BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Rate Increase By Florida Power & Light Company	DOCKET NO. 160021-EI
In re: Petition for approval of 2016-2018 storm hardening plan by Florida Power & Light Company	DOCKET NO. 160061-EI
In re: 2016 depreciation and Dismantlement study by Florida Power & Light Company	DOCKET NO. 160062-EI
In re: Petition for limited proceeding to modify and continue incentive mechanism by Florida Power & Light Company	DOCKET NO. 160088-EI FILED: August 5, 2016

THE FLORIDA RETAIL FEDERATION'S PRE-HEARING STATEMENT

The Florida Retail Federation ("FRF"), pursuant to the Orders Establishing Procedure in this docket, Order PSC-16-0300-PCO-EI (issued July 27, 2016), Order PSC-16-0211-PCO-EI (issued May 27, 2016), Order PSC-16-0182-PCO-EI (issued May 4, 2016), and PSC-16-0125-PCO-EI (issued March 25, 2016), hereby submits its Prehearing Statement.

APPEARANCES:

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On behalf of the Florida Retail Federation.

1. WITNESSES:

The Florida Retail Federation does not intend to call any witnesses for direct examination, but reserves its right to cross-examine all witnesses and to rely upon the prefiled testimony of witnesses in this docket, as well as testimony on their cross-examination.

2. EXHIBITS:

The Florida Retail Federation will not introduce any exhibits on direct examination, but reserves its right to introduce exhibits through cross-examination of other parties' witnesses.

3. STATEMENT OF BASIC POSITION:

This case is before the Commission because of the expiration of the 2012 settlement between FPL and a few consumer parties, not because FPL needs any additional revenues. In fact, FPL continues to consistently earn at or near the maximum of its authorized ROE range, i.e., close to 100 basis points greater than its approved ROE of 10.5 percent.

As in any general rate case, the core question to be addressed by the Commission in this proceeding is whether Florida Power & Light Company ("FPL") ***needs*** any additional revenues in order to provide safe, adequate, and reliable service, to recover its legitimate costs of providing such service, and to have an opportunity to earn a fair and reasonable return on its legitimate investment in assets used and useful in providing such service. The evidence shows that the answer to this question is that ***FPL does not need any increase at all*** in order to: (a) recover all of its legitimate costs, including a reasonable return on prudent investment provided through a reasonable and prudent capital structure; and (b) provide safe, adequate, and reliable service. Moreover, the evidence shows that FPL can provide safe, adequate, and reliable service while recovering all of its reasonable costs ***and*** earning a reasonable return on its equity investment - of approximately 14.3 percent before income taxes (8.75 percent after taxes), while reducing its total annual base rate revenues by approximately $800 million to $850 million per year.

FPL's requested after-tax return on equity (ROE) of 11.5 percent (including its "performance adder") equates to a before-tax return greater than 18 percent. This is excessive and unjustified relative to current capital market conditions (in which the benchmark "risk-free" rate, i.e., the 30-year U.S. Treasury Bond rate, is less than 2.50 percent) and relative to the minimal risks that FPL faces as the monopoly provider of a necessity - electric service - pursuant to regulation by the Florida Public Service Commission under applicable Florida Statutes. In particular, the fact that FPL recovers approximately 47 percent of its total operating expenses (equivalent to nearly 40 percent of its total operating revenues) through "cost recovery clauses" and direct pass-through charges greatly reduces the risks that FPL faces, further demonstrating that FPL's requested 11.5 percent ROE (including its "performance adder") is unreasonable and overreaching. Additionally, FPL's requested ROE is excessive relative to the risks that FPL faces and the returns on other low-risk investments in current capital markets. Witnesses for the Citizens, the South Florida Hospital and Healthcare Association, and the Federal Executive Agencies, who represent the United States Military Services, support ROEs between 8.75 percent and 9.25 percent. Using the midpoint of their range, i.e., 9.0 percent, would indicate that FPL can provide safe and reliable service, and raise all needed capital, with approximately ***$600 million less*** in annual revenues in 2017 (at a rate of approximately $120 million per 100 basis points). FPL's requested 50-basis-point performance adder to its ROE is not cost-based and wholly unnecessary for FPL to provide safe, adequate, and reliable service, and accordingly, the Commission should reject this overreaching proposal.

Three additional high-level cost factors warrant special mention in this summary of the FRF's basic position. First, FPL's capital structure relies on an unnecessarily high amount of higher-cost equity capital, indeed a proportionate amount - 59.6

percent - that is significantly greater than that employed by FPL's parent company, NextEra Energy, and by the utilities in the proxy group of FPL's own cost of capital witness. Applying a more reasonable - and more typical - equity ratio of 50 percent will allow FPL to raise sufficient capital to conduct its business and to provide safe and reliable service at rates that are more reasonable and customer-friendly. This correction will ***reduce FPL's needed revenues by approximately $360 million*** per year in 2017.

Second, FPL has understated the revenues that it will receive at present rates, by approximately $206 million for 2017 and by approximately $260 million for 2018. Correcting this forecasting error further reduces the amount of revenues that FPL needs to provide safe and reliable service.

Finally, FPL has substantially overstated its depreciation expense and substantially understated the amount of its depreciation reserve surplus. Correcting the depreciation expense values, as explained by the Citizens' Witness Jacob Pous, will reduce the amount of revenues needed by FPL to provide safe and reliable service by approximately $280 million, and flowing back the depreciation reserve surplus to FPL's customers who have paid to create it will reduce FPL's needed revenues by an additional $221 million.

Together, just these few adjustments demonstrate that FPL can provide safe and reliable service, raise needed capital, and earn a reasonable return on its equity investment with revenues approximately ***$1.67 BILLION LESS THAN REQUESTED BY FPL***, or a ***decrease from current rates of more than $800 million per year in 2017***. Additional adjustments advocated by witnesses for the parties representing FPL's customers indicate that even greater reductions are warranted, and consistent with FPL's ability to fulfill its duty of providing safe, adequate, and reliable service at the lowest possible cost.

