast. As the evidence demonstrates, FPL's 2013 forecast of total customers, customers by class, sales and monthly peak demands is balanced, reasonable and statistically supported. Tr.

616-19, 653, 668, 719 (Morley). The forecasts are reasonable given historical trends, and they meet the criteria the Commission has historically relied upon on in evaluating load forecasts. Tr. 617-620, 638, 653-656, 668, 669, 725 (Morley). The load forecast is based on inputs from objective third-party experts. Tr. 654 (Morley). Moreover, because it is the Company's official load forecast for all planning purposes, including generation planning, it reflects as unbiased set of assumptions. Tr. 655 (Morley). Indeed, it is the same forecast approved by this Commission in Docket No. 110309-EI. Tr. 691 (Morley).

FPL's forecast reflects the impact of the recent recession and increasing energy efficiency standards, which have depressed usage in recent years. Tr. 724, 725 (Morley); Exhibit 510 (FPL's Responses to FRF Interrogatories, Nos. 1-10). Contrary to claims made by FRF, the factors which have depressed usage in recent years are not unique to FPL and have also affected other utilities. *Id.* However, yearly weather conditions can vary across jurisdictions making year-to-year comparisons between utilities meaningless. Tr. 3477-78 (Morley). At the same time, the sales forecast shows moderate increases in usage with weather-normalized sales in 2012 and 2013 having their largest increases since 2006. Tr. 638, 655 (Morley).

FPL's method of forecasting customers and sales has a proven record of accuracy. With respect to the customer forecast, the year-to-date variance is as little as about 100 customers. Tr. 725 (Morley). FPL's forecast has also proven reliable in prior proceedings. *See* Exhibit 51, question 430 & 431. Likewise, FPL's sales forecast since September 2011 has a weather-normalized variance of only 0.5%. Tr. 725 (Morley).

2. Weather Normalization

No party disputes the use of weather normalization as a basis to forecast sales. However, SFHHA seeks to depart from this Commission's long-established practice of using 20 years of

weather data to compute normal weather, and instead proposed the use of only 10 years. SFHHA's position should be rejected. A 20-year period for determining normal weather conditions strikes the appropriate balance between reflecting a contemporary time period while still maintaining a multi-decade approach which would provide a sufficient number of years to smooth out any weather anomalies. Tr. 714, 3428-30 (Morley). Using only ten years of data would result in a volatile and unreliable definition of normal weather conditions. Tr. 3434 (Morley).

3. Inflation and Customer Growth (Issue 13)

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. Tr. 651 (Morley). FPL's inflation forecast is consistent with projections from leading experts and is below the long-term rate of inflation. Tr. 651-52 (Morley). FPL's inflation forecast indicates that the rate of inflation is not expected to rise in 2012 or 2013, but rather is supposed to be moderate. Tr. 706 (Morley). In addition, FPL projects almost 105,000 new customers and about 100,000 new service accounts from the end of 2010 through 2013. Tr. 625-26 (Morley); Exhibit 487 (MFR F-8). These forecasts are based on sound statistical methods and are reasonable given historical trends. Tr. 625, 711-12. They represent reasonable expectations regarding projected customer growth and other trend factors. Tr. 625-26 (Morley).

VI. RATE BASE (Issues 22, 23, 24, 33)

FPL's requested rate base in the amount of $21,220,083,000 for the 2013 projected test year is reasonable and appropriate. Exhibits 399 (MFR B-1, B-2), 487; App. I.[3] FPL presented

[3] Certain figures reflected in FPL's original filings were affected by the adjustments subsequently made and reflected in Exhibit 399 (FPL witness Ousdahl's Exhibit KO-16) and Exhibit 470 (FPL witness Deaton's RBD-11). The final adjusted figures are reflected herein, with original figures noted. FPL has attached as Appendices I and II a series of documents for FPL's requested January 2013 rate increase and June 2013 Canaveral Step Increase. These

reasonable projected levels of Plant in Service, capital recovery schedules for Cutler Units 5 and 6, Sanford Unit 3 and Port Everglades, fossil fuel inventories, and accumulated depreciation, which no intervenor opposed at hearing. FPL's proposed levels of Working Capital, Construction Work in Progress, Nuclear Maintenance Reserve and Property Held for Future Use are reasonable. As more fully developed below, intervenors' proposed adjustments are unsupported and in contravention of Commission precedent.

A. FPL's Proposal To Transfer WCEC-3 to Base Rates is Appropriate (Issue 16)

The parties have stipulated that the revenue requirements for WCEC-3 currently being collected through the Capacity Cost Recovery Clause should be moved from the clause and included in base rates. Exhibit 648. As part of this transfer, FPL has properly accounted for both revenues and revenue requirements. Tr. 1179-80, 1228-29 (Barrett). FPL simply is seeking approval to treat WCEC-3 like any other generating plant, as the 2010 Settlement Agreement intended. Tr. 1062, 1126 (Ousdahl). In the purest sense, FPL's request is actually a technical one, since there is no increase in the base rate request as a result of this transfer. Tr. 1062 (Barrett). In fact, for surveillance purposes, the Company has consistently recorded the cost of WCEC-3 as a base rate cost and the revenues as base revenues, since the plant commenced commercial operation. Tr. 1081 (Ousdahl). FPL collects the dollars once – either through the capacity clause as it has under the 2010 Rate Settlement or in base rates as it proposes to begin doing in 2013 – so the customer's bottom line is not impacted. Tr. 1085, 1121 (Ousdahl).

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appendices show the impact on MFR schedules A-1, B-1, C-1, C-44 and D-1a (App. I), as well as schedules CC A-1, CC A-3, CC B-1, and CC C-1 (App. II).

B. Working Capital (Issues 39, 44, 45)

FPL's projected level of Working Capital is reasonable. For the 2013 projected test year, FPL's projected level of Working Capital is $1,230,996,000. Exhibits 399, 487 (MFR B-1, B-6, page 13); App. I. These requested levels of Working Capital are appropriate and reflect adjustments for clause over-recoveries. Tr. 3646-47 (Ousdahl). By contrast, the adjustments to Working Capital recommended by the intervenors are inappropriate and should be rejected.

1. The Balance Sheet Approach is Appropriate (Issues 40,41)

The balance sheet approach utilized by FPL is the proper methodology for calculating Working Capital. Tr. 3880 (Deason). This Commission has consistently used the balance sheet approach for all of Florida's regulated electric utilities since the early 1980s. Tr. 3875 (Deason). SFHHA witness Kollen recommends that this Commission abandon its practice and adopt a lead-lag study methodology, but he offers no valid factual or legal basis for making that change. Lead-lag studies have not been used to calculate the amount of Working Capital to include in a utility's rate base since at least 1980, if ever. Tr. 3875-76 (Deason). Lead-lag studies are complicated and costly to develop, subject to varying judgments and competing opinions regarding what to include and how to measure the leads and lags. Tr. 3877 (Deason). For this reason, FERC does not require the use of leag-lag studies. Further, lead-lag studies do not facilitate a reconciliation of rate base and capital structure. *Id.*

Mr. Kollen offered no lead-lag study for the Commission to consider. Tr. 3259-60 (Kollen). In lieu of actual data, Kollen presented a proxy for what he believed a lead-lag study might yield and, on that infirm basis, proposes that the Commission set FPL's cash Working Capital component to zero. As explained by FPL witness Deason, it would be inappropriate to make an adjustment based strictly on conjecture, particularly an adjustment of the size proposed by Mr. Kollen. SFHHA provides the Commission with no verifiable facts upon which to

evaluate the proferred calculation. With no precedent or facts to support the use of a lead-lag study, SFHHA's recommendation should be rejected.

2. Other Regulatory Assets, Misc. Deferred Debits and Other Accounts Receivable (Issues 35, 36, 37)

OPC witness Schultz recommended removing FPL's Other Regulatory Assets, Misc. Deferred Debits and Other Accounts Receivable accounts from Working Capital because these accounts "do not have a title indicating that they relate[] to providing service to ratepayers." Tr. 2679 (Schultz). Mr. Schultz did not evaluate these accounts, ignored that many of the 2012 accounts upon which his adjustment relies are not included in the 2013 rate request, and admits there is no other specific reason for excluding these amounts from Working Capital. Exhibit 117, pp. 67-68. Mr. Schultz qualifies his recommendation and acknowledges that these amounts should be included if FPL provides appropriate explanations concerning these accounts. Tr. 2680 (Schultz).

The evidence demonstrates that these Working Capital accounts are utility related. Mr. Schultz's concern with the "Other Regulatory Assets" account is illogical. By definition, it is the action of the regulator that gives rise to a regulatory asset. If the asset were not utility related, it could not be recorded as a regulatory asset. Tr. 3745-46 (Ousdahl). Furthermore, FPL witness Ousdahl provided detailed descriptions, at the sub-subaccount level, explaining the nature of the Other Regulatory Asset accounts. Tr. 3746-47 (Ousdahl). Thus, as even Mr. Schultz acknowledged, the amounts included in this account should be included. Tr. 2680 (Schultz).

Mr. Schultz is equally mistaken about the Misc. Deferred Debits and Other Accounts Receivable. The Commission's Staff conducted an audit in connection with this rate case and examined Misc. Deferred Debits and Other Accounts Receivable specifically to determine if the transactions "were utility in nature." Exhibit 392 (Staff audit report at p. 3). The Audit Staff

sampled accounts with material balances, "traced items to source documents, verified [the transactions] to determine they were utility-related, and included appropriately in working capital." Staff noted no exception. *Id.* Schultz's speculation based solely on account labels is discredited by Staff's careful inspection of source documentation, and his recommendation should therefore be rejected.

3. Unbilled Revenues (Issue 38)

FPL's inclusion of unbilled revenues in its Working Capital calculation is necessary and appropriate. Tr. 3739-40 (Ousdahl); Exhibit 487 (MFR B-6, p. 9, line 13). SFHHA's recommendation to exclude unbilled revenues is unsound and contrary to Commission precedent. SFFHA witness Kollen acknowledges that unbilled revenues are "estimated revenues that will be billed for service that was provided during the month, but that were not yet billed." Tr. 3196-97 (Kollen). Having provided the service, FPL necessarily has incurred the cost of delivering the energy and must finance and earn a return on that cost, whether invoiced or not. Tr. 3740 (Ousdahl). Mr. Kollen's theory that the service is paid for "through billed revenues" (Tr. 3258) ignores the gap between the customer's consumption of the energy and the time the Company generates an invoice.

SFHHA's recommendation also disregards the Commission's long standing practice of including unbilled revenues in working capital. Docket No. 820097-EU, Order No. 11437; Docket No. 830465-EI, Order No. 13537; and Docket No. 080677-EI, Order No. PSC-10-0153-FOF-EI. In fact, in 1982 OPC advanced a similar proposal to exclude unbilled revenues, and the Commission rejected the recommendation. Tr. 3256-58 (Kollen). Mr. Kollen offered no valid reason to reconsider the Commission's prior decision.

C. Nuclear Maintenance Reserve (Issues 28, 43, 110, 111)

FPL's projected levels of 2013 nuclear outage maintenance expense and reserve in the amounts of $103,434,000 and $52,230,000, respectively, are reasonable. (Tr. 3601 (Barrett)), and FPL's use of accrue-in-advance accounting is appropriate and consistent with Commission precedent. Tr. 3771-72 (Ousdahl). SFHHA witness Kollen recommends that FPL switch to the defer-and-amortize method. Tr. 3216-3217 (Kollen). This is yet another example of Mr. Kollen criticizing the body of precedent developed by this Commission. FPL and Progress Energy Florida are the only two Florida utilities with nuclear generation assets. The Commission has approved the accrue-in-advance method for both utilities, and has specifically rejected the defer-and-amortize option. Order No. 11628 (Progress Energy); Order No. PSC-96-1421 (FPL).

Mr. Kollen recognized that the proposed conversion from the accrue-in-advance to the defer-and-amortize method would require some transition, and he recommended a 2 or 3 year amortization period. The Commission has previously addressed this subject, too. In Order No. PSC-96-1421-FOF-EI, when the Commission approved the accrue-in-advance methodology for FPL, the Commission addressed the necessary transition period and permitted FPL to amortize the under-accrued amount over a *five*-year period. In cross-examination, Mr. Kollen acknowledged that he was unaware of this precedent when he prepared his recommendation, and he was unable to point to any instance in which the PSC required the amortization of a gain or loss related to a regulatory asset over a 2 or 3 year period. Tr. 3250-51 (Kollen). Thus, if the Commission were inclined to adopt the defer-and-amortize accrual approach, it should authorize a five-year amortization period.

D. Construction Work in Progress (Issues 25, 26, 27)

FPL's projected level of CWIP in the amount of $497,141,000 for the 2013 projected test year is appropriate. Exhibits 399 and 487 (MFRs B-1 and B-2); App. I. SFHHA witness Kollen recommends that the Commission reduce the CWIP amount by modifying this Commission's criteria for CWIP allowances and moving $250 million of FPL's CWIP balances out of rate base. Kollen suggests that these amounts should instead earn a return through Allowance for Funds Used During Construction ("AFUDC"). This recommendation contravenes regulatory policy. Tr. 3856-57 (Deason).

CWIP is a necessary part of providing quality utility service. A well-managed utility that is focused on providing quality and cost effective service for the long-term benefit of customers will invest capital to construct new facilities or modernize existing ones. Tr. 3854 (Deason). Utilities should, in turn, be afforded an opportunity to realize a fair return on this investment. *Id.*

Rule 25-6.0141, F.A.C., governs the accounting treatment of CWIP and provides that a utility may earn a return on the investment in construction projects in either of two ways. First, balances in CWIP could be allowed to accrue AFUDC. Generally, to be AFUDC eligible, the construction project must be large (greater than 0.5 percent of all existing plant on the books of a utility) and have a long construction time (greater than one year). Second, a utility earns a return by including projects not eligible for AFUDC in rate base when rates are set. Tr. 3855 (Deason).

Rule 25-6.0141(g) provides an exception: the Commission, "upon its own motion, may determine that the potential impact on rates may require the exclusion of an amount of CWIP from a utility's rate base that does not qualify for AFUDC treatment per paragraph (1)(a) and to allow the utility to accrue AFUDC on that excluded amount." But this exception is not to be used casually. FPL witness Deason, who sat on the Commission when this provision was

adopted, cautions that "exercising this provision should only be done in truly extraordinary situations." Tr. 3860 (Deason).

Before this provision is used to exclude a portion of CWIP, the Commission must make a finding that the resulting impact on rates of including the CWIP would be inappropriate or unduly burdensome. Tr. 3860 (Deason). SFHHA does not attempt to make any such showing here. Mr. Kollen summarily concludes that the Commission could use this rule to reduce FPL's rate base, but does not allege, let alone prove, that approving the proposed CWIP amount would have the type of "potential impact on rates" that merits taking extraordinary measures.

Mr. Kollen's intergenerational equity argument is unpersuasive. As this Commission's Staff expressly recognized during the rule making process:

> Not all construction is solely for the benefit of future ratepayers. There are many projects which are built in order to increase the reliability of service or replace aging or obsolete equipment and facilities. In some cases, facilities in high growth areas reach capacity and must be expanded.

Commission staff's recommendation dated April 18, 1996, in Docket No. 951535-EI, Proposed Revisions to Rule 25-6.0141, F.A.C. Going further, the Commission on occasion has recognized the need to place even large, longer term construction projects in rate base in order to maintain a utility's financial integrity. Tr. 3858 (Deason). Lastly, Mr. Kollen could not possibly calculate the real impact of his proposed change on revenue requirements as the information to do so is simply not available without detailed further analysis of the size and construction duration for the projects currently included in the test year CWIP balance.

E. Property Held for Future Use (Issues 30, 31, 32)

OPC witness Ramas recommended removal of two future generating plant sites (Fort Drum and McDaniel/Hendry "McDaniel Site") from rate base, which comprise the entire investment in FPL's Plant Held For Future Use ("PHFU") – Other Production. Tr. 2765-66

(Ramas), 4196-97 (Silva). Her recommendation is based primarily on the lack of specific in-service dates for generation facilities at these sites within the next 10-year period. Tr. 2765-66, 2803 (Ramas). This arbitrary and rigid criterion is at complete odds with the Commission's rejection many years ago[4] of hard and fast rules as a basis for judging the appropriateness of including PHFU in rate base. *See, In Re: Petition of Florida Power Corporation for Permission to Increase Its Rates and Charges so as to Give the Company an Opportunity to Earn a Fair Return on the Value of Its Property Used and Useful in Serving the Public,* Docket No. 71370-EU, Order No. 5619 at p. 7 (Dec. 29, 1972). This criterion also fails to take into account the dynamic nature of the generation planning process as well as the time needed to locate, evaluate, select and acquire generation sites. Tr. 4198 (Silva). This process must occur well in advance of any specific anticipated need to build generating units at a given site. FPL's recent experience shows the entire process, from identification of a self-build alternative to placing a unit in service, requires a minimum of five years. Tr. 4200, 4202 (Silva).

Based on FPL's current projections, the need for a combined cycle natural gas plant could arise as early as 2019, which would require FPL to identify viable sites by the end of 2013 and have control of one or more of those sites by no later than 2014. Tr. 4203, 4245-46 (Silva). Due to the increasing scarcity of acceptable generation sites, it would be imprudent for FPL to wait until there is an imminent need determination, together with definitive construction and in-service dates, before identifying and procuring suitable generating sites. Tr. 4201; 4248-49 (Silva).

Ms. Ramas says that she agrees with this Commission's policy that public utilities cannot indefinitely postpone the acquisition of property necessary for future expansion and that there

[4] The need for flexibility in acquiring and holding PHFU has certainly increased in the four decades since this order, as Florida has continued to grow and the access to desirable sites for utility facilities has diminished accordingly.

could be situations in which it would be more costly if such an acquisition were delayed. Tr. 2825 (Ramas). Ms. Ramas also agrees with this Commission's policy that there should be no hard and fast rule applied to the inclusion or exclusion of PHFU but rather the Commission should look at properties on a case-by-case and project-by-project basis in the context of the potential costs increases associated with delay. Tr. 2823, 2826 (Ramas). Her professed agreement with those policies is irreconcilable, however, with her arbitrary and rigid test for removal of FPL properties from PHFU.

A case-by-case analysis of the sites Ms. Ramas recommends for removal reveals that each property meets all of the criteria required to build and operate generating plants, including but not limited to the following: relative close proximity to FPL's load concentration; very close proximity to FPL's 500 kV transmission lines; and access to significant water resources (which are very scarce). Tr. 4213 (Silva). Moreover, the owners of these sites were willing to sell them to FPL at a time when real estate prices were depressed, and it was FPL's judgment that prices for any viable plant sites would be higher in the future. Tr. 4204, 4213-14 (Silva).

In cross examination of FPL witnesses, OPC raised other apparent arguments for disallowance that were not supported by Ms. Ramas. First, they argued that the total PHFU balance included in rate base had more than tripled in the three years since the last rate case and suggested that FPL's requested PHFU balance therefore must be excessive. Tr. 4291 (Silva). Second, they intimated but never established that the purchase of one of its new power plant sites was not on arm's-length terms. Tr. 4348-49 (Silva). Both of these arguments are easily refuted.

Mr. Silva explained why FPL had to increase PHFU - Other Production in rate base. Tr. 4220-23 (Silva). Although FPL has added a significant amount of new gas-fired generation over the last sixteen years, most of it has been added at existing FPL generation sites. Tr. 4198

(Silva). The space available at existing sites for new generation has been largely exhausted. Tr. 4219-20 (Silva). Consequently, FPL has had to add new generating sites. *Id.* The two sites added were purchased after an extensive search of potential sites. Tr. 4248-49 (Silva). They are the two best sites available that will meet applicable generating site criteria. *Id.* Moreover, they have been shown to be the two most cost-effective sites available. Tr. 4204-05 (Silva). The purchase of these two sites explains most of the increase in property held for future use since FPL's last rate case. The purchases were necessary, reasonable and prudent. Tr. 4226 (Silva).

OPC's unsupported suggestion that FPL purchased a power plant site on other than arm's length terms is as unproven as it is improper. Mr. Deason, who was asked hypothetical questions that purported to lay a foundation for subsequent factual evidence of impropriety, stated he was not aware of any improper dealings or relationships. Tr. 4005-06 (Deason). Moreover, OPC never offered any evidence of the impropriety suggested in its hypotheticals. This attack by innuendo is as offensive as it is unsubstantiated.

As testified by FPL witness Deason, the Commission has previously concluded that failure to include PHFU in rate base is essentially a signal that the property should be sold, and that certainly would be a reasonable conclusion for FPL to draw from such a decision. Tr. 3870 (Deason). If these valuable properties were sold, however, it is uncertain whether they or any comparable properties would be available again to FPL at a later date. *Id.* Even if available, there is no reason to believe that FPL could buy them again at the prices it was able to pay in 2011 in a depressed real estate market. Tr. 4212 (Silva). Selling the best properties available to meet known system needs and running the risk of losing those properties or paying more for their reacquisition would hardly serve the customers' best interest. Tr. 4212 (Silva); 3870-71 (Deason). The inherent risks associated with losing these irreplaceable properties must be

weighed against the extremely low cost of retaining these sites in rate base—around 1/3 of a penny per day on a typical residential bill. Tr. 4262 (Silva).

Witness Ramas also initially recommended removal of nine transmission sites from PHFU, however, based on supplemental discovery responses provided by FPL, Ms. Ramas changed her recommendation to remove six of the previously identified properties.[5] Tr. 2753, 2809 (Ramas).

Like her recommendation on the previously discussed generation sites, Ms. Ramas's recommendation to remove the transmission sites is based primarily on an arbitrary test—whether the transmission sites fall outside the Company's 10-year planning horizon. Tr. 2768 (Ramas). This is another hard and fast rule of the type the Commission previously rejected many years ago. *See* Docket No. 71370-EU, Order No. 5619 at p. 7 (Dec. 29, 1972). Ms. Ramas admitted that she relied on no precedent from this or any other commission for her recommendation. Tr. 2832 (Ramas). Also like her generation site recommendation, Ms. Ramas's rationale for removing transmission sites fails to take into account the complex realities of electric system planning and the importance of obtaining and holding property for future transmission needs to meet growth and ensure or enhance reliability. Tr. 1373 (Miranda).

The fact is that new substations or transmission lines can take years to purchase, design and construct. This process can be lengthy, typically involving rezoning and permitting from multiple governmental entities. Tr. 1373 (Miranda). Additionally, the annual planning process is very dynamic, and by virtue of its close linkage to the load forecast, can and does result in modifications each year to the transmission expansion plans affecting associated property in-service dates. *Id.*

[5] Turkey Point-Levee, Manatee Ringling 138 kV Trm Line, Desoto-Orange River EHV R/W, Arch Creek, Harbor-Punta Gorda #2-Easements and Rima Sub and Rima-Volusia 230 kVR/W Line.

The ten-year horizon of the annual planning study is simply not an appropriate cut-off for purposes of determining what property to acquire or when to acquire it. Tr. 1374 (Miranda). Rather, the ten year horizon simply provides FPL with a view of what may be required in terms of design, new builds, or other considerations during that time frame. *Id.* In fact, by statutory design, a ten-year site plan is merely a non-binding estimate of "power-generating needs" reflecting "tentative information for planning purposes only," which "may be amended at any time ...." Section 186.801 (2), Florida Statutes (2012).

Each of the properties that Ms. Ramas recommends for removal from PHFU was identified in FPL's planning studies as necessary to meet customer growth, improve customer reliability, integrate future generation into the transmission grid, or to comply with NERC standards. Tr. 1372 (Miranda). Ms. Ramas admits that she performed no evaluation of whether the properties are necessary to meet NERC standards. Tr. 2834 (Ramas). Exclusion from rate base and subsequent sale of these properties would compromise FPL's ability to cost-effectively meet customers' long term transmission needs. Tr. 1373 (Miranda).

In short, FPL's requested level of PHFU in the amount of $230,227,000 for the 2013 projected test year (which includes the previously discussed generation and transmission sites) is appropriate, because it reflects properties that were prudently purchased and are necessary to serve customers. Tr. 1379 (Miranda); 4204 (Silva). Moreover, removing these valuable and scarce sites from rate base would be inconsistent with sound regulatory policy and prior Commission precedent. Tr. 3864 (Deason).

F. Poles and Wires (Issue 19)

FPL's requested investment in poles, wires, and transformers is appropriately included in rate base. As established previously, FPL forecasts an increase in load growth over the next several years. Tr. 625 (Morley); 988 (Miranda). Capital additions are needed to serve an

anticipated 100,000 new service accounts from the end of 2010 through the end of 2013. Tr. 935-36 (Hardy), 1145 (Barrett).

The need for these capital additions also is attributable to the regulatory commitments attendant to system growth. Tr. 990 (Miranda). By way of example, FPL's transmission operations are subject to NERC requirements to expand transmission capacity as needed to maintain reliability while accommodating system load growth. Tr. 988 (Miranda).

Thus, based on forecasted growth, FPL evaluates the need for additional distribution infrastructure (e.g., poles, services, capacitor banks, transformers, new or modified substations and additional feeders) to ensure that increased capacity requirements are met in a way that maintains reliability. Tr. 990 (Miranda).

VII. COST OF CAPITAL

FPL's requested overall rate of return ("ROR") in this case is 6.9%. App. I. (A-1). This ROR incorporates FPL's current capital structure, which has served customers well during good times and bad, a market based cost of equity of 11.25%, and a 25 basis point equity performance adder for FPL's superior service. With this ROR, FPL's customers will still have the lowest typical residential electric bill in Florida and a residential bill lower than the national average. Moreover, FPL's ROR would remain lower than the average of its peer utilities. Tr. 4743-44 (Dewhurst). In this respect, the elements of FPL's requested cost of capital represent the best of both worlds – low customer bills in the near term *and* the financial strength needed by FPL to continue to providing customers with an exceptional value proposition in the long term.

The intervenors' recommendations on capital structure and return on equity ("ROE") are extreme and unrealistic. In all instances they recommend an ROE that is even lower than the 10 precent that prompted FPL's credit rating to be downgraded, and OPC also recommends a

dramatically weakened capital structure as well. Tr. 4725 (Dewhurst). Incredibly, OPC claimed that combining its 9 percent ROE recommendation and the imposition of an artificial, more leveraged capital structure would not harm FPL's financial strength. Tr. 2865-77 (Lawton). This position is not only illogical, it was proven to be inaccurate. *See* Tr. 4739-40 (Dewhurst); Exhibits 451 and 455. The result of accepting the intervenors' recommendations would be further downgrades, higher costs of borrowing, and renewed investor concerns over the regulatory environment in Florida. Tr. 4725 (Dewhurst). The intervenors' recommendations are collectively arbitrary, illogical, and not in customers' best interests. They should be denied.

A. FPL's Risk Profile (Issues 51, 58, 59, 60)

Overall investment risk is a combination of business risk and financial risk. FPL offers the Commission a complete view of FPL's overall risk: a higher business risk, mitigated to some extent by a lower financial risk, for which investors must adequately be compensated. The intervenor witnesses, on the other hand, provide an incomplete view of FPL's overall risk. They ignore FPL's higher business risk and instead claim FPL's lower financial risk justifies a lower equity ratio and lower ROE. Their view is myopic and incomplete.

As explained by Mr. Dewhurst, a risk profile is an important consideration because "it heavily influences the degree of financial strength and flexibility that the company requires, and is therefore an important determinant of the appropriate capital structure to employ and the level of ROE required to provide adequate financial strength." Tr. 2001 (Dewhurst). FPL's witnesses have demonstrated that FPL has a higher business risk than most other electric utilities, including other investor owned electric utilities ("IOUs") in Florida. *See* Tr. 2017-20 (Dewhurst); Exhibit MD-10. Both Mr. Dewhurst and Dr. Avera addressed FPL's risk profile.

Mr. Dewhurst, FPL's Chief Financial Officer, extensively discussed FPL's high business risk and how FPL's risk profile affects investor perceptions. Tr. 1869-89 (Dewhurst). He

discussed five broad categories of risk: risks involving basic financial measures such as revenues, costs and capital expenditures (Tr. 1870-72); risk associated with infrastructure (Tr. 1872-79); risks associated with climate and weather (Tr. 1879-83); environmental risks (Tr. 1884-85); and regulatory and political risks (Tr. 1885-88). His summary assessment of FPL's risk profile bears repeating:

> FPL faces a unique mix of risk factors. Taken in aggregate, they imply that FPL's risk profile is somewhat greater than most utilities in the country. Accordingly, they suggest that FPL should maintain a stronger financial position than the typical utility, which has historically been the case. FPL's somewhat riskier investment profile should also be properly reflected in FPL's authorized ROE.

Tr. 1888-89 (Dewhurst).

Similarly, Dr. Avera addressed FPL's risks and financial requirements. Tr. 1646-55 (Avera). He began with an industry specific investor assessment of increased risk by S&P and Moody's.[6] He then elaborated on FPL's specific risks associated with a large capital investment program, potential fuel volatility, particularly for natural gas, fluctuation in purchased power requirements, uncertain load growth, environmental requirements, nuclear operations, geographical constraints on interconnections and fuel supply, exposure to tropical storms, and economic downturns. *Id.* He noted the need for continued FPL financial integrity and flexibility in light of these risks. Tr. 1647 (Avera).

Of course, broadly speaking, several of FPL's business risks are also faced by other electric utilities in the state and in the country. However, the *degree* to which FPL is exposed to many of these risks is greater, particularly when FPL's geographic position is considered. For example, FPL's exposure to storm damage (and lost revenues due to storms) is markedly greater. First, FPL cannot insure against damage from a tropical storm the way electric utilities in other

[6] Moody's conclusion was, "we also see the sector's overall business and operating risks increasing." Tr. 1647 (Avera).

parts of the country can insure against damage from other types of storms such as ice storms. Tr. 2018 (Dewhurst). Second, Florida's peninsular geographic location exposes its electrical system to a higher likelihood of adverse weather events than most other parts of the country. Tr. 1879 (Dewhurst). And within Florida, it is FPL's service area that covers much of the east and west coastlines that are highly exposed to tropical storm activity. *Id.* Third, because this area includes the southern part of Florida, statistically, FPL's service area is going to get hit before other Florida electric utilities' and it is going to take longer to get materials and assistance from outside the region. Tr. 2018 (Dewhurst). When these facts are considered, FPL's storm risk is easily distinguished from other electric utilities' storm risks, including other electric IOUs in Florida. Other risk factors, such as FPL's capital expenditure program (which is one of the largest in the nation), can similarly be distinguished from the similar types of risks faced by other electric utilities. Tr. 1872 (Dewhurst).

