

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  
ORDER NO. PSC-16-0341-PHO-EI  
ISSUED: August 19, 2016

**PREHEARING ORDER**

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on August 12, 2016, in Tallahassee, Florida, before Commissioner Lisa Polak Edgar, as Prehearing Officer.

APPEARANCES:

R. WADE LITCHFIELD, JOHN T. BUTLER, MARIA J. MONCADA, KEVIN I. DONALDSON, and KEN RUBIN. ESQUIRES, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, FL 33408  
SUSAN F. CLARK, ESQUIRE, Radey Thomas Yon & Clark, P.A., 301 S. Bronough Street, Suite 200, Tallahassee, FL 32301  
CHARLES A. GUYTON, ESQUIRE, Gunster, Yoakley & Stewart, P.A., Suite 601, 215 S. Monroe St., Tallahassee, FL 32301  
On behalf of Florida Power & Light Company (FPL).

PATRICIA A. CHRISTENSEN, CHARLES J. REHWINKEL, ERIK L. SAYLER and J.R. KELLY, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400  
On behalf of Office of Public Counsel (OPC).

JOHN B. COFFMAN, ESQUIRE, John B. Coffman, LLC, 871 Tuxedo Blvd., St. Louis, MO 63119-2044  
JACK MCRAY, ESQUIRE, AARP Florida, 200 W. College Ave., #304, Tallahassee, Florida 32301  
On behalf of AARP (AARP).

THOMAS A. JERNIGAN and NATALIE A. CEPAK, CAPT, USAF, ESQUIRES, USAF Utility Law Field Support Center, Air Force Legal Operations Agency, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, FL 32403.  
On behalf of Federal Executive Agencies (FEA).

JON C. MOYLE, JR. and KAREN A. PUTNAL, ESQUIRES, Moyle Law Firm, P.A., 118 North Gadsden Street, Tallahassee, Florida 32301  
On behalf of Florida Industrial Power Users Group (FIPUG).

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

NATHAN A. SKOP, ESQUIRE, 420 NW 50<sup>th</sup> Blvd., Gainesville, FL 32607  
On behalf of Daniel and Alexandria Larson (Larsons).

KENNETH L. WISEMAN, MARK F. SUNDBACK, WILLIAM M. RAPPOLT, and KEVIN C. SIQVELAND, ESQUIRES, Andrews Kurth LLP, 1350 I Street NW, Suite 1100, Washington, D.C. 20005  
On behalf of South Florida Hospital and Healthcare Association (SFHHA).

DIANA A. CSANK, ESQUIRE, 50 F St. NW, 8th Floor, Washington, DC 20001  
On behalf of Sierra Club (Sierra Club).

STEPHANIE U. ROBERTS, ESQUIRE, Spilman Thomas & Battle, PLLC, 110 Oakwood Drive, Suite 500, Winston-Salem, NC 27103, and DERRICK PRICE WILLIAMSON, ESQUIRE, Spilman Thomas & Battle, PLLC, 1100 Bent Creek Boulevard, Suite 101, Mechanicsburg, PA 17050  
On behalf of Wal-Mart Stores East, LP and Sam's East, Inc. (Walmart).

SUZANNE BROWNLESS, ADRIA HARPER, DANIJELA JANJIC, KYESHA MAPP, and MARGO LEATHERS, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850  
On behalf of the Florida Public Service Commission (Staff).

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

## **PREHEARING ORDER**

### **I. CASE BACKGROUND**

On January 15, 2016, Florida Power & Light Company (FPL) filed a test year letter, as required by Rule 25-6.140, Florida Administrative Code (F.A.C.), notifying this Commission of its intent to file a petition between March 15 and March 31, 2016, for an increase in rates effective 2017. Pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), and Rules 25-6.0425 and 25-6.043, F.A.C., FPL filed its Minimum Filing Requirements and testimony on March 15, 2016. On May 4, 2016, Docket Nos. 160061-EI (2016-2018 Storm Hardening Plan), 160062-EI (2016 Depreciation and Dismantlement Study) and 160088-EI (Incentive Mechanism), were consolidated into the rate case docket, Docket No. 160021-EI.<sup>1</sup>

The Office of Public Counsel (OPC), Wal-Mart Stores East, LP and Sam's East, Inc. (Walmart), Florida Industrial Power Users Group (FIPUG), South Florida Hospital and Healthcare Association (SFHHA), Federal Executive Agencies (FEA), Florida Retail Federation (FRF), the American Association of Retired Persons (AARP), and the Sierra Club are parties to this proceeding.<sup>2</sup> Daniel R. Larson and Alexandria Larson (Larsons) filed a Petition to Intervene on July 22, 2016. FPL filed its Response in Opposition to Larsons' Petition to Intervene on July 29, 2016. The Larsons filed a Reply to FPL's Response in Opposition to Larsons' Petition to Intervene (Reply) on August 1, 2016, and filed a corrected version of that document on August 2, 2016. On August 4, 2016, FPL filed a Motion to Strike Larsons' Unauthorized Replies. On August 9, 2016, the Larsons filed a Response in Opposition to FPL's Motion to Strike. Order No. PSC-16-0323-PCO-EI, issued on August 9, 2016, granted the Larsons' Petition to Intervene and FPL's Motion to Strike. The hearing for the FPL rate case is scheduled on August 22 through September 2, 2016.

### **II. CONDUCT OF PROCEEDINGS**

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

### **III. JURISDICTION**

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

---

<sup>1</sup> Order No. PSC-16-0182-PCO-EI, issued on May 4, 2016, in Docket Nos. 160021-EI, In re: Petition for rate increase by Florida Power & Light Company; Docket No. 160061-EI, In re: Petition for approval of 2016-2018 storm hardening plan by Florida Power & Light Company; Docket No. 160062-EI, In re: 2016 depreciation and dismantlement study by Florida Power & Light Company; and Docket No. 160088-EI, In re: Petition for limited proceeding to modify and continue incentive mechanism, by Florida Power & Light Company.

<sup>2</sup> Orders Nos. PSC-16-0098-PCO-EI, PSC-16-0134-PCO-EI, PSC-16-032-PCO-EI, PSC-16-0158, PSC-16-0157-PCO-EI, PSC-16-0181-PCO-EI, PSC-16-0180-PCO-EI, and PSC-16-0299-PCO-EI, issued on March 10, April 4, April 21, May 4, and July 27, 2016, respectively, in Docket Nos. 160021-EI, et al., In re: Petition for rate increase by Florida Power & Light Company.

**IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION**

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

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

- (1) When confidential information is used in the hearing that has not been filed as prefiled testimony or prefiled exhibits, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

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

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

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

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

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

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

## **VI. ORDER OF WITNESSES**

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

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<b><u>Direct</u></b>		
Eric Silagy	FPL	Provides an overview of FPL's filing and its position in this case; introduces the witnesses who have filed testimony on FPL's behalf. (84)
John J. Reed	FPL	Sponsors and describes a benchmarking study used to assess FPL's operational and financial performance over the past several years and concludes that FPL's overall performance is superior; describes how this performance has saved customers billions of dollars compared to average-performing utilities; explains service area challenges that are specific to FPL. (39, 84)

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Marlene M. Santos	FPL	Describes how FPL provides a superior level of service to customers while at the same time maintaining low cost and efficient operations; discusses FPL's national recognition for outstanding customer satisfaction and how continuous improvement in operations benefits customers; discusses how the Customer Service functional area O&M expense is below the Commission's O&M benchmark; discusses FPL's customer complaint resolution process and results; describes FPL's energy affordability initiatives that provide economic assistance to customers. (39, 82, 84, 108, 109, 141, 142)
Roxane R. Kennedy	FPL	Discusses FPL's fossil generation industry-leading performance in heat rate, availability, emissions, and O&M costs and demonstrates how these improvements produced billions of dollars in savings for customers; discusses FPL's outstanding fossil fleet performance and how continued capital investments and non-fuel O&M are essential to providing these performance benefits; presents the construction capital and non-fuel O&M costs of placing an additional 1,633 MW into commercial operation in June 2019 with the Okeechobee Unit. (39, 67, 68, 84, 98, 99)
Mitchell Goldstein	FPL	Provides an overview of FPL's nuclear operations; describes how FPL's nuclear fleet performance has provided significant benefits to FPL customers; discusses the changes made to improve FPL's performance since 2012; discusses challenges facing FPL's nuclear operations, including new and evolving NRC requirements and describes FPL's efforts to meet these requirements; discusses O&M for the 2017 Test Year and the 2018 Subsequent Year and the capital investments from 2014 through 2018 for FPL's nuclear operations. (39, 84, 99)
Manuel B. Miranda	FPL	Demonstrates that FPL provides superior transmission and distribution ("T&D") reliability; describes the FPSC initiatives being implemented to further strengthen and modernize its T&D infrastructure; and explains the ongoing plan for capital investments associated with the major drivers for making FPL's T&D infrastructure stronger, smarter, more secure and

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
		more reliable; demonstrates that FPL's T&D non-fuel O&M expenses are reasonable. Presents FPL's 2016-2018 Storm Hardening Plan ("Plan") and demonstrates that the Plan complies with Rule 25-6.0342, F.A.C. FPL's plan complies with the National Electrical Safety Code ("NESC") and appropriately adopts the NESC's extreme wind loading standards for FPL's distribution system and presents FPL's 2016-2018 deployment strategy, including the facilities affected, the location of those facilities (for 2016), an estimate of FPL's costs and benefits (including the effect on reducing storm restoration costs and customer outages) and input received, including costs and benefits, from third-party attachers. (7-23, 39, 67, 84, 97, 100, 101, 143, 152, 153, 154, 158)
Rosemary Morley	FPL	Describes FPL's load forecasting process; identifies the underlying methodologies and assumptions of the customer growth, energy use per customer, net energy for load, and peak demand forecasts; presents the customer and sales forecast by revenue class; discusses the inflation forecast, including the Consumer Price Index forecast used in computing the Commission's O&M Benchmark. (28, 29, 30, 33, 34)
Robert E. Barrett, Jr.	FPL	Demonstrates the value to customers of FPL's four-year rate proposal; describes the process FPL uses in the preparation and approval of the financial forecast upon which the MFRs and schedules for the 2017 Test Year, 2018 Subsequent Year and 2019 Okeechobee Limited Scope Adjustment ("2019 Okeechobee LSA") are based; provides an overview of the general business conditions affecting the forecast assumptions; explains the major cost drivers for the January 2017 base rate increase and January 2018 Subsequent Year Adjustment ("2018 SYA"); discusses the necessity for the 2019 Okeechobee LSA; explains the proposal to transfer the Martin-Riviera ("MR-RV") gas lateral to Florida Southeast Connection ("FSC"). (24-27, 33-38, 48, 54, 56, 57, 57A, 59, 60, 64, 66, 67, 70, 76, 77, 82, 87, 88, 108, 112-115, 117, 118, 120, 123, 124, 125, 129, 130, 161, 162)

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Kim Ousdahl	FPL	Supports the calculation of the rate relief requested by FPL in this proceeding for the 2017 Base Rate Increase and the 2018 SYA; calculates FPL's requested 2019 Okeechobee LSA when the unit is scheduled to enter commercial service (June 1, 2019); supports Commission and Company adjustments to net operating income, rate base, and capital structure for the 2017 Base Rate Increase and 2018 SYA; requests change in recovery of the revenue requirements for West County Energy Center Unit 3 ("WCEC3") from the Capacity Cost Recovery Clause to base rates; and demonstrates the reasonableness of the methods that FPL uses to charge costs to its affiliates, such that customers do not subsidize FPL's affiliates. (35-38, 53, 55, 59-64, 66, 67, 69-79, 86, 87, 89-96, 104, 106, 107, 110, 112, 114, 115, 116, 119-123, 127-132, 164, 165)
Keith Ferguson	FPL	Discusses an overview of the adjustments as a result of FPL's 2016 Depreciation Study prepared by Gannett Fleming; supports the request for recovery of retired assets with unrecovered balances through capital recovery schedules; presents and provides an overview of FPL's 2016 Dismantlement Study prepared by Burns & McDonnell; supports the change in FPL's end of life materials and supplies and nuclear fuel last core accruals. (40-42, 47, 49-52, 58, 65, 111, 114, 126)
Ned W. Allis	FPL	Explains the methods and procedures used to develop FPL's 2016 Depreciation Study including current and proposed comparison schedules for depreciation parameters; discusses how the proposed increase in FPL's annual depreciation rates is primarily due to the impact of capital additions for FPL's generating facilities, partially mitigated by service lives and net salvage estimates. (41-46, 48)
Kathleen Slattery	FPL	Presents an overview of the payroll and benefit expenses as shown in MFR C-35, demonstrating the reasonableness of FPL's forecasted payroll and benefit expenses. (104, 105)



<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Sam Forrest	FPL	Supports FPL's request to extend the current Incentive Mechanism that was approved as part of FPL's 2012 Settlement Agreement; provides a description of the Incentive Mechanism under which FPL operates, including a review of the results compared to the sharing mechanism used prior to 2013; explains the details of FPL's request to modify specific aspects of the Incentive Mechanism and an overview of ongoing optimization costs. (134)
Robert B. Hevert	FPL	Explains FPL's risks, financial requirements, and the current market environment; analyzes and determines a fair range of return on equity ("ROE") for FPL; recommends an ROE range of 10.5% to 11.5% and that an ROE of 11.0% is reasonable and appropriate for FPL; discusses the reasonableness and importance of FPL's capital structure. (83, 85)
Moray P. Dewhurst	FPL	Describes the necessity of an adequate ROE and a strong capital structure to maintain FPL's strategy of continuous, incremental improvement in its customer value proposition; explains the importance to customers of maintaining FPL's financial strength; discusses FPL's risk profile in assessing FPL's capital structure and ROE requirements; supports FPL's requested 11.0% ROE; explains the policy and factual basis in support of FPL's requested 50 basis point ROE performance adder, and describes and explains the importance of FPL's proposed storm cost recovery mechanism. (80, 81, 83-86, 102, 103, 129)
Tiffany C. Cohen	FPL	Discusses the forecast of base revenues from the sale of electricity; presents the proposed service charges; addresses FPL's proposed target revenues by rate class; presents the proposed rate design for achieving the target revenues by rate class; presents FPL's proposal for two new metered lighting tariffs and modifications to existing tariffs. (28-32, 84, 133, 139-160)

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Renaë B. Deaton	FPL	Explains load research in general terms, how it is used in the jurisdictional separation and cost of service studies, and how the projected load forecast by rate class and energy loss factors were developed; describes the process used in the development of FPL's jurisdictional separation study and resulting jurisdictional separation factors; discusses FPL's preparation of its retail cost of service study and explains the proposed change in methodologies to allocate production and transmission plant to retail rate classes; discusses the results of the retail cost of service study for the 2017 Test Year and 2018 Subsequent Year. (135-138)
David E. Dismukes	OPC	Explains FPL's forecasts of KWH by Rate Schedule and Revenue Class are based upon a faulty NEL energy sales forecast that the Commission should reject as unacceptable for ratemaking purposes. FPL's proposed rate case forecast significantly understates sales as compared to the previously used 2015 NEL forecast. The difference between the rate case and 2015 forecasts go far beyond updating the forecasting model data and have not been explained or justified. Instead the Commission should adopt for the new forecasts of KWH by Rate Schedule and Revenue Class the 2015 TYSP NEL forecast. The adjustment will decrease the Company's needed revenue requirement increase by \$206.5 million in 2017 and \$259.5 million in 2018. He also testifies that FPL's proposed 2.5% overstated inflation factor was based on a single source, and a more appropriate 2.06% inflation factor should be used, based on weighting multiple sources. Dr. Dismukes also testifies that the Commission should reject FPL's request to extend and recalibrate its modified incentive mechanism (IM) program. FPL has not demonstrated the proposed IM is in the public interest or has led to verifiable and positive changes in the Company's actions or how, if at all, those changes result in net public interest benefits above and beyond the Commission's long-standing off-system sales incentive policies. Further, changes to the Commission's off-system sales incentive policy should be considered in a separate proceeding. Issues 28-34, 88, 97, 98, 134

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Jacob Pous	OPC	Reviews FPL's depreciation study and has demonstrated that FPL's requested increase of \$195.1 million in depreciation expense is materially overstated. Mr. Pous recommends more realistic parameters for many of the depreciation accounts. He identifies a total company depreciation reserve excess of \$923 million, which he recommends be flowed back to current customers over 4 years. Assuming that the Commission adopts Mr. Pous' adjustments to FPL's depreciation and dismantlement studies, the sum of the adjustments results in a reduction to FPL's 2017 revenue request based upon \$280 million for new lower depreciation rate and an additional \$221 million in flow-back to customers in 2017 for excess depreciation reserve on a jurisdictional basis. Issues 40-52, 58, 60, 77, 114, 126
Randy Woolridge	OPC	Dr. Woolridge evaluated FPL's requested ROE in light of current market conditions and the changes since FPL's last rate case. FPL's requested 11% ROE, especially with its requested 59.6% equity ratio, is excessive under current market conditions. Dr. Woolridge notes in his testimony that both interest rates and awarded ROEs have decreased since 2012. Dr. Woolridge, applying the Discount Cash Flow (DCF) method checked by the Capital Asset Pricing Model (CAPM) method with a proposed capital structure of 50% and also utilizing a comparable electric proxy group, determined that the appropriate ROE for FPL is 8.75%. Utilizing an 8.75% ROE would result in an approximately \$560 million reduction from FPL's 2017 request. Issues 85-86

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Kevin O'Donnell	OPC	Mr. O'Donnell addresses FPL's excessive 59.6% equity ratio. FPL's request puts an unnecessary costly burden on FPL's ratepayers and should not be allowed. His examination of capital structures demonstrates that FPL's proxy group average equity ratio is 49.3% and the national average for allowed equity ratios is 49%. Rather than utilizing FPL's proposed unreasonable, hypothetical capital structure, Mr. O'Donnell recommends using a more rational, hypothetical capital structure of 50% equity, which is in-line with industry averages (and still more than the equity ratios of both NextEra's consolidated group and the FPL proxy group average). This results in an approximately \$337 million reduction to FPL's 2017 request. Issues 80, 81, 83, 86
Helmuth Schultz, III, CPA	OPC	Mr. Schulz recommends reductions to FPL's requested increase in unneeded new employee positions, reduction to employee incentive compensation consistent with prior Commission decisions, and corresponding adjustments to related costs. Vegetation management and pole inspection expenses should be reduced to reflect the expected and normal levels based on historical experience, and Directors and Officers Liability ("DOL") Insurance premiums should be shared between shareholders and ratepayers. Mr. Schultz also addresses the depreciation reserve surplus available in 2017 that are considered excessive and the continuation of FPL's automatic storm recovery mechanism. Issues 58-60, 77, 97, 102, 105, 106A, 113-115

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Ralph Smith, CPA	OPC	Addresses OPC's overall recommended revenue requirements in this case. The specific accounting issues he addresses relate to reductions to Plant Held For Future Use, Rate Case Expense, Unamortized Rate Case Expense, Generation Overhaul Expense, Income Tax Expense, and Interest Synchronization. Mr. Smith also converts Mr. Pous' depreciation adjustment to jurisdictional depreciation expense and accumulated depreciation. He concludes that based on OPC's recommendations, a rate decrease of \$807 million is appropriate for 2017, and that no rate increases are needed for 2018 or for the Okeechobee limited scope adjustment in 2019. Issues 24-27, 47, 58-60, 64, 67, 69, 74, 76-82, 86- 88, 98, 107, 113-118, 120, 122-125, 127-133
Daniel J. Lawton	OPC	Mr. Lawton discusses why FPL's requested surplus equity return inflator in excess of the already inflated market cost of equity requested by FPL should be disallowed. Second, he addresses FPL's cash flow and financial integrity metrics and FPL's ability to maintain its financial integrity with the implementation of all OPC recommendations. Issues 39, 46, 84, 86
Michael Brosch	AARP	Mr. Brosch addresses the credibility of FPL's forecasts, the proposed return on equity and equity thick capitalization ratios, as well as the proposal to impose a piecemeal increase for the Okeechobee generating facility, while ignoring any changes to revenue, expense and investment levels that may occur in 2019. Mr. Brosch also discusses the risks to consumers from a multi-year approach to ratemaking, and the important public policy reasons to reject any increase in the fixed monthly residential customer charges, including maintaining customers' control over monthly bills, increasing the affordability of services to low-usage customers, encouragement of conservation habits and improved financial payback on energy efficiency investments that are made by FPL's residential customers. (25, 29, 30, 32, 36, 38, 83-86, 123-125, 128-130, 132, 133, 139, 156, 157, 160)
Michael P. Gorman	FEA	79, 81, 83, 84, 85, 86, 129

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Brian C. Andrews	FEA	45, 47
Amanda M. Alderson	FEA	135-138, 140, 145, 150
Jeff Pollock	FIPUG	Mr. Pollock addresses issues related to the following topics: FPL's multi-year rate plan; performance return on equity incentive; construction work in progress and inclusion in base rates; cost of capital (long-term debt, cost of equity and capital structure); class revenue allocation; class cost-of-service study; and GSLD/CILC rate design. Issue Nos. 25-27, 62, 64, 81, 83, 85, 136-140, 145-148, 150, 156, 157, 159-160
Richard A. Baudino	SFHHA	Return on equity, debt, and capital structure; Issue Nos. 3, 80, 81, 83-86, 107, 129
Stephen J. Baron	SFHHA	Class cost of service and rate design; Issue Nos. 6, 136, 140, 145-148, 150, 156-157
Lane Kollen	SFHHA	Rate base issues, operating income issues, quantification of rate of return issues, storm cost recovery, impact on revenue requirements, and asset optimization. Mr. Kollen also submitted testimony recommending rejection of FPL's Incentive Mechanism proposal because it will result in excessive, unjust, and unreasonable rates and provide unnecessary and inappropriate incentives for activities already required of prudent utilities; Mr. Kollen instead recommends modification of the Incentive Mechanism so that the entire savings from economy purchases and sales are timely flowed through to customers, and so that only net "gains" from asset optimization activities are incented and reasonably shared. Issue Nos. 1, 2, 5, 25-27, 35-38, 40-52, 58-60, 65-66, 69-74, 76-78, 102-103, 106A, 107, 111-118, 120-128, 130-134, 160-163.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Steve W. Chriss	Walmart	<p>Issue No. 85: The Commission should authorize an increase in revenue requirement that is minimal and only the amount necessary for the utility to provide reliable service, while still having the opportunity to earn a reasonable return. When examining the Company's proposed revenue requirement and associated ROE increase, Walmart recommends that the Commission consider: (1) the impact of the resulting revenue increase on customers; (2) the use of a future test year, which reduces the risk due to regulatory lag; (3) the percentage of the Company's total jurisdictional revenues recover through base rates that are at risk due to regulatory lag versus the amount of revenues collected through cost recovery clause charges; and (4) the trend of rate case ROEs that have been approved by state regulatory agencies nationwide.</p> <p>Issue No. 136: The Commission should reject the Company's proposal to allocate production capacity cost using a 12 coincident peak and 25 percent energy ("12 CP and 25%") methodology. If the Commission determines it is appropriate to move away from the Company's currently approved 12 CP and 1/13<sup>th</sup> methodology and to discontinue the practice of allocating a portion of production capacity on an energy basis, it should approve either a demand allocator based on the Company's four coincident peaks ("4 CP") or six coincident peaks ("6 CP"). If the Commission determines it is appropriate to move away from the Company's currently approved 12 CP and 1/13<sup>th</sup> methodology and to continue the practice of allocating a portion of production capacity cost on an energy basis, it should approve an average and excess allocator based on the Company's Group Non-Coincident Peaks ("GNCP").</p>

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
		Issues 146-148: The Commission should approve a revised rate design for GSLD-1, GSLDT-1, GSD-1, and GSDT-1 for 2017 rates, and if the Commission approves the Company's proposal to institute an incremental rate change in 2018, the Commission should apply the same rate design changes to the approved revenue requirement and cost of service study for 2018.
		Issue 156: If the Commission approves the 2019 Okeechobee LSA, for rate schedules that contain demand charges, the increase to those schedules should only be applied to the demand charge.
Iliana H. Piedra	Staff	Staff Auditor's Report on Florida Power & Light Company year ended December 31, 2015. Issues 53-123.
Rhonda L. Hicks	Staff	Consumer complaints for the period July 1, 2012 through June 30, 2016. Issue 39.

**Rebuttal**

Robert E. Barrett, Jr.	FPL	Explains that the 2017 and 2018 revenue requirements forecasts are reliable; explains that approval of the 2018 SYA and 2019 Okeechobee LSA is appropriate and consistent with Commission practice; explains that FPL's four-year proposal is in the best interest of customers; rebuts positions taken by OPC witnesses Schultz and Dismukes and SFHHA witness Baudino relative to the following areas: reserve amortization, inflation factor for benchmark O&M, commitment fees for short term debt; addresses FPSC Staff rate case audit; and explains why the Commission should approve the framework for the transfer of the MR-RV lateral to FSC. (24-27, 33-34, 48, 124-125, 162-163)
------------------------	-----	---



<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Kim Ousdahl	FPL	Rebuts positions taken by OPC witness Smith and SFHHA witness Kollen relative to the following areas: Okeechobee LSA calculation, deferred federal income tax proration calculation, injuries and damages expense, unbilled revenues in rate base, capital structure and deferred tax liabilities, recovery of rate case expenses, revision to the revenue expansion factor and merger savings credit rider; and presents identified adjustments to the revenue requirements for the 2017 Base Rate Increase, 2018 SYA, and Okeechobee LSA. (55, 64, 67, 69, 70, 72, 74, 78, 79, 94-96, 107, 112, 121, 122, 127, 132, 164, SFHHA new issue – mergers)
Rosemary Morley	FPL	Demonstrates that FPL's rate case sales forecast has been more accurate than the forecast proposed by OPC witness Dismukes; explains that FPL's proposed inflation factor is reasonable; and explains that the accuracy of FPL's prior forecasts contravenes AARP witness Brosch's suggestion that FPL has an incentive to understate future sales growth. (28, 29, 30, 33, 34)
Ned W. Allis	FPL	Rebuts the testimony of OPC witness Pous, FEA witness Andrews and SFHHA witness Kollen relative to depreciation parameters (service life, net salvage value and depreciation rates). (41-46, 48)
Keith Ferguson	FPL	Rebuts the testimony of SFHHA witness Kollen as it relates to the dismantlement accrual, depreciation study accrual, recommended amortization period for the capital recovery schedule, and end of life and materials and supplies and last core nuclear fuel accruals. (40-42, 47, 49-52, 58, 65, 111-114)
Jeffrey T. Kopp	FPL	Explains how dismantlement cost estimates are prepared and demonstrates the importance of including contingency in developing these estimates. (50)
Roxane R. Kennedy	FPL	Rebuts the testimony of SFHHA witness Kollen relating to base O&M fossil overhaul expenses as part of the variable O&M expenses calculated for the Incentive Mechanism since these expenses are a function of the usage of the unit; rebuts the testimony of OPC witness Smith relating to FPL's fossil fleet general overhaul expenses; explains that FPL's proven method has resulted in industry leading reliability at a cost well below the industry. (98)

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Manuel B. Miranda	FPL	Rebuts the testimonies of OPC witnesses Schultz and Smith related to distribution vegetation management and pole inspection expenses, T&D storm hardening capital expenditures and T&D Property Held for Future Use costs; addresses the testimony of OPC witness Pous relating to FPL's removal costs. (67, 97)
Kathleen Slattery	FPL	Rebuts the testimony of OPC witness Schultz relating to projected staffing and payroll for the 2017 Test Year and 2018 Subsequent Year and the associated benefits and payroll tax expense, and cost recovery of non-executive performance-based cash incentive compensation. (104, 105)
Robert B. Hevert	FPL	Rebuts the capital structure and ROE positions of intervenor witnesses; demonstrates the errors in intervenor witnesses' models. (83, 85)
Terry Deason	FPL	Rebuts the testimony of SFHHA witnesses Baudino and Kollen, OPC witnesses Smith, Schultz, and Lawton, FIPUG witness Pollock, FEA witness Gorman and AARP witness Brosch related to the following issues: Construction Work In Progress; Property Held for Future Use; Performance Based Compensation; Directors and Officers ("D&O") liability insurance; and the ROE performance adder. (64, 67, 106A)
Moray P. Dewhurst	FPL	Rebuts the capital structure and ROE recommendations made by intervenor witnesses; rebuts SFHHA witness Kollen's opposition to continuation of the existing storm cost recovery mechanism; rebuts SFHHA witness Baudino's recommendations for long and short term debt costs; rebuts OPC witness Schultz's position on D&O liability insurance; and rebuts the inaccurate representations and/or misunderstandings of statements made by intervenor witnesses related to the proposed ROE performance adder. (80-81, 83-86, 102-103, 106A, 129)

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Tiffany C. Cohen	FPL	Rebuts the testimony of FIPUG witness Pollock, FEA witness Alderson and SFHHA witness Baron regarding the Commission's policy of gradualism as it relates to limiting rate increases as well as demand and energy rates for the general service demand and CILC rate classes as well as the appropriate venue for review of the CILC and CDR rates and credits; rebuts the testimony of AARP witness Brosch regarding FPL's proposed customer charge; and rebuts FIPUG witness Pollock regarding the distribution substation service tariff. (139, 145, 150, 159)
Tom Koch	FPL	Rebuts the testimony of FIPUG witness Pollock, FEA witness Alderson and SFHHA witness Baron regarding the appropriate level of participant financial incentives for the Commercial-Industrial Load Control ("CILC") and Commercial-Industrial Demand Reduction ("CDR") credits. (145, 150)
Rena B. Deaton	FPL	Rebuts intervenors' testimony relating to use of the following: opposition to 12 CP and 25% cost allocation method for production plant, alternative cost allocation methods for production plant and a Minimum Distribution System ("MDS") cost allocation method for distribution costs. (135-138)
Sam Forrest	FPL	Rebuts the testimony of OPC witness Dismukes and SFHHA witness Kollen regarding the Incentive Mechanism; rebuts the testimony of OPC witness Lawton by demonstrating that FPL's investments in more efficient generation have contributed significantly to FPL customers' lower bills. (39, 134)

## **VII. BASIC POSITIONS**

**FPL:** FPL is currently operating under a rate settlement approved by this Commission by Order No. PSC-13-0023-S-EI, issued January 14, 2013 ("the 2012 Rate Settlement"). Among other settlement terms, FPL agreed not to file for additional rate increases for a four-year period in exchange for a base rate increase effective 2013, and generation base rate adjustments that became effective when three of FPL's generation modernization projects began commercial operation in April 2013, April 2014 and April 2016. In approving the 2012 Rate Settlement, the Commission appropriately recognized that the agreement "provides FPL's customers with stability and predictability with respect to their electricity rates,

while allowing FPL to maintain the financial strength to make investments necessary to provide customers with safe and reliable power.” Order No. PSC-13-0023-S-EI, at 7-8.