In summary, the combined evidence submitted by witnesses for the consumer parties in this case shows that FPL can provide safe, adequate, and reliable service with a base rate ***decrease*** in January 2017 of approximately $807 million to $850 million per year. For effectively the same reasons as set forth above, FPL further has not demonstrated that it needs any additional revenues in 2018; however, if the Commission grants the revenue and rate ***decreases*** advocated by the FRF and the other Consumer Parties in this docket, then the evidence indicates that FPL should receive a revenue/rate increase of approximately $204 million per year in 2018. FPL also has the burden of demonstrating that it needs any increase at all in order to continue providing safe, adequate, and reliable service, while recovering its legitimate costs and earning a reasonable return on its prudent investments, after the Okeechobee Clean Energy

Center is placed into commercial service. The evidence submitted by witnesses for the Citizens of the State of Florida demonstrates that FPL can continue to provide safe, adequate, and reliable service after the Okeechobee Clean Energy Center comes on line with a base rate "step" increase of no more than $145 million per year.

Accordingly, the Commission should require FPL to reduce its base rates as of January 2017 so as to produce at least $807 million per year less in base rate revenues, and the Commission should allow FPL to subsequently increase its base rates - from the reduced levels implemented in January 2017 - by no more than $204 million per year in January 2018 and by no more than $145 million when the Okeechobee Clean Energy Center comes on line in 2019, if the Commission determines to allow a limited scope adjustment for the Okeechobee Project at all.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS:

LEGAL ISSUES

ISSUE 1: Does the Commission possess the authority to grant FPL's proposal to continue utilizing the storm cost recovery mechanism that was part of the settlement agreements approved in Order Nos. PSC-11-0089-S-EI and PSC-13-0023-S-EI?

FRF: No, Section 366.8260, Florida Statutes, "Storm-recovery financing" sets forth the statutory scheme for storm cost recovery.

ISSUE 2: Does the Commission have the authority to approve FPL's requested limited scope adjustment for the new

Okeechobee Energy Center in June of 2019?

FRF: The FRF has not contested the authority of the Commission to approve a limited scope adjustment in this proceeding. However, the FRF does not believe that a limited scope adjustment is reasonable or necessary for FPL to provide safe and reliable service in 2019.

ISSUE 3: Does the Commission possess the authority to adjust FPL's authorized return on equity based on FPL's performance?

FRF: Agree with OPC.

ISSUE 4: Does the Commission have the authority to include non-electric transactions in an incentive mechanism?

FRF: No. In Citizens v. Graham, 191 So. 3d 897 (Fla 2016), the Florida Supreme Court stated that under the plain meaning of Section 366.01 and Section 366.02, Florida Statutes, cost recovery is permissible only for costs arising from the "generation, transmission, or distribution" of electricity. Id. at 7. The Court also noted that utilities through the fuel clause do not earn a return on money spent to purchase fuel or earn a return on the cost of hedging positions purchased. Id. at 8-9. It would exceed the Commission's authority to grant cost recovery to the extent FPL proposes to earn a return for non-electric transactions in an incentive mechanism.

ISSUE 5: Does the Commission have the authority to approve proposed depreciation rates to be effective January 1, 2017, based upon a depreciation study that uses year-end 2017 plant balances?

FRF: No. Such a study would not appropriately match costs with rates.

ISSUE 6: Are Commercial Industrial Load Control (CILC) and Commercial/Industrial Demand Reduction (CDR) credits subject to adjustment in this proceeding?

FRF: Yes. As a matter of law, as rates paid by FPL's customers, such credits are at issue in this case.

STORM HARDENING ISSUES

ISSUE 7: Does the Company's Storm Hardening Plan (Plan) comply with the National Electric Safety Code (ANSI C-2) (NESC) as required by Rule 25-6.0345, F.A.C.?

FRF: No position at this time.

ISSUE 8: Does the Company's Plan address the extreme wind loading standards specified in Figure 250-2(d) of the 2012 edition of the NESC for new distribution facility construction as required by Rule 25-6.0342(3)(b)1, F.A.C.?

FRF: No position at this time.

ISSUE 9: Does the Company's Plan address the extreme wind loading standards specified by Figure 250-2(d) of the 2012 edition of the NESC for major planned work on the distribution system, including expansion, rebuild, or relocation of existing facilities, assigned on or after the effective date of this rule distribution facility construction as required by Rule 25-6.0342(3)(b)2, F.A.C.?

FRF: No position at this time.

ISSUE 10: Does the Company's Plan address the extreme wind loading standards specified by Figure 250-2(d) of the 2012 edition of the NESC for distribution facilities serving critical infrastructure facilities and along major thoroughfares taking into account political and geographical boundaries and other applicable operational considerations as required by Rule 25-6.0342(3)(b)3, F.A.C.?

FRF: No position at this time.

ISSUE 11: Is the Company's Plan designed to mitigate damages to underground and supporting overhead transmission and distribution facilities due to flooding and storm surges as required by Rule 25-6.0342(3)(c), F.A.C.?

FRF: No position at this time.

ISSUE 12: Does the Company's Plan address the extent to which the placement of new and replacement distribution facilities facilitate safe and efficient access for installation and maintenance as required by Rule 25-6.0342(3)(d), F.A.C.?

FRF: No position at this time.

ISSUE 13: Does the Company's Plan provide a detailed description of its deployment strategy including a description of the facilities affected; including technical design specifications, construction standards, and construction methodologies employed as required by Rules 25-6.0341 and 25-6.0342(4)(a), F.A.C.?

FRF: No position at this time.

ISSUE 14: Does the Company's Plan provide a detailed description of its deployment strategy as it relates to the communities and areas within the utility's service area where the electric infrastructure improvements, including facilities identified by the utility as critical infrastructure and along major thoroughfares are to be made as required by Rules 25-6.0342(3)(b)3 and 25-6.0342(4)(b), F.A.C.?

FRF: No position at this time.

ISSUE 15: Does the Company's Plan provide a detailed description of its deployment strategy to the extent that the electric infrastructure improvements involve joint use facilities on which third-party attachments exist as required by Rule 25-6.0342(4)(c), F.A.C.?

FRF: No position at this time.

ISSUE 16: Does the Company's Plan provide a reasonable estimate of the costs and benefits to the utility of making the electric infrastructure improvements, including the effect on reducing storm restoration costs and customer outages as required by Rule 25-6.0342(4)(d), F.A.C.?

FRF: No position at this time.

ISSUE 17: Does the Company's plan provide an estimate of the costs and benefits to third-party attachers affected by the electric infrastructure improvements, including the effect on reducing storm restoration costs and customers outages realized by the third-party attachers as required by Rule 25-6.0342(4)(e), F.A.C.?

FRF: No position at this time.