Because of its higher business risk, FPL maintains a higher equity ratio than most, but not all, electric utilities. Mr. Dewhurst put this in perspective with his explanation of the importance of financial strength to FPL and its customers:

> Financial strength and flexibility are essential to support capital expenditure requirements – both planned and unplanned – which are necessary to serve (and at times of emergency to restore) power to FPL's customers. FPL competes in a global market for capital and a strong balance sheet with appropriate rates of returns attract capital market investors. Customers gain the benefits of the financial strength, flexibility and optimization in the form of quick access to capital in the event of power disruptions due to tropical storms and other unfortunate occasions as are inherent in the unique geographic position of which Florida is located.
>
> Customers benefit directly from the investment FPL is able to finance to continuously improve its infrastructure. For example, transmission system investments enhance service reliability, Advanced Metering Infrastructure ("AMI") investments enhance customer control and access to information, and generating fleet

> modernization investments improve fuel efficiency, thus lowering fuel costs for customers, and environmental performance. FPL customers also benefit from quick access to capital in responding to unplanned events such as major tropical storms. As FPL has a strong financial position and can access the financial markets on reasonable terms, the costs to customers to finance system improvements and restore unplanned power outages related to unforeseen events is lower than it would be otherwise.
>
> The Commission has recognized the importance of financial strength, as noted in Commission order in the 2010 Pre-Settlement Order:
>
> > "FPL's position of financial strength has served it and its customers by holding down the Company's cost of capital." (page 19)
>
> In this way, FPL directly reduces the costs to its customers and offers a relative safe harbor with its financial strength for capital investors.

Tr. 1889-90 (Dewhurst). What Mr. Dewhurst described is a classic "win-win" circumstance for customers, which this Commission has helped create and sustain.

In contrast, the intervenors want the Commission to focus only on FPL's financial risk level and ignore that FPL has a higher business risk than most electric utilities. On cross examination, the intervenors' attorneys consistently asked questions of witnesses attempting to solicit answers that lower financial risk warrants lower cost of equity. Tr. 4838-39 (Dewhurst). But even the witnesses hired by the intervenors acknowledged that such a relationship is not that simple. For example, Dr. Woolridge added an important qualifier when he spoke about the relationship between financial risk and cost of equity, saying: "A relatively lower proportion of debt translates into a lower required return on equity, **all other things being equal**." Tr. 2320 (Woolridge) (emphasis added). In deposition Dr. Woolridge acknowledged that this statement would not be accurate without the important qualifier of "all other things being equal." Exhibit 115 (Woolridge deposition. at 39). He also admitted that one of the things that must be equal

for his statement to be accurate was business risk. *Id.* Of course, as documented by Mr. Dewhurst and reinforced by Dr. Avera, FPL's business risk is not equal to that experienced by most other electric utilities: it is significantly higher, even in comparison to the utilities in Dr. Avera's proxy groups. *See* 1666-67 (Avera) (concluding that FPL's total investment risk is similar to the proxy groups' investment risks).

Simply stated, the Commission should consider FPL's overall investment risk in evaluating the appropriateness of FPL's current equity ratio and in establishing its return on equity. As explained by the Supreme Court:

> The return to the equity owner should be commensurate with the returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure financial confidence in the financial integrity of the enterprise so as to maintain credit and attract capital.

Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 591 (1944). When the focus is placed properly on overall risk instead of just FPL's financial risk, the proper answers to the disputed cost of capital issues in this case become clear:

- FPL needs to retain its position of financial strength and its financial integrity.
- That position of financial strength has been maintained over the last three years by a Commission decision, and subsequent settlement, that allowed FPL to retain its actual capital structure. Prospectively, FPL needs to retain its financial strength by retaining its capital structure.
- That position of financial strength has been maintained over the last three years by a settlement that allowed FPL to earn a return on equity of 11 percent. Prospectively, equity investors in FPL need a similar opportunity to earn a comparable return.

- Maintaining FPL's financial strength and integrity with a return on equity of 11.5 percent (including the requested adder) and an equity ratio of 59.6 percent will still result in FPL customers paying the lowest typical residential bill in the state and bills lower than the national average.

B. Capital Structure (Issues 51, 59, 60)[7]

FPL's equity ratio should remain at current 59.6 percent level, expressed 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. 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 unwarranted in light of the fact that FPL's weighted average cost of capital, including FPL's current 59.6 percent equity ratio, would be only 6.9 percent – helping to keep typical residential customers' bills the lowest in the state.

FPL has worked to maintain consistently a strong capital structure for many years. Tr. 1897 (Dewhurst). FPL's actual equity ratio, which it asks that the Commission maintain, is 59.6 percent as a percentage of investor sources.[8] This equity ratio is well within the range of equity ratios of the firms in Dr. Avera's proxy group and in line with the lower leverage expected for the utility industry going forward. Tr. 1642 (Avera). It is also consistent with the equity ratio approved by the Commission in the 2010 Pre-Settlement Order and deemed appropriate then. *Id.* FPL's requirements for financial strength have in no way diminished in the past two or three years, and therefore there is no reason to reduce the equity ratio. (At the same time, FPL is

[7] Please see also FPL's positions at the end of this brief, and the evidence cited, on Issue 46 (appropriate amount of accumulated deferred taxes) and Issue 47 (amount and cost rate of investment tax credits).

[8] The Commission has determined that the capital structure used for ratemaking purposes should bear an appropriate relationship to the utility's actual sources of capital. *See e.g.*, Order No. 15451, Petition of Tampa Electric Company for Authority to Increase its Rates and Charges, issued Dec. 13, 1985 (p. 15).

anticipating an adequate ROE and new base rates that reflect the true cost of service, so FPL is not asking that its equity ratio be increased.) Tr. 1897-98 (Dewhurst).

No one can reasonably argue that FPL's approach to maintaining financial strength over the long term has not served customers well. FPL has been prudent in maintaining a capital structure that (i) has enabled consistent and competitive access to the capital markets in times of economic turmoil; (ii) has been able to satisfy instant liquidity needs caused by unexpected events such as major storms and significant clause underrecoveries; and (iii) has been able to competitively finance large investments to modernize and strengthen its infrastructure – all of which result in high reliability and low costs for customers. Tr. 4750-51 (Dewhurst). Mr. Dewhurst unequivocally testified that weakening FPL's capital structure would harm customers. In response to an inquiry from Commissioner Balbis, Mr. Dewhurst stated: "[I]f we weaken the capital structure, yes, it will eventually hinder our ability to continue delivering the kind of customer value proposition we do. That absolutely is my testimony." Tr. 2029 (Dewhurst).

A strong capital structure is also important from the investment community's point of view. As explained by FPL witness Dewhurst, investors recognize FPL's particular risk profile and its particular need for financial strength, and accordingly expect it to maintain a strong capital structure. Tr. 1898 (Dewhurst). FPL's risk profile was discussed at length above, and in the testimony of Mr. Dewhurst and Dr. Avera. *See, e.g.,* Tr. 1869-89 (Dewhurst). Additionally, because FPL has maintained essentially the same capital structure for many years, any change from this would likely raise questions among investors and be viewed as a negative departure from past practice. Tr. 1898-99 (Dewhurst). The intervenor witnesses failed to cast doubt on the need for FPL's equity ratio, because they compared it to irrelevant examples (any comparison to NextEra Energy Inc.'s capital structure is utterly useless, *see* Tr. 4748 (Dewhurst)) and discussed

it in isolation, without regard to the remainder of FPL's risk profile (*see* Tr. 4746-47 (Dewhurst)).[9]

Despite the importance of FPL's strong capital structure to both customers and investors, and despite the demonstrated success of FPL's approach over the last decade, OPC's witnesses recommended that the Commission test the waters of a financially weaker FPL. Witness O'Donnell recommended that the Commission "impute" an equity ratio of 50 precent for purposes of ratemaking in this docket – an arbitrary equity ratio bearing no resemblance to FPL's actual equity ratio, contrary to Commission direction. *See e.g.*, Order No. 850246-EI, *Petition of Tampa Electric Company for Authority to Increase its Rates and Charges* (determining that the capital structure used for ratemaking purposes should bear an appropriate relationship to the utility's actual sources of capital). Mr. O'Donnell implied that FPL could maintain its actual equity ratio despite such an imputation Tr. 2454 (O'Donnell). But FPL could not reasonably continue operating the Company in a manner that is contrary to the Commission's determination, nor could it reasonably consign equity investors to an after-tax return of about 3 percent.[10] Tr. 4752 (Dewhurst). Accordingly, FPL would have to issue more than $1.5 billion in long-term debt to bring its actual capital structure in line with the Commission's decision. *Id.*

FPL would therefore become far more leveraged and financially risky if Mr. O'Donnell's recommendation is accepted. *Id.* These results would likely translate into a credit rating downgrade and would certainly result in higher borrowing costs.[11] *Id.* Further, regardless of any

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[9] Even OPC's witness O'Donnell acknowledged that "prudent management practices attempt to ameliorate higher business risk with offsetting, lower financial risk" (i.e. a higher equity ratio). Tr. 2448 (O'Donnell). After this acknowledgement, however, the concept seems to have been abandoned in the remainder of his testimony.

[10] Imputing an equity ratio of 50% for rate setting purposes while maintaining an actual equity of 59.6% would have the effect of assigning a debt cost to actual equity above 50%. Such a return is 5.18% pretax (Exhibit 487 MFR D1a) and 3.18% after tax.

[11] The attorney for FIPUG attempted through the cross examination of Mr. Dewhurst and Dr. Avera to calculate and compare the cost of a credit rating downgrade to the cost of 100 basis points of ROE. He was unsuccessful. *See* Tr. 1752-59 (Avera), 1939-43 (Dewhurst); Exhibits 483, 555. As explained by Mr. Dewhurst, "there is no single value

impacts associated with the recapitalization of the Company, the reduced revenues resulting from OPC's recommendation alone would be recognized by investors and credit rating agencies, negatively affecting their opinions on the financial strength of FPL. Tr. 4752 (Dewhurst). Mr. O'Donnell's suggestion that investors and credit rating agencies would overlook these cash impacts because, as he presumes, FPL could keep its "actual" capital structure in place despite Commission direction to the contrary, demonstrates his lack of understanding of the practical consequences of his recommendation. *Id.* Whether the result of recapitalization, substantially reduced cash flows, or a punitively low ROE (as discussed below), "a downgrade would limit our financial flexibility. It would over time lead to higher costs . . . would undermine our ability to continue investing, and ultimately lead to poorer quality of service for our customers." Tr. 2053 (Dewhurst). Such an experiment – to see just how negatively investors and credit rating agencies would react and just how severely customers are impacted – is unwise and unnecessary.

In sum, the evidence overwhelmingly supports the continuance of FPL's actual, current equity ratio. Mr. O'Donnell's recommendation to impute a different equity ratio – the only intervenor recommendation to do so – is illogical and reflects a lack of understanding of the practical consequences of his recommendation. Maintaining FPL's capital structure would be consistent with years of practice and Commission precedent. *See* PSC-10-0153-FOF-EI and Order No. 15451. Moreover, FPL's unique risk profile underscores the need for the financial strength and flexibility provided by a slightly less-leveraged capital structure – a capital structure that is working well for customers.

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to that [downgrade] because that will have an impact on every subsequent debt issuance that we do, and every subsequent debt issuance will go out at a different spread, which presumably will reflect the new rating...So there's both a short-term effect and then there's a longer term effect." Tr. 1939-1940 (Dewhurst).

C. Cost of Long Term Debt (Issue 49)

The appropriate cost rate of FPL's long term debt is 5.19 percent. This is supported by FPL's MFR D-4a (Exhibit 487) and Mr. Dewhurst's rebuttal testimony, and reflects the adjustments identified in Exhibit 366. One of the projected test year debt issuances included in MFR D-4a is now historical (May 2012), and FPL was able to obtain a lower interest rate than projected. Tr. 4767 (Dewhurst). Adjusting FPL's projected long-term debt rate for this now historical issuance reduces FPL's long term debt cost from 5.26 percent to 5.19 percent. *Id.*

Only one witness took issue with FPL's proposed cost of long term debt. Witness Gorman for FEA extended the effect of FPL's May 2012 debt issuance, assumed the May issuance accurately portrays FPL's future debt interest rates, and suggested that FPL's cost of long term debt be reduced to 5.08 percent. Tr. 3300 (Gorman). However, he provided no support for this assumption. Tr. 4767 (Dewhurst).

As the prehearing order reflects, OPC "does not take issue with FPL's long-term debt cost rate of 5.18%." Order No. PSC-12-0248-PHO-EI, at 74. The change to 5.19 percent reflects the adjustments in Exhibit 399, which OPC does not dispute. With the exception of Mr. Hendricks, who supported a higher cost of long term debt, all the other intervenors – including FEA – took no position or agreed with OPC in the positions that they stated in the prehearing order. Accordingly, the Commission should approve FPL's requested long term debt rate.

D. Return on Equity (Issue 58)

Under the *Hope* and *Bluefield* standard, the Commission is required to approve a prospective return to shareholders that equals the return that shareholders could expect on other investments of equal risk. Thus, in its determination of an appropriate ROE, the Commission is required to assess FPL's equity risk through the eyes of an equity investor and consider FPL's risk profile described above. The cost associated with 100 basis points of ROE, a fact discussed

often upon cross examination of FPL's witnesses (*see, e.g.*, Tr. 4849-50), is a useless fact that is legally irrelevant. The cost of 100 basis points will vary from utility to utility based on its size. Tr. 4885-86 (Dewhurst). And regardless, the revenue requirements associated with the cost of equity do nothing to help the Commission determine the fair and reasonable return to shareholders in this proceeding.

FPL's requested ROE midpoint of 11.25 percent is supported by the testimony and exhibits of Mr. Dewhurst and Dr. Avera. Both witnesses provide a unique perspective. Mr. Dewhurst explained the investment community's reaction to the last rate case[12] that culminated in the establishment of a much lower 10% ROE and credit rating downgrades, and investors' expectations going forward, based on his personal experience. Dr. Avera provided the market-based analyses that support a reasonable range of ROEs and FPL's requested 11.25 percent midpoint.

1. Mr. Dewhurst

Mr. Dewhurst serves not only as the Executive Vice President of Finance and Chief Financial Officer of Florida Power & Light Company, but also as Vice Chairman and Chief Financial Officer at NextEra, Energy, Inc., FPL's parent holding company. Tr. 1860 (Dewhurst). Mr. Dewhurst meets frequently (two to three hundred times a year) with equity and debt investors as well as securities analysts. *Id.* He also meets at least twice annually with each of the three agencies that provide financial ratings for FPL. *Id.* Unlike any other witness offered by any other party in this case, Mr. Dewhurst has day to day, practical experience in maintaining the financial integrity of FPL and its parent, NextEra Energy, Inc. Unlike other witnesses who speak from academic or regulatory consulting perspectives, Mr. Dewhurst speaks with authority

[12] By the time the 2010 Pre-Settlement Order was issued, NextEra Energy Inc. had lost 20% of its market capitalization. Tr. 1992, 2045 (Dewhurst).

because he "understands both equity and debt investor and credit rating perceptions and concerns." Tr. 1861 (Dewhurst). This was readily apparent in his testimony before the Commission where he spoke with a precision lacking from other witnesses.

As explained by Mr. Dewhurst, it is no coincidence that FPL historically has been able to deliver both superior value to customers and adequate returns to investors. These objectives are not mutually exclusive. Tr. 4731 (Dewhurst). Moreover, and contrary to intervenors' implicit assumptions, customers' interests are *not* best served by cutting ROE to a level lower than historical lows while simultaneously arguing to weaken FPL's financial integrity – particularly in the midst of the largest capital spending wave in its history. Tr. 4732 (Dewhurst).

Mr. Dewhurst explained the import of his recommended return on equity:

> First, my recommended ROE of 11.25% is within the range supported by FPL witness Avera's analysis. Second, it will support FPL's financial position and enable FPL to continue on its present strategy and investment path, thereby supporting the maintenance of and, hopefully, long-term improvement in FPL's superior customer value proposition. In my judgment, it will be perceived by investors and rating agencies as (1) supportive of FPL's financial position; (2) appropriate given FPL's unique risk profile; and (3) offering a fair expected rate of return to equity investors. Finally, it will place FPL in a more competitive position with the average allowed ROEs of other utilities in Florida and in southeastern states with which FPL is frequently compared by investors, instead of – as is true at present – leaving FPL with the third lowest authorized midpoint in the state and among the bottom third of allowed ROEs nationally.

Tr. 1900 (Dewhurst).

2. Dr. Avera

Dr. Avera based his analysis on FPL's unique overall risk position. He performed a host of robust analyses, using four different methods and sixteen separate analyses, to develop his recommended range of 10.25-12.25 percent. His analyses were much more extensive than those

offered by any other witness. His four cost of equity methodologies included: (1) Discounted Cash Flow ("DCF"); (2) Capital Asset Pricing Model ("CAPM"); (3) Risk Premium ("RP") and (4) Expected Earnings ("EE"). His estimates for these four methodologies and the multiple underlying analyses performed were summarized on Exhibit 205.

In his DCF methodology, Dr. Avera used two proxy groups: a utility proxy group and a non-utility proxy group. In each instance Dr. Avera explained how his proxies were selected, that the proxy companies were ranked by rating agencies as having comparable risk to FPL, and that the resulting DCF analyses for these proxy groups would be appropriate estimates of FPL's cost of equity. Tr. 1661-67 (Avera). Dr. Avera's choice of utility proxy companies was not challenged; indeed, Mr. Gorman used the same utility proxy group except for dropping one company that had become involved in merger discussions. Tr. 3302 (Gorman). For both proxy groups, Dr. Avera developed DCF estimates using annual expected dividends rather than quarterly expected dividends in the dividend yield portion of the DCF formula. Tr. 1669-70 (Avera). Dr. Avera pointed out that his use of annual rather than quarterly expected dividends understated his resulting cost of equity estimate. Tr. 1670 (Avera). To develop alternative growth estimates, FPL used three different types of analysts' forecasted earnings growth rates as well as a sustainable growth approach in the growth rate portion of the DCF formula. Tr. 1670-77 (Avera). He then reviewed the resulting analyses for each of his proxy companies and removed outliers both on the low end and high end of results, consistent with FERC's approach to determining return on equity. Tr. 1677-81 (Avera).

This rigorous DCF approach yielded DCF estimates as shown below for his Utility and Non-Utility proxy groups:

DCF Alternatives	Utility Proxies	Non-Utility Proxies
Value Line	10.2%	12.3%
IBES	10.3%	11.5%
Zacks	9.6%	11.8%
Sustainable Growth	9.9%	12.2%

Dr. Avera was criticized by intervenor witnesses for using a non-utility proxy group in his DCF analysis. However, as OPC witness O'Donnell pointed out in his testimony, the standard of comparable risk as articulated by the United States Supreme Court is not limited to other utilities; it is applicable to "enterprises having corresponding risks." Tr. 2439, 2470 (O'Donnell). As Dr. Avera discussed at length, these non-utility proxies are of comparable risk to FPL. Tr. 1666-67 (Avera).

In his CAPM analyses, Dr. Avera used two different approaches. In his first approach he developed a cost of equity estimate based upon current bond yields. In his second CAPM analysis, he developed a cost of equity estimate using forecasted bond yields. He noted that the use of current bond yields rather than forecasted bond yields in the CAPM model likely understated the resulting estimate because there is a general consensus that interest rates will rise in the future. Tr. 1686 (Avera). In both approaches Dr. Avera adjusted for size of the firm, consistent with contemporary finance theory. Tr. 1684-85 (Avera). The results of Dr. Avera's CAPM estimates are shown below:

Current Yield CAPM Results	Forecasted Yield CAPM results
11.2%	11.6%

Dr. Avera is one of two witnesses who presented CAPM results that were actually employed in developing a cost of equity estimate. Dr. Woolridge's CAPM estimate of 7.7 percent was well below both Mr. Baudino's CAPM result of 8.06-8.65 percent, which Mr. Baudino did not rely upon (Tr. 2338), and Mr. Gorman's CAPM estimate of 8.32 percent, which

Mr. Gorman gave no weight to because he felt the "estimate was too low" and "he "wasn't comfortable with it" (Exhibit 119 – Gorman deposition at 52). In contrast to the other facially infirm CAPM results, Dr. Avera's CAPM cost of equity estimate was consistent with the result of other methodologies he employed.

Dr. Avera's third cost of equity methodology was a risk premium analysis, which estimates the cost of equity by determining the additional return investors require to forego the relative safety of bonds to bear the greater risk associated with investing in stock. Tr. 1692 (Avera). As with his CAPM result, Dr. Avera developed risk premium estimates based on both current bond yields and forecasted bond yields. The results of his risk premium analyses are shown below:

Current Yield Risk Premium	Projected Yield Risk Premium
9.6%	10.4%

Dr. Avera's final methodology for developing FPL's cost of equity estimate was the Expected Earnings approach. This approach is a variation of the traditional Comparable Earnings approach that has been around since the time of the *Bluefield* and *Hope* cases. Tr. 1695 (Avera). In the Comparable Earnings approach, one looks at actual earned returns on book equity for firms of comparable risk to develop cost of equity estimates. Tr. 1696 (Avera). Under the Expected Earnings Approach, one also looks to firms of comparable risk, but instead of using historic earned returns on book equity, one uses forecasted earned returns on book investment from respected investment advisory institutions. *Id.* In this instance Dr. Avera used Value Line estimates. *Id.* He then converted Value Line's year end values to average returns. Tr. 1697 (Avera). The resulting Expected Earnings estimate for FPL was 12.0%. Tr. 1698 (Avera).

FPL acknowledges that that Dr. Avera made a mistake in his rebuttal testimony, and it is important to place that mistake in context. Dr. Avera's mistake was in just one element of his

rebuttal of witnesses Baudino and Gorman. In two exhibits where he was "correcting" these witnesses' DCF analyses, he did not pick up all of the values actually set forth on the witnesses' exhibits. Dr. Avera and FPL were unaware of this mistake until it was pointed out during cross examination at the hearing. Dr. Avera was quick to not only acknowledge his mistake, but also to apologize to the Commission and offer to correct what was a single arithmetic computation. Tr. 4693-94 (Avera). However, both SFHHA and FIPUG argued that correcting this mere scrivener's error in transferring data would be surrebuttal and that they would be prejudiced by its correction (notwithstanding that SFHHA was aware of the mistake and certainly had the capability do simple math to assess whether it would have had any material impact on Dr. Avera's rebuttal conclusions). Tr. 4701-03. Whether SFHHA did the math and elected not to discuss the corrected results with Dr. Avera is not known. But both SFHHA and FIPUG stridently opposed Dr. Avera doing so, indicating they were more interested in the fact of the mistake than the actual effect of an accurate computation.

Because the Commission did not allow FPL's and Dr. Avera's corrected exhibit, the resulting values will not be discussed in brief. However, it is important to note that this error has no applicability to Dr. Avera's direct testimony and exhibits, his recommended cost of equity range, or the reasonableness of FPL's requested midpoint – all of which are summarized above. Second, this error actually affected only *two values* stated in *one line on one page* of testimony in 96 pages of Dr. Avera's rebuttal testimony. That sentence is found at page 38 of his rebuttal lines 13-16.[13] Notwithstanding SFHHA's theatrics in revealing this mistake, and without excusing the error which meets neither Dr. Avera's nor FPL's standards. Dr. Avera's

[13] There appears to be an issue with the transcription pagination of Dr. Avera's rebuttal testimony. For example, his prefiled pages 76 and 78, 79, and 80 are each numbered "0044." However, FPL believes that the correct page transcript page number is Tr. 4448. Citations herein are to Dr. Avera's prefiled page numbers.

conclusions and the substance of his analyses and recommendations in rebuttal otherwise remain unchanged.

3. Dr. Woolridge

Although his "analysis" of FPL's cost of equity suggested a range of 7.7 percent to 8.7 percent, Dr. Woolridge recommended a range of 8.5 percent to 9.0 percent. Tr. 2352 (Woolridge). According to him, 8.5% would be applicable if the Commission were to accept FPL's capital structure (as it has for decades), and his 9.0% estimate would be applicable if the Commission accepted Mr. Lawton's $3 billion adjustment to FPL's capital structure. Tr. 2353-54 (Woolridge); Tr. 2477 (O'Donnell). His recommendation was based primarily on his analysis for a group of 34 utility companies he considered to be of comparable risk to FPL. He testified that he relied primarily on his DCF analysis, although he also performed a CAPM analysis. Tr. 2352 (Woolridge).

Without even considering Dr. Avera's extensive rebuttal of Dr. Woolridge's recommendation, there are at least[14] six reasons for the commission to reject Dr. Woolridge's cost of equity recommendation for FPL:

- His recommendation is facially infirm;
- Cross examination showed a consistent downward bias;
- He repeatedly set forth straw man analyses that he did not rely upon;
- He expressed measurable disdain for both state Commissions and FERC;
- He ignored the lesson of recent history in Florida; and
- He acknowledged that investors consider authorized ROE and yet his ROE is 141 to 191 basis points below the authorized ROE for his proxy groups.

[14] It should also be remembered that Dr. Wooldridge's testimony was replete with mistakes,. Tr. 2384-89 (Woolridge). Unlike Dr. Avera, Dr. Woolridge was not apologetic. To the contrary, Dr. Woolridge acknowledged that there could be still other errors in his testimony, but, incredibly, was able to predict that those unknown errors would not change his result. Tr. 2389 (Woolridge).

The facial infirmity of Dr. Woolridge's analysis and recommendation is easily apparent. His 7.7 percent to 8.7 percent "analysis" range was based upon a CAPM result of 7.7 percent and a DCF result of 8.7 percent. Dr. Woolridge's CAPM result is obviously too low to be reasonable. Mr. Gorman, another intervenor witness, rejected a CAPM result of 8.32 percent, a mere 18 basis point below the top of Dr. Woolridge's analysis, because it was "too low" and he was uncomfortable with it. Exhibit 119 (Gorman deposition at 52). Mr. Baudino did not rely upon his own CAPM analyses result of 8.08-8.65 percent. Tr. 3024 (Baudino). However, the most telling aspect of why Dr. Woolridge's "analysis" should not be relied upon by the Commission is the obvious conclusion that he did not rely upon it himself. Tr. 2417-18. His 7.7% CAPM result is 80 to 130 basis points below his recommended cost of equity range. And more than half of his recommended ROE range (from 8.71-9.0 percent) is above even his DCF "analysis."

Cross examination revealed a consistent downward bias in Dr. Woolridge's DCF "analysis." He chose to calculate the expected dividend in the dividend yield portion of his DCF analysis by escalating the current dividend by half the projected growth rate rather than the full growth rate. Tr. 2390-91 (Woolridge). If he had used the full growth rate, his result would have been 10 basis points higher. Tr. 2391 (Woolridge). Ostensibly, he relied on his "half the growth rate" approach because that is the method followed by FERC. Tr. 2391-92 (Woolridge). However, he was quick to abandon the rest of the FERC methodology which would have further increased his recommended ROE. Tr. 2392-96 (Woolridge).[15] He also failed to include flotation costs as FERC does. Tr. 2406 (Woolridge).

[15] Unlike FERC, he did not rely exclusively on earnings growth rates, he did not rely exclusively on analysts' projected growth rates, he showed historic growth rates, and he did not remove outlying results. Tr. 2392-95.

Dr. Woolridge consistently set forth straw man discussions and analyses he did not employ. Three examples suffice. (1) He spent considerable text arguing that analysst's growth rates are upwardly biased (Tr. 2339, 2362-63; Exhibit 252), but then he used such growth rate forecasts in his own DCF analysis (Tr. 2336-42; Exhibit 248). (2) He set forth and discussed historic growth rates in his DCF analysis. Tr. 2334-35, 2340 (Woolridge); Exhibit 248, p, 3, 6). However, on cross examination Dr. Woolridge testified that he did not use historic growth rates; he just showed them. Tr. 2400-01 (Woolridge). (3) He provided eleven pages of testimony on his CAPM "analysis" (Tr. 2342-52), and then he apparently did not even use it, making a recommendation 80 to 130 basis points above his suggested result (Tr. 2352). Whether intentional or not, this consistent reference to extraneous information served to confuse rather than inform the reader.

Dr. Woolridge's disdain for regulators was also readily apparent in his testimony. He readily invoked FERC for part of his DCF methodology (Tr. 2333), but when questioned about why he did not use FERC's DCF methodology throughout, he blithely responded, "I have problems with some of the elements of the FERC model." Tr. 2392 (Woolridge). He uses FERC when it helps lower his estimate and abandons FERC when it would raise his estimate. *See* Tr. 2333, 2392-96 (Woolridge). However his most egregious denouncement of regulators is found at page 68 of his testimony there he states:

> "... utilities have been selling at market to book ratios in excess of 1.0 for many years. This indicates that the authorized rates of return have been greater than the return that investors require."

In cross examination, he testified that utility market-to book ratios have been above 1.0 for 15-20 years. Tr. 2407-08 (Woolridge). So the thrust of his opinion must be that state commissions, including this Commission, have been failing to do their job of setting authorized returns at

utilities' true cost of equity for 15-20 years (as evidenced by market-to-book ratios above 1.0 for that period of time).

Dr. Woolridge's extraordinarily low ROE recommendation coupled with his suggested reduction of FPL's equity ratio simply ignores the lesson of recent history. Just three years ago the Commission set a return on equity of 10 percent for FPL and preserved its capital structure. Order No. PSC-10-0153-FOF-EI. The response of investors and credit rating agencies was swift and significant. Two ratings agencies downgraded FPL and Value Line characterized the decision as "harsh" and "shocking." Tr. 4736 (Dewhurst). It took a settlement that supported FPL's ability to earn a return of 11 percent to assuage the market angst, and even with that settlement the downgrades have not yet been reversed. Suggesting that the Commission proceed further down that same path with a much lower ROE *and* a reduction in FPL's equity ratio simply ignores this lesson.