Those objectives have been realized. For a sustained period of time, including the last four years, FPL has continuously delivered nationally recognized award-winning service, outstanding reliability, and one of the cleanest generation emissions rates of all large U.S. utilities. The Company achieved this superior performance while maintaining a typical residential 1,000 kilowatt hour (“kWh”) customer bill that today is about 14% *lower* than it was 10 years ago. An important input to such low customer bills is FPL’s best-in-class performance in non-fuel productive efficiency, or non-fuel O&M costs per megawatt hour. For 2014 alone, FPL’s non-fuel O&M expense was \$1.9 billion *less* than an “average” utility. Had FPL operated as an average company, the typical residential bill would have been \$17 higher per month, or more than \$200 per year.

Such strong performance is not achieved by happenstance. Rather, it is a function of FPL’s core strategy over the last 15 years, consisting of: (1) a relentless focus on efficiency and productivity; (2) smart investments that improve customer value; (3) sound financial policies including a strong balance sheet; and (4) a willingness to innovate and embrace new ideas and technology. And FPL has not accomplished this on its own. A constructive regulatory environment has been essential to FPL’s ability to maintain a strong balance sheet and the flexibility to respond to emergencies, all of which foster an exceptional value proposition for customers.

FPL must continue to execute its strategy of making smart, long-term capital investments. From the end of 2013 through 2017, FPL will have invested \$15.8 billion in its infrastructure, or nearly \$4 billion annually – far more than the Company earns in any one year. Building on the success of the soon-to-expire 2012 Rate Settlement, as well as the multi-year settlements that preceded it, FPL submits in this proceeding a four-year proposal designed to maintain and improve upon the customer value it delivers. The proposal, accounting for the Company’s Notices of Identified Adjustments, consists of: (i) an increase in rates and charges sufficient to generate additional total annual revenues of \$826 million to be effective January 1, 2017; (ii) a subsequent year revenue increase of \$270 million to be effective January 1, 2018; and (iii) a \$209 million limited-scope adjustment for the Okeechobee Clean Energy Center (“the Okeechobee Unit”), to be effective on its commercial in-service date, currently scheduled for June 1, 2019. If these requested increases are approved, FPL will not seek a general increase in base rates to be effective before January 2021, despite the likelihood that base revenue requirements will continue to increase.

The four-year rate proposal offers customers base rate stability and certainty until at least January 2021 and is expected to produce a typical 1,000-kWh residential customer bill that increases roughly in line with inflation through 2020 while

remaining among the lowest in the state and below the current national average. In fact, FPL expects that, even with the requested increase, its typical residential and commercial/industrial customer bills through 2020 will be even lower than they were in 2006. The four-year period of certainty also will allow FPL management and employees to focus on continuing to improve the Company's service delivery and realizing further operational efficiencies, rather than devoting significant resources to more frequent base rate cases.

### **2017 Test Year**

The main drivers of FPL's need for an increase in 2017 are:

- |  |                 |
|--|-----------------|
| 1. Capital investment initiatives that support storm hardening, increased reliability, and system growth, which provide long-term economic benefits to customers, and ensure regulatory compliance | \$829 million   |
| 2. Impact of FPL's 2016 depreciation study   | \$187 million   |
| 3. Discontinuation of the reserve amortization as of January 1, 2017   | \$175 million   |
| 4. Inflation and customer growth   | \$145 million   |
| 5. Change in the weighted average cost of capital  | \$36 million    |
| 6. Revenue growth that partially offsets the growth in base revenue requirements   | (\$217 million) |
| 7. Productivity gains that partially offset the growth in base revenue requirements  | (\$175 million) |
| 8. Growth in FPL's wholesale business, which reduces the amount of revenues needed from retail customers   | (\$126 million) |
| 9. Other   | \$12 million    |

FPL plans to undertake capital projects representative of its philosophy of continuous improvement. As an example, the Company plans to invest in three universal solar projects totaling 224 MW (nameplate) of zero-emissions generation that will advance FPL's clean energy goals, while producing significant fuel savings to help keep customer bills low. The Company also will invest in innovative technology that will be implemented on FPL's existing smart grid to prevent outages and reduce restoration time, thereby improving reliability and increasing customer satisfaction. More of these smart investments are discussed in FPL's prepared testimony.

Based on FPL's investments in capital improvements and the other drivers listed above and accounting for the adjustments identified by FPL (see Exhibit KO-20), the total resulting base revenue deficiency in 2017 is \$826 million. Absent rate relief, the resulting adjusted jurisdictional rate of return on average rate base is projected to be 8.05%.

### **2018 Subsequent Year Adjustment**

FPL's retail rate base is projected to increase by approximately \$1.3 billion from 2017 to 2018. Even if the Commission grants FPL's 2017 Base Rate Increase in full, FPL's 2018 ROE is expected to drop more than 100 basis points absent the 2018 SYA, putting it below the bottom of the authorized ROE range. FPL's proposed 2018 SYA reflects the increase in revenue requirements from 2017 to 2018. The primary drivers of this increase are:

- |  |                |
|--|----------------|
| 1. Continued investments in infrastructure that provide long-term economic benefits to customers, and ensure regulatory compliance | \$223 million  |
| 2. Inflation and customer growth   | \$47 million   |
| 3. Change in the weighted average cost of capital  | \$31 million   |
| 4. Revenue growth that partially offsets the growth in base revenue requirements;  | (\$39 million) |

Accounting for the adjustments identified in Exhibit KO-20, FPL's resulting base revenue deficiency for 2018 is \$270 million. Without an increase in revenue requirements in 2018, FPL's earned ROE is projected to fall by approximately 100 bps (compared with 2017), to below the bottom of the authorized ROE range. With no rate increase in 2017 or 2018, FPL's ROE in 2018 is projected to be 7.11%, substantially below an appropriate return.

### **Okeechobee Limited Scope Adjustment**

FPL requests approval of its 2019 Okeechobee LSA in the amount of \$209 million for the revenue requirements associated with the first twelve months of the Okeechobee Unit's commercial operation, which adjustment would be effective on the commercial in-service date. FPL will synchronize revenues and savings by requesting that its fuel cost recovery factors be reduced at the same time as the base rate increase to reflect the fuel savings resulting from the facility's efficient technology.

### **Return on Equity and Capital Structure**

One important aspect of FPL's strategy is the maintenance of strong financial policies to support the execution of its capital programs, to manage its liquidity

needs, and to maintain the flexibility to respond rapidly to unexpected changes in the external environment. Customers have benefited from these policies through improved service and low bills. There is no reason to make a major change after more than 15 years of demonstrated success. To that end, FPL proposes a continuation of the successful policies of the past, updated to reflect today's market conditions, to support a continued strategy of working to improve the customer value proposition.

FPL seeks the continued use of its historical capital structure of 59.6% equity based on investor sources. In this case, FPL requests that it be allowed the opportunity to earn an ROE range of 10.5% to 12.5%, with a midpoint of 11.5%. This range is reasonable and is consistent with capital market conditions. The requested ROE includes a 50 basis point ROE adder that would recognize FPL's strong track record of superior performance and provide an incentive for continued future strong performance. FPL's proposal for an ROE performance adder is consistent with the Commission's authority and also its past policy and practice.

### **Bill Impacts**

Based on the case as filed, FPL expects that the proposed rate adjustment in this proceeding will increase the base portion of the bill for a typical residential customer by \$8.56 in 2017, \$2.64 in 2018, and an estimated \$2.08 for the 2019 Okeechobee LSA, for a total impact by 2020 of an estimated \$13.28 a month, or 44 cents per day. The total typical residential 1,000-kWh monthly bill is projected to be \$101.18 in January 2017, \$104.45 in January 2018 and \$107.29 in June 2019. Even with the proposed increases, FPL's typical residential bill through 2020 is estimated to increase roughly in line with inflation, to remain well below the state and national averages, and to be lower than it was ten years ago in 2006 (i.e., \$108.61).

### **Storm Recovery**

FPL proposes to continue to recover prudently incurred storm costs under the framework prescribed by the 2012 Rate Settlement. Specifically, if FPL incurs storm costs related to a named tropical storm, the Company may 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. If costs to FPL related to named storms exceed \$800 million in any one year, the Company also can request that the Commission increase the \$4 per 1,000 kWh charge accordingly.

### **Depreciation and Dismantlement (Docket 160062-EI)**

Contemporaneous with the filing of its base rate request, FPL filed its 2016 Depreciation and 2016 Dismantlement Studies. The total increase in depreciation expense for the 2017 Test Year and 2018 Subsequent Year as a result of the 2016

Depreciation Study is \$183 million and \$184 million, respectively. These figures reflect adjustment no. 1 included in FPL's June 16, 2016 Second Notice of Identified Adjustments. The 2016 Dismantlement Study calculates a current total cost of dismantlement of \$478 million, with a resulting accrual of \$26.2 million, of which \$25.4 million relates to base rate assets. This is an increase of approximately \$7.7 million (\$7.4 million for the base rate portion), over the current accrual included in FPL's 2017 Test Year and 2018 Subsequent Year. FPL requests approval of the company adjustments that reflect the impacts of the depreciation and dismantlement studies.

#### **Storm Hardening Plan (Docket 160061-EI)**

FPL also filed a request for approval of its 2016-2018 Electric Infrastructure Storm Hardening Plan (the "Plan") pursuant to Rule 25-6.0342, F.A.C. FPL's transmission and distribution ("T&D") electrical grid is viewed as one of the most storm-resilient and reliable in the nation, achieved through the implementation of its forward-looking storm-hardening, grid modernization and reliability initiatives. A significant amount of the distribution system has yet to be storm-hardened, however. Under the Plan, a much more substantial part of FPL's total system will have been hardened by 2018, extending the improved storm resiliency and reliability benefits of hardening to more customers. FPL's Plan is appropriate and necessary to continue to develop the future electric grid to meet the ever-increasing needs and expectations of customers - today and in the future.

#### **Asset Optimization (Docket 160088-EI)**

FPL seeks to extend the incentive mechanism that was approved as part of FPL's 2012 Rate Settlement ("Incentive Mechanism"). Over the four-year pilot of the Incentive Mechanism, customers have benefitted from the expanded opportunities for FPL to create gains on short-term wholesale economy sales and economy purchases and optimization of other assets to provide increased value. A conservative comparison between the current Incentive Mechanism and that which FPL operated prior to the 2012 Rate Settlement demonstrates that customers have received additional benefits of more than \$20 million for the years 2013, 2014, and 2015. The Incentive Mechanism has worked as intended, and it should be continued in order to allow customers to continue to benefit from it.

Two elements of the Incentive Mechanism need to be adjusted to reflect changed circumstances since the program was originally approved. The first adjustment is to the sharing threshold, to recognize that FPL's Unit Power Sales contracts expired at the end of 2015 and were not renewed because customer economics were not favorable. That contract facilitated roughly \$10 million of gains each year that will no longer be achievable, and so the sharing threshold originally approved by the Commission should be reduced by \$ 10 million. In addition, FPL's 2013 test year reflected base rate recovery of variable power plant O&M costs needed to support 514,000 MWh of economy sales. The 2017 and 2018 test



years in FPL's current rate case filing reflect no such base rate recovery. Accordingly, FPL proposes to eliminate the 514,000 MWh threshold altogether and simply net economy sales and purchases in order to determine the impact of variable power plant O&M. Higher economy sales than economy purchases in a given year will yield a net recovery of variable power plant O&M. Conversely, higher economy purchases will result in a credit to customers for the net variable power plant O&M saved in that year.

### **Conclusion**

For well over a decade, FPL customers have been well-served by policies that have enabled FPL to achieve and maintain a typical residential bill that is 30% below the national average and 20% below the Florida average, the best reliability in Florida, outstanding customer service, lowest non-fuel O&M cost per customer in the U.S., and the lowest carbon dioxide emissions among utilities in the Southeast United States. FPL seeks to continue those financial policies. Approval of FPL's four-year proposal will allow the Company to continue focusing on ways to improve its operations and performance to better meet customer needs. FPL's proposal will promote long term rate stability for customers, is expected to result in typical bills that will be lower in 2020 than they were in 2006, and should be approved by the Commission.

### **OPC:**

FPL's request is excessive for 2017, without even considering the additional requests for the subsequent time periods. FPL has amended its request to seek an approximately \$826 million base rate increase in 2017. On top of this request, FPL is now asking for an additional \$270 million in 2018, plus another \$209 million increase in mid-2019 for the Okeechobee Clean Energy Center (Okeechobee). There is no requested increase in 2020. Even though FPL claims its request covers a four-year period, there would be no prohibition for the Company filing for an increase should it earn below its authorized return. In the Company's request, they are asking for a 100 basis point (or 1% point increase) over its currently authorized ROE midpoint of 10.5% to 11.5%, with the addition of a 50 basis point "adder."

OPC has evaluated FPL's Petition, testimony, the Minimum Filing Requirements (MFRs), discovery responses, and testimonies filed in this proceeding into which Dockets Nos. 160061-EI, Storm Hardening Plan, 160088-EI, Incentive Mechanism, and 160062-EI, Depreciation and Dismantlement, have been consolidated with the FPL base rate case, Docket No. 160021-EI. OPC has engaged multiple expert witnesses to conduct an extensive and thorough review: Jack Pous, Depreciation and Dismantlement; Dr. David Dismukes, Incentive Mechanism and Forecasting; Helmuth Schultz, C.P.A., Accounting Adjustments; Ralph Smith, C.P.A., Accounting Adjustments and Revenue Requirement; Dr. Randy Woolridge, Return on Equity; Kevin O'Donnell, C.F.A., Capital Structure; and Dan Lawton, Financial Integrity and Surplus ROE Inflator. OPC has

identified four principal areas for adjustment: Depreciation and Dismantlement; Revenues; Capital Structure; and Return on Equity.

#### Depreciation and Dismantlement

Mr. Pous' review of FPL's depreciation study has demonstrated that FPL's requested increase of \$195.1 million in depreciation expense is materially overstated. Mr. Pous recommends more realistic parameters for many of the depreciation accounts. Mr. Pous' recommendation identifies a total company depreciation reserve excess of \$923 million, which he recommends be flowed back to current customers over 4 years. Assuming that the Commission adopts Mr. Pous' adjustments to FPL's depreciation and dismantlement studies, the sum of the adjustments results in a reduction to FPL's 2017 revenue request based upon \$280 million for new lower depreciation rate and an additional \$221 million in flow-back to customers in 2017 for excess depreciation reserve on a jurisdictional basis.

#### Revenue Increase

Dr. Dismukes has reviewed FPL's forecasts for 2017 and 2018. After comparing the 2015 Net Energy For Load (NEL) forecast used for FPL's Ten Year Site Plan (TYSP) and the Okeechobee need determination case with the forecast used to prepare this rate case, Dr. Dismukes has determined that FPL's rate case forecast significantly understates revenues in the test year. He recommends that the Commission reject FPL's proposed rate case forecast and employ the 2015 NEL forecast previously used by the Commission to approve the Okeechobee need determination for FPL. Adopting the 2015 NEL forecast will decrease the Company's revenue requirement increase by \$206.5 million in 2017 and \$259.5 million in 2018.

#### Capital Structure

Mr. O'Donnell has addressed FPL's excessive equity ratio request of 59.6% equity. As Mr. O'Donnell testifies, FPL's request in this case puts an unnecessary costly burden on FPL's ratepayers - an extra \$40.97 per year to typical residential customers - and should not be allowed. Mr. O'Donnell's examination of capital structures demonstrates that the FPL proxy group average equity ratio is 49.3% and the national average for allowed equity ratios is 49%. Rather than utilizing FPL's proposed unreasonable, hypothetical capital structure of 59.6% equity, Mr. O'Donnell recommends using a more rational, hypothetical capital structure of 50% equity. Applying a 50% equity ratio, which is in-line with industry averages (and still more than the equity ratios of both NextEra's consolidated group and the FPL proxy group average), results in an approximately \$337 million reduction to FPL's 2017 request.

### Return on Equity (ROE)

Dr. Woolridge has evaluated FPL's requested ROE in light of current market conditions and the changes since FPL's last rate case. FPL's requested 11% ROE, especially with its requested 59.6% equity ratio, is excessive under current market conditions. Dr. Woolridge notes in his testimony that both interest rates and awarded ROEs have decreased since 2012. Dr. Woolridge, applying the Discount Cash Flow (DCF) method checked by the Capital Asset Pricing Model (CAPM) method with a proposed capital structure of 50% and also utilizing a comparable electric proxy group, determined that the appropriate ROE for FPL is 8.75%. Utilizing an 8.75% ROE would result in an approximately \$560 million reduction from FPL's 2017 request.

### Additional Issues

OPC experts have other additional adjustments based on their thorough examination of FPL's requests. Mr. Schulz recommends reductions to FPL's requested increase in unneeded new employee positions and storm hardening related expenses. Mr. Smith recommends reductions for rate case expenses, tax-related costs, and generation overhaul expenses. Mr. Lawton discusses FPL's ability to maintain its financial integrity with the implementation of all OPC recommendations and why no ROE inflator should be allowed.

### Conclusion

Based on this extensive expert review, OPC has determined a rate **decrease** of \$807 million is appropriate for 2017, and that no rate increases are needed for 2018 or for the Okeechobee limited scope adjustment in 2019.

**AARP:** Florida Power & Light Company ("FPL" or "Company") has proposed a multi-year rate plan that is not supported by credible financial forecast data and that, if granted, would burden residential customers with cumulative rate increases of about \$1.3 billion, or more than 23 percent over the Company's present base rate revenues.

The proposed base rate increase for the first year of FPL's plan in 2017 is seriously overstated and should be denied for many reasons, including the blatantly excessive proposed return on equity and equity thick capitalization ratios reflected therein, as well as many other depreciation and ratemaking positions taken by FPL that are contested issues raised by other parties in this docket.

Beyond 2017, FPL proposes additional "subsequent year" 2018 base rate increases that are similarly overstated by the same excessive capital cost and ratemaking positions taken by the Company for 2017, and that suffer from the dependence upon financial data that is highly speculative and cannot accurately predict FPL's revenue requirement that far into the future. Even more outrageous

is the Company's proposed third layer of base rate increases in 2019, for which no need has been shown, that would charge customers on a piecemeal basis for completion of the Okeechobee generating facility as a "limited scope adjustment" to base rates, while ignoring any other changes to revenue, expense and investment levels that may occur in 2019.

AARP witness Brosch explains that the uncertainties inherent in attempting to accurately forecast electric sales volumes, capital market conditions, utility expense levels and rate base investments more than 24 months into the future, when coupled with the unavoidable management bias in developing such ratemaking forecasts, dictates that such speculative forecasts not be relied upon as support for large utility rate increases stretching into 2020 and beyond. The risks to customers raised by FPL's proposed multi-year rate plan argue against its adoption, particularly when FPL can submit future base rate case applications at any time after 2017 when and if changes in the Company's costs and revenues signal the need for any additional base rate relief. The Commission has previously rejected multi-year ratemaking proposals of FPL, for the same reasons described in AARP's evidence, as recently as the Company's last litigated Florida rate case.

The large revenue increases proposed by FPL in each year of the Company's rate plan are seriously overstated because of the excessive return on equity and equity ratio embedded in FPL's filing. The cost of capital in US financial markets has significantly declined since the Commission last awarded FPL a 10.0 percent ROE in Docket No. 080677, the Company's 2009 test year rate case. Recognizing this trend, the ROE levels authorized by regulators for electric utilities across the country have significantly declined since 2009. Yet, FPL ignores these trends and inexplicably asserts an entitlement to an increased ROE of 11.0 percent that would be further expanded by a proposed 50 basis point adder for its "performance" relative to its peers. These proposals are unreasonable and should be rejected for all of the reasons stated in the testimony of witness Brosch.

FPL's proposed rate increases are also greatly overstated by the Company's capital structure manipulation, through which NextEra Energy's least risky FPL monopoly utility subsidiary is saddled with an equity ratio of nearly 60 percent, at the same time the consolidated capitalization of NextEra Energy is only 42 percent. FPL has presented no evidence that the extremely high equity concentrated on its books by its NextEra parent, that greatly expands FPL utility revenue requirements, can be considered cost effective for ratepayers. The Commission should reject this FPL proposal and employ either an industry average equity ratio not exceeding 47 percent or the much lower consolidated equity ratio of NextEra Energy, in place of the equity thick capitalization that is maintained on FPL's books.

Regardless of the Commission's final determination of FPL revenue requirements, there should be no increase to the residential customer charges

within the Company's tariff. Important public policy reasons dictate no change to fixed monthly customer charges, including maintaining customers' control over monthly bills, increasing the affordability of services to low-usage customers, encouragement of conservation habits and improved financial payback on energy efficiency investments that are made by FPL's residential customers.

The listing that follows is AARP's preliminary assessment of positions on the specific issues that are known at this time. AARP respectfully wishes to reserve the right to modify its stated positions or to take new positions on issues listed below, as more facts are elicited before and during hearings.

**FEA:**

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

FEA filed testimony stating that FPL overstated its depreciation rates for three distribution accounts. These rates produce an excessive amount of depreciation expense and overstate the test year revenue requirement.

FEA believes that FPL has underestimated the average service lives of three distribution accounts, Accounts 362, 365, and 369.1, due to its reliance on fitting survivor curves to a set of data containing outdated retirement history. The average service lives for these three accounts should be based on the more recent retirement history contained in the original life tables reflecting the retirement history from 1995-2014 rather than 1941-2014.

FEA filed testimony supporting the Company's proposed transmission cost allocation method, but FEA opposes the Company's proposal to increase the energy weighting in development of the production cost allocation method. FEA supports the use of a Minimum Distribution Study in allocating distribution costs. FEA proposes the 1.5 times gradualism constraint be applied to total class revenues excluding the fuel surcharge revenue when determining the appropriate revenue increase spread across customer classes. FEA finds the Company's proposed CILC rate charges to be illogical and not reflective of the cost to serve these customers. FEA presents a more reasonable CILC rate design, including the CILC/CDR rate credits at the current approved level.

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

**FIPUG:** The best defense is a good offense. That adage applies to FPL's current rate case. FPL, which has earned at the top its authorized return for years, is asking the Commission to award it more than \$1.3 billion dollars over three years. This FPL "offense" should not detract from the point that FPL simply does not need rate relief at this time. FPL's customers, as pointed out respectively by witnesses sponsored by the Office of Public Counsel and the South Florida Hospitals and Healthcare Systems, should receive a rate decrease between \$800 million and \$200 million dollars. FPL's requested revenue requirements are greatly overstated. Further, FPL's cost of service study and rate design proposals contain numerous flaws which should be corrected. Industrial customers receiving electrical service under GSLDT-2 and CILC-1T rate schedules are confronting a proposed FPL base rate increase of 45% and 89% respectively compared to a proposed system base rate increase of 24%. These proposed rate increases on industrial customers are unreasonable and unwarranted.

### **Return on Equity**

FPL's request for a return on equity (ROE) of 11.00% is unreasonable and should be rejected. Its request for an 11.00% ROE plus a 50 basis point "adder" for good service should be summarily dismissed. FPL's inflated request is outside the bounds of reasonableness in light of today's financial conditions and well surpasses the ROEs this Commission has recently awarded to other utilities. Further, FPL's ROE should not be increased for "good" service. As a monopoly provider, it is part of FPL's regulatory compact to provide the most efficient and economical service since FPL has no market competition. FPL should not be "rewarded" for doing what it is required to do. FPL's ROE should be set no higher than 10%.

### **Capital Structure**

A 50/50 capital structure should be adopted. The structure FPL has requested, approximately 60% equity and 40% debt, is unreasonable and unjustified. Because common equity costs more than debt, the capital structure FPL proposes is unreasonably expensive and will simply increase what ratepayers will pay for the utility to earn the ROE the Commission allows. Further evidence of the unreasonableness of the capital structure that FPL has requested is that the vast majority of regulated electric companies have a less equity laden capital than that sought by FPL. FPL's proposed 60% equity 40% debt capital structure should be rejected.

### **Cost of Service**

Important cost allocation issues are presented in this rate case. They determine how a revenue increase, if any, is distributed among the classes. Any increase approved must be distributed fairly and not violate the principles of gradualism. The Commission has interpreted the principal of gradualism to mean that no class should receive an increase greater than 1.5 times the system average percentage.

Only base rates should be considered, not clause recovery because clause recovery changes every year and is not the subject of this case.

### **Class Revenue Allocation**

1. FPL's proposed class revenue allocation ignores the impact of reducing the CILC/CDR credits by \$23 million or 37%. A 37% reduction would result in CILD and CDR customers experiencing substantial rate shock. It would result in these classes receiving increases that exceed 1.5 times the system average increase, including clause revenues.

### **Cost of Service Study**

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

1. There is no evidence supporting FPL's proposal that rejects the Commission's long-standing production demand cost allocation method (*i.e.*, 12CP+1/13<sup>th</sup> AD) in light of the fact that this method is currently being used in determining base rate and clause recoveries by Duke Energy Florida, Gulf Power Company, and Tampa Electric Company.

2. None of the costs of FPL's distribution network (FERC Account Nos. 364-368) have been classified as customer-related costs and as a consequence, distribution costs are being seriously misallocated. The practical effect of FPL's proposal is that it allocates less than 1 pole, less than 20 feet of overhead conductors and less than 5 feet of underground conductors to serve each Residential and General Service Non-Demand customer, which is clearly contrary to actual FPL distribution operations. Consistent with accepted industry practice and the current practices of Gulf Power Company, and Tampa Electric Company distribution network costs, FPL should use the Minimum Distribution System (MDS) method to classify these costs. The MDS study would result, more appropriately, in classifying about 26% of the distribution network as a customer-related cost.

3. FPL serves customers directly from distribution substations, but it fails to recognize the lower costs of this service in its CCOSS. Accordingly, FPL should be ordered to file a cost-based Distribution Substation tariff within 90 days after a final order is issued in this case.

### **Rate Design**

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

1. FPL's proposed GSLD/CILC rate design should be rejected because the Energy charges would recover substantially more than energy-related costs, thereby resulting in intra-class subsidies. Accordingly, consistent with cost-based ratemaking (*i.e.*, setting rates that reflect cost subject to gradualism concerns), the Energy charges should not be increased by more than 50% of the corresponding increase in the Demand charges.

2. FPL is proposing to reduce the incentive payments to CILC/CDR customers by \$23 million or 37%. FPL has provided no study supporting a 37% reduction in the CILC/CDR incentive payments. The Commission has previously determined in FPL's 2015 Demand Side Management case that CILC/CDR were cost-effective at the current level of incentive payments. Accordingly, no further change can or should be made in this case.

#### **Long-Term Debt**

FPL's projected cost of long-term debt is overstated because it fails to recognize that interest rates are less likely to increase due to recent changes in global economic and financial markets in part due to Brexit. The Commission should find that FPL's cost of long-term debt in 2017 is not greater than 4.5489%.

#### **CWIP In Rate Base**

Only costs associated with facilities that are used and useful in providing electricity should be recovered in rates. CWIP is investment that is not used and useful in providing electricity service, and pursuant to Rule 25-6.0141 F.A.C. it should be removed from rate base to help mitigate the impact on rates.

#### **Multi-Year Rate Plan**

From a factual perspective, the requests for a Subsequent Year Adjustment is an objectionable pancaking of two separate rate cases in a single proceeding. Pancaked rate increases are bad policy because they fail to properly balance the utility's needs with the needs of its customers, they rely on speculation rather than known and reasonably predictable revenues and costs to set base rates, and they would unnecessarily bind a future commission by prematurely setting rates now for 2018. Setting rates for 2018 is highly speculative because (1) the proposed increase was based on a budget that was developed and approved in October 2015, which is 26 months prior to the effective date and (2) FPL's sales and revenue forecasts assume negative growth in 2017 and only 0.3% per growth over the period 2016-2018 (which are in stark contrast to the 1% per year growth that FPL has experienced since 2011 and the much higher growth rates in prior years).

**FRF:** 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.

**Larsons:** The FPL rate request is excessive and should be properly denied by the Florida Public Service Commission (“Commission”) based upon the record evidence adduced at hearing. The Larson positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. The Larson final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

**SFHHA:** FPL has no basis for requesting the base rate increase in 2017 and 2018 it proposes in this proceeding or under the limited scope adjustment it requests commensurate with the in-service date of the Okeechobee Clean Energy Center. The base rates that were provided for in the 2012 settlement agreement have enabled FPL to flourish. Following the Commission’s order approving the settlement agreement in FPL’s 2012 rate case, Fitch Ratings (“Fitch”) noted that “[w]hile the order spans a four-year term (until December 2016), FPL could potentially delay filing a rate case for a longer period by proactively managing its costs.”<sup>3</sup> In calendar year 2015, based upon those rates, which remain in effect today, FPL earned an 11.50% regulatory ROE at the top of the authorized range. FPL also reported just days ago that it had earned an approximately 11.50% regulatory ROE in the second quarter of 2016, which again is based on the current base rates derived under the settlement.<sup>4</sup> Thus, without any increase to base rates, and in spite of the refunds FPL is required to issue to its customers, FPL continues to earn a more than adequate return.

Notwithstanding these facts, FPL seeks to increase its authorized ROE to 11.0%, plus an additional 0.50% adder for “excellent performance.” There is no economic justification for FPL’s proposed ROE. In January 2014 Moody’s *upgraded* FPL’s credit rating, including its long-term issue rating to A1 from A2 with an outlook of stable.<sup>5</sup> FPL’s parent company, NextEra Energy, Inc. (“NextEra”) has announced its intention to increase its proportion of dividend payouts, from 55% in 2014 to 65% in 2018.<sup>6</sup> FPL’s status as a low risk electric utility with strong ratings is incontrovertible. FPL continues to collect much of its cost of service under cost recovery clauses.<sup>7</sup> These economic conditions and

---

<sup>3</sup> See Exhibit RAB-5 at p. 2.

<sup>4</sup> See FPL 2nd Quarter 2016 Form 10-Q Report at p. 42 (filed July 28, 2016) (“FPL’s increase in net income for the three and six months ended June 30, 2016 was primarily driven by continued investments in plant in service and other property while earning an 11.50% regulatory ROE on its retail rate base.”). Section 90.202(12), Florida Statutes, permits official recognition of “Facts that are not subject to dispute because they are capable of accurate and ready determination by resort to sources whose accuracy cannot be questioned.” FPL’s 2nd Quarter 2016 Form 10-Q Report is a publicly-available document within the official record of the United States Securities and Exchange Commission, and therefore is capable of accurate and ready determination by resort to sources whose accuracy cannot be questioned. Accordingly, SFHHA respectfully requests Official Recognition, pursuant to Section 90.202(12) of the Florida Statutes, of FPL’s 2nd Quarter 2016 Form 10-Q Report.