ISSUE 18: Does the Company's Plan include a written Attachment Standards and Procedures addressing safety, reliability, pole loading capacity, and engineering standards and procedure for attachments by others to the utility's electric transmission and distribution poles that meet or exceed the edition of the National Electrical Safety Code (ANSI C-2) that is applicable as required by Rule 25-6.0342(5), F.A.C.?

FRF: No position at this time.

WOODEN POLE INSPECTION PROGRAM

ISSUE 19: Does the Company's eight-year wooden pole inspection program comply with Order No. PSC-06-0144-PAA-EI, issued on February 27, 2006, in Docket No. 060078-EI, and Order No. PSC-06-0778-PAA-EU, issued on September 18, 2006, in Docket No. 060531-EU?

FRF: No position at this time.

10 POINT STORM PREPAREDNESS INITIATIVES

ISSUE 20: Does the Company's 10-point initiatives plan comply with Order No. PSC-06-0351-PAA-EI, issued on April 25, 2006; Order No. PSC-06-0781-PAA-EI, issued on September 19, 2006; and Order No. PSC-07-0468-FOF-EI, issued on

May 30, 2007, in Docket No. 060198-EI?

FRF: No position at this time.

APPROVAL OF STORM HARDENING PLAN

ISSUE 21: Should the Company's Storm Hardening Plan for the period 2016 through 2018 be approved?

FRF: No position at this time.

COSTS FOR STORM HARDENING AND 10 POINT INITIATIVES

ISSUE 22: What adjustments, if any, should be made to rate base associated with the storm hardening Rule 25-6.0342, F.A.C., and 10 point initiatives requirements?

FRF: No position at this time.

ISSUE 23: What adjustments, if any, should be made to operating expenses associated with the storm hardening Rule 25-6.0342, F.A.C., and 10 point initiatives requirements?

FRF: No position at this time.

TEST PERIOD AND FORECASTING

ISSUE 24: Is FPL's projected test period of the 12 months ending December 31, 2017, appropriate?

FRF: Yes, with appropriate adjustments.

ISSUE 25: Do the facts of this case support the use of a subsequent test year ending December 31, 2018 to adjust base rates?

FRF: No.

ISSUE 26: Has FPL proven any financial need for rate relief in any period subsequent to the projected test period ending December 31, 2017?

FRF: No. Based on the 2017 test year, FPL's rates and revenues should be reduced by approximately $807 million. If no rate change occurred in 2017, an overall revenue reduction of approximately $604 million would be appropriate for 2018, meaning that even with those reduced revenues, FPL would have sufficient revenues to provide safe and reliable service.

ISSUE 27: Is FPL's projected subsequent test period of the 12 months ending December 31, 2018, appropriate?

FRF: No, the subsequent test year adjustment is not necessary or good policy. FPL has not shown an extraordinary circumstance or need that warrant a 2018 test year.

ISSUE 28: Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the 2017 projected test year appropriate?

FRF: No. FPL's rate case sales forecasts significantly understate sales, leading to a significantly overstated revenue increase request. The Commission should use the more reasonable energy sales forecast included in FPL's 2015 TYSP as the basis for setting rates in this case.

ISSUE 29: Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the 2018 projected test year appropriate, if applicable?

FRF: No. The Commission should use FPL's 2015 TYSP NEL forecast, which will increase test year weather-normalized retail delivered energy by 3,896 gigawatt-hours or 3.5 percent. Likewise, the proposed adjustment will increase subsequent year weather-normalized retail delivered energy by 4,882 gigawatt-hours, or 4.3 percent. These corrections alone will decrease the Company's needed revenue requirements by $206.5 million in 2017 and $259.5 million in 2018.

ISSUE 30: Are FPL's forecasts of Customers, KWH, and KW by Rate

Schedule and Revenue Class, for the period June 2019 to May 2020, appropriate, if applicable?

FRF: No.

ISSUE 31: Are FPL's projected revenues from sales of electricity by rate class at present rates for the 2016 prior year and projected 2017 test year appropriate?

FRF: No. The Commission should use the 2015 TYSP NEL forecast that will increase test year weather-normalized retail delivered energy by 3,896 gigawatt or 3.5 percent.

ISSUE 32: Are FPL's projected revenues from sales of electricity by rate class at present rates for the projected 2018 test year appropriate, if applicable?

FRF: No. If the Commission were going to consider a 2018 increase, the Commission should use the 2015 TYSP NEL forecast that will increase test year weather-normalized retail delivered energy by 4,882 gigawatt or 4.3 percent.

ISSUE 33: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2017 test year budget?

FRF: The rate case forecast significantly understates sales as compared to the previously used 2015 NEL forecast. The Commission should use the more reasonable energy sales forecast included in FPL's 2015 TYSP. Further, a 2.06% inflation rate should be used which is based on weighting multiple sources for inflation estimates.

ISSUE 34: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2018 test year budget, if applicable?

FRF: No 2018 rate increase is appropriate. If such is to be considered, a more appropriate 2.06% inflation should be used which is based on weighting multiple sources.

ISSUE 35: Are FPL's estimated operating and tax expenses, for the projected 2017 test year, sufficiently accurate for purposes of establishing rates?

FRF: No.

ISSUE 36: Are FPL's estimated operating and tax expenses, for the projected 2018 subsequent year, sufficiently accurate for purposes of establishing rates, if applicable?

FRF: No. See OPC's positions on Issues 89-120.

ISSUE 37: Are FPL's estimated Net Plant in Service and other rate base elements, for the projected 2017 test year, sufficiently accurate for purposes of establishing rates?

FRF: No.

ISSUE 38: Are FPL's estimated Net Plant in Service and other rate base elements, for the projected 2018 subsequent year, sufficiently accurate for purpose of establishing rates, if applicable?

FRF: No.

QUALITY OF SERVICE

ISSUE 39: Is the quality of the electric service provided by FPL adequate taking into consideration: a) the efficiency, sufficiency and adequacy of FPL's facilities provided and the services rendered; b) the cost of providing such services; c) the value of such service to the public; d) the ability of the utility to improve such service and facilities; e) energy conservation and the efficient use of alternative energy resources; and f) any other factors the Commission deems relevant.

FRF: FPL's quality of service is adequate. However, FPL's service is no better than what FPL's customers have already paid for and continue to pay for in their rates and which FPL is obligated to provide under the regulatory compact.