Finally, Dr. Woolridge acknowledged that investors consider authorized returns on equity. Tr. 2408-09 (Woolridge). Nonetheless, his ROE range is 171-271 basis points below the average authorized ROE for the group of his proxy utilities, the group he says has risk comparable to FPL. Exhibit 570; Tr. 2414. Additionally, both his recommended ROEs would be below the lowest ROE authorized in the U.S. in the last two years: Fitchburg Gas & Electric Utility, a distribution-only utility that is therefore significantly less risky, was penalized for poor performance and awarded a 9.2 percent ROE midpoint. Tr. 4754 (Dewhurst). It defies logic to suggest FPL should receive a lower ROE despite its demonstrably riskier profile and superior service. Simply stated, Dr. Woolridge's testimony is not credible.

4. Mr. Baudino

Mr. Baudino performed both a CAPM and DCF analysis, but his recommended return on equity for FPL of 9.0 percent, was based solely on his DCF analysis. Tr. 3024 (Baudino). He chose not to rely upon his CAPM results of 8.06 percent-8.65 percent. *Id.*

As with Dr. Woolridge, Mr. Baudino's DCF analysis was biased downward. He did not apply the full growth rate to the current dividend to get the expected dividend yield position of the model. Exhibit 118 (Baudino deposition at 14). When asked by Staff for any academic support for this position, Mr. Baudino could cite no support. *Id.* Mr. Baudino also failed to consider the reasonableness of the rates of return yielded by his use of underlying data; his dividend per share growth rate suggested a DCF cost of equity range of 5.04 percent to 17.81 percent; rather than eliminate outliers, he just simply averaged results. Tr. 4446 (Avera rebuttal at 36). He should have eliminated growth rates that yielded illogical results. *Id.* Moreover, Mr. Baudino's internal growth rates DCF analysis was biased downward because of computational errors and omissions. Tr. 4448 (Avera rebuttal at 38). He failed to adjust year end values to average values. Tr. 4449 (Avera rebuttal at 39). Mr. Baudino also ignored the impact of potential new issues of stock in his sustainable growth DCF analysis. Tr. 4450 (Avera rebuttal at 40). Finally, Mr. Baudino's DCF analysis failed to capture flotation costs. Exhibit 118 (Baudino deposition at 29). He acknowledged that flotation costs are expenses associated with issuing stock. *Id.* He further suggested flotation costs were already captured in the price of stock, but when pressed by Staff, he could cite no source, academic or otherwise, that supported his supposition. *Id.*

In his deposition, in response to questions by FIPUG's counsel, Mr. Baudino completely undermined his own recommendation of an FPL return on equity of 9.0 percent when he

suggested that FPL's authorized return on equity "should be in the same neighborhood" as Gulf's authorized ROE of 10.25 percent! Exhibit 118 (Baudino deposition at 44). Mr. Baudino's 9.0 percent recommended return on equity is nowhere "in the same neighborhood" as the 10.25 percent authorized for Gulf.

The most telling and obvious bias in Mr. Baudino's recommended ROE for FPL is that his recommended return of 9.0 percent is 139 basis points below the average authorized ROE for the utilities he claims have a risk similar to FPL. Exhibit 583; Tr. 3057-62. He suggested that average ROE was "stale," but then acknowledged that the Commission's setting those authorized ROEs could have reset them if necessary. Tr. 3062. Mr. Baudino's recommended ROE is no more credible than Dr. Woolridge's. It is downwardly biased and at odds with the authorized returns for the very firms he claims are of comparable risk to FPL.

5. Mr. Gorman

The cost of capital witness for the Federal Executive Agencies, Mr. Gorman had a return on equity range of 9.1 percent to 9.4 percent, with a recommendation of 9.25 percent. Tr. 3281, 3328 (Gorman). His range was based upon a risk premium result of 9.1 percent and a DCF result of 9.4 percent. *Id.* He opted not to rely on his CAPM estimate of 8.32 percent because it was too low and he was uncomfortable with it. Exhibit 119 (Gorman deposition at 52). Mr. Gorman also attempted to evaluate the impact of his client's recommendations on FPL's financial integrity ostensibly using both S&P and Moody's methodologies.

Mr. Gorman's return on equity and financial integrity testimony were extensively rebutted by Mr. Dewhurst and Dr. Avera. But even though his return on equity and financial integrity analyses were flawed there are a number of points in his testimony and others discussed

in his deposition that either directly support FPL's position of undermine the extreme positions taken by Dr. Woolridge and Mr. Baudino.

For instance, the tops of Mr. Gorman's return on equity analyses, even without any recognition for flotation costs, approached 10 percent. His constant growth DCF analysis results were 9.73 percent (average) and 10.10 percent (median), without flotation costs. Exhibit 357. His Treasury Bond risk premium analysis topped out at 9.83 percent. Tr. 3322 (Gorman). While 10 percent is still far below FPL's true cost of equity, Mr. Gorman's analyses demonstrated just how unreasonable the analyses presented by Dr. Woolridge and Mr. Baudino were.

In deposition Mr. Gorman acknowledged that changes in regulatory mechanisms that increased risk should result in an increased ROE. Exhibit 119 (Gorman deposition at 45-46). Later in that same deposition, Mr. Gorman acknowledged that he was proposing one such change and that OPC witnesses were proposing another. He acknowledged that FPL was facing the end of a settlement that had enabled it to earn a 11 percent return on equity for 2, possibly 3 years and that regulatory mechanism was being replaced by his recommendation that FPL be allowed an opportunity to earn a 9.25 percent a ROE. Exhibit 119 (Gorman deposition at 63). He also acknowledged that FPL currently had an authorized ROE that assumed its existing capital structure, and that the Commission had previously rejected an imputed capital structure that was once again being proposed by OPC. Exhibit 119 (Gorman deposition at 64). This is yet another potential regulatory change that would increase rather than decrease FPL's authorized ROE. In other words, Mr. Gorman had the right idea; he just did not implement it.

In deposition, Mr. Gorman acknowledged that flotation costs are real. Exhibit 119 (Gorman deposition at 30). He also testified that they should be treated no differently than other

costs in the cost of service. Exhibit 119 (Gorman deposition at 32). Once again, he got the concept right; he just failed to include the cost.

Mr. Gorman also acknowledged in deposition that FPL's ROE should not be set below FPL's cost of equity to mitigate a rate impact. Exhibit 119 (Gorman deposition at 56). Such a development would be inappropriate. *Id.* Unfortunately, that point seems to have been lost on a number of the intervenors.

Mr. Gorman also acknowledged in deposition that it was good to be a low cost provider of a high quality service. Exhibit 119 (Gorman deposition at 59). He went on to acknowledge that FPL was a low cost provider of a high quality service.

Finally, in deposition, Mr. Gorman set up FPL's rebuttal evidence. He testified that authorized returns on equity are "an independent body's assessment of what expert witnesses say the contemporary investor required return on equity is." Exhibit 119 (Gorman deposition at 29). He elaborated by saying, "I think there is a lot of value to those determinations." Exhibit 119 (Gorman deposition at 39). The average authorized return on equity for Mr. Gorman's, proxy group, the group he deems most comparable in risk to FPL, is 10.62 percent; Exhibit 437.

Mr. Gorman's credit metrics analyses fail to save his 9.25 percent recommended ROE, as they themselves indicate a decline in FPL's financial risk profile. Tr. 4738 (Dewhurst). Mr. Dewhurst's conclusion regarding Mr. Gorman's credit matrix analysis and recommended ROE was that, "this degradation of financial risk position, combined with his exceedingly low and punitive ROE proposal, would likely lead to a credit downgrade by the rating agencies." Tr. 4741 (Dewhurst).

6. Flotation Costs

It has been universally acknowledged in this record by every cost of capital witness who spoke to the topic that flotation costs are real; they are the costs associated with the public issuance of common stock. Most witnesses have also agreed that they are properly recovered as a cost of service. Tr. 4496-97 (Avera); Exhibit 119 (Gorman dDeposition at 30, 32); Tr. 2405-06 (Woolridge). The intervenor theories as to why flotation costs should not be reflected in FPL's cost of equity do not withstand critical scrutiny. Dr. Woolridge and Mr. Gorman testified that flotation costs were not quantified by FPL. That is inaccurate. Dr. Avera quantified them at 15 basis points on direct, and in rebuttal they were quantified on a NextEra Energy, Inc. specific basis in that same range. Tr. 4497 (Avera rebuttal at 87). Mr. Baudino said they were already reflected in the stock price, but he could point to no source to support his supposition. Exhibit 118 (Baudino deposition at 29-30). Dr. Woolridge said they should be recovered as any other operating expense, but he failed to inform the OPC witnesses addressing operating expenses that they should be included. Tr. 2405 (Woolridge).

Historically, this Commission has recognized flotation costs as a legitimate element of cost of service. *See, In re: Request for rate increase by Gulf Power Company,* Docket No. 010949-EI, Order No. PSC-02-0787-FOF-EI (June 10, 202) (providing Gulf with a 20 basis point flotation cost adjustment); *see also, In re: Request for rate increase by Tampa Electric Company,* Docket No. 080317-EI, Order No. PSC-09-0283-FOF-EI, p. 44 (April 30, 2009) (stating that the Commission has traditionally recognized a reasonable adjustment for flotation costs on the order of 25 to 50 basis points). Moreover, they have been included in the authorized return on equity as a means of their recovery. This is consistent with FERC's approach. Accordingly, flotation costs should be recognized in this case. All of the intervenor-

recommended ROEs fail to capture them and are understated for this item alone by 15 basis points.

7. ROE Conclusion

The intervenors' recommendations would not serve customers' long-term interests; would not fairly compensate FPL's investors; and would constitute poor public policy. Tr. 4730 (Dewhurst). The intervenors' ROE recommendations would weaken FPL's financial strength substantially, resulting in further degradation of credit and likely downgrades to ratings. As a result, cost of capital to FPL would increase, capital availability would decrease, and over time this would lead to reduced electric system investment and lower customer value. *Id.* Investors would earn less than what was authorized for a wires-only company penalized for poor performance if OPC's or SFHHA's recommendations are accepted, and only slightly more if FEA's 9.25 percent recommendation were adopted. *See* Tr. 4754 (Dewhurst). As a policy matter, intervenors would have this Commission establish a perverse incentive: penalize superior customer value with a low ROE. Tr. 4733 (Dewhurst).

FPL's current ROE midpoint is already the lowest in the state, the lowest in the Southeast, and one of the lowest in the country. Exhibits 212, 452. Those facts were not disputed in this proceeding, nor was the fact that FPL was downgraded as a result of the 2010 Pre-Settlement Order that established its current 10 percent ROE midpoint. Nonetheless, intervenor witnesses dubiously argued that FPL and its customers would not be harmed if its ROE were to be reduced further.

Regardless of whether the intervenors believe their recommendations actually reflect FPL's true cost of capital,[16] the practical implications of adopting their recommendations would

[16] The attorney for FIPUG attempted through cross examination to draw some conclusion or make some comparison between the ROEs discussed in this case and the return being generated by FPL's pension fund. FPL's pension

be that FPL – the utility with the best combination of low bills, high reliability, and excellent customer service – would see its authorized ROE plummet to a level well below the levels authorized for utilities who do less (in some instances, much less) for their customers. *See* Tr. 4733-34 (Dewhurst). FPL's requested ROE, on the other hand, appropriately reflects FPL's overall investment risk profile (both business risks and financial risks), and would support the financial strength needed to continue delivering superior value to customers. Accordingly, FPL's requested 11.25 percent ROE midpoint, with a 100 basis point band, should be approved.

E. Weighted Average Cost of Capital (Issues 60, 61)[17]

In sum, the continuation of FPL's current capital structure, FPL's projected cost of long-term debt, and the authorization of an 11.25 percent ROE midpoint are each fully supported by the evidence presented in this case. Both are necessary to adequately reflect FPL's unique risk profile and to maintain the financial strength and flexibility that has served FPL's customers well over an extended period of time. FPL's service is demonstrably superior, and therefore, the ROE adder requested in this case is also justified, as discussed below. Together, the elements of FPL's requested capital structure and their cost rates result in a weighted average cost of capital ("WACC") of just 6.9 percent, which is below the average WACC of FPL's peer electric utilities. Tr. 4743 (Dewhurst); Exhibit 399; App. I. Overall, this WACC would enable FPL's residential customers to maintain the lowest typical bill in the state and lower bills than the national average, while adequately compensating FPL's investors and supporting FPL's financial strength. FPL's proposed WACC, therefore, is eminently reasonable and should be approved.

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fund, with an expected return of 7.75 percent, is a "very conservative low risk" investment that contains both equity investments and debt investments. Tr. 2054 (Dewhurst). It is therefore in no way comparable to a fair return on equity, which by definition, only applies to *equity*. A better comparison to the pension fund return would be FPL's overall requested ROR, which is 7 percent. Tr. 2055 (Dewhurst).

[17] Please see also FPL's positions, and the evidence cited, on Issue 47 (amount and cost rate of investment tax credits). Issues 48 and 50 were stipulated.

VIII. ROE PERFORMANCE ADDER (Issues 5, 54)

No one has seriously contested FPL's strong performance; the intervenors simply object to recognizing it through a performance adder. Yet, one can be sure that were FPL's performance poor, these same intervenors would clamor for a penalty. But it is the Commission, not the intervenors, who set sound regulatory policy in Florida. And in the most fundamental respects, FPL's request is consistent with this policy – policy that the intervenors either ignore or ask the Commission to alter.

FPL has requested and justified a return on equity performance adder of 25 basis points in this proceeding. As set forth by Mr. Dewhurst, the purpose of the performance adder is twofold. It is recognition that FPL provides superior customer value. In addition, an adder will serve as an incentive to FPL and other Florida utilities to achieve superior customer value. Tr. 1904 (Dewhurst). The Commission should consider a variety of factors in determining whether a utility provides superior value, but chief among these are reliability of service, cost or affordability, and quality of customer service. *Id.*

Unlike other performance adders awarded by this Commission in the past, FPL has proposed an annual review of the performance adder. FPL noted that because of its superior customer value, FPL's customers enjoy the lowest typical residential bill in Florida as well as a residential bill that is 25% below the national average. Tr. 1905 (Dewhurst). FPL proposed that to be able to retain the opportunity to receive the performance adder, as warranted by a variety of factors, FPL would have to continue to have the lowest typical residential bill in Florida. Tr. 1904 (Dewhurst).

As summarized by Mr. Dewhurst, FPL's performance compares extremely well on all principal measures, both against other companies within Florida and against utilities in other states. On most measures, FPL's service reliability is top quartile or better and FPL has been

consistently commended by independent third parties for superior customer service. Tr. 1905 (Dewhurst). High performance on these measures has been sustained over a multi-year period. *Id.* FPL's low cost position is not merely an artifact of external forces. While natural gas prices can rise and fall, affecting the relative position of FPL's typical bills, FPL's investments in modern efficient generation have helped improve FPL's relative cost position across a wide range of natural gas prices, and FPL's top-decile performance in non-fuel O&M benefits customers under all market conditions. *Id.* FPL also provides the lowest fuel cost per kilowatt hour in the state. Tr. 2042 (Dewhurst). FPL's superior performance is a function of sustained effort, capital deployment, and a willingness to take risks and innovate. Tr. 1905 (Dewhurst).

Mr. Reed extensively documented how well FPL has performed in recent years relative to other utilities. His benchmarking analysis showed that the Company has outperformed similarly sized companies across an array of financial and operational metrics. Tr. 188-90 (Reed). In terms of productive efficiency – the ability to maximize output and minimize costs – FPL is one of the top performers among comparable companies. Exhibit 126. FPL has ranked in the top three of the 28 companies in the Straight Electric Group in nine of the past 10 years, from 2001 to 2010, and FPL has been the highest ranked in the Florida Utility group and the Large Utility group since 2001. *Id.* In terms of operation and maintenance expenses specifically, FPL has ranked in the top five among comparable companies and first among Florida utilities in nine of the past 10 years. *Id.* In fact, if FPL had been merely an average performer among the 28 straight electric companies, its non-fuel operation and maintenance costs charged to customers would have been approximately $1.6 billion higher than its actual costs. FPL has also consistently achieved above-average distribution performance on the frequency of interruptions. And additionally, FPL is a strong performer on customer service quality and customer

satisfaction measures. FPL's superior performance as demonstrated by these metrics is uncontested in this proceeding.

Nonetheless, the ROE performance adder was universally opposed by the intervenors, all of whom enjoy superior electric service from FPL. The three primary intervenor witnesses who were offered in opposition to an ROE performance adder were Mr. Lawton on behalf of OPC, Mr. Baudino on behalf of the SFHHA and Mr. Gorman on behalf of FEA. Before addressing their arguments in opposition, it is important to remind the Commission of the positive things they each said about FPL's performance and customer value.

Most of the witnesses offered by the intervenors in opposition to FPL's performance adder actually acknowledged FPL's superior performance. Mr. Lawton, OPC's primary witness in opposition to the equity performance adder, acknowledged that FPL was currently providing superior service. Tr. 2891 (Lawton). Mr. Baudino described FPL as: one of the cleanest utilities in the country, with the lowest residential bill in Florida and below the national average, having installed units to take advantage of low natural gas prices, having nuclear units with "very low running costs," having a good bond rating, and having "sound operations." Tr. 3000-06, 3049 (Baudino); Exhibit 118 (Baudino deposition at 63-71). He readily acknowledged that these positive attributes benefit FPL's customers, and he acknowledged that these attributes were due in some part to FPL's management. *Id.* Mr. Gorman testified that FPL was a low cost provider of high quality service. Exhibit 119 (Gorman deposition at 59). Simply stated, none of them contested the superior customer value provided by FPL.

Mr. Lawton, OPC's primary witness opposing the ROE performance adder offered three reasons the performance adder should not be approved: FPL's low rates were due, in part, to factors beyond FPL's control; (2) the adder was a change in regulatory structure, and (3) the

adder would result in rates that were not just and reasonable. On cross examination, Mr. Lawton failed to carry any of these arguments. Tr. 2882-2903 (Lawton).

As to his first argument, Mr. Lawton quickly admitted that FPL's low rates were due in part to FPL's management decisions. Tr. 2884-85 (Lawton). He also admitted that he had done no comparative study among Florida utilities of the various factors he suggested might lead to FPL having lower rates for reasons other than management performance. Tr. 2885-86 (Lawton).

As to his second argument, Mr. Lawton admitted during cross examination that he had not researched or reviewed prior Commission orders on performance adders and, maybe even more appalling, that the OPC had not provided him with any such decisions. Tr. 2899, 2900, 2904 (Lawton). He also acknowledged that the Commission has employed equity performance adders and penalties since 1968 and has on two separate occasions provided Gulf Power Company with ROE performance adders of 10 and 25 basis points. Tr. 2900-06 (Lawton). He also acknowledged that a performance penalty was upheld by the Supreme Court of Florida in a decision where the court noted, "[t]his concept of adjusting a utility's rate of return on equity based on performance of its management is by no means new to Florida or other jurisdictions." Tr. 2907 (Lawton).

Several of the Commission's observations in the 1968 Florida Power Corporation decision are particularly applicable in this case. There, the Commission stated, "one of the greatest indicators of an efficiently operated public utility is its rate structure and the pricing of its service or commodity." It also noted that, "The pricing of a utility's services or commodity is a matter of primary importance and must be given due consideration in measuring the efficiency and attainment of a utility." As to performance adders, the Commission noted, "One of the soundest methods of rewarding efficiency is by allowing a utility to earn at the top of the range

of what has been found to be in the zone of reasonableness in fixing a fair rate of return." Tr. 2900-02 (Lawton).

As to his third argument that the adder resulted in unjust rates, Mr. Lawton was forced to admit on cross examination that even with FPL's entire rate increase, including its ROE performance adder, FPL would still have the lowest typical residential bill in Florida and a bill below the national average. Tr. 2908.

Mr. Baudino's arguments against a ROE performance adder were that it (1) it was not cost based and would overcompensate investors, (2) that ratepayers should expect exemplary management, and (3) as to FPL's low rates, there are factors that have benefited low rates beyond FPL's management. Each of these arguments was easily rebutted. FPL has never argued the adder was cost-based; it is recognition of value of service, which is specifically allowed by Section 366.041(1), Florida Statutes. Maybe FPL's customers can reasonably expect exemplary service based on FPL's past performance, but the statutory standard is the provision of "reasonably sufficient, adequate and efficient service." Section 366.03, Fla. Stat. As to Mr. Baudino's last argument that FPL's low rates are due to factors beyond FPL's control such as low natural gas prices, economies of scale and depreciated nuclear units with low running costs, he admitted that (a) it was FPL's management that made the decisions to modernize its generating fleet and increase fuel efficiency that took advantage of low natural gas prices; (Exhibit 118 - Baudino deposition at 66) (b) it has been FPL's management that has "taken advantage of" FPL's economies of scale; and (c) it was FPL's management that made the decisions to install and effectively maintain its low cost nuclear units (*Id.* at 68).

Mr. Gorman's arguments against the adder were that (a) FPL's investors are already adequately awarded a fair return by his recommendation, and (b) the adder provides an incentive

to shift costs to non-residential customers. As previously pointed out, there is nothing fair to FPL's investors about Mr. Gorman's recommended 9.25% ROE for FPL. It is 157 basis points lower than the 10.6% average authorized return on equity for his proxy companies. Tr. 4437-4438 (Avera). As to the suggestion that there is an incentive to cost shift; this improperly implies that the Commission would either fail to catch or purposely establish rates based on such an unjustified shift in costs. Neither argument withstands scrutiny.

The Commission has a long history of granting ROE performance adders and establishing penalties by lowering ROE. *See, e.g.,* Order No. PSC-02-0787-FOF-EG (granting Gulf Power Company ROE adder); *see also* Order No. PSC-12-0102-FOF-WS (reducing Aqua Utilities Florida's ROE for "marginal" service). FRF witness Chriss was concerned that the Commission's decision would somehow impact the business of the other electric IOUs in Florida. Tr. 2936 (Chriss). This concern is demonstrably misplaced, as FPL's objective criterion – comparing itself to other Florida IOUs – in no way suggests that the ROE adder would apply to those other IOUs. Tr. 4771 (Dewhurst). The precedent for FPL's requested ROE adder is clear.

It is difficult to conceive that a more compelling case could be made for a performance adder than FPL has made in this case. FPL has extraordinary performance. Even the intervenor witnesses who oppose the adder acknowledge the extraordinary FPL performance and service. A value of service adder is authorized under Section 366.041(1), Florida Statutes. Performance adders have been awarded in prior decisions. The Supreme Court of Florida has acknowledged and approved this long standing Commission practice. *Gulf Power v. Wilson*, 597 So. 2d 270 (Fla. 1992). In this case, unlike earlier cases, FPL proposes an annual review of the adder rather than having an adder continue indefinitely without review. Ultimately, FPL's residential

customers are being asked to pay just over a penny a day in recognition of the superior electric service they receive. That is an extraordinary value by any measure.

IX. NET OPERATING INCOME (Issues 122, 123, 125)

FPL's projected Net Operating Income ("NOI") for the test year is $1,142,605,000. Tr. 1022 (Ousdahl); Exhibits 399, 487 (MFR C-1) and 596; App. I. This requested level of NOI is appropriate, and includes a reasonable amount of total operating expense ($3,266,322,000), gain/loss on disposal of plant ($656,000), depreciation fossil dismantlement ($793,186,000). Exhibits 399, 487 (MFRs C-1, C-2, C-4, C-19), 596; App. I. FPL made the appropriate test year adjustment to remove revenues and expenses recoverable through the Fuel, Capacity, Environmental and Energy Conservation recovery clauses.

A. Incremental Security Costs (Issues 67, 68)

No adjustment should be made to the manner in which FPL currently recover incremental security costs. Pursuant to this Commission's Order No. PSC-03-1461-FOF-EI, issued December 22, 2003 in Docket No. 030001-EI, FPL recovers its incremental security costs through the Capacity Cost Recovery Clause. The Commission deemed clause recovery appropriate because of the volatile nature of these costs. FPL continues to see volatility in the costs to comply with increasing security requirements following 9/11, such as the NERC cyber security requirements that place significant financial pressure on FPL's transmission operations. Tr. 1003 (Miranda), 1130 (Ousdahl); Exhibit 41 (FPL's answers to Staff's Fourth Set of Interrogatories Nos. 117 and 118).

The Commission should also approve FPL's adjustment to transfer incremental security payroll loadings from base rates to the Capacity Cost Recovery Clause. As a matter of proper accounting, all payroll related costs should post consistently with the direct payroll dollars to

which they relate. Tr. 1028, 1058 (Ousdahl). No intervenor presented any evidence to dispute this basic principle.

B. FPL's Projected Level of 2013 Revenues is Reasonable (Issues 62, 64, 65 104, 126)

FPL's projected level of 2013 Total Operating Revenues in the amount of $4,408,927,000 is reasonable. Exhibits 399, 487 (MFR C-1); App. I. This includes a reasonable projection of Other Operating Revenues in the amount of $140,639,000. Exhibits 399, 487 (MFR C-1 and C-4); App. I. As explained by FPL witness Kennedy, FPL has maximized the sources of revenue projected to be reasonably available to it during 2013, including coal by-product revenues from gypsum and fly ash. Tr. 1291-93 (Kennedy). Algenol, through its witness Paul Woods, was the only intervenor that claimed additional revenues were available through the sale of CO_2 to Algenol's biofuels company. However, Algenol has since withdrawn Mr. Woods's testimony. No other party challenged FPL's position.

C. FPL's Projected Level of 2012 O&M Expenses is Reasonable (Issue 114)

FPL's requested level of O&M Expense in the amount of $1,545,812,000 is reasonable and appropriate. Exhibit 399, 487 (MFR C-1); App. I. This includes, as demonstrated below, reasonable amounts of taxes, distribution and transmission O&M expenses, production plant O&M, and depreciation.

1. Taxes (Issues 119, 120, 121)

FPL's requested level of 2013 taxes other than income in the amount of $371,694,000 is reasonable and appropriate. Exhibits 399, 487 (MFR C-1), App. I. OPC witness Schultz's recommended adjustment for payroll tax expense should be rejected for the reasons stated in Section D below. FPL's 2013 projection of income tax expense in the amount of $516,196,000 is also reasonable. Exhibits 399, 487 (MFR C-1, line 20), 596; App. I. FPL calculates its

income tax expense on a standalone basis and its customers do not share in any risks related to affiliates nor should they receive any benefits. Therefore, no adjustment is necessary to FPL's state income taxes or rate base to recognize any benefits that might result from an affiliate's ability to elect to apportion adjusted Federal income tax under Section 220.153, Florida Statutes. Tr. 1080 (Ousdahl)

2. Distribution and Transmission O&M Expenses (Issues 87, 88, 90, 91)

FPL's 2013 Distribution O&M expense of $286,058,000 is appropriate and reasonable, as it falls under the Commission O&M benchmark, and all 19 Distribution O&M accounts remain under the Commission's established thresholds.[18] Exhibits 487 (MFRs C-8, C-41) and 597. This amount includes a reasonable amount of tree trimming and pole inspection expenses. FPL's projected level of 2013 vegetation management expense is $68,655,000. Tr. 1335 (Hardy); Exhibits 43, 76, 92. SFHHA's suggestions that the need to trim additional miles in 2013 is due to gaps in prior years and that the increase in 2013 tree trimming expenses is primarily driven by the Manasota geographic area are inaccurate. As explained by Witness Hardy, the increase in miles in 2013 results from the schedule that establishes when vegetation is due to be cut and the 2013 increase in expenses is due to three primary factors: (i) increased contractor rates; (ii) the geographic location of the lateral lines to be trimmed; and (iii) the need to trim 500 additional feeder miles in order to comply with the Commission-approved 3-year trim cycle. Tr. 1319, 1335, 1337-38 (Hardy). OPC's proposed budget-to-actual performance adjustment is inappropriate as it fails to: consider significant contractor rate concessions obtained after budgets were approved; utilize a more current 5-year actual-to-budget period; and recognize FPL's excellent actual-to-budget performance in 1998-2007 and 2011. Tr. 1324, 1326 (Hardy).

[18] The reconciliation between this figure (including sub-components) and MFR C-41 is detailed in Exhibit 597 and was explained by FPL Witness Ousdahl. *See* Tr. 3839-42 (Ousdahl).

FPL's pole inspection expense of $14,015,000 is also reasonable and appropriate. Exhibit 414. OPC witness Schultz recommends reducing this amount by $2,733,000 on the ground that FPL has under-spent its pole inspection budget in prior years. However, Mr. Schultz fails to recognize that FPL usually exceeded the capital component of the pole inspection program and, on a combined basis, FPL is in line with the budgeted amount. Tr. 1325-26 (Hardy). As an additional indication of the reasonableness, FPL's projected Test Year pole inspection expense is lower than actual 2011 and projected 2012 pole inspection expenses. Tr. 1326 (Hardy); Exhibit 414.

FPL's 2013 transmission O&M expense in the amount of $55,677,000 is also appropriate. Indeed, as the true touchstone of reasonableness, the 2013 transmission O&M expense projection falls below the Commission benchmark. FPL reached this result by aggressively managing its operating costs. Tr. 986 (Miranda).

3. Production Plant O&M Expense (Issue 89)

FPL's production plant O&M expense of $663,393,000[19] is reasonable and appropriate. The nuclear portion of FPL's O&M request ($410,557,000) is also reasonable and 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. Tr. 1489-90 (Stall). FPL's nuclear O&M expense falls within the Commission benchmark adjusted for inflation. Tr. 1483 (Stall). By focusing efforts on retaining its workforce and avoiding turnover, and leveraging its fleet to command more favorable contractual arrangements, FPL's nuclear operations reduced its O&M expenses by $20 million compared to the 2010 rate decision adjusted for inflation. *Id.*

[19] The reconciliation between this figure (including sub-components) and MFR C-41 is detailed in Exhibit 597 and was explained by FPL Witness Ousdahl. *See* Tr. 3839-42 (Ousdahl).