<sup>5</sup> See Baudino Direct Testimony at 15:10-16.

<sup>6</sup> See Exhibit RAB-5 at p. 27.

<sup>7</sup> See Baudino Direct Testimony at pp. 14, 22.

financial results demonstrate FPL's authorized ROE should be reduced to 9%, not increased to 11.50% as FPL requests.

FPL proposes an investor-sourced capital structure consisting of approximately 60% common equity. The Company during the past 3 years failed to conduct any analysis necessary to benchmark its target capitalization against other utilities,<sup>8</sup> instead providing now only an advocacy piece of *post hoc* rationalization to support its capital structure. FPL's 60% common equity ratio is significantly greater than the prevailing ratios of any of the electric utilities used to estimate FPL's return on equity in SFHHA testimony.<sup>9</sup> Each dollar of FPL's capital financed by equity is 3 to 4 times as expensive as debt, or 1,400 basis points more expensive than the Company's cost of debt.<sup>10</sup> Moreover, FPL in 2017 will have far less exposure to the financial and operational risks associated with PPA obligations, which the Company cited as a basis for its thick equity ratio in its 2012 rate case, meaning a primary driver of the Company's perceived risk is much less of a concern.<sup>11</sup> Accordingly, Mr. Baudino recommends FPL's equity ratio be set at 55%, which is still higher than the average of the electric utility comparison groups presented in FPL's direct case and allows FPL to maintain an A/A credit rating.

FPL requests not one, but three, base rate increases: a proposed base rate increase of \$826.212 million for the 2017 test year ending December 31, 2017; a second base rate increase of \$269.634 million on January 1, 2018; and a third base rate increase of \$208.771 million for the Okeechobee Clean Energy Center on or about June 1, 2019, which FPL styled as a "limited scope adjustment." Collectively, this would increase FPL's base rates by \$1,304.617 million annually. FPL's proposal to utilize chronologically remote test years, using data projections that are potentially 24 months, and 36 months, respectively, removed from the most recent actual available data subjects its customers to the real risks associated with such distant forecasts. Moreover, FPL is strongly incentivized to underestimate its revenues and overestimate its costs in such multi-year projects and retain the benefits of its upside estimation error. If FPL were to in fact under-recover, it can petition the Commission based on more timely and realistic data not by establishing rate recovery mechanisms for distant time periods and assets that will not enter service for FPL's customers until June 2019 (or later).

FPL offers a flawed depreciation study that relies on a December 31, 2017 study date - essentially a full year following the proposed effective date of those depreciation rates (on January 1, 2017). Apparently recognizing subsequent to its filing that its depreciation study was both legally and factually deficient, on June 16, 2016, FPL filed, as a purported "Second Notice of Identified Adjustments," a

---

<sup>8</sup> See Baudino Direct Testimony at p. 4.

<sup>9</sup> See Baudino Direct Testimony at pp. 50-51.

<sup>10</sup> See Baudino Direct Testimony at pp. 51-52.

<sup>11</sup> See Baudino Direct Testimony at pp. 52-53.

second depreciation study that FPL suggests the Commission could utilize, if it should so choose, as a basis upon which to set depreciation rates in lieu of the depreciation study FPL filed with its March 15, 2016 petition that initiated this case. However, filing a new depreciation study three months into the proceeding cannot cure FPL's error in filing a legally deficient depreciation study at the outset.

Additionally, FPL proposes to replace its long-standing practice of allocating production costs among customer classes using the 12 CP and 1/13th demand methodology with a 12 CP and 25% energy methodology that, as demonstrated by SFHHA witness Baron, unreasonably shifts approximately millions of dollars of costs to high load factor, large commercial class ratepayers, such as hospitals, and that is wholly unsupported by a cost causation analysis. FPL has failed to present any substantive evidence that provides a cost analysis to attempt to justify this dramatic change that affects not only base rates, but also the many recovery clauses that incorporate a demand allocator. In particular, FPL has presented no evidence that even attempts to show that high load factor, large commercial class ratepayers impose costs on the system that would serve as a basis to require them to bear the millions of dollars that would be improperly shifted to them based on FPL's proposed 12 CP and 25% energy allocation method.

FPL's proposal also raises significant rate design issues. SFHHA will show that FPL is proposing to increase the off-peak energy charge of the CILC-1D rate class in excess of 300%.<sup>12</sup> As a result, if a customer increases its off-peak energy usage, it is assigned increased cost responsibility for fixed, demand-related generation, notwithstanding that most of those costs are actually incurred to meet customer peaks in the summer months and perhaps in the winter months, but not in off-peak periods because FPL does not add generating capacity to meet increased off-peak energy usage, especially in non-summer and non-winter months. FPL has not provided any cognizable or economic evidence supporting its cost causation methodology. In addition, FPL has misapplied the Commission's policy that has limited the rate increase for any rate class to a maximum of 1.5 times the retail average. In fact, the evidence shows that some rate classes will receive base rate increases of more than 2 times the retail average increase of 15%.

FPL's proposal regarding the CDR and CILC rate schedules, including terminating applicable credits, and "resetting" these credits back to pre-2012 rate case settlement levels, would increase base rates for CILC customers utilizing the CDR program by 57% (if FPL's filing is approved as-filed), and therefore is unjustified and unreasonable in light of FPL's own economic analyses.<sup>13</sup>

---

<sup>12</sup> See Baron Direct Testimony at 11:7-9.

<sup>13</sup> See Baron Direct Testimony at p. 56, Table 11; p. 57:10-12.

SFHHA proposes a rate design regarding customer-driven costs that: is set forth in the NARUC Manual; is accepted in other jurisdictions; has been accepted by the Commission in partial settlements of both Tampa Electric Company and Gulf Power Company rate cases; is consistent with the way FPL plans its system; and is in the mainstream of rate design, notwithstanding FPL's claims. The Minimum Distribution System ("MDS") methodology recognizes an indisputable fact, *i.e.*, that certain facilities, such as poles, overhead conductors, underground conductors and transformers, are required to connect a customer, regardless of the level of the customer's usage. FPL's methodology classifies all distribution costs as demand. By doing so, FPL's methodology effectively assumes that these minimum facilities will disappear if a customer were to reduce its usage to 0 kW. Of course, that is not the case. By using its methodology, FPL substantially overstates cost responsibility of large commercial class customers for these minimum facilities. For instance, FPL's methodology assumes that 35 residential customers can be served by a single pole, whereas it takes 14 poles to serve a single GSLD(T)-2 customer. This is an unrealistic assumption. Accordingly, in this case the Commission should correct FPL's misclassification of costs that improperly assigns cost responsibility to customer classes.

SFHHA's testimony also shows that FPL has substantially over-stated its revenue requirement. Mr. Kollen's testimony shows that rather than being rewarded the increase it seeks, FPL's current rates should be reduced by at least \$212.714 million effective January 1, 2017. His testimony further shows that if the Commission permits FPL to adjust rates effective January 1, 2018, a rate reduction of at least \$1.472 million from present rates is appropriate. Finally, while SFHHA opposes FPL's requested limited scope adjustment for the Okeechobee Clean Energy Center, Mr. Kollen's testimony shows that an increase of no more than \$166.053 million from present rates can be justified.

For all these and other reasons, the Commission should reject the entirety of FPL's requested increase in base rates. If base rates are to be modified in 2017, they should be reduced, not increased. The Commission also should attribute class cost responsibility by recognizing that FPL's so-called parity results are erroneous and result in large commercial class customers bearing responsibility for significant levels of costs that arise because of service FPL provides to other rate classes.

**Sierra Club:** Sierra Club meets the standing requirements to intervene in this docket for the reasons set out in its Intervention Petition of July 18, 2016, and as shown in its prefiled standing declarations. Sierra Club therefore has associational standing and is entitled to participate in the docket on its Florida members' behalf.

It is the Commission's duty to protect the public and the customers of Florida Power & Light Company (FPL) from rate increases that "are unjust, unreasonable, unjustly discriminatory, or in violation of law." Section 366.06, F.S.

To fulfill its duties in this proceeding, the Commission should consider several statutory criteria, including:

- a) “the value of [FPL’s proposed] service to the public,” including Sierra Club’s members;
- b) FPL’s use of “alternative energy resources,” “conservation,” and “efficiency;” and
- c) FPL’s “ability to improve its services and facilities.” Id.

FPL’s requested rate increase for billion-dollar, natural gas-burning power plant projects and associated facilities is not responsive to the above criteria. The Commission should deny FPL’s request because these projects are unjust, unreasonable, unjustly discriminatory, or in violation of law. In particular, FPL has not shown that the projects are even necessary for the provision of service to customers, much less reconcilable with the strategic imperative to mitigate Florida’s over-reliance on out-of-state natural gas imports. FPL has no excuse; there are abundantly available alternative clean, low cost, low risk alternatives and FPL has not offered any evidence to the contrary. Indeed, FPL offered no alternatives analysis whatsoever, except for the narrow comparison of natural gas-burning options. The practical result is that FPL’s natural gas projects and the associated rate increase impede the delivery of clean, low cost, low risk energy services to FPL’s customers, including Sierra Club members.

**Walmart:** The Commission should authorize an increase in revenue requirement that is minimal and only the amount necessary for the utility to provide reliable service, while still having the opportunity to earn a reasonable return. When examining the Company’s proposed revenue requirement and associated ROE increase, Walmart recommends that the Commission consider: (1) the impact of the resulting revenue increase on customers; (2) the use of a future test year, which reduces the risk due to regulatory lag; (3) the percentage of the Company’s total jurisdictional revenues recover through base rates that are at risk due to regulatory lag versus the amount of revenues collected through cost recovery clause charges; and (4) the trend of rate case ROEs that have been approved by state regulatory agencies nationwide. Walmart’s Direct Testimony of Steve W. Chriss, pp. 4, 6-14.

The Commission should reject the Company’s proposal to allocate production capacity cost using a 12 coincident peak and 25 percent energy (“12 CP and 25%”) methodology. If the Commission determines it is appropriate to move away from the Company’s currently approved 12 CP and 1/13<sup>th</sup> methodology and to discontinue the practice of allocating a portion of production capacity on an energy basis, it should approve either a demand allocator based on the Company’s four coincident peaks (“4 CP”) or six coincident peaks (“6 CP”). If the Commission determines it is appropriate to move away from the Company’s

currently approved 12 CP and 1/13<sup>th</sup> methodology and to continue the practice of allocating a portion of production capacity cost on an energy basis, it should approve an average and excess allocator based on the Company's Group Non-Coincident Peaks ("GNCP"). Walmart's Direct Testimony of Steve W. Chriss, pp. 4-5, 14-23.

The Commission should approve a revised rate design for GSLD-1, GSLDT-1, GSD-1, and GSDT-1 for 2017 rates, and if the Commission approves the Company's proposal to institute an incremental rate change in 2018, the Commission should apply the same rate design changes to the approved revenue requirement and cost of service study for 2018. Walmart's Direct Testimony of Steve W. Chriss, pp. 6, 27-28, 31-32.

Lastly, if the Commission approves the 2019 Okeechobee LSA, for rate schedules that contain demand charges, the increase to those schedules should only be applied to the demand charge. Walmart's Direct Testimony of Steve W. Chriss, p. 32

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

## **VIII. 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?

**FPL:** Yes. The Commission has legal authority to implement the proposed storm cost recovery mechanism based on the merits of the proposal, regardless of whether it was embodied in a prior settlement agreement. There is substantial Commission precedent for prompt recovery of costs on an interim or projected basis, subject to true-up later. *See, e.g., In re: General investigation of fuel adjustment clauses of electric companies*, Order No. 6357 at 7 (Nov. 26, 1974), Docket No. 74680-CI; *In re Florida Power & Light Company*, Order No. PSC-050937-FOF-EI at pp. 34-35 (Sept. 21, 2005), Docket No. 041291-EI. (legal issue)

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

**AARP:** No position.



**FEA:** No, Section 366.8260, Florida Statutes, “Storm-recovery financing” sets forth the statutory scheme for storm cost recovery.

**FIPUG:** No.

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

**Larsons:** No. Section 366.8260, Florida Statutes, Storm-recovery financing, sets forth the statutory requirements for storm cost recovery.

**SFHHA:** No. The storm cost recovery mechanism was an element of the settlement agreement approved in Docket Nos. 090130-EI and 120015-EI. Moreover, Paragraph 15 of the settlement agreement approved in Order No. PSC-13-0023-S-EI specifies that “No party will assert in any proceeding before the Commission that this Agreement or any of the terms in the Agreement shall have any precedential value.” Further, terms applicable to the recovery mechanism include proposals that are unrelated to base rates and beyond the scope of this proceeding.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. There is statutory and regulatory authority for the approval of a limited scope adjustment for a new generation plant, such as the Okeechobee Energy Center. Section 366.076(1), Florida Statutes permits the Commission to conduct a limited proceeding to consider any matter that results in a utility rate adjustment; Section 366.076(2) allows the Commission to adjust rates to be implemented in years subsequent to the test year. *See Citizens v. Florida Public Serv. Comm’n*, 146 So.3d 1143, 1157 fn.7 (Fla. 2014). These statutes are implemented through Commission Rules 25-6.0431 and 25-6.0425, respectively. The Okeechobee limited scope adjustment will synchronize the unit’s revenue requirements with fuel savings resulting from its operation. (legal issue)

**OPC:** OPC has not contested the authority of the Commission to approve a limited scope adjustment in this proceeding. However, OPC does not believe that a limited scope adjustment is reasonable or necessary based on OPC’s recommended revenue requirements for 2017 and 2018.

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** No.

**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.

**Larsons:** The Larsons' are not specifically contesting the authority of the Commission to approve a limited scope adjustment in this proceeding, but assert that a limited scope adjustment is not appropriate or required consistent with the position taken by the Office of Public Counsel ("OPC") on this specific issue.

**SFHHA:** No. The Commission does not have authority to approve FPL's requested adjustment because this is not a "limited proceeding" within the intended scope of Rule 25-6.0431, but rather a "full revenue requirements proceeding," albeit one that is one-dimensional in that it would consider only issues that could result in increased rates without consideration of any off-setting items that could have an opposite effect. FPL can file to increase base rates when the Okeechobee facility's in-service date is closer, which would be more "appropriate" for "consideration of the requested relief" at this time the Company's request for a rate increase for Okeechobee is premature because it requires the Commission and the parties to unnecessarily speculate today about the economic environment, revenues, and costs nearly three years into the future. The Commission does not have authorization to approve a rate adjustment based upon such speculative evidence.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**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-EI at 3 (Commission awarded Gulf a 25 basis point ROE adder in recognition of its past performance and as incentive for future performance.) (legal issue)

**OPC:** In Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 597, 603 (1944), the U.S. Supreme Court found that:

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

The Commission has the authority to establish a return on equity commensurate with the U.S. Supreme Court standard. The Commission approved an upward adjustment of 25 basis points to Gulf Power Company's equity return for performance related to conservation measures. The Commission set rates using the midpoint and 25 basis point adjustment but maintained the 100 basis point range based off the cost-based mid-point approved by the Commission in Order No. PSC-02-0787-FOF-EI, issued June 10, 2002, in Docket No. 010949-EI at pp. 35-36.

**AARP:** No position.

**FEA:** No.

**FIPUG:** No.

**FRF:** Agree with OPC.

**Larsons:** No. The midpoint Return on Equity ("ROE") used by the Commission already provides FPL with the opportunity to earn an ROE up to 100 basis points higher than the midpoint ROE through performance and capturing operational efficiencies.

**SFHHA:** The Commission has expressed in the past that it has the authority to grant a percentage incentive to a utility's ROE, but the facts in this case do not support the grant of such an incentive. *See* Response to Issue 84.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The Commission has authority to approve FPL's incentive mechanism. As proposed, FPL seeks incentives for transactions that bring customers value by optimizing the use of assets that are already being recovered through the fuel and capacity clauses. (legal issue)

**OPC:** 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.

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** No.

**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.

**Larsons:** No. The Commission would exceed its authority by approving this request. See *Citizens v. Graham*, 191 So. 3d 897 (Fla 2016) (cost recovery is permissible only for costs arising from the generation, transmission, or distribution of electricity).

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

**Sierra Club:** Sierra Club adopts OPC’s position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL believes that it would be appropriate for the Commission to approve proposed depreciation rates to be effective January 1, 2017, based upon a depreciation study that uses year-end 2017 plant and reserve balances. FPL used year-end 2017 balances in the filed depreciation study in order to develop rates that were a good match with the investments reflected in both the 2017 Test Year and 2018 Subsequent Year. This is consistent with the requirement of Rule 25-6.0436 that estimates used in setting depreciation rates “shall be brought to the

effective date of the proposed rates.” That being said, FPL has no objection to using results for year-end 2016 balances for the purpose of setting depreciation rates and determining FPL’s base rates in this proceeding. FPL has provided depreciation rates based on year-end 2016 balances in the Second Notice of Identified Adjustments filed on June 16, 2016. (legal issue)

**OPC:** No.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No.

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

**Larsons:** No. The use of this study would violate the regulatory principal of matching costs with rates.

**SFHHA:** No. The depreciation study date must be consistent with the effective date of the change in depreciation rates. The depreciation study date is the valuation date for the gross plant and accumulated depreciation reserves balances, together with net salvage, used to calculate the depreciation rates. Rule 25-6.0436(4)(d) states that “The plant balances may include estimates. Submitted data including plant and reserve balances or company planning involving estimates shall be brought to the effective date of such rates.” No timely depreciation study keyed to January 1, 2017 was filed with FPL’s direct case.

**Sierra Club:** Sierra Club adopts OPC’s position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. The current level of CILC/CDR credits were part of a multi-faceted settlement agreement approved in FPL’s 2012 rate case. By proposing to reset the credits to pre-settlement levels FPL is simply recognizing that any permanent change to the credits would arise through the DSM goals/plan proceedings along with all of FPL’s demand response programs to determine the appropriate level of credits to be paid for by all customers. (legal issue)

**OPC:** No position.

**AARP:** No position.

**FEA:** FEA adopts the position of FIPUG.

**FIPUG:** No, unless pursuant to stipulation and agreement by the parties.

**FRF:** No.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No. The current level of the CDR and CILC credits are fully justified by the economic analyses FPL filed in its DSM proceedings. Moreover, FPL's proposal to terminate the credits is an important contributor to the 57% rate increase for Rate CILC-1D.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

### **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.?**

**FPL:** Yes. FPL's Storm Hardening Plan (Plan) complies with the National Electrical Safety Code (ANSI C-2) (NESC) as required by Rule 25-6.0345, F.A.C. FPL's distribution and transmission facilities meet or exceed the minimum requirements of NESC. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** FEA adopts the position of FIPUG.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. The Company's Plan addresses the extreme wind loading standards specified in Figure 250-2(d) of the 2012 edition of the NESC by utilizing three extreme wind regions corresponding to extreme winds of 105, 130 and 145 mph for new distribution facility construction as required by Rule 25-6.0342(3)(b)1, F.A.C. FPL applies extreme wind loading (EWL) standards for new distribution facility construction. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. FPL applies EWL for all distribution major planned work, including expansion, rebuild, or relocation of existing facilities, consistent with the extreme wind regions specified by Figure 250-2(d) of the 2012 edition of the NESC,

utilizing three extreme wind regions corresponding to extreme winds of 105, 130 and 145 mph. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. FPL applies EWL on all critical infrastructure, community project, wind zone and geographic feeders, which are primarily located along or near major thoroughfares, in accordance with the NESC's EWL standards. For 2016, feeder projects and their associated county and address were included in FPL's Plan. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.



**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. FPL's Plan includes utilizing equipment that is more resistant to weathering, corrosion and flooding for new underground construction and supporting overhead transmission and distribution facilities. FPL's Plan also provides information on several recently completed distribution and transmission initiatives to mitigate the impact of storm surge/flooding. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. FPL's Distribution Guidelines, set forth in its Plan, address the appropriate placement/location of new and replacement overhead and underground distribution facilities (e.g., in private easements or as close to the front edge of property (right of way line), overhead lines should be placed in front or accessible locations where feasible, and concrete poles are not to be placed in inaccessible

locations or locations that could potentially become inaccessible) which facilitates safe and efficient access for installation and maintenance. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. FPL's Plan provides a detailed description of its deployment strategy and a description of the facilities affected. The Plan includes how FPL will apply EWL to the design and construction of all new overhead facilities including new pole lines and major work as well as existing facilities. FPL's Plan also includes its Distribution Design Guidelines, Addendum to Distribution Engineering Reference Manual as well as Attachment Guidelines and Procedures. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. FPL's Plan includes for 2016: for critical infrastructure and community feeder projects - the County, feeder number, substation name, the type of project (i.e., Police, Fire, community) and project address; for wind zone and feeders – all the above, except for project address; for 01 switches – county, substation feeder. For 2017 and 2018, FPL will continue to utilize the agreed upon Process to Engage Third Party Attachers. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. For 2016, FPL's Plan contains project details, including project locations. Additionally, FPL continues to utilize the agreed upon Process to Engage Third Party Attachers, which includes providing additional details for 2017 and 2018 projects by certain dates. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?**

**FPL:** Yes. FPL's estimates distribution and transmission hardening costs of approximately \$1.650 million under the Plan. Benefits arising from storm hardening include anticipated: reduction in the numbers of hurricane and non-hurricane related outages; reduction in storm and non-storm outage duration; reduction in storm restoration time; reduction in storm restoration costs; and improved reliability. For instance, hardened feeders have provided an improvement of 40% in day-to-day reliability. It is difficult to quantify these valuable benefits. There has not been sufficient storm activity since hardening began to quantify some of these benefits. In addition, the benefits to customers vary from customer to customer, but it is clear that the benefits accrue not only to FPL's customers but also to the economy of the entire state. Like prior Commission-approved plans, this Plan "produces the desired results of reduced customer outages and reduced overall restoration time as efficiently as possible from an economic perspective." (Miranda)

**OPC:** No position.

- AARP:** No position.
- FEA:** No position.
- FIPUG:** No. FPL must meet its burden of proof on this issue.
- FRF:** No position.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** FPL must meet its burden of proof on this issue.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.
- 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.?**
- FPL:** Yes. FPL's Plan includes third-party attachers' costs and benefits, to the extent they were provided. While FPL requested input from all known attaching entities regarding its Plan, no attaching entity provided information related to their costs and benefits. (Miranda)
- OPC:** No position.
- AARP:** No position.
- FEA:** No position.
- FIPUG:** No. FPL must meet its burden of proof on this issue.
- FRF:** No position.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** No position.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

**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.?

**FPL:** Yes. FPL's Plan includes its Attachment Standards and Procedures. While FPL is not seeking approval of its standards and procedures for attachment by others, its attachment standards and procedures for third-party attachers meet or exceed the NESC. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

### **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?

**FPL:** Yes. The Company's eight-year wooden pole inspection program complies 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. (Miranda)

**OPC:** No position.

**AARP:** No position.

- FEA:** No position.
- FIPUG:** No. FPL must meet its burden of proof on this issue.
- FRF:** No position.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** No position.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**
- FPL:** Yes. The Company's 10-point initiatives plan complies 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. (Miranda)
- OPC:** No position.
- AARP:** No position.
- FEA:** No position.
- FIPUG:** No. FPL must meet its burden of proof on this issue.
- FRF:** No position.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** No position.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

**APPROVAL OF STORM HARDENING PLAN**

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

**FPL:** Yes. As demonstrated by Issues 4-15, FPL's 2016-2018 Plan is in compliance with Rule 25-6.0342. Additionally, it provides significant day-to-day reliability benefits, as hardened feeders perform approximately 40% better than non-hardened feeders. (Miranda)

**OPC:** To the extent the plan is based on excessive and unnecessary levels of expenditures, it should not be approved.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** Agree with OPC.

**Larsons:** To the extent the plan is based on excessive and unnecessary levels of expenditures, the plan as submitted by FPL should not be approved.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?

**FPL:** No adjustments should be made to rate base for costs associated with Rule 25-6.0342, F.A.C., and the Commission's 10 point initiatives requirements. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.



**FIPUG:** Storm hardening investments are not required because of the amount of electric power and energy demanded. They are required because of the existence of each customer and FPL's obligation to provide a reliable connection to the grid. I recommend that approximately 26% of FPL's distribution network costs should be classified as customer-related.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** No adjustments should be made to rate base for costs associated with Rule 25-6.0342, F.A.C., and the Commission's 10 point initiatives requirements. (Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**TEST PERIOD AND FORECASTING**

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

**FPL:** Yes. The Company is currently operating under the 2012 Stipulation and Settlement approved in Docket No. 120015-EI (2012 Rate Settlement) that expires December 31, 2016. The Company's petition requests an increase in base rates at the expiration of the 2012 Rate Settlement, effective January 1, 2017. Accordingly, 2017 is the most appropriate year to evaluate the Company's projected revenue requirements to afford the appropriate match between revenues and revenue requirements for 2017. (Barrett)

**OPC:** Yes, with appropriate adjustments. (Smith)

**AARP:** No position.

**FEA:** Adopt position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Yes, with appropriate adjustments.

**Larsons:** Yes; with appropriate adjustments recommended by OPC.

**SFHHA:** No. A projected test period should be less chronologically remote.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. The facts of this case support the use of a subsequent test year ending December 31, 2018 to adjust base rates. (Barrett)

**OPC:** No. A subsequent test year is not necessary or good policy. If the test year is chosen appropriately, it should be representative of rates on a going-forward basis, negating the need for another rate adjustment so shortly after the original test year, absent any extraordinary circumstances, which FPL has not shown. In fact, OPC's recommendation is for a reduction of approximately \$807 million based on the 2017 test year (\$812 million with growth in 2018) and an overall revenue reduction of approximately \$604 million for 2018. (Smith)

**AARP:** No. The highly speculative nature of long term financial forecasts, coupled with the inherent bias of utility personnel to overstate costs and risks, while understating revenue growth and productivity gains, supports Commission rejection of FPL's proposed subsequent year 2018 rate increase proposal.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** No. From a factual perspective, a subsequent year adjustment fails to properly balance the utility's needs with the needs of its customers, it relies on speculation rather than known and reasonably predictable revenues and costs to set base rates, and would unnecessarily bind a future commission by prematurely setting rates now for 2018.

**FRF:** No.

**Larsons:** No.

**SFHHA:** No. The projections used for the 2018 test year are far more uncertain than those for 2016, given that the 2018 test year is 25 to 36 months removed from the most recent actual data. FPL has not provided any specific, known factual basis for saddling its customers with the forecasting risks associated with using a 2018 test year.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. FPL has proven financial need for rate relief for subsequent test year ending December 31, 2018 and for the Okeechobee limited scope adjustment, with an in-service date of the Okeechobee generating unit scheduled for June 1, 2019. (Barrett)

**OPC:** No. Based on the 2017 test year, revenues should be reduced by approximately \$807 million. Thus, no subsequent year adjustment is necessary. Based on the 2018 test year, if no rate change occurred in 2017, an overall revenue reduction of approximately \$604 million is appropriate. (Smith)

**AARP:** No. The highly speculative nature of long term financial forecasts, coupled with the inherent bias of utility personnel to overstate costs and risks, while understating revenue growth and productivity gains, supports Commission rejection of FPL's proposed subsequent year 2018 rate increase proposal.

**FEA:** No.

**FIPUG:** No. Until the Commission rules on FPL's 2017 revenue requirement the need cannot be evaluated and the proposed 2018 increase may be unnecessary.

**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.

**Larsons:** No.

**SFHHA:** No. *See* SFHHA position regarding Issue 25 related to the 2018 subsequent year adjustment. As for the Okeechobee "limited scope adjustment," the Company's claimed revenue deficiency for the proposed test year ending May 31, 2020 is based on its projection of revenues and costs reflecting estimated data that is itself nearly four and a half years removed from the filing date. The Company's projections and assumptions are far too speculative to support a finding of a revenue deficiency or an entitlement to any rate relief, let alone the significant rate relief it is requesting here.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. The Company has requested an additional increase in base rates effective January 1, 2018 to avoid the need for a lengthy and costly additional base rate proceeding in 2017 and to mitigate a significant decline in the Company's financial performance. Without the additional rate adjustment, the Company's return on equity is projected to decline greater than 100 basis points from the 11.50% requested for 2017. The Company's forecast of 2018 revenue requirements was developed, reviewed and approved using the same rigorous process as was used for the 2017 test year. It is reasonable and reliable for setting rates. (Barrett)

**OPC:** No, the subsequent test year adjustment is not necessary or good policy. FPL has not shown an extraordinary circumstance or need that warrants a 2018 test year. Based on the 2017 test year, revenues should be reduced by approximately \$807 million. Thus, no subsequent year adjustment is necessary. Based on the 2018 test

year, if no rate change occurred in 2017, an overall revenue reduction of approximately \$604 million is appropriate. (Smith)

**AARP:** No. The highly speculative nature of long term financial forecasts, coupled with the inherent bias of utility personnel to overstate costs and risks, while understating revenue growth and productivity gains, supports Commission rejection of FPL's proposed subsequent year 2018 rate increase proposal.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** No. Setting rates for 2018 is highly speculative because (1) the proposed increase was based on a budget that was developed and approved in October 2015, which is 26 months prior to the effective date and (2) FPL's sales and revenue forecasts assume negative growth in 2017 and only 0.3% per growth over the period 2016-2018 (which are in stark contrast to the 1% per year growth that FPL has experienced since 2011 and the much higher growth rates in prior years).