DEPRECIATION STUDY

ISSUE 40: What, if any, are the appropriate capital recovery schedules?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 41: What is the appropriate depreciation study date?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 42: If the appropriate depreciation study date is not December 31, 2017, what action should the Commission take?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 43: Should accounts 343 and 364 be separated into subaccounts and different depreciation rates be set for the subaccounts using separate parameters? If so, how should the accumulated depreciation reserves be allocated and what parameters should be applied to each subaccount?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 44: What are the appropriate depreciation parameters (e.g., service lives, remaining lives, net salvage percentages, and reserve percentages) and resulting depreciation rates for the accounts and subaccounts related to each production unit?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 45: What are the appropriate depreciation parameters (e.g., service lives, remaining lives, and net salvage percentages) and resulting depreciation rates for each transmission, distribution, and general plant account, and subaccounts, if any?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 46: Based on the application of the depreciation parameters and resulting depreciation rates that the Commission deems appropriate, and a comparison of the theoretical reserves to the book reserves, what are the resulting imbalances?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 47: If the Commission accepts FPL's depreciation study for purposes of establishing its proposed depreciation rates and related expense, what adjustments, if any, are necessary?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 48: What, if any, corrective reserve measures should be taken with respect to the imbalances identified in Issue 46?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 49: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 50: Should FPL's currently approved annual dismantlement accrual be revised?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 51: What, if any, corrective dismantlement reserve measures should be approved?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

ISSUE 52: What is the appropriate annual accrual and reserve for dismantlement

A. For the 2017 projected test year?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC Witness Jacob Pous.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate depreciation parameters to be used in determining FPL's revenue requirements and rates are those set forth in the testimony and exhibits of OPC

Witness Jacob Pous.

RATE BASE

ISSUE 53: Should the revenue requirement associated with West County Energy Center Unit 3 currently collected through the Capacity Cost Recovery Clause be included in base rates?

FRF: Yes.

ISSUE 54: Has FPL appropriately accounted for the impact of the Cedar Bay settlement agreement

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 55: Has FPL made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation and Working Capital

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 56: What is the appropriate amount of Plant in Service for FPL's Large Scale Solar Projects?

FRF: Agree with OPC.

ISSUE 57: Is FPL's replacement of its peaking units reasonable and prudent?

FRF: Agree with OPC.

ISSUE 58: If adjustments are made to FPL's proposed depreciation and dismantling expenses, what is the impact on rate base

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 59: What is the appropriate level of Plant in Service (Fallout Issue)

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 60: What is the appropriate level of Accumulated Depreciation (Fallout Issue)

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 61: Are FPL's proposed adjustments to move certain CWIP projects from base rates to the Environmental Cost Recovery Clause appropriate?

FRF: No. FPL's proposed adjustments to move certain CWIP projects from base rates to the ECRC should be denied. Sound regulatory policy includes placing capital items in rate base rather than in cost recovery clauses.

ISSUE 62: Are FPL's proposed adjustments to move certain CWIP projects from base rates to the Energy Conservation Cost Recovery Clause appropriate?

FRF: No. FPL's proposed adjustments to move certain CWIP projects from base rates to the ECCR should be denied. Sound regulatory policy includes placing capital items in rate base rather than in cost recovery clauses.

ISSUE 63: Is the company's proposed adjustment to remove Fukushima-related costs from the rate base and recover all Fukushima-related capital costs in the Capacity Cost Recovery Clause appropriate?

FRF: No. FPL's proposed adjustments to move certain Fukushima-related costs from base rates to the CCRC should be denied. Sound regulatory policy includes placing capital items in rate base rather than in cost recovery clauses.

ISSUE 64: What is the appropriate level of Construction Work in Progress to be included in rate base

A. For the 2017 projected test year?

FRF: Zero. CWIP should not be afforded rate base treatment because CWIP represents plant that is not completed and that is therefore not used and useful in providing service to customers.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Zero. CWIP should not be afforded rate base treatment because CWIP represents plant that is not completed and that is therefore not used and useful in providing service to customers.

ISSUE 65: Are FPL's proposed reserves for Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel appropriate

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 66: What is the appropriate level of Nuclear Fuel (NFIP, Nuclear Fuel Assemblies in Reactor, Spent Nuclear Fuel less Accumulated Provision for Amortization of Nuclear Fuel Assemblies, End of Life Materials and Supplies, Nuclear Fuel Last Core)

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 67: What is the appropriate level of Property Held for Future Use

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 68: What is the appropriate level of fossil fuel inventories

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 69: Should the unamortized balance of Rate Case Expense be included in Working Capital and, if so, what is the appropriate amount to include

A. For the 2017 projected test year?

FRF: No. The Commission should follow its long-standing policy in electric cases of not allowing inclusion of unamortized rate case expense in rate base. Working capital should be reduced by the full amount of the unamortized balance of rate case expense of $4.309 million.

B. If applicable, for the 2018 subsequent projected test year

FRF: No. The Commission should follow its long-standing policy in electric cases of not allowing inclusion of unamortized rate case expense in rate base. Working capital should be reduced by the full amount of the unamortized balance of rate case expense of $3.078 million.

ISSUE 70: What is the appropriate amount of injuries and damages (I&D) reserve to include in rate base?

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year

FRF: Agree with OPC.

ISSUE 71: What is the appropriate amount of deferred pension debit in working capital for FPL to include in rate base

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 72: Should the unbilled revenues be included in working capital

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 73: What is the appropriate methodology for calculating FPL's Working Capital

A. For the 2017 projected test year?

FRF: The appropriate method of calculating working capital is the balance sheet method.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate method of calculating working capital is the balance sheet method.

ISSUE 74: 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

A. For the 2017 projected test year?

FRF: 2017 working capital should be reduced by the full amount of the unamortized balance of rate case expense of $4.309 million. Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing.

B. If applicable, for the 2018 subsequent projected test year?

FRF: 2018 working capital should be reduced by the full amount of the unamortized balance of rate case expense of $3.078 million. Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing.

ISSUE 75: Should FPL's requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize be approved? If so, are any adjustments necessary

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 76: What is the appropriate level of Working Capital (Fallout Issue)

A. For the 2017 projected test year?

FRF: 2017 working capital should be $867.037 million. Additional adjustments to working capital may also be appropriate, based on the evidence adduced at hearing.

B. If applicable, for the 2018 subsequent projected test year?

FRF: If the Commission considers a 2018 rate increase, 2018 working capital should be $912.686 million. Additional adjustments to working capital may also be appropriate, based on the evidence adduced at hearing.

ISSUE 77: What is the appropriate level of rate base

A. For the 2017 projected test year?

FRF: 2017 rate base should be $32,725.587 million. Additional adjustments to rate base may also be appropriate, based on the evidence adduced at hearing.