FPL's non-nuclear O&M expense in the amount of $252,836,000 is reasonable and is driven primarily by the doubling of FPL's fossil fleet capacity and the transformation to cleaner technology, including more than 2,400 MW of new, highly efficient combined cycle capacity since 2010. Tr. 854-55, 858 (Kennedy). This larger fleet is subject to planned maintenance overhauls, which are reflected in the test year figures. Tr. 858-59, 1287 (Kennedy).

OPC does not challenge the reasonableness of FPL's 2013 non-nuclear O&M overhaul forecast and admits it has no reason to expect FPL will not incur the projected expenses (Tr. 2835-36 (Ramas)), yet it proposes to disregard the test year expenses and resort instead to "normalized" overhaul costs, based on the costs FPL incurred and estimated for the period from 2010 through 2012. OPC's recommendation is inappropriate. The 2013 Test Year is representative of the overhaul expenses that are projected to incur in that year. Tr. 3598 (Barrett). Overhaul expense budgets must be based on the level and type of work that is due for the specific projected period based on a combination of factors such as the condition assessment of the units and manufacturer recommendations to help maximize the life of the equipment, maintain the reliability of the units and minimize operational impacts to FPL customers. Tr. 1288 (Kennedy).

OPC witness Ramas takes none of this into consideration. She ignores both the growth of FPL's fossil fleet and its phased evolution from mainly conventional steam to CT technology. Tr. 1287-1288 (Kennedy). This transformation necessarily means that the timing and scope of historical maintenance cycles are not representative of current or future maintenance cycles. *Id.* Ms. Ramas reaches her conclusion based only a mathematical average of irrelevant numbers that disregard reality, and she ignores the best-in-class operations management that has produced substantial customer savings. Her recommendation must be rejected.

The same rationale dictates that the Commission should also reject SFHHA witness Kollen's attempts to reduce FPL's revenue requirements by $37.4 million by applying the "normalization" approach to FPL's nuclear maintenance reserve. Like Ms. Ramas, Mr. Kollen simply computes an average of the nuclear maintenance accruals for 2010 thorough 2012, failing to even include the 2013 Test Year in the average, without regard for the specific outage work to take place in the 2013 Test Year and subsequent year outages that are being reserved for 2013. Tr. 3601 (Barrett). The accrue-in-advance methodology approved by this Commission looks *forward* not backward to determine the appropriate accrual amount. Tr. 3601 (Barrett).

4. Smart Meters (Issues 34, 112, 113)

FPL has included a reasonable and appropriate amount of savings and expenses associated with the smart meters in the Test Year. The projected 2013 smart meter O&M savings are approximately $17 million and expenses are about $20.7 million. Exhibit 173. FPL should be – and is – accountable for savings associated with smart meters. Tr. 3623 (Barrett). FPL's success should be evaluated in the context of the program in its entirety, however. Id. Savings projected when the program was in its initial stages will still be realized, though adjustments to the scheduled rollout of certain processes will impact the timing of those savings. Tr. 1257 (Santos). The Company has reported on its progress annually, and it will continue to do so. Tr. 3622-23 (Barrett).

The recommendations of OPC witness Ramas and SFHHA Witness Kollen suggesting that FPL's 2013 NOI should reflect the savings and expense levels projected for 2013 in FPL's 2009 rate case violates one of the most basic tenets of ratemaking: the test year should be based on the most current, accurate data possible and be reflective of costs on a going forward basis. Tr. 3897 (Deason). It is elementary that forecasts prepared closer to the projected period are

inherently more precise, and that principle is supported by the facts. Tr. 3596 (Barrett). In 2009, FPL prepared a forecast for 2010 that reflected $400,000 in smart meter O&M savings, and that amount was realized in 2010. Tr. 1259 (Santos), 3624 (Barrett).

It is undisputed that the level of smart meter O&M savings and expenses reflected in FPL's 2013 forecast are based on current information available at the time the forecast was developed. Tr. 1258 (Santos), 3597 (Barrett). Neither Ms. Ramas nor Mr. Kollen suggests that FPL's smart meter O&M budget contained any errors. Tr. 2843 (Ramas). Nor do they claim that FPL will not spend the 2013 budgeted amount. Tr. 2843-44 (Ramas). In fact, Ms. Ramas admitted that the Company performed a detailed analysis of the costs associated with the smart meter project and affirmatively acknowledged that she took no issue with the accuracy of FPL's projection. Tr. 2843-44 (Ramas). Ms. Ramas further agreed that, as a general matter, she does not recommend the use of stale forecasts for rate-setting purposes. Tr. 2845-46 (Ramas).

The intervenors' attempt to drag amounts into (or out of) the Test Year arbitrarily is effectively a repackaged version of an argument that was specifically rejected by the Commission in FPL's last rate case. In 2009, SFHHA witness Kollen recommended that the Commission impute a higher level of savings from the smart meter program into the 2010 test year that was used in that case, based on FPL's projection that the savings would increase in the years following 2010. The Commission declined SFHHA's invitation to break from well-established regulatory principles:

> . . . SFHHA's arguments are unfounded. While we agree the savings are not in the test year, it would be inappropriate to move costs or savings from outside of the test year into the test year.

Order No. PSC-10-0153-FOF-EI, at page 96.

While capital costs and savings should be matched whenever possible, major deployments, such as the smart meter project, may confront economic, technological, or

operational challenges that result in schedule changes. The gravamen of the Commission's evaluation lies in whether those changes were prudently managed by the company to minimize increases and maximize savings to the extent reasonably within management's control to do so. Tr. 3898 (Deason). Here, FPL witness Santos explained that, as the smart meter progressed, the Company identified additional costs necessary to ensure a smooth transition, such as additional staffing for deployment and customer inquiries, operations support to monitor network communication and ensure accurate billing, and an analytical tool that improves the identification of electricity theft. Tr. 1258-59 (Santos). No intervenor witness challenged the prudence of FPL's 2013 smart meter investment, and, when asked, OPC witness admitted there was no such imprudence. Tr. 2842 (Ramas). In the absence of imprudence, the Commission should include the smart meter O&M expenses and savings supported by FPL's 2013 Test Year forecast. Tr. 3898-99 (Deason).

5. Rate Case Expense (Issue 108)

With respect to FPL's rate case expense, the Company has been prudent in limiting its incremental rate case expenses, while being mindful of the need to present and fully support its case in accordance with Commission requirements. FPL originally projected $5.5 million, but has since reduced that figure by more than $1.5 million to $3.925 million. Tr. 1094 (Ousdahl); Exhibit 518. The most significant difference between the original forecast and FPL's current reduced request is the estimate for outside support. FPL was able to absorb much of that work internally, which decreased the costs. As well, FPL was able to perform certain tariff billing activities internally that would have otherwise called for higher external expenditures. Tr. 1117-18 (Ousdahl). Four years is a reasonable amortization period for the rate case expense Tr. 1024 (Ousdahl). No party opposes the time period proposed.

D. FPL's Projected Compensation Expenses and Reasonable and Necessary To Continue To Provide Excellent Service (Issues 104, 114)

FPL's total projected compensation and benefits cost is reasonable and necessary. The reasonableness is demonstrated in a number of ways, including comparison of FPL's salaries to the relevant comparative market, comparison of growth of the total costs to principal inflation indices, comparison of FPL's salary cost and productivity measures to those of other utilities, and comparison of the relative value of benefits programs to other utility and general industry companies. Tr. 1509, 1511 (Slattery); Exhibits 186-189. Compensation and benefits for employees is a necessary cost of providing safe, efficient, and reliable service to customers. As such, 100 percent of a reasonable level total of compensation and benefits costs should be included for ratemaking purposes. Costs properly allocated to affiliates or the wholesale jurisdiction have been removed and the compensation and benefit expense requested reflects only those amounts attributed to utility services.

1. FPL's Compensation Package is Competitive and not Above Market (Issue 101)

FPL designs and manages its compensation and benefits package as part of one total rewards package to keep expenses at a reasonable level. Tr. 1501-1502 (Slattery). The goal of managing these costs is to provide a market competitive employment package that is a necessary element in attracting, retaining and motivating FPL's workforce. FPL uses a variety of survey sources to conduct annual benchmarking analyses to assure that FPL's pay levels are comparable to rates paid by its competitors for employees with similar jobs and skill sets, and to assure that annual merit and variable pay increases are comparable in the market. Tr. 1509, 1512, 1565, 1605-1606 (Slattery). FPL's gross payroll remains at reasonable levels as demonstrated by a comparison to inflation indices. FPL's gross payroll increase from 2009-2013 is approximately 7.8 percent as compared to the projected CPI growth of 8.3 percent and a projected

compensation increase of 11.2 percent by the WorldatWork Index.[20] Tr. 1511 (Slattery). FPL's success in managing its compensation costs is also demonstrated by comparison to other electric utilities. FPL is one of the more efficient utilities from a total compensation standpoint on a per customer, operating revenue or operating expense basis. Tr. 1510-1511 (Slattery); Exhibit 187.

FPL has likewise managed its benefits package with an eye toward minimizing costs while at the same time providing an attractive total employment package. FPL's total benefit program is below average as compared to the relevant utility comparator group. Tr. 1515 (Slattery); Exhibits 189-191. Significantly, for the period 2009 to 2013, FPL's medical benefits costs are projected to increase only 2.2 percent, compared to 8.3 percent increase in CPI and the utility industry health care trend of 27.1 percent for that same period. Tr. 1515 (Slattery).

2. FPL's Non-Executive Performance-Based Variable Compensation is a Necessary and Reasonable Expense that Should Be Recovered (Issue 100)

Not one party or witness in the case has alleged that FPL's total compensation expense, which includes non-executive performance-based variable compensation, is unreasonable or unnecessary.[21] FPL's performance-based compensation is currently in rates and is part of a market competitive employment package without which FPL's salaried employees would be compensated more than 11 percent below market median. Tr. 3500 (Slattery). Neither FPL nor its customers can afford to pay its employees less than market pay, or valuable employees will be lost and FPL will be unable to attract new employees with the necessary skill sets. Tr. 1595 (Slattery).

[20] During the hearings, OPC asked a series of questions focused on comparing 2011 actual payroll excluding overtime to 2012 budgeted payroll excluding overtime. OPC's questioning overlooked the more relevant comparison: 2011 actual payroll expense and 2013 Test Year budgeted payroll expense. As shown on Exhibit 487 (MFR C-35), the 2011 to 2013 increase in payroll of $19.3 million is 1.9% which is well below the corresponding increase in CPI of 5%; and comparable to the projected average staffing increase of 1.8%.

[21] Significantly, OPC witness Schultz acknowledged that market comparisons of compensation can justify the total compensation amount. Tr. 2657 (Schultz).

OPC nevertheless recommends the disallowance of 50 percent of the performance based compensation.[22] Stripped of its "sharing" rhetoric, OPC's proposal is nothing more than a recommendation that the Commission penalize FPL for the structure of its compensation.[23] OPC witness Schultz makes this recommendation notwithstanding the fact that he did not know of any utility that did not have some form of incentive compensation, had "no quarrel with FPL's total reward approach," did not criticize FPL employee pay levels or the performance-based compensation plan design, and had done no analyses of the employment market to determine what amount of compensation was necessary to attract and retain FPL's workforce. Tr. 2706, 2707, 2709 (Schultz). Indeed, OPC does not recommend the performance-based compensation be eliminated, it simply does not want the full amount to be recovered in rates. Tr. 2657 (Schultz). This would result in a de facto reduction to FPL's allowed return on equity.

The record is replete with factual evidence demonstrating why OPC's recommendation to disallow 50 percent of performance based pay should be rejected:

- FPL's market based plans rely on customer-focused operating performance goals to determine employee payouts, such as customer satisfaction, survey ratings, generation availability, service reliability, safety, environmental compliance, and O&M budget and capital budget targets;
- None of the goals are tied to financial performance of FPL or NextEra;
- The analysis should focus on how much is paid, not how it is paid, and no witness has presented evidence that FPL's employees' compensation is excessive or unreasonable; and
- Eliminating or reducing the plans would negatively impact the competitive position of the company's total rewards package and the company's ability to attract and retain talent.

[22] It is important to note Mr. Schultz has no experience in developing and implementing compensation and benefits programs, let alone one for a company as large or diverse in skill sets needed as FPL. Tr. 2702-2703 (Schultz). His recommendations should therefore be accorded little weight.

[23] The intervenors' suggestion that shareholders also benefit from the use of performance-based compensation and therefore should pay some of the expense is contrary to sounds regulatory principles and is irrelevant to the question of whether costs are reasonable and necessary.

Tr. 1608, 1609, 1612, 3516 (Slattery).

OPC's recommendation should be rejected for legal and policy reasons, too. FPL witness Deason testified regarding why OPC's recommended adjustment violates basic principles of ratemaking. Tr. 3881-82 (Deason). The recommendation is "totally devoid of any consideration of reasonableness regarding either the overall amount of compensation or of the net amount he has recommended." Tr. 3883 (Deason). Thus, Mr. Schultz's recommendation violates a fundamental tenet of regulatory policy – "the recovery of all reasonable and necessary costs incurred to provide service to customers." Tr. 3881 (Deason).

Finally, OPC's recommendation to disallow 50 percent of non-executive performance based compensation is inconsistent with recent Commission's precedent. In *Gulf Power Company's Petition for Increase in Rates*, Docket No. 110138-EI, Order No. PSC-12-0179-FOF-EI, the Commission recognized the need to compare total salaries to the market and found OPC's recommendation would have put the salaries below the market median. In that case, the Commission allowed 100% recovery of the short-term non-executive performance-based compensation for the allowed positions. Order at 95-97. That rationale applies in this case as well and should likewise result in a rejection of OPC's recommendation. Tr. 3516 (Slattery), 3881 (Deason).

3. OPC's Recommended Adjustments to Payroll Expense Based on Headcount Should be Rejected (Issue 102)

OPC recommended adjustments to payroll which should be rejected. The evidence shows FPL's projected payroll expense for the Test Year is based on reasonable estimates of the complement needed to do the required work based on optimal staffing levels. That actual staffing levels may lag behind budgeted levels does not mean FPL will not incur costs in ensuring the required work is done. Tr. 3505 (Slattery).

As a threshold matter, OPC's recommended adjustments to compensation based on historical headcount analysis should be rejected because its witness, Mr. Schultz, never reviewed the workload or scope of work for the 2013 test year, which are the primary drivers of payroll budgets. Tr. 3553 (Schultz). Mr. Schultz readily admitted that he relied on historical trends rather than looking at actual workload requirements. Tr. 2711 (Schultz). Without looking at projected workload, he is in no position to assess the workforce needed to accomplish the work. On that basis alone OPC's recommended adjustments should be rejected.

The basis for OPC's adjustments to payroll is a review of historical data comparing budgeted headcount to actual headcount. Tr. 2687, 2711 (Schultz). This is a flawed analysis. Payroll expense is not purely a function of headcount. Tr. 2711 (Schultz); Tr. 3505-06 (Slattery). Staffing level is but one input into the projection of salary and wage expense and therefore considering it in isolation underestimates what FPL's actual costs will be. Tr. 3506 (Slattery). The appropriate analysis must consider actual dollars spent on payroll, including overtime dollars. Tr. 3507 (Slattery). Absent full staff to accomplish the required work, FPL has to rely on overtime and temporary labor, which add payroll costs.

Assuming for argument purposes only that it is appropriate to use historical data to make a prospective adjustment to payroll, when actual dollars spent on payroll, including overtime dollars, are compared to budgeted amounts, the variance is much less than proposed by OPC. Even though witness Schultz presented a comparison of actual and budgeted headcount covering a 2002-2012 period, he calculated the proposed disallowance (3.76 percent or 381 positions) based on a five-month period from January to May 2012, presumably to increase his recommended adjustment. Exhibit 259. A proper analysis over the same time period – one that includes overtime pay - shows a much smaller variance of 0.27 percent. This demonstrates that

actual payroll expenditures have, on average, been nearly at budgeted levels. Therefore, no payroll adjustment of any size is warranted. Tr. 3507 (Slattery).

Finally, as further illustration of unreasonableness of OPC's recommended adjustment, a comparison of current staffing levels to budget shows FPL's projections are on target. The July actual staffing number is only one percent below the average staffing figure for the 2012 projected Prior Year (10,207 actual, 10,312 budget) and 0.6 percent *above* the 2013 test year average staffing figure of 10,147. Tr. 3509 (Slattery), Exhibit 487 (MFR C-35).

4. Adjustments to Benefits Expense Recommended by OPC

OPC witness Schultz also makes an adjustment to employee benefit costs based on his headcount analysis. For the same reasons listed above, the proposed adjustment should be rejected. Moreover, an analysis, based on headcount, is invalid as applied to benefits because it assumes benefits participation is identical to headcount numbers, which it is not. Tr. 3509 (Slattery).

Beyond the adjustments based on headcount, Mr. Schultz recommends two additional adjustments, again based on flawed analyses. First, he recommends an adjustment to employee benefits costs, excluding pension and post-retirement benefits (OPEB), because "the increases in general appear to be too high." Tr. 2659 (Schultz). His rationale for excluding pension and OPEB – that the costs are "based on actuarial assumptions and calculations" – simply is not credible. Most of FPL's benefits costs are based on actuarial assumptions and calculations. Tr. 3510 (Slattery). Mr. Schultz's pension cost exclusion conveniently led to a pension credit exclusion, which had the effect of arbitrarily increasing his recommended disallowance. Finally, his adjustment to the O&M factor for employee benefit expense also is flawed because he uses different sources for his historical and budget data and he fails to consider one full annual cycle

of data. Tr. 3512 (Schultz). As explained by FPL witness Slattery, using comparable data to develop an O&M expense factor trend for employee benefits, and considering the projected decrease in capitalized payroll for 2013, demonstrates that the 2013 projected O&M expense is reasonable. Tr. 3512-13 (Slattery).

E. Directors and Officers Liability Insurance (Issues 106, 114)

FPL has requested to recover $2,781,173 of expense associated with Directors and Officers ("D&O") liability insurance. The evidence shows that this is a necessary and reasonable cost of providing electric service to FPL's customers, and accordingly, the entire amount should be approved for recovery.

As explained by Mr. Dewhurst, by law a corporation must have directors and officers. Tr. 4766 (Dewhurst). In today's environment of increased scrutiny and exposure with respect to corporate governance, the risk of liability to directors and officers has increased substantially. *Id.* A company could not attract competent, capable officers or directors without D&O liability insurance. Thus, D&O liability insurance is a cost of business for any corporation and no company of FPL's size would be without such coverage. *Id.*

The purpose of D&O insurance is to enable the Company to attract and retain qualified, capable directors and officers, without which FPL's performance would certainly not be as good as it is and without which it might literally be unable to function over time. Tr. 4766 (Dewhurst). This ensures proper management and oversight of the Company, which in turn benefits customers. *Id.* Because D&O liability insurance is a prudently incurred cost of doing business it should be included to calculate a company's revenue requirement. As explained by Mr. Deason, "[t]he amount requested by FPL for DOL insurance is reasonable and is an ordinary

and necessary cost of doing business, and as such the entire amount should be recovered in rates." Tr. 3891 (Deason).

Despite his admission that D&O liability insurance is a "legitimate business expense" (Tr. 2666), OPC's witness Shultz recommends that the Commission disallow half of this expense. This recommendation is tantamount to saying that one-half of the cost is unnecessary and imprudently incurred. Tr. 3895 (Deason). Accordingly, his recommendation violates one of the most basic tenets of regulatory theory, i.e., that *all* necessary and prudent costs should be allowed to be recovered in rates. *Id.* Additionally, from a policy perspective, such a disallowance could trigger a variety of undesirable outcomes. Tr. 3896 (Deason).

Approval of FPL's request to recover its D&O liability expense would be consistent with past Commission decisions. For example, in Order No. PSC-09-0411-FOF-GU at page 37, issued June 9, 2009, *In re: Petition for rate increase by People's Gas System*, the Commission stated:

> DOL Insurance has become a necessary part of conducting business for any company or organization and it would be difficult for companies to attract and retain competent directors and officers without it. Moreover, ratepayers receive benefits from being part of a large public company, including, among other things, access to capital. In addition, DOL Insurance is necessary to protect the ratepayers from allegations of corporate misdeeds.

Similarly, in Order No. PSC-09-0283-FOF-EI at page 64, issued April 30, 2009, *In re: Petition for rate increase by Tampa Electric Company*, the Commission found as follows:

> We find that DOL insurance is a part of doing business for a publicly-owned company. It is necessary to attract and retain competent directors and officers. Corporate surveys indicate that virtually all public entities maintain DOL insurance, including investor-owned electric utilities.

For all the foregoing reasons, the Commission should approve FPL's request to recovery D&O liability insurance expense.

F. Reserve Surplus Amortization (Issues 114, 116)

FPL's requested level of 2013 Depreciation Reserve Surplus amortization in the amount of $191 million is appropriate and is consistent with the 2010 Rate Settlement. Tr. 1164, 3604-05 (Barrett); 1033 (Ousdahl). The settlement required FPL to amortize approximately $895 million of depreciation reserve surplus over four years with flexibility in the timing of that amortization during the 2010-2012 settlement term so long as FPL's return on equity did not exceed 11%. *Id.* OPC witness Pous recommends that no further amortization be recognized after the end of the 2013 test year (the end of 2010 Rate Settlement Term). Tr. 2523 (Pous). In fact, FPL's proposal to amortize $191 million of reserve surplus in 2013 and not to amortize any additional reserve surplus in the subsequent years is exactly the same as witness Pous' position. Tr. 3605 (Barrett).

OPC witness Schultz claims that FPL overestimated its depreciation reserve surplus amortization requirement for 2012 because adjustments that he proposes to payroll, tree trimming, pole inspections and uncollectible expense in the 2013 test year also should be made to the projected 2012 results that are the basis for FPL's projected amortization in 2012. Based on this logic, witness Schultz argues that additional depreciation surplus should be available to offset costs in 2013 beyond the $191,000,000 projected by FPL. Tr. 2669-70 (Schultz).

Apparently as support for his position, Mr. Schultz points to the variances between FPL's projected and actual amortization of depreciation surplus for 2010 and 2011. Tr. 2668 (Schultz). Those variances, however, had absolutely nothing to do with projected operational expenses but rather were driven primarily by the extreme weather in 2010 and the above normal temperatures in 2011. Tr. 1164-65, 1185-86 (Barrett).

Based on normal weather assumptions, FPL projects that it will need to amortize much more of the surplus in 2012 than was required in 2010 or 2011. In fact, to maintain a return on

equity of 11% the Company projects that it will have to amortize $526 million in 2012. Tr. 1165 (Barrett). This means that FPL will only have $191 million of the original approximately $895 million in surplus depreciation left to amortize in 2013. *Id.*

Putting aside the completely unrelated 2010 and 2011 weather-related projected/actual variances, the 2012 forecast (which includes operational expenses) was developed using a rigorous forecasting process with proven performance. Tr. 3604 (Barrett). The forecasted 2012 depreciation surplus amortization of $526 million is based upon the best available information at the time of forecast preparation. *Id.* Year-to-date performance, and the best available information for the remainder of the year indicate that this projected amortization level is still reasonable and reliable. *Id.* Although FPL's estimated/actual results in June for the surplus amortization in 2012 were lower by approximately $20 million, witness Barrett testified that he continues to believe that the $526 million projection is reasonable based on the potential for weather-related revenue losses and other variables affecting the remaining months of 2012. *Id.*

As referenced in the rebuttal testimony of FPL witnesses Slattery and Hardy and as discussed elsewhere in this brief, there is no justification for the adjustments that witness Schultz proposes for 2013 Tr. 3506 (Slattery);1322-27 (Hardy). Witness Schultz asserts the same invalid justification for his adjustments to the 2012 surplus requirement shown on HWS-10. Therefore, those adjustments are unfounded and would be inappropriate. Tr. 3604 (Barrett). The amount of depreciation surplus amortization estimated in the 2013 Test Year forecast of $191 million is therefore reasonable and appropriate. Tr. 3604 (Barrett).

X. AFFILIATE TRANSACTIONS (Issues 3, 4)

FPL incurs a variety of fixed and embedded support for services costs which are necessary to provide electric service to FPL's Florida retail customers. Because FPL is a

member of the broader NextEra corporate organization, FPL can charge a portion of the costs for support services to its affiliates. The support services provided by FPL to its affiliates enable FPL to reduce its customers' share of these necessary fixed costs, while FPL and its customers benefit from the shared services. In part, this has helped FPL achieve its status as the lowest cost electric service provider in the state of Florida, while at the same time maintaining a strong financial position and delivering superior reliability and excellent customer service.

This shared services model has proved to be efficient and effective from an operating perspective, as expertise and resources can be leveraged over the broader enterprise. FPL implements this cost sharing using an integrated structure of billings and allocations that are codified in its Cost Allocation Manual, and are consistent with the affiliate transactions requirements of Commission Rule 25-6.1351, F.A.C. Tr. 1044-45 (Ousdahl); Exhibit 156. No intervenor demonstrated that any adjustments are needed as a result of any affiliate transactions.

OPC witness Vondle makes numerous unsubstantiated allegations in connection with his position that FPL's support services model is flawed. And, with no evidence to support his claims, he proposes solutions for a problem that does not exist. Mr. Vondle's recommendations – that FPL create a new virtual service company, implement service level agreements, and develop and implement a new general cost allocator other than time tested and approved Massachusetts Formula – would serve only to increase costs for FPL and its customers. Likewise, his suggestion that the Commission conduct an investigation of FPL's affiliate transactions on the heels of the Commission's recently completed affiliate investigation would only serve to exhaust more of the Commission's finite resources.

A. FPL Properly Allocates Affiliate Costs (Issues 63, 75, 76, 77, 79, 80)

FPL charges costs of shared activities or services to its affiliates in one of three ways: direct charges, service fees, and the Affiliate Management Fee ("AMF"). Tr. 1041-45 (Ousdahl). FPL has properly documented these allocation processes to ensure that cost allocations and billings for shared services are properly recorded, and included in the Company's process of internal control review for Sarbanes-Oxley ("SOX") 404 compliance. Tr. 1046, 1119, 3757-60 (Ousdahl). As a part of its cost allocation documentation, FPL documented the allocators used to apportion costs to affiliates and its Cost Allocation Manual prescribes the practices the Company employs to comply with the Commission's affiliate transactions rule. Tr. 1043-45 (Ousdahl); Exhibit 156, 159, and 160. The rigor and efficacy of these cost allocation processes and controls for the benefit of these customers was reviewed and verified independently by FPL witness Thomas Flaherty. Tr. 1127-28 (Ousdahl); Tr. 3651-83 (Flaherty).

Further, FPL actively engages in oversight of controls associated with its billing responsibilities to ensure that all affiliate transactions are consistent with Commission Rule 25-6.1351, F.A.C., in order to avoid subsidization of affiliate costs by FPL's customers. Tr. 1047 (Ousdahl). The Company also maintains a Cost Measurement and Allocations department whose responsibilities include the monitoring of the affiliate billing process. This group's mission is to ensure that FPL complies with Rule 25-6.1351, F.A.C., Affiliate billings also are subject to internal audits. Tr. 1045 (Ousdahl).[24]

Affiliate transactions and cost allocations were extensively reviewed by the Commission's experienced audit staff in this proceeding. Exhibits 120, 392. FPL's affiliate transactions were also reviewed by intervenors in this case. In addition to Staff's audit

[24] FPL's required affiliate reporting also provides a high degree of transparency concerning all of its affiliate transactions in compliance with the Commission's requirements, as evidenced by the Company's diversification form filed with the Company's FERC Form 1. Exhibit 487 (MFR C-31).

discovery, intervenors served FPL with 88 interrogatories, and 35 requests for production of documents related to affiliate transactions. An informal call was also held at OPC's request which culminated in additional informal discovery responses.[25] Yet the only recommendations that came from the intervenors' review were the meritless recommendations of Mr. Vondle, discussed in detail below, and an unsubstantiated allegation by FIPUG.[26]

B. Customers Benefit from FPL's Fleet Operating Model and Shared Services Provided to Affiliates

FPL and its customers receive a number of important benefits from the fleet operating model and the ability to share experience, personnel, and expenses with affiliates. FPL has maintained its commitment to provide superior value to its customers with high quality, reliable services at a low cost through use of its fleet operating model over the past decade. Tr. 1046 (Ousdahl). In addition to low cost, this approach for construction and operations of the larger fleet of assets brings with it greater knowledge and experience than FPL could otherwise access to the benefit of FPL and its customers. *Id.*

In addition, through the fleet approach and provision of shared services to affiliates, FPL achieves greater economies of scale and bargaining power in purchasing decisions than if FPL only addressed the needs of its own system. The bottom line result is growing cost savings for FPL's customers. Tr. 1047 (Ousdahl).

C. There is No Evidence To Support the Need for OPC Witness Vondle's Costly Proposals

Unlike the detailed review performed by Commission audit staff, OPC witness Vondle failed to conduct any meaningful review of FPL's affiliate transactions. He instead makes

[25] Mr. Vondle alluded to this informal conference during his cross-examination Tr. 2587-90 (Vondle).

[26] FIPUG questioned whether FPL's use of telecommunications services from FPL FiberNet were competitively procured so that FPL obtained services from FPL FiberNet at a reasonable, market-based price. Tr. 1064-68 (Ousdahl). FPL witness Ousdahl explained clearly that FPL FiberNet was and is treated like any other vendor providing services to FPL in that appropriate market testing takes place before new contracts are entered into or existing contracts are renewed. Tr. 1128, 3764 (Ousdahl).

extreme recommendations based on unfounded assumptions and a nonsubstantive review. Mr. Vondle failed to review the detailed list of activity codes produced in discovery to determine the appropriateness of FPL's use of direct charge and allocations for affiliate charges. Exhibit 67 (OPC 1st Set of Interrogatories, No. 10). Instead, Mr. Vondle speculates about alleged infirmities of FPL's affiliate transaction accounting and cost allocation processes based on his personal experience and purported "common sense." Tr. 2577 (Vondle). For example, he is unable to point to empirical evidence to support claim that FPL's use of exception time reporting is less accurate than real-time positive time reporting. Tr. 3763 (Ousdahl); Exhibit 116.