**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.

**Larsons:** No.

**SFHHA:** No. The January 1 through December 31, 2018 test year involves too much speculation regarding many factors.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. FPL's forecast of customers, kWh and kW by Rate Schedule and Revenue Class for the 2017 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 schedule is consistent with the sales and customer forecast by revenue class and reflects the billing determinants specified in each rate schedule. (Morley, Cohen)

**OPC:** No. FPL's forecasts of KWH by Rate Schedule and Revenue Class are based upon a faulty NEL energy sales forecast that the Commission should reject as unacceptable for ratemaking purposes. Instead the Commission should adopt new forecasts of KWH by Rate Schedule and Revenue Class based upon the 2015 TYSP NEL forecast. (Dismukes)

**AARP:** No position.

**FEA:** Adopt position of OPC.

**FIPUG:** No.

**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.

**Larsons:** No.

**SFHHA:** SFHHA supports the position of OPC. Additionally, FPL's forecasts are flawed and should not be accepted by the Commission for the purpose of setting rates.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL's forecast of customers, kWh and kW by Rate Schedule and Revenue Class for the 2018 subsequent 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 schedule is consistent with the sales and customer forecast by revenue class and reflects the billing determinants specified in each rate schedule. (Morley, Cohen)

**OPC:** No. The Commission should reject FPL's NEL energy sales forecast as unacceptable for ratemaking purposes and instead should adopt the 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. The adjustment will decrease the Company's needed revenue requirement increase by \$206.5 million in 2017 and \$259.5 million in 2018. (Dismukes)

**AARP:** No. The highly speculative nature of long term financial forecasts, coupled with the inherent bias of utility personnel to overstate costs and risks, while understating revenue growth and productivity gains, supports Commission rejection of FPL's proposed subsequent year 2018 rate increase proposal

**FEA:** No. See response to Issue 27.

**FIPUG:** No. See response to Issue 27.

**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.

**Larsons:** No.

**SFHHA:** SFHHA supports the position of OPC. Additionally, FPL's forecasts are flawed and should not be accepted by the Commission for the purpose of setting rates.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL's forecast of customers, kWh and kW by Rate Class and Revenue Class for the June 2019 to May 2020 projected period is 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 schedule is consistent with the sales and customer forecast by revenue class and reflects the billing determinants specified in each rate schedule. (Morley, Cohen)

**OPC:** No. FPL has not provided a separate forecast for the June 2019 to May 2020 period. (Dismukes)

**AARP:** No. The highly speculative nature of long term financial forecasts, coupled with the inherent bias of utility personnel to overstate costs and risks, while understating revenue growth and productivity gains, supports Commission rejection of FPL's proposed limited scope 2019 rate increase proposal. Additionally, FPL has not produced credible estimates of its overall financial position in 2019 and subsequent years to prove that rate relief would actually be needed in those years, given all the changes in sales/revenues, rate base investment levels, capital costs and changes in expenses at that time.

**FEA:** No.

**FIPUG:** No.

**FRF:** No.

**Larsons:** No.

**SFHHA:** SFHHA supports the position of OPC. Additionally, FPL's forecasts are flawed and should not be accepted by the Commission for the purpose of setting rates.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL has correctly estimated the 2016 and 2017 revenues from sales of electricity at present rates. The revenue calculations for 2017 are detailed in Test Year MFRs E-13b, E-13c, and E-13d and summarized in E-13a as sponsored by FPL witness Cohen. (Cohen)

**OPC:** 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. (Dismukes)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No.

**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.

**Larsons:** No.

**SFHHA:** SFHHA supports the position of OPC. Additionally, FPL's forecasts are flawed and should not be accepted by the Commission for the purpose of setting rates.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.



**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?

**FPL:** Yes. FPL has correctly estimated the 2018 revenues from sales of electricity at present rates. The revenue calculations for 2018 are detailed in Subsequent Year MFRs E-13b, E-13c, and E-13d and summarized in E-13a as sponsored by FPL witness Cohen. FPL also submitted updated revenues from sales of electricity by rate class at present rates for the First Notice of Identified Adjustments in response to Staff's 13th Request for Production of Documents No. 75c. (Cohen)

**OPC:** No. 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. (Dismukes)

**AARP:** No. The highly speculative nature of long term financial forecasts, coupled with the inherent bias of utility personnel to overstate costs and risks, while understating revenue growth and productivity gains, supports Commission rejection of FPL's proposed subsequent year 2018 rate increase proposal, including the sales projections that are included therein.

**FEA:** No.

**FIPUG:** No.

**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.

**Larsons:** No.

**SFHHA:** SFHHA supports the position of OPC. Additionally, FPL's forecasts are flawed and should not be accepted by the Commission for the purpose of setting rates.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate inflation factor for forecasting the 2017 test year budget is a 2.5% increase in the consumer price index (CPI) for 2017. This projected CPI increase is consistent with the long-term average rate of inflation and with projections by leading industry experts. The appropriate customer growth and trend factors are

those included in the MFRs. These represent reasonable expectations regarding projected customer growth and other trend factors. (Morley, Barrett)

**OPC:** FPL's proposed rate case forecast significantly understates sales as compared to the previously used 2015 NEL forecast. The difference between the rate case and 2015 forecasts go far beyond updating the forecasting model data and have not been explained or justified. The Commission should adopt the energy sales forecast included in FPL's 2015 TYSP. Further, FPL proposes to use an overstated inflation factor of 2.5% based on a single source. A more appropriate 2.06% inflation factor should be used, which is based on weighting multiple sources. (Dismukes)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** The rate case forecast significantly understates sales as compared to the previously used 2015 NEL forecast. The Commission should use the more reasonable and appropriate energy sales forecast included in FPL's 2015 TYSP. Further, a 1.44% inflation rate should be used which is based on weighting multiple sources for inflation estimates.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate inflation factor for forecasting the 2018 test year budget is a 2.6% increase in the consumer price index (CPI) for 2018. This projected CPI increase is consistent with the long-term average rate of inflation and with projections by leading industry experts. The appropriate customer growth and trend factors are those included in the MFRs. These represent reasonable expectations regarding projected customer growth and other trend factors. (Morley, Barrett)

**OPC:** FPL's proposed rate case forecast significantly understates sales as compared to the previously used 2015 NEL forecast. The difference between the rate case and 2015 forecasts go far beyond updating the forecasting model data and have not

been explained or justified. The Commission should adopt the energy sales forecast included in FPL's 2015 TYSP. Further, FPL proposes to use an overstated inflation factor of 2.5% based on a single source. A more appropriate 2.06% inflation factor should be used, which is based on weighting multiple sources. (Dismukes)

- AARP:** No position.
- FEA:** Adopt position of OPC.
- FIPUG:** Adopt position of OPC.
- FRF:** No 2018 rate increase is appropriate. If the Commission considers such an increase, a more appropriate 2.06% inflation rate should be used which is based on weighting multiple sources.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** SFHHA supports the position of OPC.
- Sierra Club:** Sierra Club adopts OPC's position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.
- ISSUE 35:** **Are FPL's estimated operating and tax expenses, for the projected 2017 test year, sufficiently accurate for purposes of establishing rates?**
- FPL:** Subject the adjustments on FPL witness Ousdahl's Exhibit KO-20, FPL's estimated operating and tax expenses for the projected 2017 test year are sufficiently accurate for purposes of establishing rates. (Ousdahl, Barrett)
- OPC:** No. See OPC's positions on Issues 89-120.
- AARP:** No position.
- FEA:** No.
- FIPUG:** No. FPL must meet its burden of proof on this issue.
- FRF:** No.
- Larsons:** No.
- SFHHA:** No. *See* SFHHA positions with respect Issues 40-161.
- Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Subject the adjustments on FPL witness Ousdahl's Exhibit KO-20, FPL's estimated operating and tax expenses for the projected 2018 subsequent year are sufficiently accurate for purposes of establishing rates. (Ousdahl, Barrett)

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

**AARP:** No. The highly speculative nature of long term financial forecasts, coupled with the inherent bias of utility personnel to overstate costs and risks, while understating revenue growth and productivity gains, supports Commission rejection of FPL's proposed subsequent year 2018 rate increase proposal.

**FEA:** No.

**FIPUG:** No. They are based on speculative costs projected for 2018.

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

**Larsons:** No.

**SFHHA:** No. *See* SFHHA positions with respect Issues 40-161.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Subject the adjustments on FPL witness Ousdahl's Exhibit KO-20, 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. (Ousdahl, Barrett)

**OPC:** No. See OPC's positions on Issues 53-77.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No.

**Larsons:** No.

**SFHHA:** No. *See* SFHHA positions with respect Issues 40-77.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Subject the adjustments on FPL witness Ousdahl's Exhibit KO-20, 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. (Ousdahl, Barrett)

**OPC:** No. *See* OPC's positions on Issues 53-77.

**AARP:** No. The highly speculative nature of long term financial forecasts, coupled with the inherent bias of utility personnel to overstate costs and risks, while understating revenue growth and productivity gains, supports Commission rejection of FPL's proposed subsequent year 2018 rate increase proposal.

**FEA:** No position.

**FIPUG:** No. FPL must meet its burden of proof on this issue.

**FRF:** No.

**Larsons:** No.

**SFHHA:** No. The Company's projections and assumptions underlying its proposed rate base elements for the 2018 subsequent year are far too speculative, and thus cannot provide a basis for the Commission to sufficiently analyze whether those elements are fair, just and reasonable. *See also* SFHHA's positions with respect to Issues 40-77.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

### **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.

**FPL:** Yes; it is far better than adequate. 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 Florida investor-owned utilities for the tenth consecutive year and in 2015 FPL received PA Consulting's National Excellence Award, one of the most prestigious awards in the industry. FPL's Customer Service continues to be recognized nationally with several awards for outstanding customer satisfaction and providing superior customer service. In 2016, the nuclear fleet received the Top Industry Practice Award for Leadership and Innovation from the Nuclear Energy Institute, one of the most prestigious awards in the industry. Nationally, FPL is out-performing similarly sized companies across an array of financial and operating metrics, further demonstrating the efficiency of its service and the value of its service to customers. (Santos, Miranda, Kennedy, Goldstein, Reed, Forrest)

**OPC:** FPL's quality of service is adequate for general ratemaking purposes. However, FPL is not providing service beyond the "superior performance" that FPL ratepayers have already paid for in base rates and which FPL is obligated to provide under the regulatory compact. Moreover, FPL has been issued a Notice of Violation by the Florida Department of Environmental Protection due to the hypersaline water infiltrating the Biscayne Aquifer drinking water supply as a discharge from its Turkey Point Nuclear Units cooling canal system. FPL has stated that it expects to ask customers to pay \$50 million in just the first year for remediation of this problem it has caused and to which it has contributed.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No.

**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.

**Larsons:** The quality of service is adequate for general ratemaking purposes. The quality service is no better than what FPL customers have already paid for in rates and which FPL is obligated to provide under the regulatory compact. The current quality of service is not sufficient to justify a higher ROE.

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

**Sierra Club:** No, FPL's billion-dollar, natural gas-burning power plant projects are not responsive to the above criteria. FPL has not shown that these projects will yield services that are of value to the public/customers. Specifically, FPL failed to show that the projects are even necessary for the provision of service to customers, much less reconcilable with the strategic imperative to mitigate Florida's over-reliance on out-of-state natural gas imports. FPL has no excuse; there are abundantly available alternative clean, low cost, low risk alternatives and FPL has not offered any evidence to the contrary. Indeed, FPL offered virtually no alternatives analysis whatsoever, except for the narrow comparison of natural gas-burning options. The practical result is that FPL's projects and the associated requested rate impede the delivery of clean, low cost, low risk energy services to the public and FPL's customers.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

### **DEPRECIATION STUDY**

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

**FPL:** The appropriate capital recovery schedules are reflected on FPL's Exhibit KF-3 filed on March 15, 2016. (Ferguson)

**OPC:** FPL's Exhibit KF-3 filed on March 15, 2016 is **not** the appropriate capital recovery schedule. FPL has not met the burden to show that its requested capital recovery schedules are reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** The appropriate capital recovery schedules, depreciation parameters, and depreciation rates 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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** All the plant that is relevant to consideration of capital recovery in this context is retired. Given that reality, the amortization and recovery period is not dependent on the remaining service lives of the assets. On that basis, the Commission has greater discretion to determine the appropriate amortization and recovery period. Accordingly, the Commission should extend FPL's proposed 4-year amortization periods for Turkey Point Unit 1, Putnam Units 1, 2, and common, Fort Lauderdale gas turbines, Fort Myers gas turbines, Port Everglades gas turbines, and Putnam transmission to a 10-year amortization period for capital recovery, because such time provides a reasonable balance between the interests of the Company and its customers and avoids excessive accelerated recovery.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 41:** **What is the appropriate depreciation study date?**

**FPL:** FPL believes that the Commission could appropriately approve depreciation rates to be effective January 1, 2017, based upon the depreciation study using either year-end 2016 or 2017 plant balances and reserve balances. (Allis, Ferguson)

**OPC:** FPL has not met the burden to show that the date for its depreciation study is reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** The appropriate depreciation parameters and depreciation rates 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.



**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** December 31, 2016, to match the Company's proposed effective date. Rule 25-6.0436(4)(d) states that "The plant balances may include estimates. Submitted data including plant and reserve balances or company planning involving estimates shall be brought to the effective date of such rates." The mismatch between the study date used by FPL (December 31, 2017) and the rate's effective date of January 1, 2017 arbitrarily increases depreciation rates and expense and the corresponding revenue requirement, by eliminating one year from the remaining service lives of each plant account, increasing the gross plant that must be recovered, and understates accumulated depreciation at the proposed December 31, 2017 study date because the depreciation expense projection would be based on the old depreciation rates that presumably will not be in effect on January 1, 2017, resulting in greater service value to be recovered. Moreover, FPL's late-filed alternative depreciation study based on plant balances as of December 31, 2016 cannot be considered by the Commission in this case, as it was not filed with FPL's application. Further, even when it was filed, FPL did not advocate its use in lieu of the study filed with its petition.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** If the Commission decides not to use the proposed rates based on year-end 2017 plant and reserve balances, the Commission should use the proposed rates based on year-end 2016 plant and reserve balances reflected in FPL's Second Notice of Identified Adjustments filed on June 16, 2016. The supplemental tables included in Attachment 2 to that filing present all of the applicable information regarding changes in the proposed depreciation rates resulting from the use of the year-end 2016 balances. (Allis, Ferguson)

**OPC:** **The Commission should make adjustments to reflect the depreciation parameters recommended by OPC witness Pous and any actions which should be made to the appropriate depreciation study date should be based on evidence adduced at hearing.** FPL has not met the burden to show that the date for its depreciation study is reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

- AARP:** No position.
- FEA:** FEA adopts the position of OPC.
- FIPUG:** Adopt position of OPC.
- FRF:** The appropriate depreciation parameters and depreciation rates 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.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** The Commission should reject FPL's depreciation study based on a December 31, 2017 study date as the study is wholly unreliable and significantly overstates proposed depreciation rates. Based on such a rejection, the most appropriate action would be to retain present depreciation rates. Alternatively, a less erroneous approach than FPL's proposal would be to make several adjustments to FPL's depreciation rate proposal. First, the Commission should extend the service lives of each plant account by one year to mitigate the impacts of FPL's proposed study date, which arbitrarily shortens the remaining service lives of plant accounts. Second, the Commission should reject the Company's proposal to separate certain accounts into multiple accounts, thereby increasing depreciation rates (*see* responses to Issue 43 and 44 below). Lastly, the Commission should use service lives for Scherer 4 and St. John's River Power Project that are consistent with the operators' projected service lives for those facilities, as discussed further below.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.
- 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?**
- FPL:** Yes, separate subaccounts, depreciation parameters and depreciation rates should be established for Account 343 (Capital Spare Parts (CSP) vs. non-CSP) and Account 364 (wood vs. concrete poles). The depreciation rates and parameters are those identified in the supplemental depreciation schedules as filed in the Second Notice of Identified Adjustments on June 16, 2016. The reserves should be allocated to each subaccount in proportion to the calculated theoretical

reserves, as set forth in the supplemental depreciation study filed on June 16, 2016. (Allis)

**OPC:** No. The Commission should retain the existing interim retirement ratios established by the Commission in the prior case, with one exception. That one exception reinstates a single interim retirement rate for Account 343 – Prime Movers. Moreover, by retaining the interim retirement ratio approach and again denying the use of truncated interim retirement Iowa survivor curves, the Commission eliminates one of FPL’s more unreasonable aggressive depreciation tools from consideration. Retention of the existing interim retirement ratios, after reversing the separation of Account 343, on a standalone basis results in a \$165.6 million reduction to depreciation expense.

For Account 364, FPL’s first time proposal to separate poles between wood and concrete into two subaccounts should also be denied. The Company’s proposal of using a 40R2 life-curve results in an artificially short ASL for wood poles. Mr. Allis’ sole reliance on the overall band actuarial results coupled with his apparent decision to skip the life estimation phase of his study is a fatal flaw for his proposal. Further, his historical data period does not properly capture the changing chemical treatments for wood poles, the pole inspection programs implemented in 2006, and the significant increase in the retirement of wood poles due to the storm hardening program. Making Mr. Allis’ proposal and basis less credible is the fact that he performed additional actuarial analyses that relied on different placement and/or experience bands, but he inappropriately omitted his results in his presentation to the Commission. Mr. Pous recommends a modest increase in ASL to 44 years with a corresponding R2.5 Iowa Survivor Curve, which the standalone impact results in a \$6,213,541 reduction to depreciation expense.

For concrete poles, Mr. Pous testified the Company’s 45-year ASL proposal reflects an artificially short ASL, which should be increased to a conservative 56-year ASL with a corresponding S0 Iowa Survivor Curve, which the standalone impact results in a \$4,281,779 reduction to depreciation expense. (Pous)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** No. 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.

**Larsons:** No.

**SFHHA:** Account 343 should not be separated into subaccounts with different depreciation rates. The shorter lives of certain components of the assets included in accounts 343 are already addressed in the average service lives and retirement survivor curves reflected in the present depreciation rates. Similarly, the interim net salvage is already addressed in the net salvage rates reflected in the present depreciation rates. Accordingly, the depreciation study fails to properly separate the historic data between the proposed subaccounts. Instead, it assumes that the historic interim retirements and net salvage that have applied generally will continue to apply to account 343 General, which is incorrect, and assumes that a different and more aggressive interim retirement curve and different net salvage apply for account 343.2 Capital Spare Parts, which also is incorrect due to the Company's accounting for Capital Spare Parts, which overstates both parameters.

SFHHA has no position at this time regarding Account 364.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The appropriate depreciation parameters and resulting rates for each production units are incorporated in the supplemental depreciation schedules as filed in the Second Notice of Identified Adjustments on June 16, 2016. (Allis)

**OPC:** For production unit parameters recommended by Mr. Pous, see Exhibit JP-1 pages 1-15. FPL's 40-year life span is a continued effort to understate the realistic life span for its combined cycle generating facilities based on the current understanding and expectations of their life characteristics. Recently, utilities and regulators are recognizing that 50 and 60-year life spans are more appropriate for steam-fired generating facilities, including Gannett Fleming's witnesses testifying elsewhere to 45-year life spans for combined cycle generating units. Further, any claims of harsh operating conditions such as corrosion is already being addressed by FPL. The standalone impact of Mr. Pous' 45-year life span results in a reduction to depreciation expense of \$47 million annually. (Pous)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** The appropriate depreciation parameters and depreciation rates 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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Except as discussed herein concerning the Scherer 4 and SJRRP facilities, SFHHA supports OPC's position. With respect to Scherer 4, the Commission should use a probable retirement date of 2052, and align Scherer 4's service life with that used by Georgia Power Company for the Scherer 3 plant, which is on the same site and shares common facilities with Scherer 4. Moreover, Georgia Power Company and FPL have invested heavily in environmental compliance in recent years, extending Scherer 4's probable service life. FPL also does not have the unilateral right to shut down Scherer 4 in 2039. Without any credible information to the contrary from FPL or JEA, the Commission should use a retirement date of 2052 for SJRRP, reflecting an identical 65-year life span.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The appropriate depreciation parameters and resulting rates for each transmission, distribution, and general plant account are incorporated in the supplemental depreciation schedules as filed in the Second Notice of Identified Adjustments on June 16, 2016. (Allis)

**OPC:** For production unit parameters recommended by Mr. Pous, see Exhibit JP-1 pages 16-17. Mr. Pous is also recommending adjustments to FPL's Life Analyses to 14 accounts or subaccounts as listed in the first table below. The combined impact of these adjustments results in a standalone reduction of \$57,878,890 to annual depreciation expense, and increase the reserve surplus for mass property accounts by \$472,736,255. Additionally, FPL's proposed net salvage reflected in the 2014 Study is flawed and insufficiently substantiated, and proposes excessive levels of negative net salvage. Mr. Pous recommends a reduction to FPL's depreciation expense based on adjustments to its proposed net salvage level for 13 accounts, as summarized in the second table below. (Pous)

**Summary of OPC's Recommended Mass Property Life Adjustments**

<b><u>Account</u></b>	<b><u>FPL Proposed</u></b>	<b><u>OPC Proposed</u></b>	<b><u>OPC Adjustment</u></b>	<b><u>Impact</u></b>
350.2	75S4	100R4	25	\$1,024,767
353	40R1	44L1	4	\$4,805,285
353.1	30R1	38R1	8	\$3,685,141
354	60R4	70R4	10	\$1,341,842
355	50R2	55S0	5	\$5,024,286
356	51R1	55S0	4	\$2,053,816
362	45R1.5	48S0.5	3	\$3,189,707
364.1	40R2	44R2.5	4	\$6,213,541
364.2	50R1.5	56S0	6	\$4,281,779
365	48R1	53R1	5	\$9,047,446
367.6	42S0	46L0.5	4	\$5,916,659
367.7	35R2	45L1	10	\$7,848,266
373	35O1	39L0	4	\$1,707,755
392.3	12S3	13S3	1	\$1,738,601
<b>Total</b>				<b>\$57,878,890</b>

**Summary of OPC's Recommended Net Salvage Adjustments**

<b><u>Account</u></b>	<b><u>FPL Proposed</u></b>	<b><u>OPC Proposed</u></b>	<b><u>OPC Adjustment</u></b>	<b><u>Impact</u></b>
353	(2%)	0%	2%	(\$1,191,149)
354	(25%)	(15%)	10%	(\$1,018,685)
355	(50%)	(40%)	10%	(\$3,310,591)
356	(55%)	(45%)	10%	(\$2,282,226)
362	(10%)	(5%)	5%	(\$2,805,684)
364.1	(100%)	(60%)	40%	(\$15,941,184)
364.2	(100%)	(60%)	40%	(\$8,098,004)
365	(80%)	(60%)	20%	(\$11,371,415)
367.6	(5%)	0%	5%	(\$2,732,496)
369.1	(125%)	(85%)	45%	(\$4,953,744)
370	(30%)	(20%)	10%	(\$546,123)
370.1	(30%)	(20%)	10%	(\$5,499,976)
390	(10%)	10%	20%	(\$2,354,193)
<b>Total</b>				<b>(\$62,105,471)</b>

**AARP:** No position.

**FEA:** FEA has only taken a position on the average lives for Accounts 362, 365, and 369.1; for all other accounts, FEA takes no position. The appropriate survivor

curve for Account 362 is the 51-S0.5, which results in a depreciation rate of 2.04%. The appropriate survivor curve for Account 365 is the 57-R1, which results in a depreciation rate of 3.00%. The appropriate survivor curve for Account 369.1 is the 56-R1.5, which results in a depreciation rate of 4.08%. (Andrews)

**FIPUG:** Adopt position of OPC.

**FRF:** The appropriate depreciation parameters and depreciation rates 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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Based on the application of depreciation rates and principles previously approved by the Commission, FPL's theoretical reserve imbalances are those identified in the supplemental depreciation schedules as filed in the Second Notice of Identified Adjustments on June 16, 2016, which total \$80.4 million (total system). (Allis)

**OPC:** FPL's \$99 million total deficiency is severely skewed due to the numerous inappropriate life and/or net salvage parameters created by the aggressive depreciation practices employed by FPL and Gannett Fleming. If the Commission were to adopt approximately half of Mr. Pous' recommendations, the resulting reserve surplus would still approach \$1 billion. Instead, Mr. Pous recommends an approach that should satisfy all concerns if all or most of his adjustments to net salvage and life parameters are adopted. He recommends that \$923,126,674 of the \$1,513,903,241 mass property related reserve surplus associated with Mr. Pous' adjustments be returned to customers over the next 4-years. The remaining \$590,776,567 of mass property related reserve surplus associated with his recommended adjustments provides a safety cushion and addresses the matching principle as it relates to the intergenerational inequity problem, but not to levels the Commission has found appropriate in other cases.

Amortizing the excess reserve over a 4-year period reduces depreciation expense by \$230,781,669, and increases the level of normal remaining life calculated depreciation expense Mr. Pous would have recommended absent this adjustment by \$24,432,693. This approach also takes into account the need to gauge the impact of a shorter amortization period so as to not impair the financial integrity of the Company, as testified by OPC witness Lawton. (Pous, Lawton)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** The appropriate depreciation parameters and depreciation rates 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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** If the Commission does not reject FPL's depreciation study, any imbalances should be computed in accordance with SFHHA witness Kollen's recommendations, as set forth in Exhibit LK-14 and additionally incorporate OPC's recommendations.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The Commission should accept the changes and depreciation rates as reflected on the supplemental 2016 Depreciation Study as presented in FPL's Second Notice of Adjustments filed on June 16, 2016. (Ferguson)

**OPC:** See OPC's positions in Issues 40 to 46 for OPC's recommended adjustments to the depreciation rates. Adjustments to accumulated depreciation are addressed in Issues 58 and 60, and depreciation expense in Issue 114. (Pous, Smith)

**AARP:** No position.

**FEA:** FEA has recommended explicit adjustments, which are detailed in Issue 45 and result in a 2017 depreciation expense reduction of \$22.5 million. (Andrews)



Adjustments stemming from FEA's adoption of OPC's position on Issues 40, 41, 42, 43 and 46 are addressed in those issues.

**FIPUG:** Adopt position of OPC.

**FRF:** The appropriate depreciation parameters, depreciation rates, and adjustments to FPL's study, to the extent applicable, 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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** If the Commission accepts FPL's depreciation study date of December 31, 2017, the Commission should make several adjustments to FPL's depreciation rate proposal. First, the Commission should extend the service lives of each plant account by one year to mitigate the arbitrary impacts of shortening the remaining service lives of plant accounts as is done under FPL's study. Second, the Commission should reject the Company's proposal to separate certain accounts into multiple accounts, thereby increasing depreciation rates (*see* Issue 43). Lastly, the Commission should use service lives for Scherer 4 and St. John's River Power Project that are consistent with the operators' projected service lives for those facilities, as discussed in reference to Issue 44.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The remaining life technique should be used, unless another disposition has the ability to defer or avoid future base rate proceedings. (Allis, Barrett)

**OPC:** Amortizing the excess reserve over a 4-year period reduces depreciation expense by \$230,781,669, and increases the level of normal remaining life calculated depreciation expense Mr. Pous would have recommended absent this adjustment by \$24,432,693. (Pous)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** If the Commission accepts the Company's depreciation study, then it should properly allocate the accumulated depreciation using gross plant, not the Company's proposed theoretical depreciation reserves. Any imbalances should be computed in accordance with SFHHA witness Kollen's recommendations, as set forth in Exhibit LK-14 as well as in accordance with OPC's recommendations.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The implementation date should be January 1, 2017. (Ferguson)

**OPC:** The new depreciation rates should be implemented in January 2017. (Pous)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** The new depreciation rates should be implemented in January 2017.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL's depreciation study should be rejected and present depreciation rates should remain in effect. Alternatively, revised depreciation rates, capital recovery schedules and amortization schedules should be put into effect January 1, 2017 subject to the modifications proposed by Mr. Kollen and OPC.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. The current-approved annual dismantlement accrual is \$18,468,387 (total system). The accrual should be increased to \$26,181,218 (total system) based on

FPL's 2016 corrected dismantlement study made as part of FPL's First Notice of Identified Adjustments. (Ferguson, Kopp)

**OPC:** **Yes.** FPL has not met the burden to show that its annual dismantlement accrual is reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Yes. *See* response to Issue 51.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The reserve reallocations proposed in FPL's 2016 corrected dismantlement study made as part of FPL's First Notice of Identified Adjustments should be approved. FPL first allocated its forecasted dismantlement reserve amortization authorized by Order No. PSC-13-0023-S-EI to the units with excess theoretical reserve balances as identified in the current study and, in doing so, brought the reserve to its appropriate level. This included units that have been retired and dismantled since the 2009 dismantlement study. Next, FPL allocated the remaining dismantlement reserve amortization to the units with the longest remaining lives. In doing so, FPL minimized the calculated incremental dismantlement accrual. (Ferguson)

**OPC:** **Agree with SFHHA.** FPL has not met the burden to show that its annual dismantlement accrual corrective dismantlement reserve measures are reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr.

Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** First, contingencies should be eliminated. Alternatively, if the Commission does not eliminate them, they should be reduced to 10% of the dismantlement estimate. Further, FPL should also be required to calculate the annuitized or levelized dismantlement expense, including the offset due to the return on the annual expense accruals and to remove the increase in the reserve from working capital in rate base in 2017 and 2018. In this manner, the expense accruals and return on the accumulated reserve are synchronized over the 4 year period.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** The appropriate annual provision for dismantlement is \$26,181,218 (total system) based on FPL's 2016 corrected dismantlement study made as part of FPL's First Notice of Identified Adjustments, which is included in FPL witness Ousdahl's Exhibit KO-19. The total dismantlement reserve is (\$239,918,805) for the 2017 projected test year and (\$264,571,334) for the 2018 subsequent projected test year (jurisdictional adjusted). (Ferguson)

**OPC:** Agree with SFHHA. FPL has not met the burden to show that its annual dismantlement accrual and reserve for dismantlement are reasonable and appropriate for the 2017 test year. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL's proposed annual accrual should be reduced by \$5.546 million to reflect Mr. Kollen's recommendations at 32:16-37:11 of his testimony. SFHHA also supports OPC's recommended adjustments to the annual accrual and reserve for dismantlement.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate annual provision for dismantlement is \$26,181,218 (total system) based on FPL's 2016 corrected dismantlement study made as part of FPL's First Notice of Identified Adjustments, which is included in FPL witness Ousdahl's Exhibit KO-19. The total dismantlement reserve is (\$239,918,805) for the 2017 projected test year and (\$264,571,334) for the 2018 subsequent projected test year (jurisdictional adjusted). (Ferguson)

**OPC:** FPL has not met the burden to show that its annual dismantlement accrual and reserve for dismantlement are reasonable and appropriate for the 2018 test year. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL's proposed annual accrual should be reduced by \$5.805 million to reflect Mr. Kollen's recommendation. SFHHA also supports OPC's recommended adjustments to the annual accrual and reserve for dismantlement.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

### **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?**

**FPL:** Yes. Consistent with FPL's 2012 Rate Settlement, revenues associated with WCEC3 are forecasted and reflected as base revenues, and therefore should be included in base rates. (Ousdahl)

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

**AARP:** No position.

**FEA:** No position.

**FIPUG:** FPL is seeking an increase in base rates. The cost recovery clauses are not at issue in this case. Given that the cost recovery clauses are separate ratemaking mechanisms and can have positive or negative impacts on customers depending on the circumstances, any projected short-term clause changes should not be considered in setting base rates.

**FRF:** Yes.

**Larsons:** Yes.

**SFHHA:** SFHHA supports the position of FIPUG.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** Yes. Pursuant to Order No. PSC-15-0401-AS-EI, Docket No. 150075-EI, FPL has appropriately accounted for the Cedar Bay settlement in the 2017 Projected Test Year and the 2018 Subsequent Test Year. (Barrett)

**OPC:** No. FPL has not met the burden of demonstrating that it has appropriately accounted for the impact of the Cedar Bay settlement agreement for the 2017 test year.