B. If applicable, for the 2018 subsequent projected test year?

FRF: 2018 rate base should be $34,269.536 million. Additional adjustments to rate base may also be appropriate, based on the evidence adduced at hearing.

COST OF CAPITAL

ISSUE 78: What is the appropriate amount of accumulated deferred taxes to include in the capital structure and should a proration adjustment to deferred taxes be included in capital structure

A. For the 2017 projected test year?

FRF: The appropriate amount of ADIT included in the capital structure should be $7,368.582 million. With a reconciliation adjustment to increase ADIT by $42.910 million based on OPC's increase to rate base, results in a total ADIT balance of $7,411.492 million. Other adjustments to ADITs may also be appropriate, based on the evidence adduced at hearing.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate amount of ADIT included in FPL's 2018 capital structure should be $7,753.738 million with a reconciliation adjustment to increase ADIT by $91.257 million, resulting in a total ADIT balance of $7,844.995 million. Other adjustments to ADITs may also be appropriate, based on the evidence adduced at hearing.

ISSUE 79: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure

A. For the 2017 projected test year?

FRF: The appropriate 2017 amount of unamortized ITCs included in the capital structure should be $106.275 million with a reconciliation adjustment to increase ITCs by $.619 million, resulting in a total ITC balance of $106.894 million. Other adjustments to ITCs may also be appropriate, based on the evidence adduced at hearing.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate 2018 amount of unamortized ITCs included in the capital structure should be $100.559 million with a reconciliation adjustment to increase ITCs by $1.184 million, resulting in a total ITC balance of $101.743 million. Other adjustments to ITCs may also be appropriate, based on the evidence adduced at hearing.

ISSUE 80: What is the appropriate amount and cost rate for short-term debt to include in the capital structure

A. For the 2017 projected test year?

FRF: The appropriate short term amount for the 2017 projected test year is $762.151 million. The appropriate cost rate for short-term debt is 1.85%.

B. If applicable, for the 2018 subsequent projected test year?

FRF: If the Commission considers a 2018 increase, the appropriate short term debt for the 2018 projected test year is $403.064 million. The appropriate cost rate for short-term debt is 2.68%.

ISSUE 81: What is the appropriate amount and cost rate for long-term debt to include in the capital structure

A. For the 2017 projected test year?

FRF: The appropriate amount of long term debt for the 2017 projected test year is $11,636.598 million. The appropriate cost rate for long term debt is 4.62%.

B. If applicable, for the 2018 subsequent projected test year?

FRF: If the Commission considers a 2018 rate increase, the appropriate long term amount for the 2018 projected test year is $12,562.882 million. The appropriate cost rate for long term debt is 4.87%.

ISSUE 82: What is the appropriate amount and cost rate for customer deposits to include in the capital structure

A. For the 2017 projected test year?

FRF: The appropriate amount of 2017 customer deposits is $409.700 million, after adjustments to reconcile the capital structure to rate base. The appropriate cost rate for customer deposit is 2.05%.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate amount of 2018 customer deposits is $390.907 million, after adjustments to reconcile the capital structure to rate base. The appropriate cost rate for customer deposit is 2.04%.

ISSUE 83: What is the appropriate equity ratio to use in the capital structure for ratemaking purposes

A. For the 2017 projected test year?

FRF: The appropriate equity ratio is 50% for the 2017 projected test year. Equity should be reduced by $2,355.609 million with corresponding increases to long and short term debt. The amount of common equity is $12,326.965 million for the 2017 projected test year prior to reconciliation to rate base. Applying a 50% equity ratio, which is consistent with industry averages (and greater than the equity ratios of both NextEra's consolidated group and the FPL proxy group average), results in an approximately $360 million reduction to FPL's 2017 requested revenue increase.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate equity ratio is 50% for the 2018 subsequent projected test year, if applicable. Equity should be reduced by $2,469.402 million with corresponding increases to long and short term debt. The amount of common equity is $12,815.120 million for the 2018 subsequent projected test year, prior to reconciliation to rate base.

ISSUE 84: Should FPL's request for a 50 basis point performance adder to the authorized return on equity be approved?

FRF: No. FPL's service is adequate, but it is not "superior" to the service that FPL customers have paid for and continue to pay for in their rates and which FPL is obligated to provide under the regulatory compact.

ISSUE 85: What is the appropriate authorized return on equity (ROE) to use in establishing FPL's revenue requirement

A. For the 2017 projected test year?

FRF: The appropriate ROE is 8.75%. Utilizing an 8.75% ROE would result in an approximately $480 million reduction from FPL's 2017 request.

B. If applicable, for the 2018 subsequent projected test year?

FRF: If applicable, the appropriate ROE is 8.75%.

ISSUE 86: What is the appropriate weighted average cost of capital to use in establishing FPL's revenue requirement?

A. For the 2017 projected test year?

FRF: The appropriate weighted average cost of capital to use in establishing FPL's revenue requirement and setting FPL's rates for the 2017 test year, consistent with providing FPL with sufficient capital to provide safe and reliable service, and a reasonable return on that capital, with a 50% debt/50% equity capital structure, is a 5.05% overall rate of return.

B. If applicable, for the 2018 subsequent projected test year?

FRF: If applicable, 5.05%.

NET OPERATING INCOME

ISSUE 87: What are the appropriate projected amounts of other operating revenues

A. For the 2017 projected test year?

FRF: The appropriate projected amounts of other operating revenues per OPC adjustments for the 2017 projected test year is $192.897 million.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate projected amounts of other operating revenues per OPC adjustments for the 2018 projected test year is $194.137 million.

ISSUE 88: What is the appropriate level of Total Operating Revenues

A. For the 2017 projected test year?

FRF: $6,128.441 million for 2017.

B. If applicable, for the 2018 subsequent projected test year?

FRF: $6,221.118 million for 2018.

ISSUE 89: Has FPL made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 90: Has FPL made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 91: Has FPL made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 92: Has FPL made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 93: Has FPL made the appropriate adjustments to remove all non-utility activities from operating revenues and operating expenses

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 94: What is the appropriate percentage value (or other assignment value or methodology basis) to allocate FPL shared corporate services costs and/or expenses to its affiliates

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 95: What is the appropriate amount of FPL shared corporate services costs and/or expenses (including executive compensation and benefits) to be allocated to affiliates

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 96: Should any adjustments be made to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 97: What is the appropriate amount of FPL's vegetation management expense

A. For the 2017 projected test year?

FRF: $60.953 million.