Mr. Vondle agreed that benchmarking can be used as an indicator of the reasonableness of affiliate costs and evidence of the quality and efficiency of a utility's management, yet he did not even attempt to review the benchmarking analysis submitted by FPL witness Reed. Tr. 2606-08 (Vondle). Benchmarking analyses presented by FPL witnesses Reed and Flaherty show that FPL's affiliate costs are reasonable, but Mr. Vondle attempted to downplay their import by claiming that such information was relevant only in Texas. Tr. 2606-10 (Vondle).

Perhaps the most glaring example of his lack of diligence was Mr. Vondle's failure to review the Commission's recently concluded investigation of FPL's affiliate transactions prior to filing his testimony in this case, at the same time being fully aware that this information was a "mouse click" away on the Commission's website. Tr. 2591, 2597, 2602 (Vondle). The Commission recently concluded an investigation and extensive review of FPL's affiliate transactions and made no finding of noncompliance with the Commission's affiliate transactions rule, and Mr. Vondle knew about it, but did not even bother to look at it. Tr. 3766, 3770-71 (Ousdahl). Mr. Vondle fills pages of testimony with a list of "deficiencies" which do not exist, are not and cannot be supported, are inconsistent with his testimony in other jurisdictions and

represent a lame attempt to draw the Commission into further unnecessary reviews. The Commission should reject Mr. Vondle's recommendations as both incredible and unsupported.

1. Virtual Service Company

Mr. Vondle claims that FPL's affiliate support services structure is flawed, and he proceeds to recommend something he refers to as a "virtual service company" model, but cannot explain or define it. Tr. 3699 (Flaherty). In fact, Mr. Vondle admits that he did not even attempt to compare FPL to utilities with similar structures in other states, i.e., other holding companies in which there is only one utility operating company that serves only one state, yet Mr. Vondle recommends a new structure for FPL nonetheless, despite his lack of familiarity with FPL's structure. Tr. 2582-84 (Vondle); Tr. 3656-64 (Flaherty).

Mr. Vondle was unable to refute Mr. Flaherty's conclusion that to the extent the Vondle "virtual service company" concept seeks to ensure that FPL properly allocates costs for services provided to FPL, FPL's current hosted model already achieves this stated purpose controlling corporate support costs consistent with the top quartile of relevant peers in the industry, and there is no need or basis to support the additional cost to figure out the parameters of the Vondle "virtual service company" model and implement the same or otherwise implement a true service company model. Tr. 3656-64, 3695 (Flaherty).

2. Service Level Agreements

Mr. Vondle argues that FPL should make use of service level agreements ("SLAs") to enhance its affiliate cost control process. However, Mr. Vondle fails to identify how SLAs would provide any measureable benefit or enhancement to help control affiliate costs. FPL witness Flaherty clearly demonstrated that there is no gap in the control processes for FPL's

affiliate costs that SLAs would fill, noting that an SLA only codifies expectations and does not enhance the management of actual service delivery to affiliates. Tr. 3667 (Flaherty).

3. Use of Massachusetts Formula

Mr. Vondle makes several unfounded claims that FPL direct charges too little and instead uses the "flawed" Massachusetts Formula general allocator too much for allocating costs for affiliate transactions. Mr. Vondle admitted, however, that he had done no studies or surveys to determine that FPL's 30 percent usage of the Massachusetts Formula for cost allocation was exceptionally high for utility operating companies such as FPL. Tr. 2611-12 (Vondle). In contrast, Mr. Flaherty's analysis demonstrated that FPL utilized direct charging for 47 percent of affiliate charges in 2011 and is at the top of its peer group, indicating that FPL's Massachusetts Formula allocations are consistent with the norm and not excessive: Forty-one percent direct charges are projected for the 2013 Test Year. Tr. 3673-75, Exhibit 406 (Flaherty); Tr. 3762-63 (Ousdahl).

Further, Mr. Vondle makes unsupported claims that a different general allocator should be used other than Massachusetts Formula because the Massachusetts Formula does not recognize growth and change. He admitted that he had not performed any evaluation of whether FPL's affiliates were growing quickly. Tr. 2611-12 (Vondle). Additionally, he offers nothing to refute Mr. Flaherty's testimony that FPL's costs compare favorably to other utilities, that FPL's use of the Massachusetts Formula does in fact consider affiliate growth and change, and that the Massachusetts Formula properly aligns cost incurrence and benefits realization, is not biased against customers and has been routinely approved in Florida for many years. Tr. 3673-3678 (Flaherty), Exhibit 406.

4. Use of Asymmetric Pricing

Mr. Vondle claims that FPL violates the Commission's asymmetric pricing rules for affiliate transactions because FPL did not sufficiently determine market prices through Request for Proposals ("RFP") or market studies to comply with the Commission asymmetric pricing rule for affiliate transactions that requires a comparison of costs to market prices for services. Yet Mr. Vondle fails to refute Mr. Flaherty's testimony that a significant percentage of corporate support services do not have a market and therefore cannot be priced in relation to cost and market prices, and in fact, Mr. Vondle agrees with Mr. Flaherty's and Ms. Ousdahl's assertions that it is difficult to determine a market price for certain support services when there is in fact no market for the services at issue. Tr. 3668-3673, 3730-31 (Flaherty); Tr. 3760-61, 3821-22 (Ousdahl). Mr. Flaherty clearly testified that FPL provides market prices for its affiliate charges when possible, practical, and meaningful and did not identify any real benefits from a comprehensive market test suggested by Mr. Vondle. Tr. 3670, 3672 (Flaherty).

5. Use of Sole Source Contracts

Mr. Vondle made sweeping, unfounded claims that FPL makes excessive use of sole source contracts for goods and services to the detriment of FPL's customers. When questioned, Mr. Vondle was unable to come up with a single example of FPL overpaying affiliates or receiving less advantageous terms and conditions because it contracted on a sole source basis. Exhibit 116. Ms. Ousdahl showed that all of the nine transactions he identified either warranted single source contracting, based on various reasonable and legitimate bases such as reliability, knowledge, speed of the ability to serve, and price, or were mischaracterized as sole source. Tr. 3765, 3797 (Ousdahl); Exhibit 400. Moreover, Ms. Ousdahl testified that FPL utilized SOX-compliant procurement processes for all services. Tr. 3765 (Ousdahl).

6. Use of FPL Name

Mr. Vondle claims that FPL has not received adequate compensation for its establishment of vendor relationships and use of the FPL name with affiliates, such as FPL FiberNet. However, Mr. Vondle failed to refute the clear example of FPL affiliate NEER achieving a more favorable Materials & Service Agreement that benefited the entire enterprise's nuclear fleet, including FPL. Tr. 3767-70 (Ousdahl). Ms. Ousdahl testified that no compensation is necessary given that both FPL and the affiliates receive benefits from their relationships. Additionally, if there was value in the FPL name, FPL's parent and its largest affiliate would not drop FPL out if its name and move to the NextEra name in 2010. Tr. 3669-3770 (Ousdahl). Moreover, Mr. Vondle has provided no method or information to place a value on the use of the FPL name, even if it were appropriate and possible to obtain an objective value for use of the FPL name, which it is not. Tr. 3791-96 (Ousdahl).

D. Conclusion Regarding Affiliate Transactions

Mr. Vondle's ultimate recommendation, like the suggestions discussed above, is unsupported. Mr. Vondle claims that he cannot calculate the impact on FPL's affiliate expenses but nevertheless suggests a 20 percent reduction of charges by affiliates to FPL and 20 percent increase of charges by FPL to its affiliates. The only purported basis for this 20 percent adjustment is his "experience." Tr. 2577 (Vondle). He admits there is no specific calculation or other basis for the 20 percent, and he provides no supporting evidence. Exhibit 116 (Vondle deposition at 18).

FPL, by contrast, presents substantial empirical evidence that FPL's affiliate costs are reasonable and should be approved by the Commission. Mr. Flaherty's detailed benchmarking analyses show that economies of scale result in low costs for FPL's customers. Tr. 3660-61

(Flaherty). Accordingly, the Commission should reject Mr. Vondle's proposed 20 percent adjustment.

XI. REVENUE REQUIREMENTS (Issues 125, 126)

A. Revenue Deficiency Drivers

FPL requires a base rate increase in 2013 to address increased revenue requirements since 2010, the test year last used to establish base rates. The primary drivers of the change in January 2013 revenue requirements are: (1) the impact of inflation; (2) a difference in the weighted cost of capital due to the necessary increase in the authorized return on equity partially offset by decreases in other elements; (3) investments in infrastructure that provide long-term economic and/or reliability benefits to customers; (4) the impact of the accelerated depreciation surplus amortization required by the 2010 Rate Order and effected through the 2010 Rate Settlement; (5) system growth; and (6) increased expenditures required for regulatory compliance. The increase is partially offset by productivity gains as well as projected revenue increases.

Inflation ($162 million). Inflation represents the increased costs for goods and services in 2013 compared to the same goods and services in 2010. The CPI projection through 2013 indicates that inflation will have added approximately a cumulative 7.2 percent to the cost of goods and services in 2013 compared to 2010. Additionally, some of FPL's costs have escalated at rates much faster than CPI despite FPL's efforts to mitigate these cost increases. The Company's 2013 revenue requirements reflect the increased cost of providing electric service due to three years of cost escalation. Tr. 1145, 1160, 1222 (Barrett).

Difference in Weighted Average Cost of Capital ($122 million). The 2013 weighted average cost of capital ("WACC") is 0.76 percent higher than the WACC that was approved in the 2010 Rate Order. Tr. 1161 (Barrett). The difference is primarily driven by the required

increase in ROE from 10 percent to 11.5 percent, partially offset by a reduction due to a higher level of deferred taxes. WACC also is affected to a lesser extent by a decrease in customer deposit balances. FPL's projected 2013 equity ratio remains consistent with the ratio approved in the 2010 Rate Order. In total, the increase in authorized ROE offset by the other capital structure changes results in increased revenue requirements of $122 million. *Id.*

Long Term Infrastructure Investments ($116 million). FPL has made and continues to make investments that increase system efficiency, provide fuel and emission savings, enable the Company to maintain or improve system reliability, and provide O&M expense savings. Tr. 1162-64 (Barrett). For example, from 2011 through 2013, the Company will have invested more than $250 million in upgrading the hot gas path parts of its combustion turbine ("CT") fleet. In addition, other overhaul-related expenditures of more than $750 million from 2010 to 2013 will be performed on the CT sites in order to continue to provide cleaner and more efficient energy production customer benefits over the period. These initiatives immediately add value by improving system efficiency and reduce the overall fuel consumption rate, with the savings passed directly to FPL customers through the fuel clause. *Id.*

FPL has invested approximately $190 million in transmission substation equipment replacement and refurbishment and reliability improvement programs. Likewise, approximately $730 million has been invested in distribution improvements to continue to strengthen FPL's distribution system. These investments minimize customer interruptions, significantly improve restoration time and extend the lives of assets. *Id.*

FPL's smart meter deployment is another example. During 2011-2013, FPL will have invested more than $400 million to complete deployment. This initiative will provide customers with the opportunity to better understand and manage their energy use and realize savings

through the use of the smart meter tools. Tr. 1162 (Barrett). Smart meters will lower line losses, which include theft and unaccounted for usage. Tr. 641 (Morley).

Amortization of Depreciation Reserve Surplus ($104 million). In the 2010 Rate Order, the Commission directed FPL to amortize $894 million of depreciation reserve surplus as a credit over the four-year period ending 2013. The 2010 Rate Settlement gave the Company flexibility in the timing of that amortization during the 2010-2012 settlement term, so long as FPL's ROE did not exceed 11 percent. Thus, through 2012, the amortization mechanism allowed the Company to offset rising costs with non-cash earnings. For the 2013 Test year, the cumulative impact of the accelerated depreciation surplus amortization amounts to $104 million. Tr. 1158, 1174 (Barrett).

The $104 million of accelerated depreciation surplus amortization is comprised of two items. The first component reflects the reduced amortization credit in the 2013 Test Year. As a result of the actual and projected amortization of surplus depreciation in 2010-2012, FPL projects to have only $191 million to amortize in the 2013 Test Year as compared to the $223.5 million reflected in the Commission's 2010 Rate Order. This reduction in the reserve surplus credit represents a $33 million increase in revenue requirements.

The second component is the increase in rate base due to accelerated reversal of the reserve surplus. The 2013 Test Year includes an increase in average rate base of approximately $687 million compared to 2010, as a direct result of the prior Commission's accelerated amortization requirement. Tr. 1164-66 (Barrett). Even the intervenor witnesses recognize that this is the necessary result of the accelerated amortization period required under the 2010 rate order. This increase in rate base must be supported by additional revenues in 2013. OPC's

acknowledged the necessary resulting increase to rate base in its examination of Mr. Barrett. Tr. 1213-14. The revenue requirement associated with this incremental rate base is $71 million.

System Growth ($65 million). The system growth driver addresses the revenue requirements associated with new service accounts and customer growth. As previously described, revenue requirements to support FPL's projected 100,000 new service accounts include the capital costs of expanding the transmission and distribution infrastructure and the corresponding increase to the costs associated with operating and maintaining those facilities and serving those accounts. Tr. 1166-67 (Barrett). Investments in distribution infrastructure to support new service accounts alone is projected to add approximately $20 million in revenue requirements. Transmission upgrades necessary to meet forecasted growth and changing load patterns FPL will add $14 million of revenue requirements. *Id.* These are just two examples.

Regulatory Commitments ($56 million). This driver reflects the revenue requirements due to increases in both capital investments and O&M expenses from 2011 to 2013 related to FPL's commitments to governmental and regulatory bodies. During this period, FPL expects to incur $315 million in storm-related expenditures due to commitments to this Commission, $116 million in increased compliance costs for North American Electric Reliability Corporation and Federal Energy Regulatory Commission reliability matters and $36 million in Nuclear Regulatory Commission mandates. Tr. 1167, 1224 (Barrett).

Productivity Gains (-$76 million). FPL's productivity initiatives have resulted in lower 2013 costs for certain activities compared to the costs to perform those same activities in 2010, adjusted for inflation and customer growth. These gains stem from efforts across FPL's enterprise - including Customer Service, Customer Care, Information Management and Nuclear management - to keep operating and maintenance expenses down in order to save customers

money without sacrificing service. Tr. 1167 (Barrett). FPL projects a reduction in revenue requirements of $76 million related to these productivity gains. Tr. 1167, 1225 (Barrett).

Revenue Growth (-$32 million). Retail base revenue resulting from increased sales reflects modest growth resulting in a decrease in revenue requirements of $55 million. However, other base revenues decrease by $23 million, resulting in a corresponding increase to revenue requirements due to lower service charges. The net effect of this projected change in revenues results in a $32 million decrease of FPL's 2013 revenue requirements. Tr. 1169 (Barrett).

B. Resulting Revenue Deficiency (Issues 125, 126)

FPL's requested base revenue increase for the 2013 test year is $516.5 million. Tr. 387-98 (Silagy), 1157 (Barrett), and 1022 (Ousdahl). This amount is reasonable, as it constitutes the difference between FPL's projected NOI of $1,143 million and its required net operating income of $1,464 million multiplied by the revenue expansion factor. Tr. 1157 (Barrett); App. I. The appropriate projected 2013 revenue expansion factor is 0.61279 and the NOI multiplier is 1.63188. Tr. 1022 (Ousdahl). These elements are reasonable, and are unchallenged by intervenors. *Id.*; Exhibit 487 (MFR C-44). The Commission should authorize the increase to be effective on January 2, 2013, the first billing cycle day of the Test Year.

XII. CAPE CANAVERAL STEP INCREASE

The Commission should approve FPL's request for a base rate step adjustment for the Canaveral Modernization Project. The Commission made a unanimous affirmative determination of need for the Canaveral Modernization Project in Order No. PSC-08-0591-FOF-EI, issued September 12, 2008, in Docket No. 080246-EI. The Canaveral Modernization Project is projected to save customers hundreds of millions of dollars in fuel costs and significantly reduce greenhouse gas emissions. Tr. 876 (Kennedy), 1147 (Barrett). The current estimated construction cost for the Canaveral Modernization Project is $976 million, which is $139 million

lower than the estimate of $1.115 billion reflected in the Final Order. Tr. 878 (Kennedy). Indeed, the intervenors take no issue with the actual or projected construction costs or the prudence of those costs. *See, e.g.,* Tr. 3261 (Kollen).

A. The Canaveral Step Increase Should be Approved (Issues 128, 131, 134)

FPL's request for a Canaveral Step Increase of $171,874,000 for the revenue requirements associated with the first twelve months of the Canaveral Modernization Project's commercial operation is reasonable and should be approved. Tr. 1023 (Ousdahl); App. II. The 2013 test year results that form the basis for FPL's requested increase in January 2013 exclude the Canaveral Modernization Project's impact on rate base and operating expenses. Tr. 1023 (Ousdahl), 1146-47 (Barrett); Exhibit 152. The step increase calculation reflects $811,809,000 of rate base and an NOI multiplier of 1.63188, which are both reasonable and uncontested. Exhibits 399 and 487 (MFR CC B-6, line 44; CC MFR C-44, line 11); App. II.

FPL appropriately reduced the Canaveral Modernization Project's rate base by $121,529,000, the amount of forecasted deferred taxes related to the unit's construction and generated during its first year of operations. Tr. 3755-57 (Ousdahl). FPL has used this approach to develop the revenue requirements in FPL's need determination hearings and was also consistently used to develop the incremental base rate increases associated with cost recovery for FPL's Turkey Point Unit 5, West County Unit 1, West County Unit 2 and West County Unit 3 plants under FPL's 2005 and 2011 Settlement Agreements. *Id.* OPC Witness Ramas recommends using the deferred taxes as a component of the capital structure instead. Because both treatments produce the same revenue requirement, FPL is not opposed to OPC's suggestion.

B. Deferred Taxes (Issue 129)

SFHHA Witness Kollen's recommended adjustment to the amount of accumulated deferred income tax ("ADIT") for the Canaveral Step Increase is based on a flawed calculation. Kollen suggests the ADIT amount should be $166.768 million, but he admits that he computed the ADIT amount using only the tax depreciation shown on Schedule CC C-22 (multiplied by the tax rate). Tr. 3252 (Kollen). Kollen admits that he did not account for book depreciation or the debt component of AFUDC. Tr. 3252-53 (Kollen). He further acknowledged a complete lack of familiarity with section 220.153 of Florida's corporate income tax statutes, which governs the accounting treatment of bonus depreciation for the purpose of calculating state income tax. *Id.* Simply put, Mr. Kollen's analysis of ADIT is ill-informed and incomplete, and the Commission should not rely upon it.

C. Weighted Average Cost of Capital (Issue 131)

The appropriate after-tax weighted average cost of capital for the Canaveral Step Increase is 9.04 percent. The components, amounts and cost rates associated with the capital structure are set forth in FPL's MFR D-1a for the Canaveral Step Increase, which reflects an adjustment for FPL's May 2012 long-term debt issuance. Exhibit 487 (MFR D-1a); Appendices I and II.

OPC witness Ramas's recommendation that FPL use an embedded overall cost of capital is misguided. Ms. Ramas acknowledged that FPL removed all costs associated with the Canaveral Modernization Project's costs from the 2013 Test Year, but she was unaware that the Company did so using the incremental cost of capital method. Tr. 2837-38 (Ramas), 3754 (Ousdahl); Exhibit 487 (MFR D-1a). FPL's approach is logical, because the purpose of the Canaveral Step Increase is to recover the incremental costs associated with the first year operation of the Canaveral Modernization Project, not a 13-month rate base average. Tr. 3754

(Ousdahl). It follows that FPL should also use the incremental cost of capital methodology to calculate revenue requirements for the Canaveral Step Increase in order to maintain integrity and consistency. Tr. 3754 (Ousdahl). Ms. Ramas's recommendation, by contrast, would mismatch the methodology used to remove rate base components from the Test Year on the one hand, and the methodology to include Step Increase rate base components on the other. *Id.*

Witness Ramas's reliance on this Commission's decision in the recent Gulf rate case, Order No. PSC-12-0179-FOF-EI, is equally misguided. Ms. Ramas points out that, in that case, the Commission applied the authorized overall rate of return to the step increase associated with the annualization of Gulf's turbine upgrade projects. Tr. 2793 (Ramas). Those facts are inapposite, however, because there is no indication that Gulf removed the upgrade projects from its base rate calculation on an incremental cost basis.

As at least one intervenor has acknowledged, the Canaveral step increase will not elevate the Company's rate of return. Tr. 3261 (Kollen). In other words, assuming FPL earns at the level authorized by the Commission, FPL will continue to earn at that level upon implementation of the step increase. Tr. 3262 (Kollen). If, however, FPL were earning above or below its authorized rate of return, a step increase upon commercial operation of the generation unit would serve to pull the Company's earnings toward the midpoint. Tr. 3265 (Kollen).

D. Effective Date: Rate Synchronization (2, 128, 135, 186)

The appropriate effective date for implementing the Canaveral step increase is June 2013 – contemporaneous with the commercial operation date for the Canaveral Modernization Project. Tr. 876 (Kennedy), 1020, 1023 (Ousdahl). FPL has requested that its 2013 fuel cost recovery factors be reduced as the commercial operation date, currently expected on June 1, 2013 to reflect the fuel savings resulting from the facility's highly efficient gas-fired combined cycle

technology. Tr. 1147 (Barrett). Approval of the step increase to effect rate change synchronization is consistent with past Commission action in proceedings that addressed the additional costs associated with power plants scheduled to be placed in service shortly after the effective date of new rates. *See, e.g., In re Tampa Elec. Co.*, 273 P.U.R.4th 177 (Fl. P.S.C. April 30, 2009) (Order No. 09-0283-FOF-EI); *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 proposed step increase will synchronize benefits whether the in-service date is as projected, is early or is delayed.

Principles of administrative economy militate in favor of approving a Canaveral Step Increase. In the absence of the Canaveral Step Increase or a similar adjustment mechanism when a new generating unit goes into service, the only recovery mechanism available to FPL is a rate proceeding. Tr. 1119-20 (Ousdahl). In a few months, FPL would be forced to institute a proceeding which would require the Commission to expend several more months of its time and more of its already limited resources for the purpose of deciding an issue on which it has already heard substantial evidence. The costs to FPL would in turn be borne by customers. Granting rate relief for the Canaveral Modernization Project would avoid incurring duplicative costs.

XIII. COST OF SERVICE AND RATE DESIGN

FPL's proposals for allocating the revenue requirements among the various rate classes should be approved. The cost of service studies and methodologies used by FPL result in a fair and reasonable allocation of production, transmission and distribution costs. The proposed changes to existing rates are consistent with the objectives of providing rates that are cost based,

understandable and send appropriate price signals, while abiding by the concept of "gradualism" in limiting class rate increases.

A. Cost of Service (141, 142, 143)

The cost of service studies and methodologies used by FPL case result in an equitable allocation of costs and fairly present each rate classes cost responsibility. These methodologies are consistent with those previously approved by this Commission. Tr. 2082, 2098 (Ender). Furthermore, FPL's adjustment to historical load research data to normalize the effect of extreme weather experienced in January 2010 was consistent with sound ratemaking principles.

1. Forecast of Test Year Load Factors

FPL followed common industry practice in adjusting the historical data used in forecasting the Coincident Peak (CP) and Group Non-Coincident Peak (GNCP) load factors for the 2013 test year. The evidence showed that in January 2010, FPL's service territory experienced a record breaking cold snap in terms of both duration and magnitude. Tr. 3142, Exh. 584 (Baron), and the impact of the extreme cold weather especially affected the residential rate class. Tr. 4982 (Ender, Exhibit 643). The adjustment made involved the use of 9 data points for the residential class (coincident peak information from December to February for the years 2008, 2009, and 2010) rather than three data points normally used (January 2008, 2009, 2010). Tr. 4981 (Ender). The adjustment was reasonable and necessary to more accurately forecast the rate class CP demand for the 2013 test year.

2. The Cost of Service Methodologies Proposed by Intervenors Should be Rejected (Issues 139, 140)

Once again, SFHHA is proposing the use of the Summer Coincident Peak Method for allocating production plant to rate classes and the use of the Minimum Distribution System (MDS) for allocating distribution plant. These proposals would result in the allocation of

additional costs to residential and smaller commercial customers. Tr. 4906 (Ender). The Commission denied similar proposals by SFHHA' in FPL's last rate case, Docket No. 080677-EI.

The Commission should again reject the use of the Summer Coincident Peak method proposed by SFHHA because it is inconsistent with FPL's generation planning process and it would allocate no production costs to certain rate classes even though all rate classes receive the benefit of FPL's generating capacity. Tr. 4926 (Ender). The Commission should also reject the use of the MDS method which has been proposed both by SFHHA and FEA. The MDS method presumes a type of electric system and a method of planning that is not reflective of FPL's distribution system, and it inherently ignores the impacts of diversity and double counting. Tr. 4910-4911 (Ender). The Commission has consistently rejected the use of the MDS method for investor-owned utilities (with the exception of the Gulf stipulation and settlement) and a compelling case for ignoring such precedent has not been made.[27] Indeed, when asked by Commissioner Balbis, SFHHA witness Baron admitted that he is unaware of any change in circumstances within FPL's service territory (or anything else) since the FPL's last rate case that would warrant a change in methodology. Tr. 3164 (Baron). SFHHA's reliance on the use of the MDS classifications from the Gulf Stipulation and Settlement Agreement as a proxy for reclassifying FPL distribution costs is wholly inappropriate. Tr. 4911 (Ender). The facts and circumstances involved in the Commission's 3-2 decision approving the MDS methodology counsel against extending it to FPL. First, the decision was premised on Gulf's size and location, which made it a good place to "test" the MDS theory and "see how it works." Tr. 3163 (Baron). FPL's features are categorically different. And Gulf's experiment has not yet

[27] The facts and circumstances involved in the Commission's 3-2 decision are inapplicable to FPL and the Commission made it clear that the decision in the Gulf was to have no precedential value. Tr. 3162-64.

generated sufficient data to evaluate its success. Additionally, the Commission made it clear that its approval would carry no precedential value. Tr. 3163-64 (Baron).

3. Allocation of Commercial and Industrial Load Control (CILC), Commercial/Industrial Demand Reduction (CDR) Rider and Curtailable Service (CS) Credits (Issue 170)

FIPUG maintains that the cost of credits to CILC, CDR Rider and CS customers should be allocated only to firm customers, because only firm customers benefit from FPL's ability to curtail service to CILC, CDR Rider and CS customers. As explained by witness Ender, that is incorrect. Like other Demand Side Management (DSM) and Load Management (LM) programs all customers benefit from avoiding the need for generating capacity so all customers should pay for measures that avoid that need. Tr. 4928-29 (Ender).

B. Rate Design and Service Charges (Issue 144)

FPL has proposed changes to base rates and service charges that are consistent with the objectives of providing rates that are cost based, send appropriate price signals and are understandable to customers. Tr. 2160 (Deaton). In addition, in proposing rate changes, FPL has adhered to the Commission practice of limiting the increase to each rate class to 1.5 times the system average increase in total revenue, including adjustment clauses. Tr. 2157 (Deaton).

1. Returned Payment and Late Payment Charges (Issue 148, 158)

FPL is proposing to modify its returned payment charge to reflect the governing Florida Statutes. Tr. 2159 (Deaton). FPL currently charges $23.24 or 5.0 percent of the amount of the payment, whichever is greater. Section 68.065, Florida Statutes, specifies a tiered fee structure based on the return payment amount. *Id.* Consistent with Section 68.065, FPL's proposed return payment charge is as follows:

- $25 if the payment does not exceed $50;
- $30 if the payment amount exceeds $50 but does not exceed $300; or
- $40 if the payment amount exceeds $300 or 5% of the payment amount, whichever is greater.

Tr. 2159 (Deaton). This proposed change would be consistent with the Commission-approved return check charge for TECO, Progress Energy Florida, Gulf Power and Florida Public Utilities Company. *Id.*

In addition, FPL currently charges 1.5% for late payments, but is proposing the greater of 1.5% or $5. Tr. 2159 (Deaton). This requested charge is also consistent with the rate charged by other Florida utilities. Tr. 2159 (Deaton).

2. Allocation of Revenue Requirements

FPL followed Commission guidance in allocating the revenue increase to the various rate classes. Pursuant to the Commission's gradualism policy, FPL limited the increase to no more than 1.5 times the system average in total, including clauses. Tr. 4999 (Deaton). Several intervenors argue that the increase limitation should take into account only revenues from base rates. However, FPL's application of the gradualism policy is consistent with what was done in FPL's last case and aligns with the Commission's concept that it is the impact of rate increases on a customer's total bill that is important, so it is appropriate to include all revenues, including clause revenues in the gradualism calculation. Tr. 4999 (Deaton).

Additionally, FPL has properly accounted for the CILC/CDR credit revenue that is recovered through the conservation charge. As discussed in witness Deaton's rebuttal testimony and in response to Staff's cross examination of witness Deaton, the CILC and CDR credits recovered from all customers through the Conservation Clause are allocated to the CILC and CDR customers. Tr. 5031 (Deaton). These credits reduce the revenue requirements to be

recovered from the CILC and CDR customer classes. This same method was used in FPL's prior rate cases. Tr. 5033-34 (Deaton).

3. Other Rate Design Issues (Issues 167, 168, 169, 173)

Witnesses for SFHHA, FEA and for FIPUG make several recommendations regarding rate design issues affecting time of use (TOU) rates, the demand metered general service rates, the CILC rates and the CDR Rider. As explained by witness Deaton, pursuant to Commission guidance (Order Nos. PSC-92-1197-FOF-EI, PSC-10-0153-FOF-EI and PSC-11-0216-PAA-EI) TOU rates are designed to be revenue neutral to the standard energy rate. The off- peak energy charge is set at the energy unit cost and the on-peak charge is set to be revenue neutral with the standard rate at the class average on-peak usage. Exhibit 222. The CILC energy charges are set in the same manner as TOU rates; the off-peak charge is set to the energy unit costs and the on-peak energy charge is adjusted to recover the remaining target revenue increase. Tr. 5005-06 (Deaton).