**AARP:** No position.

**FEA:** Adopt position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** No.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. Pursuant to Order No. PSC-15-0401-AS-EI, Docket No. 150075-EI, FPL has appropriately accounted for the Cedar Bay settlement in the 2017 Projected Test Year and the 2018 Subsequent Test Year. (Barrett)

**OPC:** No. FPL has not met the burden of demonstrating that it has appropriately accounted for the impact of the Cedar Bay settlement agreement for the 2018 test year.

**AARP:** No position.

**FEA:** Adopt position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** No.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

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

**OPC:** No. FPL has not met the burden of demonstrating that only utility-related costs are properly recorded on its books and records and reflected in the 2017 MFRs.

**AARP:** No position.

**FEA:** Adopt position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** No.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

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

**OPC:** No. FPL has not met the burden of demonstrating that only utility-related costs are properly recorded on its books and records and reflected in the 2018 MFRs.



**ARP:** No position.

**FEA:** Adopt position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** No.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate amount of plant in-service, including AFUDC, for FPL's large scale solar projects is \$408,230,000 as shown on MFR Schedule B-11. (Barrett)

**OPC:** FPL has not met the burden of demonstrating that its Large Scale Solar Projects costs are properly recorded on its books and records and reflected in the MFRs, thus the appropriate amount of plant in-service, including AFUDC, for FPL's large scale solar projects is not \$408,230,000 as shown on MFR Schedule B-11.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. The replacement of the peaking units is essential to maintain system reliability given parts availability issues of the current equipment. The project is prudent in that FPL projects to generate \$203 million of CPVRR savings for customers over the life of the units. (Barrett)

**OPC:** No. FPL has not met the burden of demonstrating that its replacement of its peaking units are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No. FPL did not pursue in earnest alternatives and performed no studies to determine the need for these peaking units.

**FRF:** Agree with FIPUG.

**Larsons:** No.

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

**Sierra Club:** No, the \$800 million natural-gas burning peaker replacement projects are unjust, unreasonable, unjustly discriminatory, or in violation of law. FPL failed to get the prerequisite need determination from the Commission for these projects. FPL also failed to show that these projects yield services that are of value to customers/the public. Specifically, FPL failed to show that the projects are even necessary for the provision of service to customers, much less reconcilable with the strategic imperative to mitigate Florida's over-reliance on natural gas imports. FPL has no 0065cuse; there are abundantly available alternative clean, low cost, low risk alternatives and FPL has not offered any evidence to the contrary. Indeed, FPL offered virtually no alternatives analysis whatsoever, except for the narrow comparison of natural gas-burning options. The Commission should deny FPL's requested rate increase for the \$800 million replacement projects.

**Walmart:** No position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 57A: Are FPL's .05 combustion turbine upgrade projects reasonable and prudent?**

**FPL:** Yes. FPL has upgraded its existing GE compressors to provide for greater output at a lower overall system fuel cost that is projected to generate CPVRR customer savings of \$57 million over the life of the assets. (Barrett)

**OPC:** No. FPL has not met the burden of demonstrating that upgrades/modifications of its CTs are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No.

**FRF:** Agree with FIPUG.

**Larsons:** No.

**Sierra Club:** No, the \$450 million changes to FPL's 26 existing natural gas combustion turbines are unjust, unreasonable, unjustly discriminatory, or in violation of law. FPL failed to get the prerequisite need determination from the Commission for these changes. FPL also failed to show that these changes yield services that are of value to the public/customers. Specifically, FPL failed to show that the projects are even necessary for the provision of service to customers, much less reconcilable with the strategic imperative to mitigate Florida's over-reliance on out-of-state natural gas imports. FPL has no excuse; there are abundantly available alternative clean, low cost, low risk alternatives and FPL has not offered any evidence to the contrary. Indeed, FPL offered virtually no alternatives analysis whatsoever, except for the narrow comparison of natural gas-burning options. The Commission should deny FPL's requested rate increase for the \$450 million changes to FPL's 26 existing natural gas combustion turbines.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Other than the adjustments listed on FPL witness Ousdahl's Exhibit KO-20, no other adjustments are appropriate. (Ferguson)

**OPC:** To reflect OPC witness Pous' adjustment to depreciation and dismantlement expenses, rate base should be increased (accumulated depreciation decreased) by \$146.314 million (\$130.489 million jurisdictional) for depreciation expense, and \$115.391 million (\$102.910 million jurisdictional) for the depreciation reserve excess. An additional adjustment to increase rate base should also be made to reflect OPC witness Schultz's adjustment of \$.428 million (total and jurisdictional) for the 2017 storm hardening plant. (Smith, Pous, Schultz)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Reducing accumulated depreciation to reflect depreciation expense reductions would increase its rate base impact by \$97.249 million. Reflecting extended amortization of capital recovery costs would increase rate base by \$11.272 million. Reducing accumulated fossil dismantling to reflect dismantling expense reductions would increase rate base by \$2.666 million.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Other than the adjustments listed on FPL witness Ousdahl's Exhibit KO-20, no other adjustments are appropriate. (Ferguson)

**OPC:** To reflect OPC witness Pous' adjustment to depreciation and dismantling expenses, rate base should be increased (accumulated depreciation decreased) by \$143.093 million (\$128.358 million jurisdictional) for 2017 depreciation expense, and \$230.782 million (\$207.018 million jurisdictional) for the 2017 full-year depreciation reserve excess impact, and \$115.391 million (\$102.910 million jurisdictional) for the 2018 depreciation reserve excess half-year impact. An additional adjustment to increase rate base should also be made to reflect OPC witness Schultz's adjustment of \$.615 million (total and jurisdictional) for the 2018 storm hardening plant. (Smith, Pous, Schultz)

**AARP:** No Position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Reducing accumulated depreciation to reflect depreciation expense reductions would increase its rate base impact by \$294.242 million. Reflecting extended amortization of capital recovery costs would increase rate base by \$33.824 million. Reducing accumulated fossil dismantling to reflect dismantling expense reductions would increase rate base by \$8.001 million.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Plant in Service is \$43,118,337,000 (jurisdictional adjusted) for the 2017 projected test year and \$45,506,093,000(jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** To reflect the reduction to plant recommended by OPC witness Schultz for storm hardening, 2017 plant should be reduced by \$31.546 million on a total and jurisdictional basis. (Schultz, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** \$32,025.421 million.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Plant in Service is \$43,118,337,000 (jurisdictional adjusted) for the 2017

projected test year and \$45,506,093,000(jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** To reflect the reduction to plant recommended by OPC witness Schultz for storm hardening, 2018 plant should be reduced by \$45.335 million on a total and jurisdictional basis. (Schultz, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** \$33,622.827 million.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Accumulated Depreciation is \$13,062,032,000 (jurisdictional adjusted) for the 2017 projected test year and \$14,190,224,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** To reflect OPC witness Pous' adjustment to depreciation and dismantlement expenses, rate base should be increased (accumulated depreciation decreased) by \$146.314 million (\$130.489 million jurisdictional) for depreciation expense, and \$115.391 million (\$102.910 million jurisdictional) for the depreciation reserve excess. An additional adjustment to increase rate base should also be made to reflect OPC witness Schultz's adjustment of \$.428 million (\$.428 million jurisdictional) for the 2017 storm hardening plant. (Smith, Pous, Schultz)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL's proposed Accumulated Depreciation for the 2017 test year should be reduced by \$97.249 million, consistent with SFHHA witness Kollen's recommendations, as set forth in his testimony and Exhibit LK-27. SFHHA also supports additional reductions to FPL's proposed Accumulated depreciation as recommended by OPC.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Accumulated Depreciation is \$13,062,032,000 (jurisdictional adjusted) for the 2017 projected test year and \$14,190,224,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** To reflect OPC witness Pous' adjustment to depreciation and dismantlement expenses, rate base should be increased (accumulated depreciation decreased) by \$143.093 million (\$128.358 million jurisdictional) for 2017 depreciation expense, and \$230.782 million (\$207.018 million jurisdictional) for the 2017 full-year depreciation reserve excess impact, and \$115.391 million (\$102.910 million jurisdictional) for the 2018 depreciation reserve excess half-year impact. An additional adjustment to increase rate base should also be made to reflect OPC witness Schultz's adjustment of \$.615 million (\$.615 million jurisdictional) for the 2018 storm hardening plant. (Smith, Pous, Schultz)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL's proposed Accumulated Depreciation for the 2018 test year should be reduced by \$294.247 million, consistent with SFHHA witness Kollen's recommendations, as set forth in his testimony and Exhibit LK-27. SFHHA also

supports additional reductions to FPL's proposed Accumulated Depreciation as recommended by OPC.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes, FPL's proposed adjustments to move CWIP balances associated with Commission approved ECRC projects from rate base to clause is appropriate. The adjustment removes these projects from CWIP in rate base and reflects them in ECRC throughout its lifecycle. (Ousdahl)

**OPC:** No. FPL's proposed adjustments to move certain CWIP projects from base rates to the ECRC should be denied. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing capital items in rate base rather than in cost recovery clauses.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** CWIP should be removed from rate base because it is not used and useful, and it is not needed to preserve FPL's financial integrity. Further, pursuant to Rule 25-6.0141 F.A.C. it should be removed from rate base to prevent rate shock.

**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.

**Larsons:** No. The proposed adjustments should be denied.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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



**FPL:** Yes, FPL's proposed adjustments to move CWIP balances associated with Commission approved ECCR projects from rate base to clause is appropriate. The adjustment removes these projects from CWIP in rate base and reflects them in ECCR throughout its lifecycle. (Ousdahl)

**OPC:** No. FPL's proposed adjustments to move certain CWIP projects from base rates to the ECCR should be denied. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing capital items in rate base rather than in cost recovery clauses.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** No. The proposed adjustments should be denied.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes, the Company's proposed adjustment to remove Fukushima-related costs from rate base and recover all Fukushima-related capital costs solely in the Capacity Cost Recovery Clause is appropriate. (Ousdahl)

**OPC:** No. FPL's proposed adjustments to move certain CWIP projects from base rates to the CCRC should be denied. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing capital items in rate base rather than in cost recovery clauses.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** No. The proposed adjustments should be denied.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of CWIP is \$747,902,000 (jurisdictional adjusted) for the 2017 projected test year and \$807,556,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** CWIP should not be afforded rate base treatment. CWIP, by its very nature, is plant that is not completed and is not providing service to customers. More specifically, and in reference to this proceeding, CWIP is not used or useful in delivering electricity to FPL's customers. Rate base recovery of CWIP should be limited to extraordinary circumstances and removal of CWIP from FPL's rate base will not materially impact FPL's earnings or financial indicators. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** None.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of CWIP is \$747,902,000 (jurisdictional adjusted) for the 2017 projected test year and \$807,556,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl, Deason)

**OPC:** CWIP should not be afforded rate base treatment. CWIP, by its very nature, is plant that is not completed and is not providing service to customers. More specifically, and in reference to this proceeding, CWIP is not used or useful in delivering electricity to FPL's customers. Rate base recovery of CWIP should be limited to extraordinary circumstances and removal of CWIP from FPL's rate base will not materially impact FPL's earnings or financial indicators. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** None.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL's proposed accruals for Nuclear End of Life ("EOL") Material and Supplies and Last Core Nuclear Fuel for both the 2017 projected test year and

2018 subsequent projected test year is in accordance with Commission Order No. PSC-16-0250-PAA-EI, which was made final by Order No. PSC-16-0293-CO-EI. The appropriate amount of EOL material and supplies reserve is (\$22,298,000) (jurisdictional) for the 2017 projected test year and (\$24,221,000) (jurisdictional) for the 2018 subsequent projected test year. The appropriate amount of EOL last core nuclear fuel reserve is (\$102,591,000) (jurisdictional) for the 2017 projected test year and (\$113,369,000) (jurisdictional) for the 2018 subsequent projected test year. (Ferguson)

**OPC:** No. FPL has not met the burden of demonstrating that its proposed reserves for Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** No.

**SFHHA:** No. The Commission should add the nuclear EOL M&S and nuclear fuel last core to the nuclear decommissioning liability, eliminate the expense accruals for these two retirement costs, and amortize the reserves already recovered from customers over a 4 year amortization period. This results in consistent treatment of the nuclear decommissioning and fossil dismantling liabilities and expense accruals and allows the Commission to combine the excess funding for nuclear decommissioning with these additional costs related to the retirement of the nuclear units.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. FPL's proposed accruals for Nuclear End of Life ("EOL") Material and Supplies and Last Core Nuclear Fuel for both the 2017 projected test year and 2018 subsequent projected test year is in accordance with Commission Order No. PSC-16-0250-PAA-EI, which was made final by Order No. PSC-16-0293-CO-EI. The appropriate amount of EOL material and supplies reserve is (\$22,298,000) (jurisdictional) for the 2017 projected test year and (\$24,221,000) (jurisdictional)

for the 2018 subsequent projected test year. The appropriate amount of EOL last core nuclear fuel reserve is (\$102,591,000) (jurisdictional) for the 2017 projected test year and (\$113,369,000) (jurisdictional) for the 2018 subsequent projected test year. (Ferguson)

**OPC:** No. FPL has not met the burden of demonstrating that its proposed reserves for Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** No.

**SFHHA:** No. The Commission should make an adjustment for the 2018 subsequent test year similar to that proposed above for the 2017 test year.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The appropriate amount of Nuclear Fuel for the 2017 projected test year is \$630,075,000 (jurisdictional) and \$606,781,000 (jurisdictional) for the 2018 subsequent projected test year. Note, these amounts do not include EOL materials and supplies or nuclear fuel last core as these items are reflected in different FERC Accounts and included in working capital. See Issue 65 for the requested balances for EOL materials and supplies and nuclear fuel last core reserves. (Barrett, Ousdahl)

**OPC:** The appropriate amount of Nuclear Fuel for the 2017 projected test year is **not** \$630,075,000 (jurisdictional). FPL has not met the burden of demonstrating that its proposed 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) are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Commission should remove NFIP in the amount of \$406.621 million from rate base and direct the Company to accrue AFUDC during construction. This is the appropriate treatment because financing costs during construction are a cost of the asset, and recovery should not be made upfront through NFIP. Second, including NFIP in rate base forces today's FPL customers, many of whom will not continue taking service from FPL years into the future, to subsidize future generations of FPL customers, many of whom will be new customers of FPL in the future, creating a direct intergenerational equity problem. Costs associated with building an asset should be recovered from customers over the period the asset provides service to those customers.

Further, based on Mr. Kollen's recommendation that End of Life Materials and supplies and Nuclear Last Core Reserves be amortized over four years, rate base should be increased by \$20.797 million.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate amount of Nuclear Fuel for the 2017 projected test year is \$630,075,000 (jurisdictional) and \$606,781,000 (jurisdictional) for the 2018 subsequent projected test year. Note, these amounts do not include EOL materials and supplies or nuclear fuel last core as these items are reflected in different FERC Accounts and included in working capital. See Issue 65 for the requested balances for EOL materials and supplies and nuclear fuel last core reserves. (Barrett, Ousdahl)

**OPC:** The appropriate amount of Nuclear Fuel is **not** \$606,781,000 (jurisdictional) for the 2018 subsequent projected test year FPL has not met the burden of demonstrating that its proposed 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) are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** For the reasons discussed for the 2017 test year, in 2018, the Commission should remove \$412.437 million in NFIP from rate base. Also, Mr. Kollen's recommendation regarding End of Life Materials and Supplies and Nuclear Last Core Reserves be amortized over four years produces a \$62.394 million increase to its rate base in 2018.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Property Held for Future Use is \$233,289,000 (jurisdictional adjusted) for the 2017 projected test year and \$242,882,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Kennedy, Miranda, Barrett, Ousdahl, Deason)

**OPC:** FPL has made no showing why the PHFFU projects that have been in rate base for more than 10 years, and some for more than 40 years, which are not expected to provide service for more than 10 years after the test year, are reasonably needed to provide reliable service to existing and future customers. Customers should not be required to continue to provide FPL with a rate base return, including shareholder profits, on these projects when FPL has failed to show why these properties are needed or why a 40- to 50-year planning horizon is reasonable for identifying assets to be included in rate base as used and useful

plant. Sites with a projected in-service date of 2026 or later (more than ten years beyond the test year), in the PHFFU, should be removed from rate base. As such, PHFFU for the 2017 test year should be reduced by \$14.681 million total (\$14.228 million jurisdictional). (Smith)

- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of OPC.
- FRF:** Agree with OPC.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** SFHHA supports the position of OPC.
- Sierra Club:** Sierra Club adopts OPC's position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

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

- FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Property Held for Future Use is \$233,289,000 (jurisdictional adjusted) for the 2017 projected test year and \$242,882,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Kennedy, Miranda, Barrett, Ousdahl, Deason)
- OPC:** FPL has made no showing why the PHFFU projects that have been in rate base for more than 10 years, and some for more than 40 years, which are not expected to provide service for more than 10 years after the test year, are reasonably needed to provide reliable service to existing and future customers. Customers should not be required to continue to provide FPL with a rate base return, including shareholder profits, on these projects when FPL has failed to show why these properties were needed or why a 40 to 50-year planning horizon is reasonable for identifying assets to be included in rate base as used and useful plant. For the 2018 future test year, the jurisdictional adjustment decreases average 2018 jurisdictional rate base by \$14.234 million. (Smith)
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of OPC.



**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** The 2017 and 2018 projections for FPL's fossil fuel inventories are appropriate and reflect the necessary levels FPL must maintain at each plant to sustain operations during transit time and to cover contingencies that may delay delivery, such as weather, port delays, and plant-specific delivery infrastructure risks. (Kennedy)

**OPC:** **No.** FPL has not met the burden of demonstrating that its proposed level of fossil fuel inventories are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The 2017 and 2018 projections for FPL's fossil fuel inventories are appropriate and reflect the necessary levels FPL must maintain at each plant to sustain

operations during transit time and to cover contingencies that may delay delivery, such as weather, port delays, and plant-specific delivery infrastructure risks. (Kennedy)

**OPC:** No. FPL has not met the burden of demonstrating that its proposed level of fossil fuel inventories are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL's proposed adjustments to include the unamortized balance of rate case expenses of \$4,309,000 (jurisdictional) for the 2017 projected test year and \$3,078,000 (jurisdictional) for the 2018 subsequent projected test year in Working Capital are appropriate in order to avoid a disallowance of reasonable and necessary costs. Full recovery of necessary rate case expenses is appropriate but will not occur unless FPL is afforded the opportunity to earn a return on the unamortized balance of those expenses. (Ousdahl)

**OPC:** No. The Commission should follow its long-standing policy in electric cases of not allowing inclusion of the unamortized rate case expense in rate base. Consistent with the Commission's findings in the most recent Progress Energy Florida base rate cases, the Gulf Power Company base rate case cited above, and FPL's 2010 rate case, it would be unfair for customers to pay a return on the costs incurred by the Company in this case when these are being used to increase customer rates. Working capital should be reduced by the full amount of the unamortized balance of rate case expense of \$4.309 million. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No. FPL should be denied rate case expense recovery in this instance as it was unnecessary for it to file this rate case. However if any rate case expense recovery is allowed, the unamortized balance should not be included in working capital. The Commission's long-standing practice of excluding unamortized rate case expense from working capital apportions the cost of a rate case between ratepayers and shareholders customers. Customers should not be required to pay a return on funds spent to increase their rates. Further, the amortization period proposed is short, which minimizes carrying costs. Such costs are typically financed with short-term debt, and excluding such costs eliminates the potential for over-recovery. This case never should have been filed. No rate increase is justified for the 2017 test year. The proposed additional 2018 test year for "subsequent year adjustments" and the proposed additional May 2020 test year for the Okeechobee "limited scope adjustment" are inappropriate.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. FPL's proposed adjustments to include the unamortized balance of rate case expenses of \$4,309,000 (jurisdictional) for the 2017 projected test year and \$3,078,000 (jurisdictional) for the 2018 subsequent projected test year in Working Capital are appropriate in order to avoid a disallowance of reasonable and necessary costs. Full recovery of necessary rate case expenses is appropriate but will not occur unless FPL is afforded the opportunity to earn a return on the unamortized balance of those expenses. (Ousdahl)

**OPC:** No. The Commission should follow its long-standing policy in electric cases of not allowing inclusion of the unamortized rate case expense in rate base. Consistent with the Commission's findings in the most recent Progress Energy Florida base rate cases, the Gulf Power Company base rate case cited above, and

FPL's 2010 rate case, it would be unfair for customers to pay a return on the costs incurred by the Company in this case when these are being used to increase customer rates. Working capital should be reduced by the full amount of the unamortized balance of rate case expense of \$3.078 million. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No. For the same reasons outlined for purposes of the 2017 test year.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The appropriate amount of Injuries & Damages reserve is \$18,962,000 (jurisdictional) for the 2017 projected test year and \$18,880,000 (jurisdictional) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** **Agree with SFHHA.** FPL has not met the burden of demonstrating that its proposed level of injuries and damages (I&D) reserve is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Commission should amortize the excess reserve to \$0 over a four year amortization period. This will return the excess reserve to customers in a timely manner rather than allowing the Company to retain the excess recoveries indefinitely. This will produce an increase to rate base of \$2.455 million to be amortized over 4 years.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate amount of Injuries & Damages reserve is \$18,962,000 (jurisdictional) for the 2017 projected test year and \$18,880,000 (jurisdictional) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** **Agree with SFHHA.** FPL has not met the burden of demonstrating that its proposed level of injuries and damages (I&D) reserve is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** *See* Response for 2017 test year. This will produce an increase to rate base of \$7.080 million to be amortized over 4 years.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Based on the adjustment listed on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of deferred pension debit in working capital for FPL to include in rate base is \$1,286,690,000 (jurisdictional) for the 2017 projected test year and \$1,346,625,000 for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** **Agree with SFHHA.** FPL has not met the burden of demonstrating that its proposed level deferred pension debit in working capital is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL included overstated amounts in rate base case as it acknowledged in response to SFHHA interrogatories. The corrected amount of deferred pension debit included in FPL's responses to SFHHA Interrogatory Nos. 132 and 133, is \$1,329.977 million (total Company) for 2017.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Based on the adjustment listed on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of deferred pension debit in working capital for FPL to include in rate base is \$1,286,690,000 (jurisdictional) for the 2017 projected test year and \$1,346,625,000 for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** **Agree with SFHHA.** FPL has not met the burden of demonstrating that its proposed level deferred pension debit in working capital is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The corrected amount of deferred pension debit included in FPL's responses to SFHHA Interrogatory Nos. 132 and 133, is \$1,390.849 million (total Company) for 2018.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

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

**OPC:** **Agree with SFHHA.** FPL has not met the burden of demonstrating that its proposed level unbilled revenues in working capital is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No. The unbilled revenues are an accounting placeholder for a future receivable, for which the Company incurs no carrying costs for several reasons. First, the Company did not incur incremental costs to earn these estimated revenues. That is

because the unbilled revenues recognized by the Company are for base rates only. The unbilled revenues do not include revenues for recovery of the variable costs that are recovered through clauses, such as the fuel adjustment clause. If the Company does not accrue unbilled revenues for fuel clause recovery revenues, then it also does not accrue accounts payable for the related fuel expense and there is no incremental amount in the accounts payable account to offset the nonfuel unbilled revenues. Second, the billed revenues actually provide contemporaneous recovery of the Company's fixed costs each month that do not vary based on sales from month to month. These costs include the return on the Company's rate base investment, depreciation expense, non-fuel O&M expense, and other operating expenses. This is particularly true when the revenue requirement is based on a projected test year that corresponds to a calendar year and not to a lagged test year that corresponds to the Company's unbilled service periods.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

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

**OPC:** **Agree with SFHHA.** FPL has not met the burden of demonstrating that its proposed level unbilled revenues in working capital is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No, for same reasons as for 2018.



**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** The balance sheet approach is the appropriate methodology for calculating Working Capital for the 2017 projected test year and 2018 subsequent projected test year. This Commission authorized this methodology in the early 1980s and has been consistently applied since then. This approach reasonably measures the investment in current operations that FPL must make to deliver electric service and is therefore appropriate for calculating Working Capital. No witness has presented a viable, internally consistent calculation of Working Capital using an alternative methodology. (Ousdahl)

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

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position at this time, beyond the adjustments previously discussed.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The balance sheet approach is the appropriate methodology for calculating Working Capital for the 2017 projected test year and 2018 subsequent projected test year. This Commission authorized this methodology in the early 1980s and has been consistently applied since then. This approach reasonably measures the

investment in current operations that FPL must make to deliver electric service and is therefore appropriate for calculating Working Capital. No witness has presented a viable, internally consistent calculation of Working Capital using an alternative methodology. (Ousdahl)

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

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position at this time, beyond the adjustments previously discussed.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Other than the adjustments listed on FPL witness Ousdahl's Exhibit KO-20, no other adjustments are appropriate. (Ousdahl)

**OPC:** Based on OPC witness Smith's testimony, 2017 working capital should be reduced by the full amount of the unamortized balance of rate case expense of \$4.309 million. (Smith) Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position at this time, beyond the adjustments previously discussed.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Other than the adjustments listed on FPL witness Ousdahl's Exhibit KO-20, no other adjustments are appropriate. (Ousdahl)

**OPC:** Based on OPC witness Smith's testimony, 2018 working capital should be reduced by the full amount of the unamortized balance of rate case expense of \$3.078 million. (Smith) Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position at this time, beyond the adjustments previously discussed.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the 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?**

- FPL:** Yes, FPL's requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize should be approved. No other adjustments are necessary. (Ousdahl)
- OPC:** **No.** FPL has not met the burden of demonstrating that its requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of OPC.
- FRF:** Agree with OPC.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** SFHHA supports the position of OPC.
- Sierra Club:** Sierra Club adopts OPC's position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

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

- FPL:** Yes, FPL's requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize should be approved. No other adjustments are necessary. (Ousdahl)
- OPC:** **No.** FPL has not met the burden of demonstrating that its requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of OPC.
- FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Working Capital for the 2017 projected test year is \$790,373,000 (jurisdictional adjusted) and for the 2018 subsequent projected test year is \$920,407,000 (jurisdictional adjusted). (Barrett, Ousdahl)

**OPC:** Based on OPC witness Smith's testimony, 2017 working capital should be \$867.037 million. (Smith) Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Company's requested level of Working Capital should be reduced by \$236.347 million to remove the account 173 Accrued Utility Revenues (unbilled revenues), rate case expenses and deferred pension debits as discussed above.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Working Capital for the 2017 projected test year is \$790,373,000 (jurisdictional adjusted) and for the 2018 subsequent projected test year is \$920,407,000 (jurisdictional adjusted). (Barrett, Ousdahl)

**OPC:** Based on OPC witness Smith's testimony, 2018 working capital should be \$912.686 million. (Smith) Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Company's requested level of Working Capital should be reduced by \$241.473 million to remove the account 173 Accrued Utility Revenues (unbilled revenues), rate case expenses and pension debits as discussed above.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 77:** **What is the appropriate level of rate base**

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Rate Base for the 2017 projected test year is \$32,457,944,000 (jurisdictional adjusted) and for the 2018 subsequent projected test year is \$33,893,496,000 (jurisdictional adjusted). (Barrett, Ousdahl)

**OPC:** Based on the testimony of OPC witnesses, 2017 rate base should be \$32,725.587 million. (Schultz, Pous and Smith) Other adjustments to rate base may also be appropriate, based on the evidence adduced at hearing.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** \$32,025.421 million. *See* Exhibit LK-27.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Rate Base for the 2017 projected test year is \$32,457,944,000 (jurisdictional adjusted) and for the 2018 subsequent projected test year is \$33,893,496,000 (jurisdictional adjusted). (Barrett, Ousdahl)

**OPC:** Based on the testimony of OPC witnesses, 2018 rate base should be \$34,269.536 million. Other adjustments to rate base may also be appropriate, based on the evidence adduced at hearing. (Schultz, Pous and Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** \$33,622.827 million. *See* Exhibit LK-27.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the 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?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of accumulated deferred taxes included in capital structure for the 2017 projected test year is \$7,297,546,000 (jurisdictional adjusted) and \$7,665,944,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. A proration adjustment to deferred taxes has been included in capital structure in order to comply with treasury regulations when calculating rates using a projected test year. (Ousdahl)

**OPC:** Based on the testimony of OPC witness Smith, 2017 ADIT should be decreased by \$1.9 million related to OPC's removal of deferred rate case expense from working capital. The appropriate amount of ADIT included in the capital structure should be \$7,368.582 million. After 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. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** \$8,254.026 million. Yes, a proration adjustment consistent with Treasury Regulation 1.167(l)-1(h)(6), whereby the amounts in Column E are summed and added to the beginning balance of ADIT in the test year, should be used to include deferred taxes in capital structure.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.



**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of accumulated deferred taxes included in capital structure for the 2017 projected test year is \$7,297,546,000 (jurisdictional adjusted) and \$7,665,944,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. A proration adjustment to deferred taxes has been included in capital structure in order to comply with treasury regulations when calculating rates using a projected test year. (Ousdahl)

**OPC:** Based on the testimony of OPC witness Smith, 2018 ADITs should be decreased by \$1.9 million related to OPC's removal of deferred rate case expense from working capital. The appropriate amount of ADIT included in the capital structure should be \$7,753.738 million. After a reconciliation adjustment to increase ADIT by \$91.257 million, results in a total ADIT balance of \$7,844.995 million. (Smith) Other adjustments to ADITs may also be appropriate, based on the evidence adduced at hearing.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** \$8,489.466 million. SFHHA's proposed proration for the 2017 test year should also apply to the 2018 test year, if the Commission approves FPL's proposal to include the 2018 subsequent year adjustment in this rate case.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the 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?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of unamortized investment tax credits and cost rate included in capital structure for the 2017 projected test year is \$108,530,000 (jurisdictional adjusted) and 8.81%, respectively, and \$103,505,000 (jurisdictional adjusted) and 8.88%, respectively, for the 2018 subsequent projected test year. The determination of the cost rate should only include the long-term sources of capital; common and preferred stock and long-term debt. (Ousdahl)

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

**AARP:** No position.

**FEA:** Including short-term debt, Mr. Gorman's recommended cost of equity, and recommended embedded cost of debt, the cost rate for investment tax credits should be 7.27%.

**FIPUG:** Adopt position of SFHHA.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of unamortized investment tax credits and cost rate included in capital structure for

the 2017 projected test year is \$108,530,000 (jurisdictional adjusted) and 8.81%, respectively, and \$103,505,000 (jurisdictional adjusted) and 8.88%, respectively, for the 2018 subsequent projected test year. The determination of the cost rate should only include the long-term sources of capital; common and preferred stock and long-term debt. (Ousdahl)

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

**AARP:** No position.

**FEA:** Including short-term debt, Mr. Gorman's recommended cost of equity, and recommended embedded cost of debt, the cost rate for investment tax credits should be 7.27%.