B. If applicable, for the 2018 subsequent projected test year?

FRF: $62.172 million.

ISSUE 98: What is the appropriate level of generation overhaul expense

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 99: What is the appropriate amount of FPL's production plant O&M expense

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected

test year?

FRF: Agree with OPC.

ISSUE 100: What is the appropriate amount of FPL's transmission O&M expense

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 101: What is the appropriate amount of FPL's distribution O&M expense

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 102: Should the Commission approve FPL's proposal to continue the interim storm cost recovery mechanism that was part of the settlement agreements approved in Order Nos. PSC-11-0089-S-EI and PSC-13-0023-S-EI?

FRF: No.

ISSUE 103: What is the appropriate annual storm damage accrual and storm damage reserve

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected

test year?

FRF: Agree with OPC.

ISSUE 104: What is the appropriate amount of Other Post Employment Benefits expense

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 105: What is the appropriate amount of FPL's requested level of Salaries and Employee Benefits

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 106: What is the appropriate amount of Pension Expense

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: FPL has the burden of demonstrating that its pension expenses are reasonable for the 2018 test year.

ISSUE 106A: Should an adjustment be made to the amount of the Directors and Officers Liability Insurance expense that FPL included in the 2017 and, if applicable, 2018 projected test year(s)?

FRF: Agree with OPC.

ISSUE 107: What is the appropriate amount and amortization period for Rate Case Expense

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 108: What is the appropriate amount of uncollectible expense and bad debt rate

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 109: Has FPL included the appropriate amount of costs and savings associated with the AMI smart meters

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 110: If the proposed change in accounting to defer and amortize the nuclear maintenance reserve is approved, is the company's proposed adjustment to nuclear maintenance expense appropriate?

FRF: Agree with OPC.

ISSUE 111: What are the appropriate expense accruals for: (1) end of life materials and supplies and 2) last core nuclear fuel

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 112: What are the appropriate projected amounts of injuries and damages (I&D) expense accruals

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 113: What is the appropriate level of O&M Expense (Fallout Issue)

A. For the 2017 projected test year?

FRF: The appropriate level of O&M expenses should be $1,292.432 million for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate level of O&M expenses should be $1,334.702 million for the 2018 test year.

ISSUE 114: What is the appropriate amount of depreciation, amortization, and fossil dismantlement expense (Fallout Issue)

A. For the 2017 projected test year?

FRF: The appropriate level of depreciation, amortization, and fossil dismantlement expenses should be $ 1,140.564 million for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

FRF: If applicable, the appropriate level of depreciation, amortization, and fossil dismantlement expenses should be $1,216.914 million for the 2018 test year.

ISSUE 115: What is the appropriate level of Taxes Other Than Income (Fallout Issue)

A. For the 2017 projected test year?

FRF: The appropriate level of taxes other than income should be $575.304 million for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate level of taxes other than income should be $612.664 million for the 2018 test year.

ISSUE 116: What is the appropriate level of Income Taxes

A. For the 2017 projected test year?

FRF: The appropriate level of income taxes should be $978.542 million for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate level of income taxes should be $925.124 million for the 2018 test year.

ISSUE 117: What is the appropriate level of (Gain)/Loss on Disposal of utility property

A. For the 2017 projected test year?

FRF: The appropriate level of gain on disposal of utility property should be $5.759 million for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate level of gain on disposal of utility property should be $10.759 million for the 2018 test year.

ISSUE 118: What is the appropriate level of Total Operating Expenses? (Fallout Issue)

A. For the 2017 projected test year?

FRF: The appropriate level of total operating expenses should be $3,981.071 million for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate level of total operating expenses should be $4,078.645 million for the 2018 test year.

ISSUE 119: Is the company's proposed net operating income adjustment to remove Fukushima-related O&M expenses from base rates and recover all Fukushima-related expenses in the capacity cost recovery clause appropriate?

FRF: Agree with OPC.

ISSUE 120: What is the appropriate level of Net Operating Income (Fallout Issue)

A. For the 2017 projected test year?

FRF: The appropriate level of net operating income should be $2,147.370 million for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate level of net operating income should be $2,142.473 million for the 2018 test year.

REVENUE REQUIREMENTS

ISSUE 121: Is the Section 199 Manufacturer's deduction properly reflected in the revenue expansion factor?

A. For the 2017 projected test year?

FRF: Agree with OPC.

B. If applicable, for the 2018 subsequent projected test year?

FRF: Agree with OPC.

ISSUE 122: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL

A. For the 2017 projected test year?

FRF: The appropriate revenue expansion factor should be 1.63025 for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

FRF: The appropriate revenue expansion factor should be 1.63025 for the 2018 test year.

ISSUE 123: What is the appropriate annual operating revenue increase or decrease (Fallout Issue)

A. For the 2017 projected test year?

FRF: The appropriate annual revenue decrease should be $807.225 million from current rates for the 2017 test year.

B. If applicable, for the 2018 subsequent projected

test year?

FRF: The appropriate annual revenue decrease should be $603.852 million (from current rates) for the 2018 test year.

OKEECHOBEE LIMITED SCOPE ADJUSTMENT

ISSUE 124: Should the Commission approve or deny a limited scope adjustment for the new Okeechobee Energy Center? And if approved, what conditions/adjustments, if any should be included?

FRF: The Okeechobee June 1, 2019 limited scope adjustment (LSA) increase requested by FPL should not be approved at this time, because FPL has not justified a need for any additional revenues in 2017 or 2018, and because the reasonableness and accuracy of FPL's 2019-2020 projections is questionable. However, if the Okeechobee LSA is considered then OPC'S 2018 ROR should be used; operating costs associated with the project should be updated based on a then-current forecast; and start-up costs included in FPL's projects should be removed to normalize costs and exclude one-time, non-recurring costs.

ISSUE 125: Has FPL proven any financial need for single-issue rate relief in 2019, based upon only the additional costs associated with the Okeechobee generating unit, and with no offset for anticipated load and revenue growth forecasted to occur in 2019?

FRF: No.

ISSUE 126: What are the appropriate depreciation rates for the Okeechobee Energy Center?

FRF: The depreciation rates for combined cycle plants recommended by OPC Witness Jacob Pous should be applied to the Okeechobee Energy Center.