FPL's design of the demand metered general service rates is reasonable and appropriate. The adjustments made to the demand rate unit costs for the GSD(T)-1, GSLD(T)-1 and GSLD(T)-2 rate classes maintain the rate relationships with the optional rate schedules and mitigate the impact on low load factor customers. It should be noted that high load factor customers have the option of using the High Load Factor Time of Use rate (HLFT). Tr. 5017-18 (Deaton). No adjustments were made to the GSLD(T)-3 or the CILC demand rates. Tr. 5018 (Deaton).

Finally, the notion of reopening the CILC rate to new customers and increasing the credits to CILC and CDR Rider Customers is best addressed in the DSM plan docket, since both of these are conservation programs. Tr. 5007 (Deaton).

XIV. STORM RECOVERY MECHANISM (ISSUES 1, 95, 96)

FPL has requested to continue to recover prudently incurred storm costs under the framework prescribed by the 2010 Rate Settlement. Specifically, if FPL incurs storm costs related to a named tropical storm or hurricane, the Company asks that it be permitted to begin collecting up to $4 per 1,000 kWh (roughly $400 million annually) beginning 60 days after filing a petition for recovery with the FPSC, subject to possible refund upon a subsequent prudence review. Tr. 4759-60 (Dewhurst). This interim recovery period will last up to 12 months. *Id.* This framework was proposed to eliminate a point of contention in this proceeding, because intervenors typically take issue with the traditional approach (and FPL's preferred approach) to storm cost recovery: a combination of an annual accrual to a storm reserve, maintaining a sufficient reserve to accommodate most but not all storm years, and a provision to recover costs that exceed the reserve. Tr. 4760 (Dewhurst).

The intervenors' primary arguments against FPL's requested framework were that it was previously approved as part of a settlement. *See* Tr. 2684-85 (Schultz); Tr. 3234-38 (Kollen). FPL readily acknowledges that fact. However, the fact that this framework was previously agreed to as one part of a settlement does not mean that the Commission cannot decide that it is an appropriate framework based on its own merits. Tr. 4761 (Dewhurst). The testimony of Mr. Dewhurst supports its reasonableness and its continuation. Tr. 1908-11, 4759-65 (Dewhurst).

Amazingly, one witness, OPC's witness Kollen, argued that "the appropriate and least cost level [of the storm reserve] is $0." Tr. 3237 (Kollen). Witness Kollen's position ignores the high likelihood of major tropical storms in FPL's expansive, largely coastal service area. Tr. 4763 (Dewhurst); Exhibit 457. History has shown us that even a $200 million storm reserve is not sufficient during active hurricane seasons, such as those that occurred in 2004 and 2005. Tr. 4763 (Dewhurst). S&P has even recognized that "...the $200 million storm reserve . . . is lower

than the company requested [in 2006] and lower than past storm reserves, keeping the company dependent on future favorable regulatory actions." *Id.* Witness Kollen's suggestion to maintain no storm reserve ignores its important insurance-like function and would also result in a substantial rate impact after a major storm, at a time when many customers affected by the storm would likely have a number of other additional expenses such as costs for repairing their homes.

In lieu of re-litigating the necessity and appropriate amount of an annual storm accrual, FPL requested approval of a simple recovery mechanism that has been in place since August 2010. Tr. 4763 (Dewhurst). A mechanism that provides for the timely and efficient recovery of substantial costs in excess of the Company's storm reserve provides greater access to liquidity when funds are needed to restore service following major events. Tr. 4763-64 (Dewhurst). FPL's proposal does *not* limit the Commission's ability to review prudently incurred storm costs as the intervenors imply, and it does *not* preclude any party from participating in any storm recovery proceeding. Tr. 4764 (Dewhurst). Finally, it does *not* presume that such framework would remain in place in perpetuity or that it could not be revisited by this or a future Commission in some future proceeding. *Id.* As noted, FPL remains convinced that better public policy would be to properly accrue for such events and may seek in the future to re-institute such an accrual. In the meantime, FPL's proposal represents a reasonable compromise.

To reject the continuation of the requested storm recovery framework out of hand, as certain intervenors suggest, would leave FPL and its customers without an accrual or a pre-defined mechanism for recovery of these essential costs and would certainly have an unfavorable impact on investor perceptions of FPL's risk. *Id.* Ready access to funds in the immediate wake of a storm is simply too critical for the Company to go forward *without either approach*, which is the irresponsible recommendation of both witnesses Kollen and Schultz. FPL's requested

framework was demonstrated to be reasonable, and no evidence was presented to the contrary. Accordingly, the Commission should approve FPL's requested storm cost recovery framework.

The Commission has full 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. *See e.g., In Re: Petition for a Rate Increase by Florida Power Corporation*, Docket No. 910890-EI, Order No. PSC-93-0303-AS-EI, at p.2 (Feb. 25, 1993) ("This Commission has the authority to implement the measures embodied in the stipulations even absent the stipulations.").[28] Moreover, 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). Ultimately, the Commission's consideration of the storm recovery mechanism as part of a reasonable framework for recovery of storm-related costs does not depend on the terms of the previously approved settlement agreement but rather should be judged on its own merits in the context of this proceeding. Tr. 4814-15 (Dewhurst).

[28] The specific holding from *Florida Power Corporation* is consistent with the well established body of case law regarding the Commission's considerable discretion and latitude in the ratemaking process. *See Citizens v. Public Serv. Comm'n*, 425 So. 2d 534, 540 (Fla. 1982)('This Court has consistently recognized the broad legislative grant of authority which these statutes [Sections 366.06(2) and 366.05(1), Florida Statutes] confer and the considerable license the Commission enjoys as a result of this delegation.'); *Gulf Power Co. v. Bevis*, 296 So. 2d 482, 487 (Fla. 1974)('As pointed out by the Commission, it has considerable discretion and latitude in the rate-fixing process.'); *Storey v. Mayo*, 217 So. 2d 304, 307 (Fla. 1968) ('The regulatory powers of the Commission ...are exclusive and, therefore, necessarily broad and comprehensive.'); and *City of Miami v. Fla. Public Serv. Comm'n*, 208 So. 2d 249, 253 (Fla. 1968)('It is quite apparent that these statutes [Sections 364.14 and 366.06, Florida Statutes,] repose considerable discretion in the Commission in the rate-making process.').

XV. CONCLUSION

The reason FPL's bills are low now is largely due to the Company's long-term investments designed build one of the most fuel-efficient generation fleets in the nation. And the reason FPL's bills will stay low in the future is through continued investments to improve the fuel efficiency of our fleet. Granting FPL's base rate requests will ensure continued excellent service at a low cost to FPL's customers. If FPL's base rate request is granted, the typical residential customer monthly bill will remain the lowest in Florida and below the national average. An order granting FPL's rate request will benefit customers by:

- Providing fair, just and reasonable rates – among the very lowest rates in Florida – not just for adequate and reliable service, but for excellent quality utility service;
- Keeping FPL financially strong and able to provide customers with safe, reliable electric service, at low cost, over the long term;
- FPL's weighted average cost of capital will remain low;
- Permitting FPL to attract capital on reasonable terms, thereby providing FPL the capability to make the investments in infrastructure that will deliver clean, efficient generation with billions of dollars in fuel cost savings;
- Better protecting FPL customers from the financial effects of major storm damage to FPL's system; and
- Renewing Florida's history of constructive regulation which will help control costs of service, especially financing costs, for all of Florida's utilities.

For the foregoing reasons, as supported by the evidence and stated in this brief, FPL should be granted the following relief:

(1) An increase in base rates and charges sufficient to generate additional gross revenues of $516.5 million on an annual basis beginning January 2, 2013, so that FPL will have an opportunity to earn a fair overall rate of return, including a rate of return of 11.50 percent on common equity capital, which includes a .25 percent ROE performance adder that recognizes FPL's outstanding operational performance and is contingent upon FPL maintaining the lowest typical residential bill in Florida. This ROE would permit the Company to maintain its financial integrity and ability to serve the public adequately and efficiently;

(2) Approval of the following mechanism for applying the ROE performance adder;

(3) Each September, in conjunction with FPL's annual fuel cost recovery filing, FPL will prepare and submit to the Commission a comparison of its typical residential bill to the other Florida utilities for the prior 12 months;

(4) If FPL maintained the lowest typical residential bill in the state based on an average of those prior 12 months, no adjustment would be made to FPL's rates for the following calendar year;

(5) If FPL did not maintain the lowest typical residential bill in the state based on an average of those prior 12 months, FPL would reduce its base rates by 0.040 cents per kWh to remove the effect of the ROE performance adder on a prospective basis, starting at the beginning of the following calendar year;

(6) FPL's base rates would remain at the reduced level until FPL established in a subsequent fuel cost recovery filing that it once again had the lowest typical residential bill in the state based on an average of the prior 12 months, at which time FPL's base rates would be increased by 0.040 cents per kWh at the beginning of the following calendar year to restore the effect of the ROE performance adder;

(7) Approval of an equity ratio of 59.6 percent based on investor sources (46.0 percent based on all sources);

(8) Approval of a Canaveral Step Increase in the amount necessary to recover the additional revenue requirements associated with the Canaveral Modernization Project; and allow FPL to revise and increase its retail base rates and charges to generate additional incremental gross revenues of $171.9 million effective upon the commercial in-service date for the Canaveral Modernization Project (projected to be June 1, 2013), to recognize the cost impacts associated with the addition of that unit;

(9) Approval of the transfer of WCEC 3 cost recovery from the Capacity Cost Recovery Clause to base rates;

(10) Approve of the continuation of the storm cost recovery mechanism set forth in Paragraph 3 of the 2010 Rate Settlement;

(11) Approve of the Company adjustments set forth in the MFRs submitted with FPL's Petition; and

(12) Approval of the relevant tariff sheets and rate schedules included with FPL's Petition

PART TWO: FPL'S STATEMENT OF 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?

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).

See FPL Brief, Section XIV.

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

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

See FPL Brief, Section XII.D.

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?

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.

See FPL Brief, Section X. No intervenor has presented any evidence challenging FPL's position on this issue.

Issue 4: With respect to amounts that FPL charges or pays to affiliates, who has the burden of proof in this proceeding to demonstrate the amounts comply with Commission Rule 25-6.1351 and should be allowed in the cost of service borne by customers?

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

See FPL Brief, Section X. No intervenor has presented any evidence in opposition to FPL's position on this issue.

Issue 5: Does the Commission possess the power to grant a 25 basis point performance incentive to 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 as a incentive for future performance.)

See FPL Brief, Section VIII.

Issues 6-8: DROPPED

Test Period and Forecasting

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

Yes. The Company is currently operating under the 2010 Stipulation and Settlement approved in Docket No. 080677-E1 ("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.

See FPL Brief, Section V.A.

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

Yes. FPL's forecast of customers, kWh and kW by Rate Class and Revenue Class for the 2013 projected test year are appropriate. FPL relies on statistically sound forecasting methods and reasonable input assumptions. Consistent with Commission precedent, FPL's forecast assumes normal weather conditions. Additionally, the forecast of customers, kWh, and kW by rate class is consistent with the sales and customer forecast by revenue class and reflects the billing determinants specified in each rate schedule.

See FPLs Brief, Section V.B.1.

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

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

See FPL Brief, Section V.B.1.

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

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

No intervenor has presented any evidence challenging FPL's position on this issue.

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

***The appropriate inflation factors for forecasting the 2013 test year budget are a 1.9% increase in the consumer price index (CPI) for 2012 and a 2.0% increase in 2013. These projected CPI increases are below the long-term average rate of

inflation and are consistent with projections by leading industry experts. The appropriate customer growth and trend factors are those included in the MFRs. These represent reasonable expectations regarding projected customer growth and other trend factors.***

See FPL Brief, Section V.

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

Yes. The appropriate jurisdictional separation of costs and revenues between the wholesale and retail jurisdictions is that filed by FPL. The separation factors filed by FPL were developed consistent with the Commission-provided instructions of MFR E-1 and with the methodology used in the Company's clause adjustment fillings and surveillance reports.

Stipulated Issue. Exhibit 648. The appropriateness of the separation factors as filed assumes no change in the retail sales forecast which would affect the costs allocated to the retail jurisdiction.

Quality of Service

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

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

See FPL Brief, Section IV.A.

Rate Base

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

Yes. Pursuant to FPL's 2010 Rate Settlement, FPL should reflect revenue requirements associated with WCEC-3 in base rates.

Stipulated Issue. Exhibit 648.

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

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

Exhibit 487 (MFRs B-2 and C-3); Tr. 1026 (Ousdahl). No intervenor opposed FPL's position on this issue.

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

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

Exhibit 487 (MFR B-2). No intervenor has presented any evidence challenging FPL's position on this issue.

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?

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.

See FPL Brief, Section VI.F; Tr. 935-36 (Hardy), 1145 (Barrett).

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

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

This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

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

This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the 2013 requested level of Plant in Service is $30,517,856,000. This amount is appropriate.

See FPL Brief, Section VI; Exhibits 487 (MFRs B-1 and B2); 399, 596; App. I.

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

Yes. After accounting for the adjustments listed in witness Ousdahl's Exhibit 399, the appropriate capital recovery schedule amount should be ($5,816,194) (system). The 13-month average adjustment to rate base for the 2013 Test Year is ($622,000) (jurisdictional).

Stipulated Issue. *See* Exhibits 648, 399; App. I.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the 2013 requested level of Accumulated Depreciation is $11,821,368,000. This amount is appropriate.

See FPL Brief, Section VI; Exhibits 487 (MFRs B-1 and B2); 399, 596; App. I.

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

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

See FPL Brief, Section VI.D; Tr. 3854-56, 3858, 3860 (Deason).

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

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

See FPL Brief, Section VI.D.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399 the 2013 requested level of CWIP to be included in rate base is $497,141,000. This amount is appropriate.

See FPL Brief, Section VI.D; Exhibits 487 (MFR B-1); 399, 596; App. I.

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

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

Exhibit 487 (MFR B-21); Tr. 3773 (Ousdahl).

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

Yes. The 2013 requested level of Nuclear Fuel is appropriate.

Exhibit 487 (MFRs B-1 and B-16). No intervenor has presented any evidence challenging FPL's position on this issue.

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

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

See FPL Brief, Section VI.E.

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

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

See FPL Brief, Section VI.E; Tr. 1372-74 (Miranda).

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?

Yes. After accounting for the adjustments listed in witness Ousdahl's Exhibit 399, FPL's PHFU balance is $230,227,000. This amount is appropriate the only PHFU properties that intervenors challenged are addressed by FPL's positions on Issues 30 and 31. The intervenors provided no valid basis for excluding these properties.

See FPL Brief, Section VI.E; Exhibits 487 (MFRs B-1, B-15) 399 and 596; App.I.

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

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

See FPL Brief, Section VI; Exhibit 487 (MFR B-18). No intervenor opposes FPL's position on this issue.

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

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

Exhibits 487 (MFR B-2) and 518.

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

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

See FPL Brief, Section VI.B.2; Exhibit 392.

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

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

See FPL Brief, Section VI.B.2; Tr. 3745-47 (Ousdahl).

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

***No. The balance sheet approach defines working capital as utility-related current assets and deferred debits that do not already earn a return, less utility-related current liabilities, deferred credits and operating reserves upon which the Company does not already pay a return. The amounts recorded in FERC account

186, Miscellaneous Deferred Debits, are related to providing electric service and represent assets not already earning a return. Accordingly, this account should be included in working capital.***

See FPL Brief, Section VI.B.2; Exhibit 392.

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

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

See FPL Brief, Section VI.B.3; Exhibit 487 (MFR B-6); Tr. 3739-40 (Ousdahl).

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?

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.

See FPL Brief, Section VI.B; Tr. 3746-47 (Ousdahl); Exhibit 487 (MFR B-2).

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

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

See FPL Brief, Section VI.B.1; Tr. 3875-77; 3880 (Deason).

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

After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the 2013 level of Working Capital requested in this filing of $1,230,996,000 (jurisdictional) is appropriate. No other adjustments are appropriate.

See FPL Brief, Section VI.B; Exhibits 399, 596; App. I.

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

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

Tr. 3742-43 (Ousdahl); Exhibit 487 (MFR B-2). No intervenor has presented any evidence challenging FPL's position on this issue.

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

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

See FPL Brief, Section VI.C; Tr. 3771-73 (Ousdahl).

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

Yes. After accounting for the adjustments listed in witness Ousdahl's Exhibit 399, the 2013 requested level of Working Capital is $1,230,996,000. This amount is appropriate.

See FPL Brief, Section VI.B; Exhibits 487 (MFRs B-1 and B-6), 399, 596; App. I.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the 2013 requested level of rate base is $22,220,083,000. This amount is appropriate.

See FPL Brief, Section VI; Exhibits 487 (MFRs B-1), 399, 596; App. I.

Cost of Capital

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

After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the appropriate amount of accumulated deferred taxes included in capital structure for the 2013 Test Year is $4,403,203,000 (jurisdictional).

Tr. 3752 (Ousdahl); Exhibits 487 (MFR D-1a), 399, 110; App. I.

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

After accounting for the adjustments to witness Ousdahl's Exhibit 399, the appropriate amount of unamortized investment tax credits and cost rate included in capital structure for the 2013 test year is $931,000 (jurisdictional) and 9.04%, respectively. The determination of the cost rate should only include the long-term sources of capital; common and preferred stock and long-term debt.

Tr. 3749-50 (Ousdahl); Exhibits 487 (MFR D-1a) and 399; App. 1.

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

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

Stipulated Issue. Exhibit 648.

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

The appropriate cost rate for long-term debt for the 2013 projected test year is 5.19%.

See FPL Brief, Section VII.C; Exhibits 487 (MFRs D-4a) and 399.

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

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

Stipulated Issue. Exhibit 648.

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

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

See FPL Brief, Section VII.B.

Issues 52-53: 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?

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.

See FPL Brief, Section VIII.

Issues 55-57: DROPPED

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

The Commission should authorize 11.5% as the return on common equity. Granting FPL's requested return on equity will appropriately take into account FPL's company-specific risk factors, including: (i) planned investments totaling $9 billion to continue to maintain and improve its system for customers; (ii) the Company's operation of nuclear plants and development of new nuclear plants; (iii) high exposure to natural gas price volatility; and (iv) FPL's uniquely high level of hurricane risk exposure both in terms of geographical distribution of assets and likelihood of hurricane strikes. Granting FPL's requested return on common equity is critical to maintaining FPL's financial strength and flexibility, and will help FPL attract the large amounts of capital that are needed to serve its customers on reasonable terms. 11.5% is roughly the average of authorized ROEs in the Southeast United States, a region in which FPL is one of the top performing utilities.

See FPL Brief, Section VII.D.

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

The proposed capital structure as presented on MFR D-1A is appropriate. This capital structure has served customers well by helping support high quality service at low rates, while enabling FPL to successfully weather financial challenges such as the impact of major hurricanes and the global economic crisis. Maintaining this capital structure will provide the ability to attract capital required for FPL to meet its customers' electric service needs and indicate to the capital markets the Commission's continued commitment to support the financial integrity of the Company.

See FPL Brief, Section VII.B.

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

Yes. Please see FPL's positions on Issues 51, 54, 58, 59, and 61. As explained in response to Issue 61 below, this combination will result in a weighted average cost of capital of 6.9%, which is below the average weighted average cost of capital of FPL's peer electric IOUs, helping to keep customer bills low.

See FPL Brief, Section VII.B; Exhibit 487 (MFR D-1a); App. I.

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

***The associated components, amounts and cost rates are reflected in FPL's MFR D-1a for the 2013 Test Year, together with the adjustments listed on FPL

witness Ousdahl's Exhibit 399; 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 6.9%.***

See FPL Brief, Section VII.E; Exhibits 487 (MFR D-1a), 399; App. I.

Net Operating Income

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

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

See FPL Brief, Section IX.B; Exhibit 487 (MFRs C-1 and C-4).

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

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

See FPL Brief, Section X.A; Exhibit 487 (MFR C-31).

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

***After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the appropriate amount of other operating revenues for the 2013 test year is $140,639,000 (jurisdictional). ***

See FPL Brief, Section IX.B; Exhibits 487 (MFRs C-1 and C-4); 399; App. 1. No intervenor has presented any evidence opposing FPL's position on this issue.

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

***Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the 2013 requested level of Total Operating Revenues is $4,408,927,000. This amount is appropriate. ***

See FPL Brief, Section IX.B; Exhibits 399, 487 (MFRs C-1 and C-4); App. 1.

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

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

Stipulated Issue. Exhibit 648.

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

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

See FPL Brief, Section IX.A.

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

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

See FPL Brief, Section IX.A; Exhibit 487 (MFR C-1).

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

Yes. FPL has made the appropriate test year adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause. No intervenor opposes FPL's position.

Exhibit 487 (MFR C-1). No intervenor opposes FPL's position on this issue.

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

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

Stipulated Issue. Exhibit 648.

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

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

Exhibit 487 (MFR C-1). No intervenor opposed FPL's position on this issue.

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

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

Stipulated Issue. Exhibit 648.

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

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

Exhibit 487 (MFR C-1). No party filed testimony or developed any evidence challenging FPL's position on this issue.

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

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

Exhibit 487 (MFR C-30). No intervenor has presented any evidence challenging FPL's position on this issue.

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

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

See FPL Brief, Section X; Exhibits 120 and 487 (MFR C-31).

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?

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.

See FPL Brief, Section X; Exhibits 120 and 487 (MFR C-31).

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

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

See FPL Brief, Section X; Exhibits 120 and 487 (MFR C-31).

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?

No adjustments are required other than the adjustments listed on Exhibit 399. The appropriate adjustment amount is $949,000.

See FPL Brief, Section X; Exhibit 399; App. I.

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

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

See FPL Brief, Section X; Exhibits 120 and 487 (MFR C-31).

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

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

This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

FPL does not understand what this issue intends to address and therefore cannot provide a position to the question as written. No party filed testimony or developed any evidence challenging FPL's calculations related to this subject.

This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

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

This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

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

This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

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

This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

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

This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

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

See FPL Brief, Section IX.C.2; Exhibits 43, 76, 92 and 487 (MFR C-41).

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

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

See FPL Brief, Section IX.C.2; Exhibits 414, 487 (MFR C-41).

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

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

See FPL Brief, Section IX.C.3; Exhibits 487 (MFR C-41), 597.

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

After accounting for the adjustments listed in witness Ousdahl's Exhibit 399, the appropriate amount of Transmission Expense for the 2013 Test Year is $61,758,000 (jurisdictional).

See FPL Brief, Section IX.C.2; Exhibits 399, 487 (MFR C-41), 597; App. I.

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

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

See FPL Brief, Section IX.C.2; Exhibits 487 (MFR C-41), 597.

Issues 92-94: 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?

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.

See FPL Brief, Section XIV.

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

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

See FPL Brief, Section XIV.

Issues 97-98: DROPPED

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

No adjustments are required other than the $949,000 adjustment listed on FPL witness Ousdahl's Exhibit 399.

Stipulated Issue. Exhibits 648 and 399; App. I.

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

No adjustments are required other than the $731,000 amount listed on FPL witness Ousdahl's Exhibit 399.

See FPL Brief, Section IX.D.2. Exhibit 399; App. I.

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

Yes. The proposed increases to average salaries for the 2013 projected Test Year are appropriate and reasonable. The reasonableness of current salaries is demonstrated by comparison of FPL's base pay to the relevant comparative market (Exhibit 186). In addition, FPL's proposed increases to average salaries are in line with market projections provided by WorldatWork Index, The Conference Board, and other market surveys.

See FPL Brief, Section IX.D.1; Tr. 1565 (Slattery); Exhibit 186.

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

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

See FPL Brief, Section IX.D.3; Tr. 3505, 3507, 3509 (Slattery); Exhibit 396.

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

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

No party has presented any evidence opposing FPL's position on this issue.

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

***One hundred percent of the Test Year level of Salaries and Employee Benefits expense are appropriate, other than portions of incentive compensation already excluded. The reasonableness of salary and benefit expense is demonstrated in a number of ways, including comparison of: FPL's salaries to the relevant

comparative market; FPL's salary cost and efficiency to those of similar utilities; and the relative value of benefits programs to other utility and general industry companies.***

See FPL Brief, Section IX.D.

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

The appropriate amount of Pension Expense, excluding amounts forecasted to be included in capital expenditures, for the 2013 Test Year is $31,125,000.

Exhibits 399, 596 (Column 2); App. I. No intervenor has presented any evidence in opposition to FPL's position on this issue.

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

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

See FPL Brief, Section IX.E.

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

This issue was not challenged by any intervenor witness. Nevertheless, FPL states that the appropriate amount of accrual for the Injuries & Damages reserve for the 2013 projected test year is (5,200,000 (system) $5,121,000 (jurisdictional).

Exhibit 487 (MFR B-21). This issue was not raised in FPL's direct case, and no intervenor has presented any evidence opposing FPL's position on this issue. Accordingly, this issue should be dismissed or stricken.

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

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

See FPL Brief, Section IX.C.5.

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

FPL's proposed bad debt rate of 0.166% is appropriate and is not opposed by any party. The appropriate amount of uncollectible expense is $18,407,703.

Tr. 771 (Santos); Exhibit 487 (MFR C-4 and C-11). No party opposed FPL's projected bad debt rate.

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

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

See FPL Brief, Section VI.C.

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

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

See FPL Brief, Section VI.C.

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

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

See FPL Brief, Section IX.C.4.

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

***Yes. The projected Test Year level of savings was based on the most current information at the time the forecast was developed. The testimony of intervenors

suggesting FPL should be held to the 2013 forecasted savings provided in the 2009 rate case is not appropriate.***

See FPL Brief, Section IX.C.4.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, FPL's requested level of 2013 O&M Expense is $1,545,812,000. This amount is appropriate.

See FPL Brief, Section IX.C, D, E, F.; Exhibits 399, 487 (MFR C-1), App. I.

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

The appropriate amount of depreciation expense for plant-in-service assets and fossil dismantlement expense for the 2013 test year is $793,186,000, and $17,773,000, respectively (jurisdictional).

Exhibits 399, 596 (Columns 1, 4, 7, 11, 17, 18); App. I. No party presented any evidence opposing FPL's position on this issue.

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

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

See FPL Brief, Section IX.F.

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

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

Tr. 3600 (Barrett).

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the 2013 requested level of Depreciation and Amortization Expense is $809,809,000. This amount is appropriate.

Exhibits 399, 487 (MFR C-1), 596; App. I.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, FPL's requested level of 2013 Taxes Other Than Income Taxes is $371,694,000. This amount is appropriate.

See FPL Brief, Section IX.C.1; App. I.

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

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

See FPL Brief, Section IX.C.1.; Tr. 1078-80 (Ousdahl).

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, FPL's requested level of 2013 O&M Income Taxes is $516,196,000. This amount is appropriate.

See FPL Brief IX.C.1; App. I.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the 2013 requested level of (Gain)/Loss on Disposal of Plant is $656,000. This amount is appropriate.

See FPL Brief, Section IX; Exhibits 399, 487 (MFRs C-4 and C-19); App. I. No intervenor has presented any evidence challenging FPL's position on this issue.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the 2013 requested level of Total Operating Expenses is $3,266,322,000. This amount is appropriate.

See FPL Brief, Section IX; Exhibits 399, 487 (A-1, C-1, C-2); App. I.

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

Yes. Together with the adjustment listed on FPL witness Ousdahl's Exhibit 399, the 2013 requested level of Net Operating Income is $1,142,605,000. This amount is appropriate.

See FPL Brief, Section IX; Exhibit 399; App. I.

Revenue Requirements

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

The appropriate projected 2013 revenue expansion is 0.61279 and the NOI multiplier is 1.63188. The elements and rates are shown on MFR C-44.

See FPL Brief, Section IX; Exhibit 487 (MFR C-44). No intervenor opposes FPL's position on this issue.

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

Yes. FPL's requested annual operating revenue increase for the 2013 Test Year is appropriate. Based on data in FPL's as-filed MFRs, FPL's revenue deficiency is $525,102,000. However, FPL is not seeking to increase its request.

See FPL Brief, Section XI.B.

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

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

See FPL Brief, Section IV.B.

Base Rate Step Adjustment

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

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

See FPL Brief, Sections XII.A, D.

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

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

See FPL Brief, Section XII.A.

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

Yes, After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399 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 $811,809,000. This amount is appropriate.

See FPL Brief, Section XII.A.; Exhibit 399; App. II.

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?

The appropriate after-tax weighted average cost of capital for the Canaveral Step Increase is 9.04%. The components, amounts and cost rates associated with the capital structure are set forth in FPL's MFR D-1a for the Canaveral Step Increase, reflecting an adjustment for FPL's May 2012 long-term debt issuance described in Mr. Dewhurst's rebuttal testimony.

See FPL Brief, Sections XII.A, C; Apps I and II.

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

Yes, After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, FPL's requested net operating loss for the Canaveral Step Increase is ($31,951,000). This amount is appropriate.

Exhibits 399, 487 (CC MFR C-4, line 37), 596; App. II.

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

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

Exhibit 487 (CC MFR C-4). No intervenor opposes FPL's position on this issue.

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

Yes. After accounting for the adjustments listed on FPL witness Ousdahl's Exhibit 399, the base rate step increase is $171,874,000. This amount is appropriate.

See FPL Brief, Section XII; App. II.

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

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

See FPL Brief, Section XII.D.

Cost of Service and Rate Design Issues

Issues 136-138: 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?

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.

See FPL's Brief, Section XIII.A.2; Tr. 2099, 4910 (Ender).

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

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

See FPL Brief, Section XIII.A.2; Tr. 2098 (Ender).

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

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

See FPL Brief, Section XIII.A.; Tr. 2098 (Ender).

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

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.

See FPL Brief, Section XIII.A.

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

Yes. FPL's proposed allocation of the Cape Canaveral Modernization step increase is reasonable. The revenue requirements are allocated to customer classes based on the cost of service data in Exhibit 487 (MFR E-6b) equalized at proposed rates for the 2013 Test Year. Exhibit 470 outlines the revised cost allocation and the resulting energy factors by rate class.