**FIPUG:** Adopt position of SFHHA.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the 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?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for short-term debt for the 2017 projected test year is \$512,545,000 (jurisdictional adjusted) and 1.99%. As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for short-term debt in the 2018 subsequent projected test year is \$458,463,000 (jurisdictional adjusted) and 2.39%. (Dewhurst)

**OPC:** Short-term debt should be increased by \$144.799 million to correct the test year equity ratio for a total adjusted test year amount of \$757.738 million. After reconciliation to rate base, 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%. (Smith, O'Donnell)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**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%.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Company's proposed amount of short-term debt should be reduced by \$4.569 million to remove fixed commitment fees that should be collected in O&M expenses, as addressed by SFHHA witness Baudino at pages 56-57. The appropriate cost rate for short-term debt is 0.56%, which provides for a reasonable increase over FPL's December 31, 2015 cost of short-term debt of 0.28%.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for short-term debt for the 2017 projected test year is \$512,545,000 (jurisdictional adjusted) and 1.99%. As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for short-term debt in the 2018 subsequent projected test year is \$458,463,000 (jurisdictional adjusted) and 2.39%. (Dewhurst)

**OPC:** Short-term debt should be increased by \$76.765 million to correct the test year equity ratio for a total adjusted test year amount of \$398.376 million. After reconciliation to rate base, 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%. (Smith, O'Donnell)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**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%.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Company's proposed amount of short-term debt should be reduced by \$4.569 million to remove fixed commitment fees that should be collected in O&M expenses, as addressed by SFHHA witness Baudino at pages 56-57. The appropriate cost rate for short-term debt is 0.56%, which provides for a reasonable increase over FPL's December 31, 2015 cost of short-term debt of 0.28%.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for long-term debt for the 2017 projected test year is \$9,420,954,000 (jurisdictional adjusted) and 4.60%. As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for long-term debt in the 2018 subsequent projected test year is \$9,895,307,000 (jurisdictional adjusted) and 4.80%. (Dewhurst)

**OPC:** Long-term debt should be increased by \$2,210.810 million to correct the test year equity ratio for a total adjusted test year amount of \$ 11,569.227 million. After reconciliation to rate base, the appropriate long-term amount for the 2017 projected test year is \$11,636.598 million. The appropriate cost rate for long term debt is 4.62%. (Smith, O'Donnell)

**AARP:** No position.

**FEA:** FPL's projected debt cost of 6.16% new issuances is overstated. FEA witness Gorman recommends an embedded debt cost of 4.51% based on a more reasonable cost of debt for these new issuances.

**FIPUG:** The Commission should find that FPL's cost of long-term debt in 2017 is not greater than 4.5489%.

**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%.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Debt in total should not be less than 45% of investor-supplied capital. The appropriate cost rate for long-term debt is 4.1%, which represents a 5 basis point increase in the current A-rated bond yield.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for long-term debt for the 2017 projected test year is \$9,420,954,000 (jurisdictional adjusted) and 4.60%. As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for long-term debt in the 2018 subsequent projected test year is \$9,895,307,000 (jurisdictional adjusted) and 4.80%. (Dewhurst)

**OPC:** Long-term debt should be increased by \$2,392.637 million to correct the test year equity ratio for a total adjusted test year amount of \$12,416.744 million. After reconciliation to rate base, 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%. (Smith, O'Donnell)

**AARP:** No position.

**FEA:** FPL's projected debt cost of 6.16% new issuances is overstated. FEA witness Gorman recommends an embedded debt cost of 4.51% based on a more reasonable cost of debt for these new issuances.

**FIPUG:** The Commission should find that FPL's cost of long-term debt in 2017 is not greater than 4.5489%.

**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%.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Debt in total should not be less than 45% of investor-supplied capital. The appropriate cost rate for long-term debt is 4.1%, which represents a 5 basis point increase in the current A-rated bond yield.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for customer deposits for the 2017 test year is \$414,102,000 (jurisdictional adjusted) and 2.04%. As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for customer deposits for the 2018 subsequent projected test year is \$399,496,000 (jurisdictional adjusted) and 2.04%. (Santos, Barrett)

**OPC:** Per OPC adjustments, 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 deposits is 2.05%. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**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%.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for customer deposits for the 2017 test year is \$414,102,000 (jurisdictional adjusted) and 2.04%. As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount and cost rate for customer deposits for the 2018 subsequent projected test year is \$399,496,000 (jurisdictional adjusted) and 2.04%. (Santos, Barrett)

**OPC:** Per OPC adjustments, 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%. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**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%.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** FPL's equity ratio should remain at approximately 59.6% as a percentage of investor sources based on a rolling 13-month average throughout the four-year period. This equity ratio appropriately reflects FPL's business risk profile and FPL's strategy of maintaining a "stronger than average" financial position, which 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 major hurricane, 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 degradation of credit and likely downgrades to the Company's credit ratings, damaging customers' long term interests. (Dewhurst, Hevert)

**OPC:** The appropriate equity ratio is 50% for the 2017 projected test year. The equity component of jurisdictional capital structure should be reduced by \$2,355.609 million with corresponding increases to the long and short-term debt components. The amount of common equity is \$12,326.965 million for the 2017 projected test year prior to reconciliation to rate base. FPL's excessive 59.6% equity ratio request in this case puts an unnecessary cost burden on FPL's ratepayers - an extra \$40.97 per year to typical residential customers - and should be rejected. The FPL proxy group average equity ratio is 49.3% and the national average for allowed equity ratios is 49%. Rather than utilizing FPL's proposed hypothetical capital structure of 59.6% equity, OPC recommends using a more rational, hypothetical capital structure of 50% equity. Applying a 50% equity ratio, which is in-line with industry averages (and still more 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 request. (O'Donnell)

**AARP:** The approved common equity ratio used for ratemaking, on a financial basis excluding deferred taxes, deferred ITC and customer deposits, should not exceed an industry average 47 percent and could employ the much lower actual consolidated equity ratio of NextEra Energy, Inc.

**FEA:** FPL's capital structure has an excessive amount of common equity and unnecessarily inflates the cost to retail customers. FEA witness Gorman recommends that the Commission should award a return on equity that is lower to reflect this reduction in financial risk.

**FIPUG:** Adopt position of SFHHA.

**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.

**Larsons:** The appropriate equity ratio is 50% for the 2017 projected test year. The higher equity ratio requested by FPL should be rejected.

**SFHHA:** If the Commission authorizes an ROE no greater than 9.0%, FPL's common equity ratio should be set at 55%. However, if the Commission authorizes an ROE greater than 9.0%, FPL's equity ratio should be lowered to 53%. *See* Baudino Direct Testimony pp. 50-52.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** FPL's equity ratio should remain at approximately 59.6% as a percentage of investor sources based on a rolling 13-month average throughout the four-year period. This equity ratio appropriately reflects FPL's business risk profile and FPL's strategy of maintaining a "stronger than average" financial position, which 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 major hurricane, 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 degradation of credit and likely downgrades to the Company's credit ratings, damaging customers' long term interests. (Dewhurst, Hevert)

**OPC:** The appropriate equity ratio is 50% for the 2018 subsequent projected test year. 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. FPL's excessive 59.6% equity ratio request in this case puts an unnecessary costly burden on FPL's ratepayers and should not be allowed. The FPL proxy group average equity ratio is 49.3% and the national average for allowed equity ratios is 49%. Rather than utilizing FPL's proposed hypothetical capital structure of 59.6% equity, OPC recommends using a more rational, hypothetical capital structure of 50% equity. (O'Donnell)

**AARP:** The approved common equity ratio used for ratemaking, on a financial basis excluding deferred taxes, deferred ITC and customer deposits, should not exceed an industry average 47 percent and could employ the much lower actual consolidated equity ratio of NextEra Energy, Inc.

**FEA:** FPL's capital structure has an excessive amount of common equity and unnecessarily inflates the cost to retail customers. FEA witness Gorman recommends that the Commission should award a return on equity that is lower to reflect this reduction in financial risk.

**FIPUG:** Adopt position of SFHHA.

**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.

**Larsons:** If applicable, the appropriate equity ratio is 50% for the 2018 subsequent projected test year. The higher equity ratio requested by FPL should be rejected.

**SFHHA:** If the Commission authorizes an ROE no greater than 9.0%, FPL's common equity ratio should be set at 55%. However, if the Commission authorizes an ROE greater than 9.0%, FPL's equity ratio should be lowered to 53%. *See Baudino Direct Testimony pp. 50-52.*

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. The requested incentive is an appropriate means to recognize FPL's superior service, including its low bills, high reliability, low emissions, award-winning customer service, "top-decile" fossil fleet reliability, "best-in-class" fossil heat rates and low non-fuel O&M. It will also 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, in which an authorized ROE was either incrementally increased (or decreased) in recognition of performance. (Dewhurst; Cohen, Miranda, Silagy, Santos, Kennedy, Goldstein and Reed address FPL's superior service)

**OPC:** No, the outlandish surplus ROE inflator should be rejected. FPL claims that its "superior performance" justifies a 50 basis point ROE "booster." FPL is not providing service beyond the "superior performance" that FPL ratepayers have already paid for in base rates, and which FPL is obligated to provide under the regulatory compact. Further, FPL has been issued a Notice of Violation by the Florida Department of Environmental Protection due to the hypersaline water infiltrating the Biscayne Aquifer drinking water supply as a discharge from its Turkey Point Nuclear Units cooling canal system. FPL has stated that it expects to ask customers to pay \$50 million in just the first year for remediation of this problem it has caused and to which it has contributed. The cumulative four-year revenue requirement to customers of FPL's 50 basis point surplus equity inflator, if this unnecessary expense is allowed, would be an additional \$502 million. (Lawton)

**AARP:** No. FPL shareholders have already been richly rewarded for past performance without adding another layer of prospective rewards for investors. Prospective rewards should be awarded only for prospective performance and the Company has not quantified any specific and unique benefits that FPL will achieve incrementally in each future year to justify charging ratepayers the \$119 million per year that this “addier” would contribute to the revenue requirement.

The large base rate increases being proposed by FPL imply that future cost control performance is not forecasted to be sufficient to justify bonus ROE awards at this time. Additionally, incentive compensation for employees is included in FPL’s asserted revenue requirement, causing any ROE adder for shareholders to be excessive and redundant to such employee incentive compensation.

**FEA:** FPL’s request for a 50 basis point performance adder is not justified.

**FIPUG:** No. The proposed 50 basis point performance incentive should be rejected because it is unnecessary to reward FPL for providing the quality service that is expected and because it would force customers to pay twice (in the form of higher rates) for the many cost-reduction measures that have been implemented.

**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.

**Larsons:** No. The requested 50 basis point adder requested by FPL should be rejected by the Commission.

**SFHHA:** No. The Commission should base its allowed return on equity on market-based data and analysis that will fairly compensate investors for their equity investment. Arbitrarily increasing the investor required return to recognize factors such as alleged “excellent management” would overcompensate investors and result in excessive rates to ratepayers. Moreover, providing an inflated return on equity to recognize claimed “exemplary management” performance undercuts the benefits of such performance, which should be greater efficiency, lower costs, and lower rates to customers. FPL’s ratepayers have paid FPL dollar for dollar for the O&M expenses and capital investments the Company has made over time that have resulted in the rates currently being paid by customers. And FPL’s management and employees have accomplished this without any special ROE adder that would flow to shareholders. FPL and its affiliates already receive many incentives if they operate efficiently. Unfortunately, FPL’s management could not be fairly labeled “exemplary” given, *inter alia*, the use of a 60% equity component in the capital structure. Also, with respect to the level of FPL’s rates, there are other factors that have benefitted the Company beyond what could be considered “excellent management” including low gas prices, the contiguity of FPL’s service territory, and the fact that FPL’s current nuclear fleet has been significantly depreciated, none of which are due to exemplary management.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The Commission should authorize 11.5%, including the 50 basis point performance adder, as the return on common equity. Granting FPL's requested return on equity will appropriately take into account FPL's company-specific risk factors which are additive to those risks of the typical vertically-integrated electric utility, such as the Company's operation of nuclear plants and FPL's uniquely high level of hurricane risk exposure both in terms of geographical distribution of assets and likelihood of hurricane strikes. The requested rate also addresses the risk of the Company's proposed multi-year stay-out. 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 necessary to serve its customers on reasonable terms. (Dewhurst, Hevert)

**OPC:** The appropriate ROE is 8.75%. FPL's requested 11% ROE with a .5% surplus ROE inflator and a 59.6% equity ratio is extravagant and excessive under current market conditions. Both interest rates and awarded ROEs have decreased since 2012. Applying the Discount Cash Flow (DCF) method checked by the Capital Asset Pricing Model (CAPM) method with a proposed capital structure of 50% and also applying the electric proxy groups, the appropriate ROE for FPL is 8.75%. Utilizing an 8.75% ROE would result in an approximately \$560 million reduction from FPL's 2017 request. (Woolridge)

**AARP:** The ROE awarded should be significantly lower than the 10.0 percent last approved by the Commission for FPL in a litigated rate case, using a 2009 test year. Market interest rates have declined materially since 2009. Regulators in other states have recognized these declines by reducing the average level of authorized ROE in rate orders across the Country.

**FEA:** The appropriate ROE for FPL is 9.25%, which is the midpoint of FEA witness Gorman's recommended range of 8.90% to 9.60%.

**FIPUG:** To recognize the much lower risk associated with a 60% equity ratio, FPL's ROE should be set no higher than 10%.

**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.

**Larsons:** The appropriate authorized midpoint ROE to use to establish the FPL revenue requirement for the 2017 projected test year is 10.0 – 10.5%. The 11.0% midpoint ROE and 0.5% adder requested by FPL, along with the 59.6% equity ratio is excessive and unwarranted under existing market conditions.

**SFHHA:** 9.00%. FPL's recommended 11.5% ROE was based on a flawed analysis. The FPL DCF utility proxy group was based on a set of companies involved in significant ongoing merger activity and are not comparable to FPL. In addition, FPL's recommendation was based upon various inappropriate adders, such as a flotation cost adjustment and a performance adder. FPL did not provide evidence supporting its presumption that its current stock price is wrong and that it must be adjusted downward to increase the dividend yield and the resulting cost of equity to reflect flotation costs.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** When considering the appropriate revenue requirement increase for FPL in the current proceeding, the Commission should consider (1) the impact the resulting revenue increase will have on customers; (2) the use of a future test year, which reduces the risk due to regulatory lag; (3) the percentage of the Company's total jurisdictional revenues recover through base rates that are at risk due to regulatory lag versus the amount of revenues collected through cost recovery clause charges; and (4) the trend of rate case ROEs that have been approved by state regulatory agencies nationwide. Walmart's Direct Testimony of Steve W. Chriss, pp. 4, 6-14.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The Commission should authorize 11.5%, including the 50 basis point performance adder, as the return on common equity. Granting FPL's requested return on equity will appropriately take into account FPL's company-specific risk factors which are additive to those risks of the typical vertically-integrated electric utility, such as the Company's operation of nuclear plants and FPL's uniquely high level of hurricane risk exposure both in terms of geographical distribution of assets and likelihood of hurricane strikes. The requested rate also addresses the risk of the Company's proposed multi-year stay-out. 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 necessary to serve its customers on reasonable terms. (Dewhurst, Hevert)

**OPC:** The appropriate ROE is 8.75%. FPL's requested 11% ROE with a .5% surplus ROE inflator and a 59.6% equity ratio is extravagant and excessive under current market conditions. Both interest rates and awarded ROEs have decreased since 2012. Applying the Discount Cash Flow (DCF) method checked by the Capital

Asset Pricing Model (CAPM) method with a proposed capital structure of 50% and also applying the electric proxy groups, the appropriate ROE for FPL is 8.75%. (Woolridge)

**AARP:** AARP does not support multi-year ratemaking for FPL. However, any ROE awarded for 2018 should be significantly lower than the 10.0 percent last approved by the Commission for FPL in a litigated rate case, using a 2009 test year. Market interest rates have declined materially since 2009. Regulators in other states have recognized these declines by reducing the average level of authorized ROE in rate orders across the Country.

**FEA:** The appropriate ROE for FPL is 9.25%, which is the midpoint of FEA witness Gorman's recommended range of 8.90% to 9.60%.

**FIPUG:** To recognize the much lower risk associated with a 60% equity ratio, FPL's ROE should be set no higher than 10%.

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

**Larsons:** If applicable, appropriate authorized midpoint ROE to use to establish the FPL revenue requirement for the 2018 subsequent projected test year is 10.0 – 10.5%. The 11.0% midpoint ROE and 0.5% adder requested by FPL, along with the 59.6% equity ratio is excessive and unwarranted under existing market conditions.

**SFHHA:** 9.00%. FPL's recommended 11.5% ROE was based on a flawed analysis. The FPL DCF utility proxy group was based on a set of companies involved in significant ongoing merger activity and are not comparable to FPL. In addition, FPL's recommendation was based upon various inappropriate adders, such as a flotation cost adjustment and a performance adder. FPL did not provide evidence supporting its presumption that its current stock price is wrong and that it must be adjusted downward to increase the dividend yield and the resulting cost of equity to reflect flotation costs.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** When considering the appropriate revenue requirement increase for FPL in the current proceeding, the Commission should consider (1) the impact the resulting revenue increase will have on customers; (2) the use of a future test year, which reduces the risk due to regulatory lag; (3) the percentage of the Company's total jurisdictional revenues recover through base rates that are at risk due to regulatory lag versus the amount of revenues collected through cost recovery clause charges; and (4) the trend of rate case ROEs that have been approved by state regulatory agencies nationwide. Walmart's Direct Testimony of Steve W. Chriss, pp. 4, 6-14.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The associated components, amounts and cost rates are reflected on FPL witness Ousdahl's Exhibit KO-20 for the 2017 projected test year and 2018 subsequent projected test year. Based on those amounts, the appropriate after-tax weighted average cost of capital for the 2017 projected test year is 6.63% and 6.70% for the 2018 subsequent projected test year. (Dewhurst, Ousdahl)

**OPC:** The weighted cost rates for the 2018 project test year are as follows: Long-term debt – 1.64%; Short-term debt – 0.04%; Common Equity – 3.32%; Customer deposits – 0.03%; Deferred taxes – 0.00%; and Investment tax credits – 0.02%. Pursuant to the standards set forth in Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923) ("Bluefield") and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944) ("Hope") that financial integrity should be sufficient to attract capital on reasonable terms under a variety of market and economic conditions, FPL will maintain its financial integrity under OPC's recommended capital structure of 8.75% equity return with a 50% debt/50% equity capital structure with a 5.05% overall rate of return. (O'Donnell, Woolridge, Lawton, Smith)

**AARP:** The overall cost of capital is derivative from ROE, capital structure, cost of debt and the other elements of regulatory capitalization. See AARP positions above with respect to ROE and equity ratio.

**FEA:** FPL's ratemaking weighted average cost of capital should be set at 5.56% as recommended by FEA witness Gorman.

**FIPUG:** Adopt position of SFHHA.

**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.

**Larsons:** As calculated using a 10.0 – 10.5% ROE with a 50% equity ratio and using appropriate market based rates for the cost of long-term and short-term debt.

**SFHHA:** So long as FPL's ROE is set at 9.00%, FPL's weighted average cost of capital should be 5.18%. See Exh. LK-28 at page 5.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.



**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The associated components, amounts and cost rates are reflected on FPL witness Ousdahl's Exhibit KO-20 for the 2017 projected test year and 2018 subsequent projected test year. Based on those amounts, the appropriate after-tax weighted average cost of capital for the 2017 projected test year is 6.63% and 6.70% for the 2018 subsequent projected test year. (Dewhurst, Ousdahl)

**OPC:** The weighted cost rates for the 2017 project test year are as follows: Long-term debt – 1.79%; Short-term debt – 0.03%; Common Equity – 3.31%; Customer deposits – 0.02%; Deferred taxes – 0.00%; and Investment tax credits – 0.02%. Pursuant to the standards set forth in Bluefield and Hope that financial integrity should be sufficient to attract capital on reasonable terms under a variety of market and economic conditions, FPL will maintain its financial integrity under OPC's recommended capital structure of 8.75% equity return with a 50% debt/50% equity capital structure with a 5.05% overall rate of return. (O'Donnell, Woolridge, Lawton, Smith)

**AARP:** AARP does not support multi-year ratemaking for FPL. However, the overall cost of capital is derivative from ROE, capital structure, cost of debt and the other elements of regulatory capitalization. See AARP positions above with respect to ROE and equity ratio.

**FEA:** FPL's ratemaking weighted average cost of capital should be set at 5.56% as recommended by FEA witness Gorman.

**FIPUG:** Adopt position of SFHHA.

**FRF:** If applicable, 5.05%.

**Larsons:** If applicable, as calculated using a 10.0 – 10.5% ROE with a 50% equity ratio and using appropriate market based rates for the cost of long-term and short-term debt.

**SFHHA:** So long as FPL's ROE is set at 9.00%, FPL's weighted average cost of capital should be 5.16%. *See* Exh. LK-29 at page 5.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**NET OPERATING INCOME**

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Other Operating Revenues is \$194,123,000 (jurisdictional adjusted) for the 2017 projected test year and \$200,391,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** The appropriate projected amounts of other operating revenues per OPC adjustments for the 2017 projected test year is \$192.897 million. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Other Operating Revenues is \$194,123,000 (jurisdictional adjusted) for the 2017 projected test year and \$200,391,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** The appropriate projected amounts of other operating revenues per OPC adjustments for the 2018 projected test year is \$194.137 million. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Total Operating Revenues is \$5,926,640,000 (jurisdictional adjusted) for the 2017 projected test year and \$5,971,633,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett)

**OPC:** Test year revenues should be increased by \$201.596 million to reflect OPC witness Dismukes' adjustment to correct the sales forecast, for a total of \$6,128.441 million for 2017. (Dismukes, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** \$6,128.441 million for 2017.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Total Operating Revenues is \$5,926,640,000 (jurisdictional adjusted) for the 2017

projected test year and \$5,971,633,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett)

**OPC:** Test year revenues should be increased by \$254.008 million to reflect OPC witness Dismukes' adjustment to correct the sales forecast, for a total of \$6,221.118 million for 2018. (Dismukes, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** \$6,221.118 million for 2018.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

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

**OPC:** **No.** FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

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

**OPC:** No. FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

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

**OPC:** No. FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause for the 2017 test year.

**AARP:** No position.

- FEA:** No position.
- FIPUG:** Adopt position of SFHHA.
- FRF:** Agree with OPC.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** SFHHA supports the position of OPC.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

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

- FPL:** Yes. FPL has made the appropriate test year adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause. (Ousdahl)
- OPC:** **No.** FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause for the 2018 test year.
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of SFHHA.
- FRF:** Agree with OPC.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** SFHHA supports the position of OPC.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

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

**OPC:** No. FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

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

**OPC:** No. FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

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

**OPC:** **No** . FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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



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

**OPC:** No. FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

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

**OPC:** No. FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove all non-utility activities from operating revenues and operating expenses for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

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

**OPC:** **No.** FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to remove all non-utility activities from operating revenues and operating expenses for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Corporate Services Charges are allocated using specific drivers and the Massachusetts Formula, pursuant to which 35% of FPL Corporate Service Charges are forecasted to be allocated to affiliates for the 2017 projected test year and 36% for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to reflect the appropriate percentage value (or other

assignment value or methodology basis) to allocate FPL shared corporate services costs and/or expenses to its affiliates for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** FPL shared corporate services costs and/or expenses should be fully burdened to its affiliates at actual cost and not subsidized by FPL customers.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Corporate Services Charges are allocated using specific drivers and the Massachusetts Formula, pursuant to which 35% of FPL Corporate Service Charges are forecasted to be allocated to affiliates for the 2017 projected test year and 36% for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to reflect the appropriate percentage value (or other assignment value or methodology basis) to allocate FPL shared corporate services costs and/or expenses to its affiliates for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** If applicable, FPL shared corporate services costs and/or expenses should be fully burdened to its affiliates at actual cost and not subsidized by FPL customers.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The appropriate amount of FPL Corporate Service Charges to be allocated to affiliates is \$85,724,000 for the 2017 projected test year and \$89,198,000 for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to reflect the appropriate amount of FPL shared corporate services costs and/or expenses (including executive compensation and benefits) to be allocated to affiliates for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** FPL shared corporate services costs and/or expenses should be fully burdened to its affiliates at actual cost and not subsidized by FPL customers.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate amount of FPL Corporate Service Charges to be allocated to affiliates is \$85,724,000 for the 2017 projected test year and \$89,198,000 for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to reflect the appropriate amount of FPL shared corporate

services costs and/or expenses (including executive compensation and benefits) to be allocated to affiliates for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** If applicable, FPL shared corporate services costs and/or expenses should be fully burdened to its affiliates at actual cost and not subsidized by FPL customers.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** No adjustments are required to be made to FPL's forecasted operating revenues or operating expenses for the effects of transactions with affiliated companies for either the 2017 projected test year or 2018 subsequent projected test year. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** Yes.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** No adjustments are required to be made to FPL's forecasted operating revenues or operating expenses for the effects of transactions with affiliated companies for either the 2017 projected test year or 2018 subsequent projected test year. (Ousdahl)

**OPC:** No, FPL has not met the burden of demonstrating that it has made the appropriate test year adjustments to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** If applicable, yes.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** FPL's vegetation management expenses of \$65,645,000 (total system) for the 2017 projected test year and \$69,648,000 (total system) for the 2018 subsequent projected test year are appropriate. These expenses were developed in a rigorous budget process by knowledgeable experts who understand FPL's program and system. (Miranda)

**OPC:** Vegetation management expenses should be reduced by \$4.647 million (total and jurisdictional) for a total of \$60.953 million, a reduction to the Company's

projected 2017 spending. This adjustment was determined by multiplying FPL's 2015 budgeted spending of \$63.100 million by the budget-to-actual variance of 96.6% for the years 2013 through 2015. Over the past three years, the Company spent less than its budget for tree trimming, despite exceeding the miles actually trimmed over its budgeted miles. Thus, it is appropriate to make an adjustment to reflect the expected and normal level of vegetation management hardening expense. (Schultz)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** \$60.953 million.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** FPL's vegetation management expenses of \$65,645,000 (total system) for the 2017 projected test year and \$69,648,000 (total system) for the 2018 subsequent projected test year are appropriate. These expenses were developed in a rigorous budget process by knowledgeable experts who understand FPL's program and system. (Miranda)

**OPC:** Vegetation management expenses should be reduced by \$7.428 million (total and jurisdictional) for a total of \$62.172 million, a reduction to the Company's projected 2018 spending. This adjustment was determined by escalating witness Schultz' 2017 vegetation management expense by witness Dismukes' recommended inflation factor of 2%. Over the past three years the Company spent less than its budget for tree trimming, despite exceeding the miles actually trimmed over its budgeted miles. Thus, it is appropriate to make an adjustment to reflect the expected and normal level of vegetation management hardening expense. (Schultz, Dismukes)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** \$62.172 million.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** The appropriate level of generation overhaul expense is \$46,048,000 (jurisdictional adjusted) for the 2017 projected test year and \$51,927,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Kennedy)

**OPC:** FPL's projected 2017 projected generation overhaul expenses are significantly higher than a normalized cost level. Since generation overhaul types and work vary annually, any base rate effect should be normalized. Witness Smith took a 4-year average based on the actual 2014 and 2015 and projected 2016 and 2017 generation overhaul expenses. The 2017 levels were escalated using the 2.06% inflation rate recommended by OPC witness Dismukes. Normalizing generational overhaul expense results in a reduction of \$3.803 million (\$3.603 million jurisdictional) to the 2017 projected test year. (Smith, Dismukes)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.



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

**FPL:** The appropriate level of generation overhaul expense is \$46,048,000 (jurisdictional adjusted) for the 2017 projected test year and \$51,927,000 (jurisdictional adjusted) for the 2018 subsequent projected test year.