ISSUE 127: What is the appropriate treatment for deferred income taxes associated with the Okeechobee Energy Center?

FRF: Total company accumulated deferred income taxes, as well as all other sources of capital included in the 2018 OPC recommended overall rate of return should be used to establish rates whether in a full test year or limited scope adjustment. This is consistent with prior Commission practice regarding step increases.

ISSUE 128: Is FPL's requested rate base of $1,063,315,000 for the new Okeechobee Energy Center appropriate?

FRF: No. No mid-2019 step increase is warranted or should be granted. If the Commission were to consider approving any LSA, rate base and operating costs associated with the project should be updated based on then-current information and, which should be presented by FPL in 2019 prior to approval of any increase.

ISSUE 129: 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 limited scope adjustment for the new Okeechobee Energy Center?

FRF: No mid-2019 step increase is warranted or should be granted. However, if one is granted, it is appropriate to use the OPC's adjusted 2018 cost of capital as a proxy rate of return.

ISSUE 130: Is FPL's requested net operating loss of $33.868 million for the new Okeechobee Energy Center appropriate?

FRF: No. A mid-2019 step increase is not warranted or nor should it be granted. However, if the Okeechobee LSA is considered, the appropriate June 2019 Okeechobee LSA is approximately $145 million.

ISSUE 131: What is the appropriate Net Operating Income Multiplier for the new Okeechobee Energy Center? (Fallout)

FRF: A mid-2019 step increase is not warranted nor should it be granted. However, if the Okeechobee LSA is considered, then the appropriate Net Operating Income

Multiplier should be 1.63024.

ISSUE 132: Is FPL's requested limited scope adjustment of $209 million for the new Okeechobee Energy Center appropriate?

FRF: A mid-2019 step increase is not warranted nor should it be granted. However, if the Okeechobee LSA is considered, the appropriate June 2019 Okeechobee LSA is approximately $145 million.

ISSUE 133: What is the appropriate effective date for implementing FPL's limited scope adjustment for the new Okeechobee Energy Center?

FRF: No 2019 Okeechobee LSA should be implemented. However, if the Okeechobee LSA is approved, then the effective date should be no sooner than the in-service date, and subject to verification by the Commission as to the reasonableness of the costs and projections used.

ASSET OPTIMIZATION INCENTIVE MECHANISM

ISSUE 134: Should the asset optimization incentive mechanism as proposed by FPL be approved?

FRF: No. The Commission should reject FPL's request to extend and recalibrate its modified incentive mechanism (IM) program. Aside from potential legal limitations or prohibitions, FPL has not demonstrated that the proposed IM is in the public interest.

COST OF SERVICE AND RATE DESIGN ISSUES

ISSUE 135: Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

FRF: No position.

ISSUE 136: What is the appropriate methodology to allocate production costs to the rate classes?

FRF: No position.

ISSUE 137: What is the appropriate methodology to allocate transmission costs to the rate classes?

FRF: No position.

ISSUE 138: What is the appropriate methodology to allocate distribution costs to the rate classes?

FRF: No position.

ISSUE 139: Is FPL's proposal to recover a portion of fixed distribution costs through the customer charge instead of energy charge appropriate for residential and general service non-demand rate classes?

FRF: No, FPL's proposal to shift $2.00 from energy charges to customer charges is not appropriate and should not be approved.

ISSUE 140: How should the change in revenue requirement be allocated to the customer classes?

FRF: The revenue requirement approved by the Commission should be allocated to rate classes following the general principle of moving the rate classes toward parity, subject to the Commission's long-standing policy and practice that, in designing new rates, the Commission should apply the following limitations, which are commonly referred to as the Commission's "Transition Rules": (1) to the extent possible, consistent with other parameters, the revenue increase should be allocated so as to bring all rate classes as close to parity as practicable; (2) if the utility is granted an increase, no class should receive an increase greater than 1.5 times the system average increase in total, and if the utility is ordered to decrease rates, no class should receive a decrease greater than 1.5 times the system average decrease; and (3) if the utility is granted a revenue/rate increase, no class should receive a decrease, and if the utility is ordered to implement a decrease, no class should receive an increase. See Order No. PSC-0283-FO-EI at pp. 86-87.

ISSUE 141: What are the appropriate service charges (initial connection, reconnect for nonpayment, connection of existing account, field collection)

A. Effective January 1, 2017?

FRF: Agree with OPC.

B. Effective January 1, 2018?

FRF: Agree with OPC.

ISSUE 142: Is FPL's proposed new meter tampering penalty charge, effective on January 1, 2017, appropriate?

FRF: Agree with OPC.

ISSUE 143: What are the appropriate temporary construction service charges

A. Effective January 1, 2017?

FRF: No position.

B. Effective January 1, 2018?

FRF: No position.

ISSUE 144: What is the appropriate monthly kilowatt credit for customers who own their own transformers pursuant to the Transformation Rider

A. Effective January 1, 2017?

FRF: No position.

B. Effective January 1, 2018?

FRF: No position.

ISSUE 145: What is the appropriate monthly credit for Commercial/Industrial Demand Reduction (CDR) Rider customers effective January 1, 2017?

FRF: The appropriate monthly credit for the Commercial/Industrial Demand Reduction (CDR) Rider customers is the existing credit amount, both for 2017 and, if any further rate changes are granted in 2018, for 2018 as well.

ISSUE 146: What are the appropriate customer charges

A. Effective January 1, 2017?

FRF: The appropriate customer charges should be set based on the customer unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.

B. Effective January 1, 2018?

FRF: No rate increases are appropriate for 2018. If a rate increase were granted for 2018, the appropriate customer charges should be set based on the customer unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.

ISSUE 147: What are the appropriate demand charges

A. Effective January 1, 2017?

FRF: The appropriate demand charges should be set based on the demand unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.

B. Effective January 1, 2018?

FRF: No rate increases are appropriate for 2018. If a rate increase were granted for 2018, the appropriate demand charges should be set based on the demand unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.

ISSUE 148: What are the appropriate energy charges

A. Effective January 1, 2017?

FRF: The appropriate energy charges should be set based on the energy unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.

B. Effective January 1, 2018?

FRF: No rate increases are appropriate for 2018. If a rate increase were granted for 2018, the appropriate energy charges should be set based on the energy unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.

ISSUE 149: What are the appropriate charges for the Standby and Supplemental Services (SST-1, ISST-1) rate schedules

A. Effective January 1, 2017?

FRF: No position.

B. Effective January 1, 2018?

FRF: No position.