See FPL Brief, Section XIII.A; Tr. 5014 (Deaton); App. I.

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

The increase should be allocated as shown in Exhibit 487 (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.

See FPL Brief, Section XIII.B; Tr. 2150 (Deaton).

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

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

Stipulated Issue. Exhibit 648.

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

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

Stipulated issue. Exhibit 648.

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

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

Stipulated issue. Exhibit 648.

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

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

See FPL Brief, Section XIII.B.1.

Issues 149-156: DROPPED

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

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

Stipulated Issue. Exhibit 648.

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

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

See FPL Brief, XIII.B; Tr. 2159 (Deaton).

Issues 159-164 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)

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.

Exhibit 487 (MFR E-14). No intervenor opposed FPL's position on this issue.

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

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

Tr. 5008 (Deaton).

Issue 167 Should the CILC rate be reopened?

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

See FPL Brief, Section XIII.B.3; Tr. 5007, 5029-50 (Deaton); *also* the Prehearing Order entered in this proceeding, Order No. PSC-12-0428-PHO-EI, p. 205.

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

Yes. FPL's design of the CILC rate, as discussed in RBD-6 of witness Deaton's direct testimony, is appropriate. The rate as designed is consistent with the methodology approved by the Commission in Docket No. 891045-EI.

See FPL Brief, Section XIII.B.3; Tr. 5002-06 (Deaton).

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

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

See FPL Brief, Section XIII.B.3; Tr. 5009, 5029 (Deaton); *See also* the Prehearing Order entered in this proceeding, Order No. PSC-12-0428-PHO-EI, p. 205.

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

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

See FPL Brief, Section XIII.A.3.

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

The appropriate level and design of the charges under the Standby and Supplemental Services (SST-1) rate schedule are discussed in Exhibit 222 (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 Exhibit 487 (MFR E-14, Attachment 1).

Exhibits 222, 487 (MFR E-14, Attachment 1). No intervenor opposed FPL's position on this issue.

Issue 172: What is the appropriate level and design of charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule?

***The appropriate level and design of the charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule are discussed in Exhibit 222 (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 Exhibit 487 (MFR E-14, Attachment 1).***

Exhibits 222, 487 (MFR E-14, Attachment 1). No intervenor opposed FPL's position on this issue.

Issue 173: What is the appropriate method of designing time of use rates for FPL?

The appropriate method for designing time-of-use rates for FPL is as discussed in Exhibit 222 (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.

See FPL Brief, Section XIII.B.3.

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

The appropriate customer charges are shown in Exhibit 487 (MFR A-3).

Exhibit 487 (MFR A-3).

Issues 175-182: DROPPED

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

The appropriate demand charges are shown in Exhibit 487 (MFR A-3).

Exhibit 487 (MFR A-3).

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

The appropriate energy charges are shown in Exhibit 487 (MFR A-3).

Exhibit 487 (MFR A-3).

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

The appropriate lighting rate schedule charges are those presented in the tariff sheets provided in Exhibit 487 (MFR E-14, Attachment 1 of FPL's filing).

Exhibit 487 (MFR E-14, Attachment 1).

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?

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

See FPL Brief, Section XII.D.

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

The appropriate charges for the Canaveral Modernization Project are reflected in the Cape Canaveral Schedule A-3 (Exhibit 487) as adjusted for the changes listed in Exhibit 470 (RBD-11 to FPL witness Deaton's rebuttal testimony).

Tr. 5009 (Deaton); Exhibits 470, 487 (Cape Canaveral MFR A-3); App. I.

Other Issues

Issues 188-191: 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?

FPL has no objection to making such a filing.

Issue 193: Should this docket be closed?

Yes.

Respectfully submitted this 21st day of September 2012.

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By: *s/ John T. Butler*
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CERTIFICATE OF SERVICE
DOCKET NO. 120015-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing Notice has been furnished electronically this 21st day of September 2012, to the following:

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APPENDIX I

Docket No. 120015-EI
Rate Case
Revised Issue Amounts

Prehearing Order Page	Issue No.	Issue	Issues List Amount	Adjustment [1]	Revised Amount
Page 43	14	Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?	N/A	N/A	N/A
p 50	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?	$ 30,424,227,000	$ 93,629,000	$ 30,517,856,000
p 51	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?			
		Total Capital Recovery Schedule (system)	$ (5,439,194)	$ (377,000)	$ (5,816,194)
		13-Month Average Rate Base Adjustment	$ (668,000)	$ 46,000	$ (622,000)
p 51	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?	$ 11,901,711,000	$ (80,343,000)	$ 11,821,368,000
p 54	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?	$ 501,676,000	$ (4,535,000)	$ 497,141,000
p 59	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?	$ 230,192,000	$ 35,000	$ 230,227,000
p 67	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?	$ 1,217,209,000	$ 13,787,000	$ 1,230,996,000
p 70	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?	$ 1,217,209,000	$ 13,787,000	$ 1,230,996,000
p 71	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?	$ 21,036,823,000	$ 183,260,000	$ 21,220,083,000
p 71	46	What is the appropriate amount of accumulated deferred taxes to include in the capital structure?	$ 4,365,176,000	$ 38,027,000	$ 4,403,203,000
p 72	47	What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?			
		Amount	$ 923,000	$ 8,000	$ 931,000
		Cost Rate	9.06%	-0.02%	9.04%
p 73	48	What is the appropriate cost rate for short-term debt for the 2013 projected test year?	2.11%	0.00%	2.11%
p 74	49	What is the appropriate cost rate for long-term debt for the 2013 projected test year?	5.26%	-0.07%	5.19%
p 84	60	Is the combination of regulatory ROE, debt costs, capital structure and performance adder (if any) appropriate?	7.00%	-0.10%	6.90%
p 85	61	What is the appropriate weighted average cost of capital?	7.00%	-0.10%	6.90%
p 89	64	What are the appropriate projected amounts of other operating revenues for the 2013 projected test year?	$ 140,637,000	$ 2,000	$ 140,639,000
p 90	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?	$ 4,407,253,000	$ 1,674,000	$ 4,408,927,000
p 101	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?	N/A	$ 949,000	$ 949,000
p 111	90	What is the appropriate amount of FPL's transmission O&M expense for the 2013 projected test year?	$ 55,677,000	$ 6,081,000	$ 61,758,000
p 115	99	Should an adjustment be made to FPL's level of executive compensation for the 2013 projected test year?	N/A	$ 949,000	$ 949,000
p 116	100	Should an adjustment be made to FPL's level of non-executive compensation for the 2013 projected test year?	N/A	$ (731,000)	$ (731,000)
p 121	105	What is the appropriate amount of Pension Expense for the 2013 projected test year?	$ (28,223,000)	$ (2,902,000)	$ (31,125,000)
p 129	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?	$ 1,542,322,000	$ 3,490,000	$ 1,545,812,000
p 129	115	What is the appropriate amount of depreciation and fossil dismantlement expense for the 2013 projected test year?			
		Depreciation	$ 786,138,000	$ 7,048,000	$ 793,186,000
		Dismantlement	$ 17,773,000	$ -	$ 17,773,000
p 132	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?	$ 802,761,000	$ 7,048,000	$ 809,809,000
p 133	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?	$ 371,710,000	$ (16,000)	$ 371,694,000
p 135	121	Is FPL's requested level of Income Taxes of $513,276,000 ($528,838,000 system) for the 2013 projected test year appropriate?	$ 513,276,000	$ 2,920,000	$ 516,196,000
p 136	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?	$ (2,641,000)	$ 1,985,000	$ (656,000)
p 137	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?	$ 3,250,894,000	$ 15,428,000	$ 3,266,322,000
p 137	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?	$ 1,156,359,000	$ (13,754,000)	$ 1,142,605,000

Docket No. 120015-EI
Rate Case
Revised Issue Amounts

Prehearing Order Page	Issue No.	Issue	Issues List Amount	Adjustment [1]	Revised Amount
p 139	126	Is FPL's requested annual operating revenue increase of $516,521,000 for the 2013 projected test year appropriate?	$ 516,521,000	$ 8,581,000	$ 525,102,000
p 144	130	Is FPL's requested rate base of $821,325,000 ($837,297,000 system) for the Canaveral Modernization Project appropriate?	$ 821,325,000	$ (9,516,000)	$ 811,809,000
p 145	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?	9.06%	-0.03%	9.04%
p 146	132	Is FPL's requested net operating loss of $32,092,000 ($32,712,000 system) for the Canaveral Modernization Project appropriate?	$ (32,092,000)	$ 296,000	$ (31,796,000)
p 147	134	Is FPL's requested base rate step increase of $173,851,000 for the Canaveral Modernization Project appropriate?	$ 173,851,000	$ (2,232,000)	$ 171,619,000

Notes:

(1) Includes the following adjustments:
a) KO-16 Adjustments
b) Long term debt cost rate changes included in Moray's rebuttal testimony
c) Change in uncollectible accounts reserve provided during the technical hearings (Exhibit 595 - FPL Uncollectible Account Reserve Info)

(2) Issue amount revisions for KO-16 adjustment, No. 4, related to separation factors changes, was only completed for totals reported on MFR B-1 and C-1 (i.e. not at a lower level specific issue, if applicable). This was completed in this manner to be consistent with what was provided in Kim Ousdahl's late filed exhibit (Exhibit 596) which laid out all the KO-16 adjustments by FERC account, except for adjustment 4 which contained the following footnote, "Separation factor adjustment affects many FERC accounts, as such for presentation purposes the Company is showing it in the summary format of MFR C-1 and B-1."

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
2013 RECALCULATED REVENUE REQUIREMENTS (MFR A-1 FORMAT)
($000's)

Line No.	Description	Source		2013 Requested As Shown on MFR A-1 Jurisdictional (1)	Jurisdictional Effect of Identified KO-16 Adjustments (2)	2013 Recalculated Revenue Increase with Adjustments (3)
1						
2	JURISDICTIONAL ADJUSTED RATE BASE	SCHEDULE B-1		$21,036,823	$183,260	$21,220,083
3						
4	RATE OF RETURN ON RATE BASE REQUESTED	SCHEDULE D-1a	x	7.00%	-0.10%	6.90%
5						
6	JURISDICTIONAL NET OPERATING INCOME REQUESTED	LINE 2 X LINE 4		1,472,878	(8,496)	1,464,382
7						
8	JURISDICTIONAL ADJUSTED NET OPERATING INCOME	SCHEDULE C-1		1,156,359	(13,754)	1,142,605
9						
10	NET OPERATING INCOME DEFICIENCY (EXCESS)	LINE 6 - LINE 8		316,520	5,258	321,778
11						
12	EARNED RATE OF RETURN	LINE 8 / LINE 2		5.50%	-0.11%	5.38%
13						
14	NET OPERATING INCOME MULTIPLIER	SCHEDULE C-44	x	1.63188	0.00000	1.63188
15						
16	REVENUE INCREASE (DECREASE)	LINE 10 X LINE 14		$516,521	$8,581	$525,103

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
2013 RECALCULATED JURISDICTIONAL RATE BASE (RB) (MFR B-1 FORMAT)
($000's)

LINE NO.		(1) AS FILED MFR B-1 Page 1, Line 7 JURISDICTIONAL ADJUSTED ($000)	(2) EFFECT OF KO-16 ADJUSTMENTS JURISDICTIONAL ADJUSTED ($000)	(3) RECALCULATED RATE BASE W/ADJUSTMENTS JURISDICTIONAL ADJUSTED ($000)
1				
2	PLANT IN SERVICE	$ 30,424,227	$ 93,629	$ 30,517,857
3				
4	DEPRECIATION & AMORT RESERVE	11,901,711	(80,343)	11,821,368
5				
6	NET PLANT IN SERVICE	18,522,516	173,972	18,696,488
7				
8	FUTURE USE PLANT	230,192	35	230,227
9				
10	CWIP	501,676	(4,535)	497,142
11				
12	NUCLEAR FUEL	565,229	0	565,229
13				
14	NET UTILITY PLANT	19,819,614	169,472	19,989,086
15				
16	WORKING CAPITAL	1,217,209	13,787	1,230,997
17				
18	RATE BASE	$ 21,036,823	$ 183,260	$ 21,220,083

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
2013 RECALCULATED JURISDICTIONAL NET OPERATING INCOME (NOI) (MFR C-1 FORMAT)
($000's)

LINE NO.		(1) AS FILED MFR C-1 Page 1, Column 10 JURIS ADJUSTED ($000)	(2) JURISDICTIONAl EFFECT OF IDENTIFIED KO-16 ADJUSTMENTS ($000)	(3) RECALCULATED NOI W/ADJUSTMENTS JURIS ADJUSTED ($000)
1				
2	REVENUE FROM SALES	$ 4,266,616	1,672	$ 4,268,288
3				
4	OTHER OPERATING REVENUES	140,637	2	140,639
5				
6	TOTAL OPERATING REVENUES	4,407,253	1,674	4,408,927
7				
8	OTHER	1,542,322	3,490	1,545,812
9				
10	FUEL & INTERCHANGE	23,466	0	23,466
11				
12	PURCHASED POWER	0	0	0
13				
14	DEFERRED COSTS	0	0	0
15				
16	DEPRECIATION & AMORTIZATION	802,761	7,048	809,809
17				
18	TAXES OTHER THAN INCOME TAXES	371,710	(16)	371,694
19				
20	INCOME TAXES	513,276	2,920	516,196
21				
22	(GAIN)/LOSS ON DISPOSAL OF PLANT	(2,641)	1,985	(655)
23				
24	TOTAL OPERATING EXPENSES	3,250,894	15,428	3,266,323
25				
26	NET OPERATING INCOME	$ 1,156,359	$ (13,754)	$ 1,142,605

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

2013 RECALCULATED RATE OF RETURN ON RATE BASE (MFR D-1a FORMAT)

AS FILED TEST YEAR - 2013

Line No.	JURIS ADJ UTILITY	(A) AMOUNT	(B) RATIO	(C) COST RATE	(D) WTD COC	(E) PRE TAX COC	(F) PRE TAX COC	(G) CAPITAL COSTS
1	LONG TERM DEBT	6,199,550	29.470%	5.258%	1.550%	1.550%	325,987	325,987
2	PREFERRED STOCK	0	0.000%	0.000%	0.000%	0.000%	0	0
3	COMMON EQUITY	9,684,101	46.034%	11.500%	5.294%	8.619%	1,813,059	1,113,672
4	SHORT TERM DEBT	360,542	1.714%	2.107%	0.036%	0.036%	7,596	7,596
5	CUSTOMER DEPOSITS	426,531	2.028%	5.988%	0.121%	0.121%	25,540	25,540
6	INVESTMENT TAX CREDITS	923	0.004%	9.064%	0.000%	0.001%	124	84
7	DEFERRED INCOME TAX	4,365,176	20.750%	0.000%	0.000%	0.000%	0	0
8	**WEIGHTED COST OF CAPITAL**	21,036,823	100.000%		**7.0014%**	**10.3262%**	2,172,307	1,472,878
9								
17								
18	**Revised LTD and CDE Cost Rates**		**5.192%**	**1.992%**				
19	**KO-16 Rate Base Change**		**183,260**					
20								
21								

REVISED TEST YEAR COST OF CAPITAL - 2013

		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
24	**JURIS ADJ UTILITY**	AS FILED CAPITAL STRUCTURE	KO-16 RATE BASE CHANGES	ADJUSTED CAPITAL STRUCTURE	RATIO	COST RATE	WTD COC	PRE TAX COC	PRE TAX COC	CAPITAL COSTS
25	LONG TERM DEBT	6,199,550	54,007	6,253,557	29.470%	**5.192%**	1.530%	1.530%	324,692	324,692
26	PREFERRED STOCK	0	0	0	0.000%	0.000%	0.000%	0.000%	0	0
27	COMMON EQUITY	9,684,101	84,362	9,768,463	46.034%	11.500%	5.294%	8.619%	1,828,853	1,123,373
28	SHORT TERM DEBT	360,542	3,141	363,683	1.714%	2.107%	0.036%	0.036%	7,662	7,662
29	CUSTOMER DEPOSITS	426,531	3,716	430,247	2.028%	**1.992%**	0.040%	0.040%	8,571	8,571
30	INVESTMENT TAX CREDITS	923	8	931	0.004%	9.038%	0.000%	0.001%	125	84
31	DEFERRED INCOME TAX	4,365,176	38,027	4,403,203	20.750%	0.000%	0.000%	0.000%	0	0
32	**WEIGHTED COST OF CAPITAL**	21,036,823	183,260	21,220,083	100.000%		**6.9009%**	**10.2257%**	2,169,904	1,464,382

APPENDIX II

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
2013 CANAVERAL STEP INCREASE - RECALCULATED REVENUE REQUIREMENTS (MFR A-1 FORMAT)
($000's)

Line No.	Description	Source		Requested As Shown on MFR A-1 (1)	Jurisdictional Effect of Identified Adjustments (2)	Recalculated Revenue Increase with Adjustments (3)
1						
2	JURISDICTIONAL ADJUSTED RATE BASE	SCHEDULE B-1	$	821,325	($9,516)	$811,809
3						
4	RATE OF RETURN ON RATE BASE REQUESTED	SCHEDULE D-1a	x	9.06%	-0.03%	9.04%
5						
6	JURISDICTIONAL NET OPERATING INCOME REQUESTED	LINE 2 X LINE 4		74,442	(1,071)	73,371
7						
8	JURISDICTIONAL ADJUSTED NET OPERATING INCOME	SCHEDULE C-1		(32,092)	296	(31,796)
9						
10	NET OPERATING INCOME DEFICIENCY (EXCESS)	LINE 6 - LINE 8		106,534	(1,368)	105,167
11						
12	EARNED RATE OF RETURN	LINE 8 / LINE 2		N/A	N/A	N/A
13						
14	NET OPERATING INCOME MULTIPLIER	SCHEDULE C-44	x	1.63188	0.00000	1.63188
15						
16	REVENUE INCREASE (DECREASE)	LINE 10 X LINE 14		$173,851	($2,232)	$171,619

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	RS-1	Residential Service			
2		Customer Charge/Minimum	$7.00		$7.00
3					
4		Base Energy Charge (¢ per kWh)			
5		First 1,000 kWh	4.320	0.186	4.506
6		All additional kWh	5.320	0.186	5.506
7					
8					
9	RST-1	Residential Service -Time of Use	Closed to new customers effective January 1, 2013		
10		Customer Charge/Minimum	$11.00		$11.00
11					
12		with $240.00 lump-sum metering payment	$7.00		$7.00
13		effective January 1, 2013			
14					
15					
16					
17		Base Energy Charge (¢ per kWh)			
18		On-Peak	13.695	0.186	13.881
19		Off-Peak	0.712	0.186	0.898
20					
21					
22	GS-1	General Service - Non Demand (0-20 kW)			
23		Customer Charge/Minimum			
24		Metered	$10.00		$10.00
25		Unmetered	$5.00		$5.00
26					
27		Base Energy Charge (¢ per kWh)	4.378	0.171	4.549
28					
29					
30	GST-1	General Service - Non Demand - Time of Use (0-20 kW)			
31		Customer Charge/Minimum	$13.00		$13.00
32					
33					
34		With $180.00 lump sum payment	$10.00		$10.00
35		effective January 1, 2013			
36					
37					
38		Base Energy Charge (¢ per kWh)			
39		On-Peak	12.684	0.171	12.855
40		Off-Peak	0.715	0.171	0.886
41					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	GSD-1	General Service Demand (21-499 kW)			
2		Customer Charge	$25.00		$25.00
3					
4		Demand Charge ($/kW)	$7.70		$7.70
5					
6		Base Energy Charge (¢ per kWh)	1.499	0.153	1.652
7					
8					
9	GSDT-1	General Service Demand - Time of Use (21-499 kW)			
10		Customer Charge	$25.00		$25.00
11					
12					
13					
14					
15					
16					
17		Demand Charge - On-Peak ($/kW)	$7.70		$7.70
18					
19		Base Energy Charge (¢ per kWh)			
20		On-Peak	3.394	0.153	3.547
21		Off-Peak	0.710	0.153	0.863
22					
23					
24	GSLD-1	General Service Large Demand (500-1999 kW)			
25		Customer Charge	$25.00		$25.00
26					
27		Demand Charge ($/kW)	$10.50		$10.50
28					
29		Base Energy Charge (¢ per kWh)	1.004	0.150	1.154
30					
31					
32	GSLDT-1	General Service Large Demand - Time of Use (500-1999 kW)			
33		Customer Charge	$25.00		$25.00
34					
35		Demand Charge - On-Peak ($/kW)	$10.50		$10.50
36					
37		Base Energy Charge (¢ per kWh)			
38		On-Peak	1.717	0.150	1.867
39		Off-Peak	0.704	0.150	0.854
40					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	CS-1	Curtailable Service (500-1999 kW)			
2		Customer Charge	$50.00		$50.00
3					
4		Demand Charge ($/kW)	$10.50		$10.50
5					
6		Base Energy Charge (¢ per kWh)	1.004	0.150	1.154
7					
8		Monthly Credit ($ per kW)	($1.72)		($1.72)
9					
10		Charges for Non-Compliance of Curtailment Demand			
11		Rebilling for last 12 months (per kW)	$1.72		$1.72
12		Penalty Charge-current month (per kW)	$3.70		$3.70
13		Early Termination Penalty charge (per kW)	$1.09		$1.09
14					
15	CST-1	Curtailable Service -Time of Use (500-1999 kW)			
16		Customer Charge	$50.00		$50.00
17					
18		Demand Charge - On-Peak ($/kW)	$10.50		$10.50
19					
20		Base Energy Charge (¢ per kWh)			
21		On-Peak	1.717	0.150	1.867
22		Off-Peak	0.704	0.150	0.854
23					
24		Monthly Credit (per kW)	($1.72)		($1.72)
25					
26		Charges for Non-Compliance of Curtailment Demand			
27		Rebilling for last 12 months (per kW)	$1.72		$1.72
28		Penalty Charge-current month (per kW)	$3.70		$3.70
29		Early Termination Penalty charge (per kW)	$1.09		$1.09
30					
31	GSLD-2	General Service Large Demand (2000 kW +)			
32		Customer Charge	$100.00		$100.00
33					
34		Demand Charge ($/kW)	$9.40		$9.40
35					
36		Base Energy Charge (¢ per kWh)	1.201	0.132	1.333
37					
38					
39					
40					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	GSLDT-2	General Service Large Demand - Time of Use (2000 kW +)			
2		Customer Charge	$100.00		$100.00
3					
4		Demand Charge - On-Peak ($/kW)	$9.40		$9.40
5					
6		Base Energy Charge (¢ per kWh)			
7		On-Peak	2.602	0.132	2.734
8		Off-Peak	0.697	0.132	0.829
9					
10					
11	CS-2	Curtailable Service (2000 kW +)			
12		Customer Charge	$125.00		$125.00
13					
14		Demand Charge ($/kW)	$9.40		$9.40
15					
16		Base Energy Charge (¢ per kWh)	1.201	0.132	1.333
17					
18		Monthly Credit (per kW)	($1.72)		($1.72)
19					
20		Charges for Non-Compliance of Curtailment Demand			
21		Rebilling for last 12 months (per kW)	$1.72		$1.72
22		Penalty Charge-current month (per kW)	$3.70		$3.70
23		Early Termination Penalty charge (per kW)	$1.09		$1.09
24					
25	CST-2	Curtailable Service -Time of Use (2000 kW +)			
26		Customer Charge	$125.00		$125.00
27					
28		Demand Charge - On-Peak ($/kW)	$9.40		$9.40
29					
30		Base Energy Charge (¢ per kWh)			
31		On-Peak	2.602	0.132	2.734
32		Off-Peak	0.697	0.132	0.829
33					
34		Monthly Credit (per kW)	($1.72)		($1.72)
35					
36		Charges for Non-Compliance of Curtailment Demand			
37		Rebilling for last 12 months (per kW)	$1.72		$1.72
38		Penalty Charge-current month (per kW)	$3.70		$3.70
39		Early Termination Penalty charge (per kW)	$1.09		$1.09
40					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	GSLD-3	General Service Large Demand (2000 kW +)			
2		Customer Charge	$1,500.00		$1,500.00
3					
4		Demand Charge ($/kW)	$6.50		$6.50
5					
6		Base Energy Charge (¢ per kWh)	1.06400	0.128	1.192
7					
8					
9	GSLDT-3	General Service Large Demand - Time of Use (2000 kW +)			
10		Customer Charge	$1,500.00		$1,500.00
11					
12		Demand Charge - On-Peak ($/kW)	$6.50		$6.50
13					
14		Base Energy Charge (¢ per kWh)			
15		On-Peak	2.155	0.128	2.283
16		Off-Peak	0.682	0.128	0.810
17					
18					
19	CS-3	Curtailable Service (2000 kW +)			
20		Customer Charge	$1,525.00		$1,525.00
21					
22		Demand Charge ($/kW)	$6.50		$6.50
23					
24		Base Energy Charge (¢ per kWh)	1.064	0.128	1.192
25					
26		Monthly Credit (per kW)	($1.72)		($1.72)
27					
28		Charges for Non-Compliance of Curtailment Demand			
29		Rebilling for last 12 months (per kW)	$1.72		$1.72
30		Penalty Charge-current month (per kW)	$3.70		$3.70
31		Early Termination Penalty charge (per kW)	$1.09		$1.09
32					
33					
34					
35					
36					
37					
38					
39					
40					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	CST-3	Curtailable Service -Time of Use (2000 kW +)			
2		Customer Charge	$1,525.00		$1,525.00
3					
4		Demand Charge - On-Peak ($/kW)	$6.50		$6.50
5					
6		Base Energy Charge (¢ per kWh)			
7		On-Peak	2.155	0.128	2.283
8		Off-Peak	0.682	0.128	0.810
9					
10		Monthly Credit (per kW)	($1.72)		($1.72)
11					
12		Charges for Non-Compliance of Curtailment Demand			
13		Rebilling for last 12 months (per kW)	$1.72		$1.72
14		Penalty Charge-current month (per kW)	$3.70		$3.70
15		Early Termination Penalty charge (per kW)	$1.09		$1.09
16					
17	OS-2	Sports Field Service [Schedule closed to new customers]			
18		Customer Charge	$103.00		$103.00
19					
20		Base Energy Charge (¢ per kWh)	5.928	0.130	6.058
21					
22					
23	MET	Metropolitan Transit Service			
24		Customer Charge	$400.00		$400.00
25					
26		Base Demand Charge ($/kW)	$10.60		$10.60
27					
28		Base Energy Charge (¢ per kWh)	1.248	0.163	1.411
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	CILC-1	Commercial/Industrial Load Control Program [Schedule closed to new customers]			
2		Customer Charge			
3		(G) 200-499kW	$100.00		$100.00
4		(D) above 500kW	$150.00		$150.00
5		(T) transmission	$1,975.00		$1,975.00
6					
7		Base Demand Charge ($/kW)			
8		per kW of Max Demand All kW:			
9		(G) 200-499kW	$3.40		$3.40
10		(D) above 500kW	$3.10		$3.10
11		(T) transmission	None		None
12					
13					
14		per kW of Load Control On-Peak:			
15		(G) 200-499kW	$1.30		$1.30
16		per kW of Load Control On-Peak:			
17		(D) above 500kW	$1.30		$1.30
18		(T) transmission	$1.30		$1.30
19					
20					
21					
22		Per kW of Firm On-Peak Demand			
23		(G) 200-499kW	$8.00		$8.00
24		(D) above 500kW	$7.80		$7.80
25		(T) transmission	$8.00		$8.00
26					
27		Base Energy Charge (¢ per kWh)			
28		On-Peak			
29		(G) 200-499kW	3.479	0.131	3.610
30		(D) above 500kW	2.719	0.126	2.845
31		(T) transmission	2.337	0.119	2.456
32		Off-Peak			
33		(G) 200-499kW	0.710	0.131	0.841
34		(D) above 500kW	0.700	0.126	0.826
35		(T) transmission	0.680	0.119	0.799
36					
37		Excess "Firm Demand"			
38		¤ Up to prior 60 months of service	Difference between Firm and		Difference between Firm and
39			Load-Control On-Peak Demand Charge		Load-Control On-Peak Demand Charge
40					
41		¤ Penalty Charge per kW for	$0.99		$0.99
42		each month of rebilling			

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE		(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	CDR		Commercial/Industrial Demand Reduction Rider			
2			Monthly Rate			
3			Customer Charge	Otherwise Applicable Rate		Otherwise Applicable Rate
4			Demand Charge	Otherwise Applicable Rate		Otherwise Applicable Rate
5			Energy Charge	Otherwise Applicable Rate		Otherwise Applicable Rate
6						
7			Monthly Administrative Adder			
8			GSD-1	$75.00		$75.00
9			GSDT-1	$75.00		$75.00
10			GSLD-1, GSLDT-1	$125.00		$125.00
11			GSLD-2, GSLDT-2	$50.00		$50.00
12			GSLD-3, GSLDT-3	$475.00		$475.00
13			HLFT	Applicable General Service Level Rate		Applicable General Service Level Rate
14			SDTR	Applicable General Service Level Rate		Applicable General Service Level Rate
15						
16			Utility Controlled Demand Credit $/kW	-$4.68		-$4.68
17						
18			Excess "Firm Demand"	$4.68		$4.68
19			¤ Up to prior 60 months of service			
20						
21			¤ Penalty Charge per kW for	$0.99		$0.99
22			each month of rebilling			
23						
24	SL-1		Street Lighting			
25			Charges for FPL-Owned Units			
26			Fixture			
27			Sodium Vapor 6,300 lu 70 watts	$3.46		$3.46
28			Sodium Vapor 9,500 lu 100 watts	$3.52		$3.52
29			Sodium Vapor 16,000 lu 150 watts	$3.63		$3.63
30			Sodium Vapor 22,000 lu 200 watts	$5.50		$5.50
31			Sodium Vapor 50,000 lu 400 watts	$5.56		$5.56
32		*	Sodium Vapor 12,800 lu 150 watts	$3.78		$3.78
33		*	Sodium Vapor 27,500 lu 250 watts	$5.85		$5.85
34		*	Sodium Vapor 140,000 lu 1,000 watts	$8.80		$8.80
35		*	Mercury Vapor 6,000 lu 140 watts	$2.73		$2.73
36		*	Mercury Vapor 8,600 lu 175 watts	$2.77		$2.77
37		*	Mercury Vapor 11,500 lu 250 watts	$4.63		$4.63
38		*	Mercury Vapor 21,500 lu 400 watts	$4.61		$4.61
39		*	Mercury Vapor 39,500 lu 700 watts	$6.52		$6.52
40		*	Mercury Vapor 60,000 lu 1,000 watts	$6.67		$6.67