**OPC:** FPL's projected 2018 projected generation overhaul expenses are significantly higher than a normalized cost level. Since generation overhaul types and work vary annually, any base rate effect should be normalized. Witness Smith took a 5-year average based on the actual 2014 and 2015 and the projected 2016, 2017 and 2018 generation overhaul expenses. The 2017 and 2018 levels were escalated using the 2.06% inflation rate recommended by OPC witness Dismukes. Normalizing generational overhaul expense results in a reduction of \$9.037 million (\$8.562 million jurisdictional) to the 2018 projected test year. (Smith, Dismukes)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** FPL's production plant O&M expense of \$532,533,000 (jurisdictional adjusted) for the 2017 projected test year and \$547,977,000 (jurisdictional adjusted) for the 2018 subsequent projected test year are appropriate. The non-nuclear O&M request in 2017 (\$224,824,000) and in 2018 (\$232,280,000) is commensurate with the transformation to a clean, highly efficient combined cycle technology fleet that includes new Cape Canaveral Energy Center, Riviera Beach Energy Center and Port Everglades Energy Center capacity. The non-nuclear O&M expense excludes non-recoverable fuel O&M expense in 2017 (\$13,317,000) and in 2018 (\$13,112,000). The nuclear O&M expense is \$307,709,000 (jurisdictional

adjusted) for the 2017 projected test year and \$315,697,000 (jurisdictional adjusted) for 2018 subsequent projected test year are necessary to maintain nuclear facilities in order to maximize fuel savings, enhance system fuel diversity, and permit the safe and reliable operation of its nuclear units into their renewed license terms. (Kennedy, Goldstein)

**OPC:** No. FPL has not met the burden of demonstrating that its production plant O&M expenses are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** FPL's production plant O&M expense of \$532,533,000 (jurisdictional adjusted) for the 2017 projected test year and \$547,977,000 (jurisdictional adjusted) for the 2018 subsequent projected test year are appropriate. The non-nuclear O&M request in 2017 (\$224,824,000) and in 2018 (\$232,280,000) is commensurate with the transformation to a clean, highly efficient combined cycle technology fleet that includes new Cape Canaveral Energy Center, Riviera Beach Energy Center and Port Everglades Energy Center capacity. The non-nuclear O&M expense excludes non-recoverable fuel O&M expense in 2017 (\$13,317,000) and in 2018 (\$13,112,000). The nuclear O&M expense is \$307,709,000 (jurisdictional adjusted) for the 2017 projected test year and \$315,697,000 (jurisdictional adjusted) for 2018 subsequent projected test year are necessary to maintain nuclear facilities in order to maximize fuel savings, enhance system fuel diversity, and permit the safe and reliable operation of its nuclear units into their renewed license terms. (Kennedy, Goldstein)

**OPC:** No. FPL has not met the burden of demonstrating that its production plant O&M expenses are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** FPL's transmission O&M expense of \$59,903,000 (jurisdictional adjusted) for the 2017 projected test year is appropriate (MFR C-4, pg. 7, line 2). FPL's transmission O&M expense of \$61,211,000 (jurisdictional adjusted) for the 2018 projected subsequent year is appropriate (MFR C-4, pg. 7, line 14). (Miranda)

**OPC:** **No.** FPL has not met the burden of demonstrating that its transmission O&M expenses are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** SFHAA agrees with OPC's recommended reductions to this expense.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** FPL's transmission O&M expense of \$59,903,000 (jurisdictional adjusted) for the 2017 projected test year is appropriate (MFR C-4, pg. 7, line 2). FPL's transmission O&M expense of \$61,211,000 (jurisdictional adjusted) for the 2018 projected subsequent year is appropriate (MFR C-4, pg. 7, line 14). (Miranda)

**OPC:** **No.** FPL has not met the burden of demonstrating that its transmission O&M expenses are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** SFHAA agrees with OPC's recommended reductions to this expense.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** FPL's distribution O&M expense of \$294,243,000 (jurisdictional adjusted) for the 2017 projected test year is appropriate (MFR C-4, pg. 7, line 28). FPL's distribution O&M expense of \$317,186,000 (jurisdictional adjusted) for the 2018 projected subsequent year is appropriate (MFR C-4, pg. 8, line 7). (Miranda)

**OPC:** **No.** FPL has not met the burden of demonstrating that its distribution O&M expenses are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** FPL's distribution O&M expense of \$294,243,000 (jurisdictional adjusted) for the 2017 projected test year is appropriate (MFR C-4, pg. 7, line 28). FPL's distribution O&M expense of \$317,186,000 (jurisdictional adjusted) for the 2018 projected subsequent year is appropriate (MFR C-4, pg. 8, line 7). (Miranda)

**OPC:** No. FPL has not met the burden of demonstrating that its distribution O&M expenses are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. While the Company continues to believe that the best practice is to contribute to a storm reserve on an on-going basis, in the interest of minimizing the number of disputed issues in this proceeding, FPL requested to continue the storm cost recovery mechanism that was approved in the 2010 Rate Settlement and continued by the 2012 Rate Settlement. (Dewhurst)

**OPC:** No, see OPC's position on Legal Issue 1. But if the Commission decides to implement a cost recovery mechanism similar to the mechanism approved in the prior settlements, modifications should be made for the customers' benefit. The current framework prescribed by the 2010 Rate Settlement and continued by the 2012 Rate Settlement generally is sufficient, however, it should be modified to add safeguards. The Company should have the recovery subject to a level that is limited to major, named storms as defined by the National Hurricane Center, not just any storm. Further, the language "that any proceeding to recover costs associated with any storm shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previous or current base rate earnings or level of theoretical depreciation reserve" should be clarified. The intent of including this language in the settlements was not and should not be memorialized by the language in the proposal to limit legitimate inquiry into the reasonableness and prudence of the costs that the Company claims to have incurred in storm damage repair and restoration activities. The Commission should ensure in any order approving the mechanism outside of a settlement that a full opportunity to test and challenge costs will be provided in the time that is needed since the Company will be allowed to receive expedited interim recovery of costs. (Schultz)

**AARP:** No position.

**FEA:** FEA adopts the position of SFHHA.

**FIPUG:** Adopt position of SFHHA.

**FRF:** No.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No. The storm cost recovery mechanism was an element of the settlement agreement approved in Docket Nos. 090130-EI and 120015-EI. *See* Response to Issue 1.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** FPL has not requested an annual storm damage accrual or a target reserve level in this proceeding. FPL is requesting that if FPL incurs storm costs related to a

named tropical storm or hurricane, the Company may begin collecting up to \$4 per 1,000 kWh beginning 60 days after filing a petition for recovery. (Dewhurst)

**OPC:** No. FPL has not met the burden of demonstrating that its storm damage reserve is reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** Adopt position of SFHHA.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No accrual is necessary. FPL has a substantial storm damage reserve and has mechanisms available to it to obtain funds in the event of excessive storm damages. The cost to ratepayers of those alternative mechanisms (such as securitization) would be less than the cost of an annual accrual.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

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

**OPC:** No. FPL has not met the burden of demonstrating that its storm damage reserve is reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** Adopt position of SFHHA.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No accrual is necessary. FPL has a substantial storm damage reserve and has mechanisms available to it to obtain funds in the event of excessive storm damages. The cost to ratepayers of those alternative mechanisms (such as securitization) would be less than the cost of an annual accrual.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** The appropriate amount of Other Post Employment Benefits Expense, excluding amounts forecasted to be included in capital expenditures and charged to affiliates, for the 2017 projected test year is \$8,307,000 (jurisdictional) and for the 2018 subsequent projected test year is \$8,389,000 (jurisdictional). (Ousdahl, Slattery)

**OPC:** **No.** FPL has not met the burden of demonstrating that its Other Post Employment Benefits expenses are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate amount of Other Post Employment Benefits Expense, excluding amounts forecasted to be included in capital expenditures and charged to affiliates, for the 2017 projected test year is \$8,307,000 (jurisdictional) and for the



2018 subsequent projected test year is \$8,389,000 (jurisdictional). (Ousdahl, Slattery)

**OPC:** No. FPL has not met the burden of demonstrating that its Other Post Employment Benefits expenses are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** One hundred percent of the 2017 and 2018 projected 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, annual pay increase program, and non-executive variable incentive pay to the relevant comparative market; FPL's salary cost and efficiency to those of similar utilities; and the relative value of benefits programs to other utility and general industry companies. (Slattery)

**OPC:** FPL has not met the burden of demonstrating that its salaries and employee benefits expenses are reasonable for the 2017 test year. The Commission should adjust salaries and employee benefits in the following areas:

1. For excessive projected employee complement, jurisdictional O&M should be reduced by \$17.743 million (\$17.166 million jurisdictional);

2. Consistent with prior Commission decisions, employee incentive compensation should be reduced in the amount of \$28.216 million (\$27.298 million jurisdictional); and

3. Corresponding adjustments should be made to reduce employee benefits by \$2.681 million (\$2.595 million jurisdictional). (Schultz)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** One hundred percent of the 2017 and 2018 projected 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, annual pay increase program, and non-executive variable incentive pay to the relevant comparative market; FPL's salary cost and efficiency to those of similar utilities; and the relative value of benefits programs to other utility and general industry companies. (Slattery)

**OPC:** FPL has not met the burden of demonstrating that its salaries and employee benefits expenses are reasonable for the 2018 test year. The Commission should adjust salaries and employee benefits in the following areas:

1. For excessive projected employee complement, jurisdictional O&M should be reduced by \$16.530 million (\$15.938 million jurisdictional);

2. Consistent with prior Commission decisions, employee incentive compensation should be reduced in the amount of \$28.216 million (\$27.298 million jurisdictional); and

3. Corresponding adjustments should be made to reduce employee benefits by \$2.513 million (\$2.435 million jurisdictional). (Schultz)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 106:** **What is the appropriate amount of Pension Expense**

**A. For the 2017 projected test year?**

**FPL:** As reflected on MFR C-17, the appropriate amount of Pension Cost for the 2017 projected test year is (\$60,529,000) (total system) and (\$62,555,000) (total system) for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that its pension expenses are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on MFR C-17, the appropriate amount of Pension Cost for the 2017 projected test year is (\$60,529,000) (total system) and (\$62,555,000) (total system) for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that its pension expenses are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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)?**

**FPL:** No. (Dewhurst, Deason)

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

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Yes.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** The appropriate amount of FPL's rate case expense is \$4,925,000, and amortization period is four years. (Ousdahl)

**OPC:** FPL's projected rate case expense appears significantly overstated and should be reduced. The requested costs for employee travel (especially with respect to the number of FPL employees attending the Customer Hearings) and professional services are excessive. Inclusion of FPL overtime labor cost is inappropriate. The complexity of the rate case with two forecasted test years and an additional 2019 step increase has also increased rate case expense, and is unreasonable to be borne by ratepayers. Rate case expense should be limited to 2008 rate case levels escalated to 2017 levels which results in overall rate case expense of \$3.620 million, or \$1.305 million less than FPL's requested amount of \$4.925 million. A 4-year amortization period results in \$905,000 in annual rate case expense, which is a reduction of \$326,000 to FPL's requested expense. (Smith)

**AARP:** No position.

**FEA:** Adopt position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL should not have filed this rate case as is explained above. As such, it should not obtain recovery of any rate case expenses. If any rate case expenses are allowed, they should be amortized over 4 years without carrying costs.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate amount of FPL's rate case expense is \$4,925,000, and amortization period is four years. (Ousdahl)

**OPC:** FPL's projected rate case expense appears significantly overstated and should be reduced. The requested costs for employee travel (especially with respect to the number of FPL employees attending the Customer Hearings) and professional services are excessive. Inclusion of FPL overtime labor cost is inappropriate. The complexity of the rate case with two forecasted test years and an additional 2019 step increase has also increased rate case expense, and is unreasonable to be borne by ratepayers. Rate case expense should be limited to 2008 rate case levels escalated to 2017 levels which results in overall rate case expense of \$3.620 million, or \$1.305 million less than FPL's requested amount of \$4.925 million. A 4-year amortization period results in \$905,000 in annual rate case expense, which is a reduction of \$326,000 to FPL's requested expense. (Smith)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL should not have filed this rate case as is explained above. As such, it should not obtain recovery of any rate case expenses. If any rate case expenses are allowed, they should be amortized over 4 years without carrying costs.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** Based on the adjustments listed on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of uncollectible expense is \$6,845,000 for the 2017 projected test year and \$6,992,000 for the 2018 subsequent projected test year. The appropriate bad debt rate is 0.066% for the 2017 projected test year and for the

2018 subsequent projected test year, as reflected on FPL witness Ousdahl's Exhibit KO-20. (Santos, Barrett)

**OPC:** No. FPL has not met the burden of demonstrating that its uncollectible expense and bad debt rate are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Based on the adjustments listed on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of uncollectible expense is \$6,845,000 for the 2017 projected test year and \$6,992,000 for the 2018 subsequent projected test year. The appropriate bad debt rate is 0.066% for the 2017 projected test year and for the 2018 subsequent projected test year, as reflected on FPL witness Ousdahl's Exhibit KO-20. (Santos, Barrett)

**OPC:** No. FPL has not met the burden of demonstrating that its uncollectible expense and bad debt rate are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. The smart meter deployment has been completed and the appropriate amount of cost and savings associated with smart meters has been included in the 2017 projected test year and the 2018 subsequent projected test year. (Santos)

**OPC:** **No.** FPL has not met the burden of demonstrating that its costs and savings associated with the AMI smart meters are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** No.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. The smart meter deployment has been completed and the appropriate amount of cost and savings associated with smart meters has been included in the 2017 projected test year and the 2018 subsequent projected test year. (Santos)

**OPC:** **No.** FPL has not met the burden of demonstrating that its costs and savings associated with the AMI smart meters are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.



**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** If applicable, no.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes, the company's proposed adjustment to nuclear maintenance expense is appropriate. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that its proposed adjustment to nuclear maintenance expense is appropriate for the 2017 test year, if the proposed change in accounting to defer and amortize the nuclear maintenance reserve is approved.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The appropriate amount of expense accruals for the 2017 Test Year for the EOL M&S and last core nuclear fuel is \$1,871,000 and \$10,504,000 (jurisdictional), respectively. The appropriate amount of expense accruals for the 2018 Subsequent Year for the EOL M&S and last core nuclear fuel is \$1,871,000 and \$10,505,000 (jurisdictional), respectively. (Ferguson)

**OPC:** **No.** FPL has not met the burden of demonstrating that its expense accruals for: (1) end of life materials and supplies and (2) last core nuclear fuel are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** *See* Response to Issue 65.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate amount of expense accruals for the 2017 Test Year for the EOL M&S and last core nuclear fuel is \$1,871,000 and \$10,504,000 (jurisdictional), respectively. The appropriate amount of expense accruals for the 2018 Subsequent Year for the EOL M&S and last core nuclear fuel is \$1,871,000 and \$10,505,000 (jurisdictional), respectively. (Ferguson)

**OPC:** **No.** FPL has not met the burden of demonstrating that its expense accruals for: (1) end of life materials and supplies and (2) last core nuclear fuel are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** See Response to Issue 65.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** Based on the adjustment listed on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Injuries & Damages expense accruals for the 2017 projected test year and 2018 subsequent projected test year, as reflected on MFR B-21, is \$10,065,000 (jurisdictional) and \$11,328,000 (jurisdictional), respectively. (Barrett, Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that its accruals for injuries and damages (I&D) expense are reasonable for the 2017 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** \$10.404 million, as proposed by FPL.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Based on the adjustment listed on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Injuries & Damages expense accruals for the 2017 projected test year and 2018 subsequent projected test year, as reflected on MFR

B-21, is \$10,065,000 (jurisdictional) and \$11,328,000 (jurisdictional), respectively. (Barrett, Ousdahl)

**OPC:** No. FPL has not met the burden of demonstrating that its accruals for injuries and damages (I&D) expense are reasonable for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** \$10.404 million, same as for 2017, which is a \$1.296 million reduction in I&D expense and \$1.298 million in the revenue requirement for 2018.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of O&M Expense is \$1,348,392,000 (jurisdictional adjusted) for the 2017 projected test year and \$1,398,044,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett)

**OPC:** Based on the testimony of OPC witnesses, the appropriate level of O&M expenses is \$1,267.955 million for the 2017 test year. (Schultz, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** The appropriate level of O&M expenses is \$1,267,955 million for the 2017 test year.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The level that results from implementing those changes proposed by SFHHA and those changes proposed by OPC that SFHHA supports.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of O&M Expense is \$1,348,392,000 (jurisdictional adjusted) for the 2017 projected test year and \$1,398,044,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett)

**OPC:** Based on the testimony of OPC witnesses, the appropriate level of O&M expenses is \$1,310.440 million for the 2018 test year. (Schultz, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** The appropriate level of O&M expenses is \$1,310,440 million for the 2018 test year.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The level that results from implementing those changes proposed by SFHHA and those changes proposed by OPC that SFHHA supports.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of depreciation and amortization expense is \$1,643,740,000 (jurisdictional adjusted)

for the 2017 projected test year and \$1,714,341,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl, Ferguson)

**OPC:** Based on the testimony of OPC witnesses, the appropriate level of depreciation, amortization, and fossil dismantlement expenses is \$ 1,140.564 million for the 2017 test year. Further, any surplus reserve amortization balance from the 2012 Settlement Agreement remaining on December 31, 2016, should be credited to customers evenly in 2017 and 2018. (Pous, Schultz, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** An amount not to exceed \$1,401.313 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of depreciation and amortization expense is \$1,643,740,000 (jurisdictional adjusted) for the 2017 projected test year and \$1,714,341,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl, Ferguson)

**OPC:** Based on the testimony of OPC witnesses, the appropriate level of depreciation, amortization, and fossil dismantlement expenses is \$1,216.914 million for the 2018 test year. Further, any surplus reserve amortization balance from the 2012 Settlement Agreement remaining on December 31, 2016, should be credited to customers evenly in 2017 and 2018. (Pous, Schultz, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** An amount not to exceed \$1,470.650 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Taxes Other Than Income Taxes is \$578,106,000 (jurisdictional adjusted) for the 2017 projected test year and \$615,358,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** Payroll taxes should be reduced by \$1.152 million (\$1.136 million jurisdictional) for the excessive projected employee complement, and by \$1.775 million (\$1.751 million jurisdictional) for the incentive compensation adjustments recommended by OPC witness Schultz in Issue 105. The appropriate level of taxes other than income is \$575.304 million for the 2017 test year. (Schultz, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** An amount not to exceed \$578.191 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Taxes Other Than Income Taxes is \$578,106,000 (jurisdictional adjusted) for the 2017 projected test year and \$615,358,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** Payroll taxes should be reduced by \$1.073 million (\$1.058 million jurisdictional) for the excessive projected employee complement, and by \$1.775 million (\$1.751 million jurisdictional) for the incentive compensation adjustments recommended by OPC witness Schultz in Issue 105. The appropriate level of taxes other than income is \$612.664 million for the 2018 test year. (Schultz, Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** An amount not to exceed \$615.473 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 116:** **What is the appropriate level of Income Taxes**

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Income Taxes is \$716,478,000 (jurisdictional adjusted) for the 2017 projected test year and \$653,722,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** Based on the testimony of OPC witnesses, the appropriate level of income taxes is \$978.542 million for the 2017 test year. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.



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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Income Taxes expense should be modified consistent with SFHHA's recommendations on *inter alia*, ROE and capital structure. *See also* response to Issue 121. An amount not to exceed \$424.607 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Income Taxes is \$716,478,000 (jurisdictional adjusted) for the 2017 projected test year and \$653,722,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Ousdahl)

**OPC:** Based on the testimony of OPC witnesses, the appropriate level of income taxes is \$925.124 million for the 2018 test year. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** *See* Response to Issue 116(A). An amount not to exceed \$339.446 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl' s Exhibit KO-20, the appropriate amount of (Gain)/Loss on Disposal of Plant is (\$5,759,000) (jurisdictional adjusted) for the 2017 projected test year and (\$5,730,000) (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett)

**OPC:** The appropriate level of gain on disposal of utility property is \$5.759 million for the 2017 test year. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC' s preliminary position on this issue.

**SFHHA:** Any level of (Gain)/Loss on Disposal of utility property should reflect, at a minimum, the adjustments recommended by SFHHA, resulting in an amount not to exceed (\$5.759 million).

**Sierra Club:** Sierra Club adopts OPC' s position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl' s Exhibit KO-20, the appropriate amount of (Gain)/Loss on Disposal of Plant is (\$5,759,000) (jurisdictional adjusted) for the 2017 projected test year and (\$5,730,000) (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett)

**OPC:** The appropriate level of gain on disposal of utility property is \$10.759 million for the 2018 test year. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** See Response to Issue 117(A). An amount not to exceed (\$10.759 million).

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Total Operating Expenses is \$4,280,956,000 (jurisdictional adjusted) for the 2017 projected test year and \$4,375,642,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett)

**OPC:** The appropriate level of total operating expenses is \$3,981.071 million for the 2017 test year. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Any level of Total Operating Expenses should reflect, at a minimum, SFHHA's recommendations, resulting in an amount not to exceed \$3,750.769 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Total Operating Expenses is \$4,280,956,000 (jurisdictional adjusted) for the 2017 projected test year and \$4,375,642,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett)

**OPC:** The appropriate level of total operating expenses is \$4,078.645 million for the 2018 test year. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** *See* Response to Issue 118(A). An amount not to exceed \$3,815.486 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes, the Company's proposed adjustment to remove Fukushima-related costs from net operating income and recover all Fukushima-related capital costs solely in the Capacity Cost Recovery Clause is appropriate. (Ousdahl)

**OPC:** **No.** FPL has not met the burden of demonstrating that its proposed net operating income adjustment to remove Fukushima-related O&M expenses from base rates and to recover all Fukushima-related expenses in the capacity cost recovery clause is reasonable.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

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

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Net Operating Income is \$1,645,685,000 (jurisdictional adjusted) for the 2017 projected test year and \$1,596,021,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** The appropriate level of net operating income is \$2,147.370 million for the 2017 test year. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** *See* Response to Issue 118(A). An amount not to exceed \$2,171.436 million.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate amount of Net Operating Income is \$1,645,685,000 (jurisdictional adjusted) for the 2017 projected test year and \$1,596,021,000 (jurisdictional adjusted) for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** The appropriate level of net operating income is \$2,142.473 million for the 2018 test year. (Smith)

**AARP:** No position.

- FEA:** No position.
- FIPUG:** Adopt position of OPC.
- FRF:** The appropriate level of net operating income should be \$2,142.473 million for the 2018 test year.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** See Response to Issue 118(A). An amount not to exceed \$2,152.043 million.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

#### **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?**

- FPL:** No. The Commission's current process and historical practice, as codified in MFR C-44, provides only for an income tax gross up of the return on equity in proposed base rates at the statutory income tax rate. Therefore, the Section 199 Manufacturer's deduction does not need to be included in the revenue expansion factor. (Ousdahl)
- OPC:** No. FPL has not met the burden to show that the Section 199 Manufacturer's deduction should not be included in the revenue expansion factor for the 2017 test year.
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of OPC.
- FRF:** Agree with OPC.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** No. the Company did not reflect the Section 199 deduction in the calculation of the revenue expansion factor shown on Schedule C-44. This error had the effect of increasing the revenue expansion factor and improperly increasing the revenue

deficiency. If the Commission finds that the Company has a revenue deficiency in any of the test years, the revenue expansion factor should be corrected to include the Section 199 deduction.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** No. The Commission's current process and historical practice, as codified in MFR C-44, provides only for an income tax gross up of the return on equity in proposed base rates at the statutory income tax rate. Therefore, the Section 199 Manufacturer's deduction does not need to be included in the revenue expansion factor. (Ousdahl)

**OPC:** No. FPL has not met the burden to show that the Section 199 Manufacturer's deduction should not be included in the revenue expansion factor for the 2018 test year.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No. *See* Response for 2017 test year.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

- FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the revenue expansion factor and net operating income multiplier for the 2017 projected test year and 2018 subsequent projected test year is 0.61340 and 1.63025, respectively. (Ousdahl)
- OPC:** The appropriate revenue expansion factor is 1.63025 for the 2017 test year. (Smith)
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of OPC.
- FRF:** The appropriate revenue expansion factor should be 1.63025 for the 2017 test year.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** The deduction of 9% of taxable income allocable to production. The calculations to support this deduction are set forth in Exhibit No. \_\_\_\_ (LK-33).
- Sierra Club:** Sierra Club adopts OPC's position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.
- B. If applicable, for the 2018 subsequent projected test year?**
- FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the revenue expansion factor and net operating income multiplier for the 2017 projected test year and 2018 subsequent projected test year is 0.61340 and 1.63025, respectively. (Ousdahl)
- OPC:** The appropriate revenue expansion factor is 1.63025 for the 2018 test year. (Smith)
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of OPC.
- FRF:** The appropriate revenue expansion factor should be 1.63025 for the 2018 test year.



**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** See answer to subpart A.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. For the 2017 projected test year?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate annual operating revenue increase is \$826,212,000 for the 2017 projected test year and \$269,634,000 for the 2018 subsequent projected test year. (Barrett, Ousdahl)

**OPC:** The appropriate annual revenue decrease is \$807.225 million for the 2017 test year. (Smith)

**AARP:** This is derivative from all findings above.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** At a minimum, annual operating revenue should reflect, *inter alia*, the adjustments recommended by SFHHA.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate annual operating revenue increase is \$826,212,000 for the 2017 projected test year and \$269,634,000 for the 2018 subsequent projected test year. (Barrett, Ousdahl)

- OPC:** The appropriate annual revenue decrease should be \$603.852 million for the 2018 test year. (Smith)
- AARP:** AARP does not support multi-year ratemaking for FPL. However, any revenue requirement for 2018 would be derivative from all findings above, if authorized by the Commission.
- FEA:** No position.
- FIPUG:** Adopt position of OPC.
- FRF:** The appropriate annual revenue decrease should be \$603.852 million (from current rates) for the 2018 test year.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** *See* Response to Issue 123(A).
- Sierra Club:** Sierra Club adopts OPC's position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**
- FPL:** Yes. The Commission should approve a limited scope adjustment for the new Okeechobee Energy Center. (Barrett)
- OPC:** The proposed Okeechobee June 1, 2019 limited scope adjustment (LSA) increase requested by FPL should not be approved at this time due to FPL's revenue excesses for both 2017 and 2018. Further, the reasonableness and accuracy of FPL's 2019-2020 projections is highly suspect. However, if the Commission considers the Okeechobee LSA, then OPC'S 2018 ROR should be used; operating costs associated with the project should be updated based on a more recent forecast; and start-up costs included in FPL's projects should be removed to normalize costs and exclude one-time, non-recurring costs. (Smith)
- AARP:** No piecemeal rate relief for Okeechobee Energy Center should be approved. The Commission has previously found that generating unit investments can be reasonably considered within traditional rate case filings, where costs and revenues can be reviewed "as a whole" rather than on a piecemeal basis, to

determine whether rate relief is actually needed at the time of completion of such new investments.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Commission should deny the limited scope adjustment.

**SFHHA:** The Commission should deny the adjustment. The Company's proposed base rate increase for Okeechobee is a selective single issue rate increase that is not balanced against potential reductions in the revenue requirement from other sources and does not reflect future reductions in costs as Okeechobee is depreciated for book and income tax purposes. Further, the adjustment is never trued-up to reflect the actual cost of the plant, despite FPL's claim that it has a history of completing projects below budget, as asserted by Mr. Silagy. If approved, the Commission should use a 2.5% depreciation rate. ADIT should be at least \$152.822 million, compared to the \$85.747 million proposed. The 50 basis point adder should also be eliminated.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL has demonstrated the need for the revenue requirements associated with the Okeechobee generating unit. Further, FPL will offset the increased revenue requirements associated with the plant with the offsetting fuel savings generated by that plant. Thus, for the single issue the 2019 Okeechobee LSA addresses, it appropriately "considers the cost reductions that the Company" achieves with respect to that issue. (Barrett)

**OPC:** No, due to FPL's revenue excesses for both 2017 and 2018, the reasonableness and accuracy of FPL's 2019-2020 projections is highly suspect. (Smith)

**AARP:** No. There has been no showing by FPL that the Company's overall cost of service in 2019 will exceed its approved base rate revenue levels at that time, or that additional revenues would be needed in amounts equal to the piecemeal revenue requirement of only the new Okeechobee generation in isolation. The Company has not forecasted or accounted for any changes in its overall revenues and costs after 2018, other than accounting for the direct costs attributable solely to the Okeechobee generation. It is unknown whether revenue growth or changes in capital costs, O&M and rate base will occur after 2019 in amounts that would partially or completely offset any incremental costs of Okeechobee generation.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**FRF:** No.

**Larsons:** No.

**SFHHA:** No. *See Responses to Issue 26 and 124.*

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate composite depreciation rate for the Okeechobee Energy Center is 3.66%. (Ferguson)

**OPC:** FPL has not met the burden to show that the appropriate depreciation rates for the Okeechobee Energy Center are reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** 2.5%, which is based on the Company's assumption of a 40 year service life for a new combined-cycle plant.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate treatment of deferred income taxes in the 2019 Okeechobee LSA is a reduction to rate base. (Ousdahl)

**OPC:** 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. FPL's incremental approach could also violate IRS normalization requirements. If the Commission were to accept FPL's argument that its adjusted rate base and cost of capital would not violate normalization requirements, FPL should be required to provide detailed supporting calculations showing that no violation will occur and that its incremental cost of capital results in a revenue neutral method of calculating the revenue requirement compared to the long-standing practice of the Commission of using the overall rate of return when setting rates. (Smith)

**AARP:** No position.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** ADIT should be at least \$152.822 million, compared to the \$85.747 million proposed. The Company failed to reflect the fact that bonus depreciation will be available in its entirety when the asset is placed in service for tax purposes.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, FPL's requested rate base for the new Okeechobee Energy Center is \$1,063,210,000. (Ousdahl)

**OPC:** No mid-2019 step increase is warranted nor should it be granted. If the Commission does consider any LSA, OPC recommends that the projected amount of rate base and operating costs associated with the project be updated based on more recent forecasts, which should be presented by FPL in 2019 prior to approval of the project. (Smith)

**AARP:** No. No piecemeal rate relief for Okeechobee Energy Center should be approved. The Commission has previously found that generating unit investments can be reasonably considered within traditional rate case filings, where costs and revenues can be reviewed "as a whole" rather than on a piecemeal basis, to determine whether rate relief is actually needed at the time of completion of such new investments.

There has been no showing by FPL that the Company's overall cost of service in 2019 will exceed its approved base rate revenue levels at that time, or that additional revenues would be needed in amounts equal to the piecemeal revenue requirement of only the new Okeechobee generation in isolation. The Company has not forecasted or accounted for any changes in its overall revenues and costs after 2018, other than accounting for the direct costs attributable solely to the Okeechobee generation. It is unknown whether revenue growth or changes in capital costs, O&M and rate base will occur after 2019 in amounts that would partially or completely offset any incremental costs of Okeechobee generation.

**FEA:** Adopt position of OPC.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** No.

**SFHHA:** No. First, the proposed LSA is inappropriate in its entirety. If an adjustment is nonetheless permitted, all SFHHA adjustments to rate base and capital structure are approved, the Okeechobee rate base impact should be \$988.194 million.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate weighted average cost of capital to calculate the limited scope adjustment for the new Okeechobee Energy Center is 8.85%. This consists of long-term debt at a cost rate of 4.80% and common equity at a cost rate of 11.50%. (Barrett, Dewhurst, Ousdahl)

**OPC:** No mid-2019 step increase is warranted nor should it be granted. However, if one is considered, it is appropriate to use the OPC's adjusted 2018 cost of capital as a proxy rate of return. The resultant overall cost of capital is 5.17%. (Smith)

**AARP:** No piecemeal rate relief for Okeechobee Energy Center should be approved. The Commission has previously found that generating unit investments can be reasonably considered within traditional rate case filings, where costs and revenues can be reviewed "as a whole" rather than on a piecemeal basis, to determine whether rate relief is actually needed at the time of completion of such new investments.

There has been no showing by FPL that the Company's overall cost of service in 2019 will exceed its approved base rate revenue levels at that time, or that additional revenues would be needed in amounts equal to the piecemeal revenue requirement of only the new Okeechobee generation in isolation. The Company has not forecasted or accounted for any changes in its overall revenues and costs after 2018, other than accounting for the direct costs attributable solely to the Okeechobee generation. It is unknown whether revenue growth or changes in capital costs, O&M and rate base will occur after 2019 in amounts that would partially or completely offset any incremental costs of Okeechobee generation.

**FEA:** A 2019 increase to rates should not be granted. However, should the 2019 rates be altered, the 2018 test year ratemaking capital structure should be used to calculate

the weighted average cost of capital for the Okeechobee Energy Center. As recommended by FEA witness Gorman, the appropriate weighted average cost of capital is 5.56%.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** 6.79%, assuming the Commission adopts all of the SFHHA adjustments to rate base and capital structure, and no double counting.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, FPL's requested net operating loss for the new Okeechobee Energy Center is \$33,998,000. (Barrett, Ousdahl)

**OPC:** No. A mid-2019 step increase is not warranted nor should it be granted. However, if the Okeechobee LSA is considered, then OPC's 2018 ROR should be used; the operating costs associated with the project should be updated based on more recent forecasts; and start-up costs included in FPL's projects should be removed to normalize costs and exclude one-time, non-recurring costs. Applying OPC's recommended adjustments results in a June 2019 Okeechobee LSA of \$145 million, which is \$64 million less than the \$209 million June 2019 Okeechobee LSA FPL request. (Smith)

**AARP:** No piecemeal rate relief for Okeechobee Energy Center should be approved. The Commission has previously found that generating unit investments can be reasonably considered within traditional rate case filings, where costs and revenues can be reviewed "as a whole" rather than on a piecemeal basis, to determine whether rate relief is actually needed at the time of completion of such new investments.