ISSUE 150: What are the appropriate charges for the Commercial Industrial Load Control (CILC) rate schedule

A. Effective January 1, 2017?

FRF: The appropriate credits for the CILC rate schedule are those currently in effect; demand and energy charges should be set as described above.

B. Effective January 1, 2018?

FRF: The appropriate credits for the CILC rate schedule are those currently in effect; demand and energy charges should be set as described above.

ISSUE 151: What are the appropriate lighting rate charges

A. Effective January 1, 2017?

FRF: No position.

B. Effective January 1, 2018?

FRF: No position.

ISSUE 152: Is FPL's proposal to close the customer-owned street lighting service option of the Street Lighting (SL-1) rate schedule to new customers appropriate?

FRF: No position.

ISSUE 153: Is FPL's proposal to close the current Traffic Signal (SL-2) rate schedule to new customers appropriate?

FRF: No position.

ISSUE 154: Is FPL's proposed new metered Street Lighting (SL-1M) rate schedule appropriate and what are the appropriate charges

A. Effective January 1, 2017?

FRF: No position.

B. Effective January 1, 2018?

FRF: No position.

ISSUE 155: Is FPL's proposed new metered Traffic Signal (SL-2M) rate schedule appropriate and what are the appropriate charges

A. Effective January 1, 2017?

FRF: No position.

B. Effective January 1, 2018?

FRF: No position.

ISSUE 156: Is FPL's proposed allocation and rate design for the new Okeechobee Energy Center limited scope adjustment, currently scheduled for June 1, 2019, reasonable?

FRF: No. No rate increases associated with the Okeechobee Energy Center should be approved in this docket.

ISSUE 157: Should FPL's proposal to file updated base rates in the 2018 Capacity Clause proceeding to recover the Okeechobee Energy Center limited scope adjustment be approved?

FRF: No. No rate increases associated with the Okeechobee Energy Center should be approved in this docket. Moreover, if FPL wants additional base rate relief, the appropriate procedure is a general rate case in which all costs and cost-determining factors can be fully considered.

ISSUE 158: Should the Commission approve the following modifications to tariff terms and conditions that have been proposed by FPL:

a. Close relamping option for customer-owned lights for Street Lighting (SL-1) and Outdoor Lighting (OL-1) customers;

FRF: No position.

b. Add a willful damage clause, require an active house account and clarify where outdoor lights can be installed for the Outdoor Lighting (OL-1) tariff;

FRF: No position.

c. Clarify the tariff application to pre-1992 parking lot customers and eliminate the word "patrol" from the services provided on the Street Lighting (SL-1) tariff;

FRF: No position.

d. Remove the minimum 2,000 Kw demand from transmission-level tariffs;

FRF: No position.

e. Standardize the language in the Service section of the distribution level tariffs to include three phase service and clarify that standard service is distribution level; and

FRF: No position.

f. Add language to provide that surety bonds must remain in effect to ensure payments for electric service in the event of bankruptcy or other insolvency.

FRF: No position.

ISSUE 159: Should the Commission require FPL to develop a tariff for a distribution substation level of service for qualifying customers?

FRF: The FRF does not object to such a tariff being developed and implemented consistent with standard cost-of-service ratemaking principles applied to the service contemplated.

ISSUE 160: Should the Commission give staff administrative authority to approve tariffs reflecting Commission approved rates and charges effective January 1, 2017, January 1, 2018, and tariffs reflecting the commercial operation of the new Okeechobee Energy Center (June 1, 2019)?

FRF: Yes for any rate changes approved in this docket to be effective on January 1, 2017. No for any rate changes for either January 1, 2018 or associated with the Okeechobee Energy Center.

ISSUE 161: What are the effective dates of FPL's proposed rates and charges?

FRF: The effective date for the 2017 rate change should be January 2, 2017.

OTHER ISSUES

ISSUE 162: Should the Commission approve FPL's proposal to transfer the Martin-Riviera pipeline lateral to Florida Southeast Connection (FSC)?

FRF: Agree with SFHHA.

ISSUE 163: What requirements, if any, should the Commission impose on FPL if it approves FPL's proposed transfer of the Martin-Riviera pipeline lateral to Florida Southeast Connection?

FRF: Agree with SFHHA.

ISSUE 164: Did FPL's Third Notice of Identified Adjustments remove the appropriate amount associated with the Woodford project and other gas reserve costs?

FRF: Agree with OPC.

ISSUE 165: 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?

FRF: No position.

ISSUE 166: Should this docket be closed?

FRF: No position.

CONTESTED ISSUES

OPC ISSUE: Does the Commission have the authority to approve rate base adjustments based upon a test year subsequent to the period ending December 31, 2017?

FRF: The FRF does not contest the authority of the Commission to approve a limited scope adjustment pursuant to Section 366.076, Florida Statutes, Limited proceeding; rules on subsequent adjustments. However, the FRF does not believe that any limited scope adjustments (or step increases) are reasonable or necessary for FPL in this case, unless the full revenue and rate decreases advocated by the OPC, SFHHA, FIPUG, the FRF, Walmart, and the FEA are implemented for 2017, in which case, a modest revenue and rate increase for 2018 appears to be appropriate.

FIPUG ISSUE: Has FPL appropriately managed the cooling canal system at its Turkey Point Power Plant?

FRF: No.

SFHHA ISSUE: Should a mechanism be established to capture for the benefit of ratepayers savings, if any, that result from any mergers, acquisitions or reorganizations by NextEra Energy?

FRF: Yes, a mechanism should be established, if it does not already exist, to allocate to FPL's customers any cost savings or other benefits of any mergers, acquisitions, or reorganization by NextEra Energy.

SFHHA ISSUE: What requirements, if any, should the Commission impose on FPL as a result of its affiliation with Sabal Trail Transmission, LLC (Sabal Trail)?

FRF: Agree with SFHHA.

5. STIPULATED ISSUES:

None at this time.

6. PENDING MOTIONS:

None.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

The FRF has no pending requests or claims for confidentiality.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

The FRF does not expect to challenge the qualifications of any witness to testify, although the FRF reserves all rights to question witnesses as their qualifications as related to the credibility and weight to be accorded their testimony.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the FRF cannot comply.

10. SEQUESTRATION OF WITNESSES:

The FRF takes no position on the sequestration of witnesses in this proceeding.

Respectfully submitted this 5th day of August, 2016

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished to the following, by electronic mail, on this 5th day of August 2016.

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