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE		(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	SL-1		Street Lighting (continued)			
2			Maintenance			
3			Sodium Vapor 6,300 lu 70 watts	$1.62		$1.62
4			Sodium Vapor 9,500 lu 100 watts	$1.63		$1.63
5			Sodium Vapor 16,000 lu 150 watts	$1.66		$1.66
6			Sodium Vapor 22,000 lu 200 watts	$2.12		$2.12
7			Sodium Vapor 50,000 lu 400 watts	$2.13		$2.13
8		*	Sodium Vapor 12,800 lu 150 watts	$1.86		$1.86
9		*	Sodium Vapor 27,500 lu 250 watts	$2.31		$2.31
10		*	Sodium Vapor 140,000 lu 1,000 watts	$4.14		$4.14
11		*	Mercury Vapor 6,000 lu 140 watts	$1.46		$1.46
12		*	Mercury Vapor 8,600 lu 175 watts	$1.46		$1.46
13		*	Mercury Vapor 11,500 lu 250 watts	$2.11		$2.11
14		*	Mercury Vapor 21,500 lu 400 watts	$2.07		$2.07
15		*	Mercury Vapor 39,500 lu 700 watts	$3.52		$3.52
16		*	Mercury Vapor 60,000 lu 1,000 watts	$3.44		$3.44
17						
18			Energy Non-Fuel			
19			Sodium Vapor 6,300 lu 70 watts	$0.69	$0.01	$0.70
20			Sodium Vapor 9,500 lu 100 watts	$0.98	$0.01	$0.99
21			Sodium Vapor 16,000 lu 150 watts	$1.43	$0.03	$1.46
22			Sodium Vapor 22,000 lu 200 watts	$2.10	$0.04	$2.14
23			Sodium Vapor 50,000 lu 400 watts	$4.00	$0.08	$4.08
24		*	Sodium Vapor 12,800 lu 150 watts	$1.43	$0.03	$1.46
25		*	Sodium Vapor 27,500 lu 250 watts	$2.76	$0.05	$2.81
26		*	Sodium Vapor 140,000 lu 1,000 watts	$9.79	$0.18	$9.97
27		*	Mercury Vapor 6,000 lu 140 watts	$1.48	$0.02	$1.50
28		*	Mercury Vapor 8,600 lu 175 watts	$1.83	$0.04	$1.87
29		*	Mercury Vapor 11,500 lu 250 watts	$2.48	$0.04	$2.52
30		*	Mercury Vapor 21,500 lu 400 watts	$3.81	$0.07	$3.88
31		*	Mercury Vapor 39,500 lu 700 watts	$6.48	$0.12	$6.60
32		*	Mercury Vapor 60,000 lu 1,000 watts	$9.17	$0.17	$9.34
33						
34			Total Charge-Fixtures, Maintenance & Energy			
35		*	Incandescent 1,000 lu 103 watts	$6.90	$0.01	$6.91
36		*	Incandescent 2,500 lu 202 watts	$7.30	$0.03	$7.33
37		*	Incandescent 4,000 lu 327 watts	$8.73	$0.05	$8.78
38						
39						
40						

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE		(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	SL-1		Street Lighting (continued)			
2			Charge for Customer-Owned Units			
3			Relamping and Energy			
4			Sodium Vapor 6,300 lu 70 watts	$2.34	$0.01	$2.35
5			Sodium Vapor 9,500 lu 100 watts	$2.64	$0.01	$2.65
6			Sodium Vapor 16,000 lu 150 watts	$3.12	$0.03	$3.15
7			Sodium Vapor 22,000 lu 200 watts	$4.23	$0.04	$4.27
8			Sodium Vapor 50,000 lu 400 watts	$6.14	$0.08	$6.22
9		*	Sodium Vapor 12,800 lu 150 watts	$3.29	$0.03	$3.32
10		*	Sodium Vapor 27,500 lu 250 watts	$5.07	$0.05	$5.12
11		*	Sodium Vapor 140,000 lu 1,000 watts	$14.01	$0.18	$14.19
12		*	Mercury Vapor 6,000 lu 140 watts	$2.97	$0.02	$2.99
13		*	Mercury Vapor 8,600 lu 175 watts	$3.32	$0.04	$3.36
14		*	Mercury Vapor 11,500 lu 250 watts	$4.63	$0.04	$4.67
15		*	Mercury Vapor 21,500 lu 400 watts	$5.92	$0.07	$5.99
16		*	Mercury Vapor 39,500 lu 700 watts	$10.00	$0.12	$10.12
17		*	Mercury Vapor 60,000 lu 1,000 watts	$12.67	$0.17	$12.84
18		*	Incandescent 1,000 lu 103 watts	$4.16	$0.01	$4.17
19		*	Incandescent 2,500 lu 202 watts	$5.01	$0.03	$5.04
20		*	Incandescent 4,000 lu 327 watts	$6.18	$0.05	$6.23
21		*	Fluorescent 19,800 lu 300 watts	$4.67	$0.05	$4.72
22						
23						
24			Energy Only			
25			Sodium Vapor 6,300 lu 70 watts	$0.69	$0.01	$0.70
26			Sodium Vapor 9,500 lu 100 watts	$0.98	$0.01	$0.99
27			Sodium Vapor 16,000 lu 150 watts	$1.43	$0.03	$1.46
28			Sodium Vapor 22,000 lu 200 watts	$2.10	$0.04	$2.14
29			Sodium Vapor 50,000 lu 400 watts	$4.00	$0.08	$4.08
30		*	Sodium Vapor 12,800 lu 150 watts	$1.43	$0.03	$1.46
31		*	Sodium Vapor 27,500 lu 250 watts	$2.76	$0.05	$2.81
32		*	Sodium Vapor 140,000 lu 1,000 watts	$9.79	$0.18	$9.97
33		*	Mercury Vapor 6,000 lu 140 watts	$1.48	$0.02	$1.50
34		*	Mercury Vapor 8,600 lu 175 watts	$1.83	$0.04	$1.87
35		*	Mercury Vapor 11,500 lu 250 watts	$2.48	$0.04	$2.52
36		*	Mercury Vapor 21,500 lu 400 watts	$3.81	$0.07	$3.88
37		*	Mercury Vapor 39,500 lu 700 watts	$6.48	$0.12	$6.60
38		*	Mercury Vapor 60,000 lu 1,000 watts	$9.17	$0.17	$9.34
39		*	Incandescent 1,000 lu 103 watts	$0.86	$0.01	$0.87
40		*	Incandescent 2,500 lu 202 watts	$1.69	$0.03	$1.72
41						
42						

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE		(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	SL-1	Street Lighting (continued)				
2		* Incandescent 4,000 lu 327 watts		$2.76	$0.05	$2.81
3		* Fluorescent 19,800 lu 300 watts		$2.91	$0.05	$2.96
4						
5		Non-Fuel Energy (¢ per kWh)		2.383	0.044	2.427
6						
7		Other Charges				
8		Wood Pole		$4.19		$4.19
9		Concrete/Steel Pole		$5.76		$5.76
10		Fiberglass Pole		$6.81		$6.81
11		Underground conductors not under paving (¢ per foot)		3.29		3.29
12		Underground conductors under paving (¢ per foot)		8.05		8.05
13						
14		Willful Damage				
15		Cost for Shield upon second occurrence		$280.00		$280.00
16						
17		* Closed to new customers.				
18						
19						
20						
21						
22						
23	PL-1	Premium Lighting (Note: Also includes Recreational Lighting RL-1)				
24		Present Value Revenue Requirement				
25		Multiplier		1.2057		1.2057
26						
27		Monthly Rate				
28		Facilities (Percentage of total work order cost)				
29		10 Year Payment Option*		1.399%		1.399%
30		20 Year Payment Option*		0.964%		0.964%
31						
32		Maintenance		FPL's estimated cost of		FPL's estimated cost of
33				maintaining facilities		maintaining facilities
34						
35		Termination Factors				
36		10 Year Payment Option*				
37			1	1.2057		1.2057
38			2	1.0378		1.0378
39			3	0.9555		0.9555
40			4	0.8665		0.8665
41			5	0.7702		0.7702
42			6	0.6659		0.6659

Supporting Schedules:

Recap Schedules:

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COMPANY: FLORIDA POWER & LIGHT COMPANY
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DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE		(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	PL-1	Premium Lighting (continued)				
2			7	0.5530		0.5530
3			8	0.4307		0.4307
4			9	0.2984		0.2984
5			10	0.1551		0.1551
6		>10		0.0000		0.0000
7						
8		20 Year Payment Option*				
9			1	1.2057		1.2057
10			2	1.0900		1.0900
11			3	1.0644		1.0644
12			4	1.0367		1.0367
13			5	1.0067		1.0067
14			6	0.9742		0.9742
15			7	0.9391		0.9391
16			8	0.9010		0.9010
17			9	0.8598		0.8598
18			10	0.8152		0.8152
19			11	0.7669		0.7669
20			12	0.7146		0.7146
21			13	0.6580		0.6580
22			14	0.5967		0.5967
23			15	0.5303		0.5303
24			16	0.4585		0.4585
25			17	0.3808		0.3808
26			18	0.2966		0.2966
27			19	0.2054		0.2054
28			20	0.1068		0.1068
29		* Closed to new customers	>20	0.0000		0.0000
30						
31		Non-Fuel Energy (¢ per kWh)		2.383	0.044	2.427
32						
33		Willful Damage				
34		All occurrences after initial repair		Cost for repair or replacement		Cost for repair or replacement
35						
36						
37	RL-1	Recreational Lighting [Schedule closed to new customers]				
38						
39		Non-Fuel Energy (¢ per kWh)		Otherwise applicable General Service Rate		Otherwise applicable General Service Rate
40						
41						
42		Maintenance		FPL's estimated cost of maintaining facilities		FPL's estimated cost of maintaining facilities

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

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DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE		(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	OL-1		Outdoor Lighting			
2			Charges for FPL-Owned Units			
3			Fixture			
4			Sodium Vapor 6,300 lu 70 watts	$4.49		$4.49
5			Sodium Vapor 9,500 lu 100 watts	$4.59		$4.59
6			Sodium Vapor 16,000 lu 150 watts	$4.75		$4.75
7			Sodium Vapor 22,000 lu 200 watts	$6.91		$6.91
8			Sodium Vapor 50,000 lu 400 watts	$7.35		$7.35
9		*	Sodium Vapor 12,000 lu 150 watts	$5.10		$5.10
10		*	Mercury Vapor 6,000 lu 140 watts	$3.45		$3.45
11		*	Mercury Vapor 8,600 lu 175 watts	$3.47		$3.47
12		*	Mercury Vapor 21,500 lu 400 watts	$5.68		$5.68
13						
14			Maintenance			
15			Sodium Vapor 6,300 lu 70 watts	$1.64		$1.64
16			Sodium Vapor 9,500 lu 100 watts	$1.64		$1.64
17			Sodium Vapor 16,000 lu 150 watts	$1.67		$1.67
18			Sodium Vapor 22,000 lu 200 watts	$2.16		$2.16
19			Sodium Vapor 50,000 lu 400 watts	$2.13		$2.13
20		*	Sodium Vapor 12,000 lu 150 watts	$1.91		$1.91
21		*	Mercury Vapor 6,000 lu 140 watts	$1.48		$1.48
22		*	Mercury Vapor 8,600 lu 175 watts	$1.48		$1.48
23		*	Mercury Vapor 21,500 lu 400 watts	$2.08		$2.08
24						
25			Energy Non-Fuel			
26			Sodium Vapor 6,300 lu 70 watts	$0.70	$0.01	$0.71
27			Sodium Vapor 9,500 lu 100 watts	$0.99	$0.01	$1.00
28			Sodium Vapor 16,000 lu 150 watts	$1.44	$0.03	$1.47
29			Sodium Vapor 22,000 lu 200 watts	$2.12	$0.04	$2.16
30			Sodium Vapor 50,000 lu 400 watts	$4.04	$0.08	$4.12
31		*	Sodium Vapor 12,000 lu 150 watts	$1.44	$0.03	$1.47
32		*	Mercury Vapor 6,000 lu 140 watts	$1.49	$0.03	$1.52
33		*	Mercury Vapor 8,600 lu 175 watts	$1.85	$0.04	$1.89
34		*	Mercury Vapor 21,500 lu 400 watts	$3.85	$0.07	$3.92
35						
36						
37						
38						
39						
40						

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

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LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	OL-1	Outdoor Lighting (continued)			
2		Charges for Customer Owned Units			
3		Total Charge-Relamping & Energy			
4		Sodium Vapor 6,300 lu 70 watts	$2.34	$0.01	$2.35
5		Sodium Vapor 9,500 lu 100 watts	$2.63	$0.01	$2.64
6		Sodium Vapor 16,000 lu 150 watts	$3.11	$0.03	$3.14
7		Sodium Vapor 22,000 lu 200 watts	$4.28	$0.04	$4.32
8		Sodium Vapor 50,000 lu 400 watts	$6.17	$0.08	$6.25
9		* Sodium Vapor 12,000 lu 150 watts	$3.35	$0.03	$3.38
10		* Mercury Vapor 6,000 lu 140 watts	$2.97	$0.03	$3.00
11		* Mercury Vapor 8,600 lu 175 watts	$3.33	$0.04	$3.37
12		* Mercury Vapor 21,500 lu 400 watts	$5.93	$0.07	$6.00
13					
14		Energy Only			
15		Sodium Vapor 6,300 lu 70 watts	$0.70	$0.01	$0.71
16		Sodium Vapor 9,500 lu 100 watts	$0.99	$0.01	$1.00
17		Sodium Vapor 16,000 lu 150 watts	$1.44	$0.03	$1.47
18		Sodium Vapor 22,000 lu 200 watts	$2.12	$0.04	$2.16
19		Sodium Vapor 50,000 lu 400 watts	$4.04	$0.08	$4.12
20		* Sodium Vapor 12,000 lu 150 watts	$1.44	$0.03	$1.47
21		* Mercury Vapor 6,000 lu 140 watts	$1.49	$0.03	$1.52
22		* Mercury Vapor 8,600 lu 175 watts	$1.85	$0.04	$1.89
23		* Mercury Vapor 21,500 lu 400 watts	$3.85	$0.07	$3.92
24					
25		Non-Fuel Energy (¢ per kWh)	2.405	0.045	2.450
26					
27		Other Charges			
28		Wood Pole	$8.62		$8.62
29		Concrete/Steel Pole	$11.64		$11.64
30		Fiberglass Pole	$13.67		$13.67
31		Underground conductors excluding			
32		Trenching per foot	$0.069		$0.069
33		Down-guy, Anchor and Protector	$8.31		$8.31
34					
35		* Closed to new customers.			
36					
37					
38	SL-2	Traffic Signal Service			
39		Base Energy Charge (¢ per kWh)	2.916	0.253	3.494
40		Minimum Charge at each point	$2.88		$2.88

Supporting Schedules:

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FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

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LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	SST-1	Standby and Supplemental Service			
2		Customer Charge			
3		SST-1(D1)	$100.00		$100.00
4		SST-1(D2)	$100.00		$100.00
5		SST-1(D3)	$375.00		$375.00
6		SST-1(T)	$1,475.00		$1,475.00
7					
8		Distribution Demand $/kW Contract Standby Demand			
9		SST-1(D1)	$2.70		$2.70
10		SST-1(D2)	$2.70		$2.70
11		SST-1(D3)	$2.70		$2.70
12		SST-1(T)	N/A		N/A
13					
14		Reservation Demand $/kW			
15		SST-1(D1)	$1.07		$1.07
16		SST-1(D2)	$1.07		$1.07
17		SST-1(D3)	$1.07		$1.07
18		SST-1(T)	$1.02		$1.02
19					
20		Daily Demand (On-Peak) $/kW			
21		SST-1(D1)	$0.52		$0.52
22		SST-1(D2)	$0.52		$0.52
23		SST-1(D3)	$0.52		$0.52
24		SST-1(T)	$0.51		$0.51
25					
26		Supplemental Service			
27		Demand	Otherwise Applicable Rate		Otherwise Applicable Rate
28		Energy	Otherwise Applicable Rate		Otherwise Applicable Rate
29					
30		Non-Fuel Energy - On-Peak (¢ per kWh)			
31		SST-1(D1)	0.714	0.103	0.817
32		SST-1(D2)	0.714	0.103	0.817
33		SST-1(D3)	0.714	0.103	0.817
34		SST-1(T)	0.733	0.141	0.874
35		Non-Fuel Energy - Off-Peak (¢ per kWh)			
36		SST-1(D1)	0.714	0.103	0.817
37		SST-1(D2)	0.714	0.103	0.817
38		SST-1(D3)	0.714	0.103	0.817
39		SST-1(T)	0.733	0.141	0.874
40					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	ISST-1	Interruptible Standby and Supplemental Service			
2		Customer Charge			
3		Distribution	$375.00		$375.00
4		Transmission	$1,475.00		$1,475.00
5					
6		Distribution Demand			
7		Distribution	$2.70		$2.70
8		Transmission	N/A		N/A
9					
10		Reservation Demand-Interruptible			
11		Distribution	$0.16		$0.16
12		Transmission	$0.17		$0.17
13					
14		Reservation Demand-Firm			
15		Distribution	$1.07		$1.07
16		Transmission	$1.02		$1.02
17					
18		Supplemental Service			
19		Demand	Otherwise Applicable Rate		Otherwise Applicable Rate
20		Energy	Otherwise Applicable Rate		Otherwise Applicable Rate
21					
22		Daily Demand (On-Peak) Firm Standby			
23		Distribution	$0.52		$0.52
24		Transmission	$0.51		$0.51
25					
26		Daily Demand (On-Peak) Interruptible Standby			
27		Distribution	$0.08		$0.08
28		Transmission	$0.08		$0.08
29					
30		Non-Fuel Energy - On-Peak (¢ per kWh)			
31		Distribution	0.714	0.103	0.817
32		Transmission	0.733	0.141	0.874
33		Non-Fuel Energy - Off-Peak (¢ per kWh)			
34		Distribution	0.714	0.103	0.817
35		Transmission	0.733	0.141	0.874
36					
37		Excess "Firm Standby Demand"			
38		¤ Up to prior 60 months of service	Difference between reservation charge		Difference between reservation charge
39			for firm and interruptible standby		for firm and interruptible standby
40			demand times excess demand		demand times excess demand
41					
42		¤ Penalty Charge per kW for each month of rebilling	$0.99		$0.99

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	TR	Transformation Rider			
2		Transformer Credit			
3		(per kW of Billing Demand)	($0.28)		($0.28)
4					
5					
6	GSCU-1	General Service constant Usage			
7		Customer Charge:	$12.00		$12.00
8					
9		Non-Fuel Energy Charges:			
10		Base Energy Charge*	2.808	0.123	2.931
11		* The fuel and non-fuel energy charges will be assessed on the Constant Usage kWh			
12					
13					
14	HLFT	High Load Factor - Time of Use			
15		Customer Charge:			
16		21 - 499 kW:	$25.00		$25.00
17		500 - 1,999 kW	$25.00		$25.00
18		2,000 kW or greater	$100.00		$100.00
19					
20		Demand Charges:			
21		On-peak Demand Charge:			
22		21 - 499 kW:	$8.80		$8.80
23		500 - 1,999 kW	$10.30		$10.30
24		2,000 kW or greater	$9.60		$9.60
25					
26		Maximum Demand Charge:			
27		21 - 499 kW:	$1.80		$1.80
28		500 - 1,999 kW	$2.10		$2.10
29		2,000 kW or greater	$1.80		$1.80
30					
31		Non-Fuel Energy Charges: (¢ per kWh)			
32		On-Peak Period			
33		21 - 499 kW:	1.481	0.153	1.634
34		500 - 1,999 kW	0.631	0.150	0.781
35		2,000 kW or greater	1.128	0.132	1.260
36					
37		Off-Peak Period			
38		21 - 499 kW:	0.710	0.153	0.863
39		500 - 1,999 kW	0.631	0.150	0.781
40		2,000 kW or greater	0.697	0.132	0.829

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	SDTR	Seasonal Demand – Time of Use Rider			
2		Option A			
3		Customer Charge:			
4		21 - 499 kW:	$25.00		$25.00
5		500 - 1,999 kW	$25.00		$25.00
6		2,000 kW or greater	$100.00		$100.00
7					
8		Demand Charges:			
9		Seasonal On-peak Demand:			
10		21 - 499 kW:	$9.10		$9.10
11		500 - 1,999 kW	$11.60		$11.60
12		2,000 kW or greater	$10.40		$10.40
13					
14		Non-seasonal Maximum Demand			
15		21 - 499 kW:	$7.30		$7.30
16		500 - 1,999 kW	$10.20		$10.20
17		2,000 kW or greater	$9.20		$9.20
18					
19		Energy Charges (¢ per kWh):			
20		Seasonal On-peak Energy:			
21		21 - 499 kW:	6.250	0.153	6.403
22		500 - 1,999 kW	4.057	0.150	4.207
23		2,000 kW or greater	4.592	0.132	4.724
24					
25		Seasonal Off-peak Energy:			
26		21 - 499 kW:	0.999	0.153	1.152
27		500 - 1,999 kW	0.669	0.150	0.819
28		2,000 kW or greater	0.800	0.132	0.932
29					
30		Non-seasonal Energy			
31		21 - 499 kW:	1.499	0.153	1.652
32		500 - 1,999 kW	1.004	0.150	1.154
33		2,000 kW or greater	1.201	0.132	1.333
34					
35					
36					
37					
38					
39					
40					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	SDTR	Seasonal Demand – Time of Use Rider (continued)			
2		Option B			
3		Customer Charge:			
4		21 - 499 kW:	$25.00		$25.00
5		500 - 1,999 kW	$25.00		$25.00
6		2,000 kW or greater	$100.00		$100.00
7					
8		Demand Charges:			
9		Seasonal On-peak Demand:			
10		21 - 499 kW:	$9.10		$9.10
11		500 - 1,999 kW	$11.60		$11.60
12		2,000 kW or greater	$10.40		$10.40
13					
14		Non-seasonal On-peak Demand:			
15		21 - 499 kW:	$7.30		$7.30
16		500 - 1,999 kW	$10.20		$10.20
17		2,000 kW or greater	$9.20		$9.20
18					
19		Energy Charges (¢ per kWh):			
20		Seasonal On-peak Energy:			
21		21 - 499 kW:	6.250	0.153	6.403
22		500 - 1,999 kW	4.057	0.150	4.207
23		2,000 kW or greater	4.592	0.132	4.724
24					
25		Seasonal Off-peak Energy:			
26		21 - 499 kW:	0.999	0.153	1.152
27		500 - 1,999 kW	0.669	0.150	0.819
28		2,000 kW or greater	0.800	0.132	0.932
29					
30		Non-seasonal On-peak Energy:			
31		21 - 499 kW:	3.230	0.153	3.383
32		500 - 1,999 kW	2.086	0.150	2.236
33		2,000 kW or greater	2.541	0.132	2.673
34					
35		Non-seasonal Off-peak Energy:			
36		21 - 499 kW:	0.999	0.153	1.152
37		500 - 1,999 kW	0.669	0.150	0.819
38		2,000 kW or greater	0.800	0.132	0.932
39					
40					

Supporting Schedules:

Recap Schedules:

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 120015-EI

LINE NO.	(1) CURRENT RATE SCHEDULE	(2) TYPE OF CHARGE	(3) JANUARY 1, 2013 PROPOSED RATE	(4) Cape Canaveral Factor	(5) JUNE 1, 2013 with Cape Canaveral
1	RTR-1	Residential Time of Use Rider			
2	Customer Charge	Customer Charge/Minimum	$11.00		$11.00
3					
4	with $240.00 Lump-sum metering payment		$7.00		$7.00
5	effective January 1, 2013				
6					
7	Base Energy Cha	Base Energy Charge (¢ per kWh)			
8	First 1,000 kWh		4.320	0.186	4.506
9	All additional kWh		5.320	0.186	5.506
10					
11	Energy Charges/C	Energy Charges/Credits (¢ per kWh)			
12	On-Peak	On-Peak	9.043		9.043
13	Off-Peak	Off-Peak	(3.940)		(3.940)
14					
15					
16					
17					
18					
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Supporting Schedules:

Recap Schedules:

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
2013 CANAVERAL STEP INCREASE - JURISDICTIONAL RATE BASE (RB) (MFR B-1 FORMAT)
($000's)

LINE NO.		(1) AS FILED MFR B-1 Page 1, Line 14 JURISDICTIONAL ADJUSTED ($000)	(2) Effect of KO-16 ADJUSTMENTS JURISDICTIONAL ADJUSTED ($000)	(3) REVISED MFR B-1 JURISDICTIONAL ADJUSTED ($000)
1				
2	PLANT IN SERVICE	$ 956,492	$ (10,069)	$ 946,422
3				
4	DEPRECIATION & AMORT RESERV	15,557	(166)	15,391
5				
6	NET PLANT IN SERVICE	940,935	(9,904)	931,032
7				
8	FUTURE USE PLANT	-	-	-
9				
10	CWIP	-	-	-
11				
12	NUCLEAR FUEL	-	-	-
13				
14	NET UTILITY PLANT	940,935	(9,904)	931,032
15				
16	WORKING CAPITAL	(119,610)	387	(119,223)
17				
18	RATE BASE	$ 821,325	$ (9,516)	$ 811,809

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

2013 CANAVERAL STEP INCREASE - RECALCULATED JURISDICTIONAL NET OPERATING INCOME (NOI) (MFR C-1 FORMAT)

($000's)

LINE NO.		1 AS FILED MFR C-1 Page 1, Column 8 JURIS ADJUSTED ($000)	2 JURISDICTIONAL EFFECT OF IDENTIFIED KO-16 ADJUSTMENTS ($000)	3 RECALCULATED NOI W/ADJUSTMENTS JURISDICTIONAL ADJUSTED ($000)
1				
2	REVENUE FROM SALES	$ -	$ -	$ -
3				
4	OTHER OPERATING REVENUES	-	-	-
5				
6	TOTAL OPERATING REVENUES	-	-	-
7				
8	OTHER	12,127	-	12,127
9				
10	FUEL & INTERCHANGE	-	-	-
11				
12	PURCHASED POWER	-	-	-
13				
14	DEFERRED COSTS	141,200	-	141,200
15				
16	DEPRECIATION & AMORTIZATION	31,502	(331)	31,171
17				
18	TAXES OTHER THAN INCOME TAXES	17,957	(212)	17,745
19				
20	INCOME TAXES	(170,694)	247	(170,447)
21				
22	(GAIN)/LOSS ON DISPOSAL OF PLANT	-	-	-
23				
24	TOTAL OPERATING EXPENSES	32,092	(296)	31,796
25				
26	NET OPERATING INCOME	$ (32,092)	$ 296	$ (31,796)

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

2013 CANAVERAL STEP INCREASE - RECALCULATED RATE OF RETURN ON RATE BASE (MFR D-1a FORMAT)

AS FILED

	JURIS ADJ UTILITY	(A) AMOUNT	(B) RATIO	(C) COST RATE	(D) WTD COC	(E) PRE TAX COC	(F) PRE TAX COC	(G) APITAL COSTS
1	LONG TERM DEBT	320,571	39.031%	5.258%	2.052%	2.052%	16,856	16,856
2	PREFERRED STOCK	0	0.000%	0.000%	0.000%	0.000%	0	0
3	COMMON EQUITY	500,754	60.969%	11.500%	7.011%	11.415%	93,751	57,587
4	SHORT TERM DEBT	0	0.000%	0.000%	0.000%	0.000%	0	0
5	CUSTOMER DEPOSITS	0	0.000%	0.000%	0.000%	0.000%	0	0
6	INVESTMENT TAX CREDITS	0	0.000%	0.000%	0.000%	0.000%	0	0
7	DEFERRED INCOME TAX	0	0.000%	0.000%	0.000%	0.000%	0	0
8	WEIGHTED COST OF CAPITAL	821,325	100.000%		**9.0637%**	**13.4669%**	110,607	74,442

Revised LTD and CDE Cost Rates	**5.192%**	**1.992%**	
KO-16 Rate Base Change	**(9,516)**		

REVISED

	JURIS ADJ UTILITY	(A) AS FILED CAPITAL STRUCTURE	(B) KO-16 RATE BASE CHANGES	(C) ADJUSTED CAPITAL STRUCTURE	(D) RATIO	(E) COST RATE	(F) WTD COC	(G) PRE TAX COC	(H) PRE TAX COC	(I) CAPITAL COSTS
1	LONG TERM DEBT	320,571	-3,714	316,857	39.031%	**5.192%**	2.027%	2.027%	16,452	16,452
2	PREFERRED STOCK	0	0	0	0.000%	0.000%	0.000%	0.000%	0	0
3	COMMON EQUITY	500,754	-5,802	494,952	60.969%	11.500%	7.011%	11.415%	92,665	56,919
4	SHORT TERM DEBT	0	0	0	0.000%	0.000%	0.000%	0.000%	0	0
5	CUSTOMER DEPOSITS	0	0	0	0.000%	**1.992%**	0.000%	0.000%	0	0
6	INVESTMENT TAX CREDITS	0	0	0	0.000%	9.038%	0.000%	0.000%	0	0
7	DEFERRED INCOME TAX	0	0	0	0.000%	0.000%	0.000%	0.000%	0	0
8	WEIGHTED COST OF CAPITAL	821,325	-9,516	811,809	100.000%		**9.0380%**	**13.4412%**	109,117	73,371