There has been no showing by FPL that the Company's overall cost of service in 2019 will exceed its approved base rate revenue levels at that time, or that additional revenues would be needed in amounts equal to the piecemeal revenue



requirement of only the new Okeechobee generation in isolation. The Company has not forecasted or accounted for any changes in its overall revenues and costs after 2018, other than accounting for the direct costs attributable solely to the Okeechobee generation. It is unknown whether revenue growth or changes in capital costs, O&M and rate base will occur after 2019 in amounts that would partially or completely offset any incremental costs of Okeechobee generation.

**FEA:** No.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** No.

**SFHHA:** No. Numerous adjustments need to be made to FPL's calculations. The revenue requirement needs to be reduced by \$1.333 million to reflect its overstatement of the costs of long-term debt. FPL's proposed ROE adder should be eliminated, resulting in a \$4.865 million reduction to its proposed revenue requirement. Mr. Baudino's recommended reduction to FPL's requested ROE produces an additional \$19.458 million reduction to FPL's requested revenue requirement. Finally, correction of FPL's proposed capital structure results in an additional \$7.366 million reduction.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, the appropriate Net Operating Income Multiplier for the new Okeechobee Energy Center is 1.63025. (Ousdahl)

**OPC:** 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. (Smith)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Net Operating Income Multiplier for the Okeechobee Energy Center should be determined, at a minimum, in accordance with SFHHA's foregoing positions.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** As reflected on FPL witness Ousdahl's Exhibit KO-20, FPL's requested limited scope adjustment for the new Okeechobee Energy Center is \$208,771,000. (Ousdahl)

**OPC:** A mid-2019 step increase is not warranted nor should it be granted. However, if the Okeechobee LSA is considered, then OPC's 2018 ROR should be used; the operating costs associated with the project should be updated based on more recent forecasts; and start-up costs included in FPL's projects should be removed to normalize costs and exclude one-time, non-recurring costs. Applying OPC's recommended adjustments results in a June 2019 Okeechobee LSA of \$145 million, which is \$64 million less than the \$209 million June 2019 Okeechobee LSA FPL request. (Smith)

**AARP:** No piecemeal rate relief for Okeechobee Energy Center should be approved. The Commission has previously found that generating unit investments can be reasonably considered within traditional rate case filings, where costs and revenues can be reviewed "as a whole" rather than on a piecemeal basis, to determine whether rate relief is actually needed at the time of completion of such new investments.

There has been no showing by FPL that the Company's overall cost of service in 2019 will exceed its approved base rate revenue levels at that time, or that additional revenues would be needed in amounts equal to the piecemeal revenue requirement of only the new Okeechobee generation in isolation. The Company has not forecasted or accounted for any changes in its overall revenues and costs after 2018, other than accounting for the direct costs attributable solely to the Okeechobee generation. It is unknown whether revenue growth or changes in

capital costs, O&M and rate base will occur after 2019 in amounts that would partially or completely offset any incremental costs of Okeechobee generation.

**FEA:** No.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** No.

**SFHHA:** No. *See* Issue 26 above.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate effective date implementing FPL's limited scope adjustment for the new Okeechobee Energy Center is concurrent with the in-service date of the unit, which is currently scheduled for June 1, 2019. (Cohen)

**OPC:** No 2019 Okeechobee LSA should be implemented. However, if the Okeechobee LSA is considered, 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. (Smith)

**AARP:** No piecemeal rate relief for Okeechobee Energy Center should be approved. The Commission has previously found that generating unit investments can be reasonably considered within traditional rate case filings, where costs and revenues can be reviewed "as a whole" rather than on a piecemeal basis, to determine whether rate relief is actually needed at the time of completion of such new investments.

There has been no showing by FPL that the Company's overall cost of service in 2019 will exceed its approved base rate revenue levels at that time, or that additional revenues would be needed in amounts equal to the piecemeal revenue requirement of only the new Okeechobee generation in isolation. The Company has not forecasted or accounted for any changes in its overall revenues and costs after 2018, other than accounting for the direct costs attributable solely to the Okeechobee generation. It is unknown whether revenue growth or changes in

capital costs, O&M and rate base will occur after 2019 in amounts that would partially or completely offset any incremental costs of Okeechobee generation.

**FEA:** No position.

**FIPUG:** Adopt position of OPC.

**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.

**Larsons:** None. The limited scope adjustment should not be approved by the Commission.

**SFHHA:** Given present uncertainty, June 30, 2019 is not an appropriate effective date.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

#### **ASSET OPTIMIZATION INCENTIVE MECHANISM**

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

**FPL:** Yes. The asset optimization incentive mechanism has been successful in delivering additional value for FPL's customers while also providing FPL the opportunity to share in the benefits when certain customer-value thresholds are achieved. The proposed modifications to the customer-value threshold and the recovery of variable power plant O&M will update the incentive mechanism to reflect current conditions and restore an appropriate balance in the sharing of benefits. The continuation of the incentive mechanism, as modified, will maintain appropriate incentives for FPL to continue identifying and acting upon opportunities for gains that create substantial value for customers. (Forrest)

**OPC:** No. The Commission should reject FPL's request to extend and recalibrate its modified incentive mechanism (IM) program. Aside from any potential legal prohibitions, FPL has not demonstrated the proposed IM is in the public interest or has led to verifiable and positive changes in the Company's actions or how, if at all, those changes result in net public interest benefits above and beyond the Commission's long-standing off-system sales incentive policies. Further, due to the policy implications well beyond simple ratemaking, changes to the Commission's off-system sales incentive policy should be considered in a separate proceeding. (Dismukes)

**AARP:** No position.

**FEA:** No position.

**FIPUG:** No

**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.

**Larsons:** No.

**SFHHA:** No. The Commission should instead modify the Incentive Mechanism so that the entire savings from economy purchases and sales are timely flowed through to customers and so that it provides an incentive and reasonable sharing only of the net gains from asset optimization activities. This could be achieved: (1) by including only the actual cost of economy purchases in the FAC, and excluding "gains" based on avoided marginal dispatch costs; (2) by including the actual revenues and marginal dispatch costs for economy sales in the FAC and excluding from the Incentive Mechanism all calculated "gains" and any sharing of the "gains" with the Company; (3) if the Commission allows the Company to share in the net "gains" from economy purchases and sales, then it should correct the calculation of the net "gains" in the Incentive Mechanism by removing all "base O&M fossil overhaul" expense and "CT capital spare parts depreciation" expense from the calculation of the so-called variable O&M expense; (4) if the Commission incentivizes only the asset optimization activities outlined above, then allow the Company to retain 10% of all net "gains," as well as retain 10% of the costs of the asset optimization activities. *See SFHHA witness Kollen's June 17, 2016 Direct Testimony in Docket No. 160088-EI.*

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

### **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?**

**FPL:** Yes, subject to the adjustments listed on FPL witness Ousdahl's Exhibit KO-20, the jurisdictional separation of costs and revenues between the wholesale and retail jurisdictions filed by FPL is appropriate. The separation factors filed by FPL were developed consistent with the Commission guidance in prior rate cases and

the instructions provided in MFR E-1 and with the method used in the Company's clause adjustment filings and surveillance reports. (Deaton)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** No.

**SFHHA:** No position.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The 12 CP and 25% method reflects how FPL's generation is planned and operated as it: (1) recognizes that the type of generation unit selected is influenced by both demand and energy use that drives total costs including capital costs, operation and maintenance costs, and fuel costs; (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. The Commission should approve FPL's proposed 12 CP and 25% method for classification and allocation of production plant in base rates and clauses because it better aligns the allocation of production capital costs with the associated fuel savings produced by increasing level of intermediate and base load generation on FPL's system. (Deaton)

**OPC:** No position.

**AARP:** AARP supports FPL's position on this issue.

**FEA:** If the Commission approves a change from the 12 CP and 1/13<sup>th</sup> method, a 100% demand-based method using a summer 4 CP or summer/winter 4 CP / 1 CP is most appropriate. FPL's proposed 12 CP and 25% method should be rejected. Continuance of the 12 CP and 1/13<sup>th</sup> method is a compromised approach.

**FIPUG:** 12CP+1/13th AD

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Summer month reserve margin requirements are the binding constraint for planning FPL's system. Customer class demands during off-peak fall and spring months do not cause FPL to add new generation capacity to the system. Accordingly, a summer coincident peak methodology is the appropriate methodology for allocating production costs. It assigns cost responsibility to rate classes based upon each rate class' contribution to the need for additional generation capacity to meet the summer reserve margin. That said, SFHHA recommends the use of the 12CP and 1/13 energy allocation methodology as it has been in effect for many years and it more appropriately allocates production costs than FPL's proposed change to a 12CP and 25% methodology that is unjustified and over-allocates production costs to large commercial class ratepayers.

**Sierra Club:** No position.

**Walmart:** If the Commission determines it is appropriate to move away from the Company's currently approval 12 CP 1/13<sup>th</sup> methodology and to discontinue the practice of allocating a portion of production capacity on an energy basis, it should approve a demand allocator based on either on the Company's 4 CP or 6 CP. If the Commission determines it is appropriate to move away from the Company's currently approved 12 CP and 1/13<sup>th</sup> methodology and to continue the practice of allocating a portion of production capacity cost on an energy basis, it should approve an average and excess ("A&E") allocator based on the Company's GNCP. Walmart Direct Testimony of Steve W. Chriss, p. 23.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The Commission should approve FPL's proposed 12 CP method for allocating transmission plant-related costs to rate classes. The 12 CP method reflects FPL's transmission planning criteria and is consistent with that approved by the other Florida IOUs. (Deaton)

**OPC:** No position.

**AARP:** AARP supports FPL's position on this issue.

**FEA:** FPL's proposed 100% demand-based 12 CP method is appropriate.

**FIPUG:** 12CP

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Transmission plant-related costs should be allocated to rate classes based upon a 100 percent demand basis. The appropriate demand allocator is the summer coincident peak methodology; however, at a minimum, transmission plant-related costs should be allocated using the FPL 12 CP and 1/13th method.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate method to allocate distribution plant costs is that filed by FPL. FPL's allocation method reflects FPL's distribution planning criterion. Meters, pull-offs and service drops are driven by the number of customers and therefore classified as customer-related. All other distribution plant is planned based on customer demand and therefore classified as demand-related. (Deaton)

**OPC:** No position.

**AARP:** AARP supports FPL's position on this issue.

**FEA:** FPL should perform a Minimum Distribution Study of its system in order to properly account for the customer-related portion of proper distribution cost allocation in its next base rate proceeding.

**FIPUG:** 26% of FPL's distribution network costs should be classified as customer-related costs, which is also consistent with Gulf, TECO and many other electric utilities.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Minimum distribution cost (MDS) method. There is no plausible rationale that would somehow distinguish cost causation related to the installation of poles, overhead conductors, underground conductors and transformers on FPL's distribution system from that of TECO and GPC in the state, or the many other utilities that rely on the MDS method that is supported in the NARUC Manual. MDS identifies the distribution facilities that would be required to simply



interconnect a customer to the system, irrespective of the kW load of the customer. From a cost causation standpoint, MDS recognizes the minimum facilities investment needed to interconnect a customer to the FPL system.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL is proposing to recover a portion of fixed distribution costs through the customer charge to more closely align recovery of fixed costs through a fixed charge. Approximately 83% and 81% of FPL's residential and general services charges, respectively, are made up of demand-related costs that are currently recovered through a variable energy charge. The proposal to increase the customer charge by \$2.00, which represents approximately 10% of the fixed distribution costs being recovered through the energy charge, is a modest step in aligning fixed costs with fixed cost recovery while minimizing bill impacts. (Cohen)

**OPC:** No, FPL's proposal to shift \$2.00 from the energy charge to fixed distribution costs is not appropriate and should not be approved.

**AARP:** Yes. However, the residential customer charge should not be increased in order to expand the portion of fixed distribution costs recovered therein. Important public policy reasons dictate no change to fixed monthly customer charges, including maintaining customers' control over monthly bills, increasing the affordability of services to low-usage customers, encouragement of conservation habits and improved financial payback on energy efficiency investments that are made by FPL's residential customers.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

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

**Larsons:** No.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The increase should be allocated as shown in MFR E-8. FPL followed Commission guidance and limited revenue increases to each class 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. (Cohen)

**OPC:** The revenue requirement approved by the Commission should be applied in accordance with the Commission's long-standing practice that in designing new rates: (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) no class should receive an increase greater than 1.5 times the system average increase in total; and (3) no class should receive a decrease. See, Order No. PSC-09-0283-FOF-EI at pp. 86-87.

**AARP:** AARP supports FPL's position on this issue.

**FEA:** If the Commission orders an overall revenue increase, FPL's proposed gradualism constraints of no more than 1.5 times the system average increase and no less than 0.5 times the system average increase is appropriate, but should be calculated on the basis of total class revenue, including all surcharges except for the fuel surcharge. If the Commission orders an overall revenue decrease, all classes should receive an equal percentage reduction calculated on the basis of total class revenue, including all surcharges, but excluding fuel charges.

**FIPUG:** Rates should move approximately the same distance closer to cost except in limited circumstances when gradualism was applied. To give appropriate recognition to gradualism, no class should receive an increase greater than 1.5 times the system average increase. Further, clause revenues should be excluded from the application of gradualism because only the base rates are being changed in this proceeding.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** FPL's revenue requirement, as determined in this case, should be allocated among customer classes consistent with SFHHA's recommendations as set forth in Exhibit No. SJB-16. That exhibit incorporates: (1) the use of FPL's traditional 12 CP and 1/13th class cost of service study to mitigate the substantial problems with implementing FPL's proposed 12 CP and 25% energy methodology; (2) the MDS methodology for classifying certain distribution costs; (3) SFHHA witness Baron's recommendation to maintain the CILC and CDR incentives in effect prior to January 1, 2017; and (4) the application of the 1.5 times average increase mitigation only to present base revenues and excluding clause revenues. Exhibit No. SJB-17 sets forth an alternative that would allocate FPL's revenue requirement if the Commission were to adopt 12 CP and 25% average demand.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. Effective January 1, 2017?**

**FPL:** The appropriate service charges effective January 1, 2017 and January 1, 2018 are those shown in MFR E-13b and listed below. (Santos, Cohen)

	Effective <u>Jan. 1, 2017</u>	Effective <u>Jan. 1, 2018</u>
Initial Connection New Premise	\$25.00	\$25.00
Reconnection Charge	\$13.00	\$13.00
Connection Existing Premise	\$12.00	\$12.00
Field Collection	\$49.00	\$48.00

**OPC:** No position.

**AARP:** No position.

- FEA:** No position.
- FIPUG:** Adopt position of SFHHA
- FRF:** Agree with OPC.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** No position.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

- FPL:** The appropriate service charges effective January 1, 2017 and January 1, 2018 are those shown in MFR E-13b and listed below. (Santos, Cohen)

	Effective <u>Jan. 1, 2017</u>	Effective <u>Jan. 1, 2018</u>
Initial Connection New Premise	\$25.00	\$25.00
Reconnection Charge	\$13.00	\$13.00
Connection Existing Premise	\$12.00	\$12.00
Field Collection	\$49.00	\$48.00

- OPC:** No position.
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Adopt position of SFHHA
- FRF:** Agree with OPC.
- Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.
- SFHHA:** No position.
- Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. Tampering with electrical meters is dangerous and energy theft increases the cost to all our customers. This penalty is intended to be an additional deterrent for meter tampering and the theft of electricity. Other Florida utilities impose similar penalties/fees. (Cohen, Santos)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC

**FRF:** Agree with OPC.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 143:** **What are the appropriate temporary construction service charges**

**A. Effective January 1, 2017?**

**FPL:** The appropriate temporary/construction service charges for 2017 overhead (\$367.48) and underground (\$209.02) are those shown in 2017 Test Year MFR E-7. The appropriate temporary/construction service charges for 2018 overhead (\$376.34) and underground (\$215.24) are those shown in 2018 Subsequent Year MFR E-7. (Cohen, Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** The appropriate temporary/construction service charges for 2017 overhead (\$367.48) and underground (\$209.02) are those shown in 2017 Test Year MFR E-7. The appropriate temporary/construction service charges for 2018 overhead (\$376.34) and underground (\$215.24) are those shown in 2018 Subsequent Year MFR E-7. (Cohen, Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Effective January 1, 2017, the appropriate monthly transformer credit is calculated to be \$0.24 per kW as reflected in FPL's First Notice of Identified Adjustments, Attachment No. 1, page 2 of 2. Effective January 1, 2018, the appropriate monthly transformer credit is calculated to be \$0.24 per kW as reflected on 2018 Subsequent Year MFR E-14 Attachment 2 of 6, page 36 of 42. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** Effective January 1, 2017, the appropriate monthly transformer credit is calculated to be \$0.24 per kW as reflected in FPL's First Notice of Identified Adjustments, Attachment No. 1, page 2 of 2. Effective January 1, 2018, the appropriate monthly transformer credit is calculated to be \$0.24 per kW as reflected on 2018 Subsequent Year MFR E-14 Attachment 2 of 6, page 36 of 42. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of OPC

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The appropriate monthly credit for Commercial/Industrial Demand Reduction (CDR) Rider is shown in 2017 Test Year MFR E-13c. (Cohen, Koch)

**OPC:** No position.

**AARP:** No position.

**FEA:** The credit level should remain unchanged from current tariff rates. FPL's proposal to reduce the credit level should be rejected.

**FIPUG:** The credit should remain \$8.20 as current which was implemented following the settlement of FPL's last rate case.

**FRF:** The appropriate monthly credit for the Commercial/Industrial Demand Reduction (CDR) Rider customers effective January 1, 2017, is the existing credit amount.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** Given the cost effectiveness of the current level of credits, there is no basis for FPL's proposal to eliminate \$23 million in credits. The Company's proposal is particularly unreasonable given the disproportionate rate increase it produces for CILC customers and general service rates that use CDR credits in FPL's DSM program. Accordingly, the current level of the CILC and CDR credits, which are cost effective under the Rate Impact Measure test, as discussed in SFHHA witness Baron's testimony at 51:3-16, should be maintained.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 146:** **What are the appropriate customer charges**

**A. Effective January 1, 2017?**



**FPL:** The appropriate customer charges are those shown in 2017 Test Year and 2018 Subsequent Year MFR A-3. (Cohen)

**OPC:** The appropriate customer charge should be based on OPC's recommend revenue requirement and rates that implement the Commission's long-standing practice for establishing new rates as stated in Issue 140.

**AARP:** No position.

**FEA:** FEA adopts the position of SFHHA.

**FIPUG:** Adopt position of SFHHA

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The appropriate customer charges should be based on the methodology set forth in Mr. Baron's Exhibit SJB-16. The Commission should further adopt SFHHA's recommendation to implement MDS for the allocation of distribution costs to all rate classes. *See* Response to Issue 138.

**Sierra Club:** No position.

**Walmart:** See Issue 148A.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** The appropriate customer charges are those shown in 2017 Test Year and 2018 Subsequent Year MFR A-3. (Cohen)

**OPC:** No change is appropriate for 2018.

**AARP:** No position.

**FEA:** FEA adopts the position of SFHHA.

**FIPUG:** Adopt position of SFHHA

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The 2018 rates should be computed in accordance with the methodology reflected in Exhibit SJB-16 for 2017. *See* Response to Issue 146 A.

**Sierra Club:** No position.

**Walmart:** See Issue 148A and 148B.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 147:** **What are the appropriate demand charges**

**A. Effective January 1, 2017?**

**FPL:** The appropriate demand charges are those shown in 2017 Test Year and 2018 Subsequent Year MFR A-3. (Cohen)

**OPC:** The appropriate demand charge should be based on OPC's recommend revenue requirement and rates that implement the Commission's long-standing practice for establishing new rates as stated in Issue 140.

**AARP:** No position.

**FEA:** FEA adopts the position of FIPUG concerning CDR Rider customers.

**FIPUG:** The GSLD and CILC Energy charges should move closer to unit cost. However, my analysis reveals that the GSLD and CILC Energy charges are, for the most part, already above cost. Based on this fact, coupled with recognizing gradualism, I recommend that the increase in the current GSLD and CILC standard Energy charges should not exceed 50% of the increase in the corresponding Demand charges. Any revenue shortfall resulting from this change should be recovered in the corresponding GSLD and CILC Demand Charges

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The appropriate demand charges should be based on the methodology set forth in Mr. Baron's Exhibit SJB-16. The Commission should further adopt SFHHA's

recommendation to implement MDS for the allocation of distribution costs to all rate classes. *See* Response to Issue 138.

**Sierra Club:** No position.

**Walmart:** See Issue 148A.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** The appropriate demand charges are those shown in 2017 Test Year and 2018 Subsequent Year MFR A-3. (Cohen)

**OPC:** No change is appropriate for 2018.

**AARP:** No position.

**FEA:** FEA adopts the position of FIPUG concerning CDR Rider customers.

**FIPUG:** See above

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The 2018 rates should be computed in accordance with the methodology reflected in Exhibit SJB-16 for 2017. *See* Response to Issue 146 A.

**Sierra Club:** No position.

**Walmart:** See Issue 148A and 148B.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 148:** **What are the appropriate energy charges**

**A. Effective January 1, 2017?**

**FPL:** The appropriate energy charges are those shown in 2018 Test Year and 2018 Subsequent Year MFR A-3. (Cohen)

**OPC:** The appropriate energy charge should be based on OPC's recommend revenue requirement and rates that implement the Commission's long-standing practice for establishing new rates as stated in Issue 140.

**AARP:** No position.

**FEA:** FEA adopts the position of FIPUG concerning CDR Rider customers.

**FIPUG:** See Response to Issue 147A

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The appropriate energy charges should be based on the methodology set forth in Mr. Baron's Exhibit SJB-16. The Commission should further adopt SFHHA's recommendation to implement MDS for the allocation of distribution costs to all rate classes. *See* Response to Issue 138.

**Sierra Club:** No position.

- Walmart:**
1. For Rates GSLD-1 and GSLDT-1, the Commission should approve the following rate design for 2017:
    - a. Approve the customer charge methodology as proposed by the company;
    - b. Set the demand charge for both schedules at 90 percent of the demand unit cost per the approved revenue requirement and cost of service study in this docket;<sup>14</sup>
    - c. For GSLD-1, apply the remaining revenue requirement to the energy charge; and,
    - d. For GSLDT-1, apply the remaining revenue requirement to the on peak and off-peak energy charges per the Company's proposed relationship between those charges.

---

<sup>14</sup> This represents just over 50 percent movement towards unit cost. Applying this methodology to the Company's proposed revenue requirement and cost of service study results in a demand charge for GSLDT-1 that is approximately 86 percent of full cost and for GSLD-1 that is approximately 96 percent of full cost.

2. For Rates GSD-1 and GSDDT-1, the Commission should approve the following rate design for 2017:
- a. Approve the customer charge methodology as proposed by the company;
  - b. Set the demand charge for both schedules at 85 percent of the demand unit cost per the approved revenue requirement and cost of service study in this docket;<sup>15</sup>
  - c. For GSD-1, apply the remaining revenue requirement to the energy charge; and
  - d. For GSDDT-1, apply the remaining revenue requirement to the on peak and off-peak energy charges per the Company's proposed relationship between those charges.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** The appropriate energy charges are those shown in 2018 Test Year and 2018 Subsequent Year MFR A-3. (Cohen)

**OPC:** No change is appropriate for 2018.

**AARP:** No position.

**FEA:** FEA adopts the position of FIPUG concerning CDR Rider customers.

**FIPUG:** See above

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The 2018 rates should be computed in accordance with the methodology reflected in Exhibit SJB-16 for 2017. *See* Response to Issue 146 A.

---

<sup>15</sup> This represents just over 50 percent movement towards unit cost. Applying this methodology to the Company's proposed revenue requirement and cost of service study results in a demand charge for GSDDT-1 that is approximately 80 percent of full cost and for GSD-1 that is approximately 85 percent of full cost.

**Sierra Club:** No position.

**Walmart:** If the Commission were to approve the Company's proposal for an incremental rate change in 2018, the Commission should apply the same rate design methodology as described by Walmart under 148A.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. Effective January 1, 2017?**

**FPL:** The appropriate charges for the Standby and Supplemental Services (SST-1, ISST-1) rate schedules are those shown in Exhibit TCC-6 of FPL witness Cohen's direct testimony. Additionally, the tariff sheets showing the charges are contained in 2017 Test Year and 2018 Subsequent Year MFR E-14, Attachment 1. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** FEA adopts the position of SFHHA.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** The appropriate charges for the Standby and Supplemental Services (SST-1, ISST-1) rate schedules are those shown in Exhibit TCC-6 of FPL witness Cohen's direct testimony. Additionally, the tariff sheets showing the charges are contained in 2017 Test Year and 2018 Subsequent Year MFR E-14, Attachment 1. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** FEA adopts the position of SFHHA.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**A. Effective January 1, 2017?**

**FPL:** The proper venue for addressing conservation programs is in the DSM Plan docket. The appropriate charges for Commercial Industrial Load Control (CILC) rate schedule are those shown in Exhibit TCC-6 of FPL witness Cohen's direct testimony. The tariff sheets showing the charges are contained in 2017 Test Year and 2018 Subsequent Year MFR E-14, Attachment 1. (Cohen, Koch)

**OPC:** No position.

**AARP:** No position.

**FEA:** Using the Company's proposed revenue requirement and the 12 CP and 1/13th allocation method for example, the following rates should apply:

	<b><u>CILC-1G</u></b>	<b><u>CILC-1D</u></b>	<b><u>CILC-1T</u></b>
	below 69 kV		>69 kV
	200-499 kW	500 kW+	
Load Control Dmd	\$1.20	\$1.20	\$1.20
Firm Demand	\$7.96	\$7.52	\$7.50
Max (Dist.) Dmd	\$4.54	\$4.21	n/a
Energy	1.813	1.476	1.311

The rate design should reflect the final authorized revenue requirement and cost of service methodologies, and should follow the CILC rate design process used in FPL's last base rate case, described in Docket No. 120015-EI, Ms. Deaton's Exhibit RBD-6, beginning at page 13.

**FIPUG:** There should be no change in the amount of the CILC credits. The Customer and Demand charges should be designed consistent with Issues 145 and 147.

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The appropriate charges for rate CILC-1D should be calculated, at a minimum, consistent with the methodologies set forth at pp. 49-53 of SFHHA witness Baron's Direct Testimony and exhibits.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** The proper venue for addressing conservation programs is in the DSM Plan docket. The appropriate charges for Commercial Industrial Load Control (CILC) rate schedule are those shown in Exhibit TCC-6 of FPL witness Cohen's direct testimony. The tariff sheets showing the charges are contained in 2017 Test Year and 2018 Subsequent Year MFR E-14, Attachment 1. (Cohen, Koch)

**OPC:** No position.

**AARP:** No position.

**FEA:** Rates should reflect the final authorized revenue requirement and cost of service methodologies, and should follow the CILC rate design process used in FPL's last base rate case, described in Docket No. 120015-EI, Ms. Deaton's Exhibit RBD-6, beginning at page 13.

**FIPUG:** Same as above

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

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.



**SFHHA:** The appropriate charges for rate CILC-1D should be calculated, at a minimum, consistent with the methodologies set forth at pp. 49-53 of SFHHA witness Baron's Direct Testimony and exhibits.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 151:** **What are the appropriate lighting rate charges**

**A. Effective January 1, 2017?**

**FPL:** The appropriate lighting rate schedule charges are those presented in the tariff sheets provided in 2017 Test Year and 2018 Subsequent Year MFR E-14, Attachment 1 of FPL's filing. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** The appropriate lighting rate schedule charges are those presented in the tariff sheets provided in 2017 Test Year and 2018 Subsequent Year MFR E-14, Attachment 1 of FPL's filing. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. As explained in FPL witness Cohen's direct testimony, over time lighting customers have changed facilities and added equipment without notifying FPL which has resulted in billings becoming less accurate for the provision of service. Replacing this service option with a metered rate will address accuracy of billing and improve the service to customers. (Cohen, Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. As explained in FPL witness Cohen's direct testimony, over time traffic signal customers have changed facilities and added equipment without notifying FPL which has resulted in billings becoming less accurate for the provision of service. Replacing this service option with a metered rate will address accuracy of billing and improve the service to customers. (Cohen, Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. As explained in FPL's position for Issue 152, replacing the current lighting option with metered rates for lighting customers will ensure accuracy of billing and improve service to customers. (Cohen, Miranda)

The appropriate metered Street Lighting (SL-1M) rate schedule charges are those presented in the tariff sheets provided in 2018 Test Year and 2019 Subsequent Year MFR E-14, Attachment 1 of FPL's filing. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** Yes. As explained in FPL's position for Issue 152, replacing the current lighting option with metered rates for lighting customers will ensure accuracy of billing and improve service to customers. (Cohen, Miranda)

The appropriate metered Street Lighting (SL-1M) rate schedule charges are those presented in the tariff sheets provided in 2018 Test Year and 2019 Subsequent Year MFR E-14, Attachment 1 of FPL's filing. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. As explained in FPL's position for Issue 152, replacing the current lighting option with metered rates for traffic signal customers will ensure accuracy of billing and improve service to customers. The appropriate metered Traffic Signal (SL-2M) rate schedule charges are those presented in the tariff sheets provided in 2017 Test Year and 2018 Subsequent Year MFR E-14, Attachment 1 of FPL's filing. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**B. Effective January 1, 2018?**

**FPL:** Yes. As explained in FPL's position for Issue 152, replacing the current lighting option with metered rates for traffic signal customers will ensure accuracy of billing and improve service to customers. The appropriate metered Traffic Signal (SL-2M) rate schedule charges are those presented in the tariff sheets provided in 2017 Test Year and 2018 Subsequent Year MFR E-14, Attachment 1 of FPL's filing. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL's proposed allocation of the Okeechobee Energy Center limited scope adjustment is reasonable. At the time of the Okeechobee Energy Center's in-service date, base charges, non-clause recoverable credits and CDR credits will be adjusted by an equal percentage and new fuel factors will be calculated to incorporate fuel savings. This proposed allocation and rate design is consistent with the methodology utilized for the recovery of costs of the Riviera Beach Energy Center and the Port Everglades Energy Center. (Cohen)

**OPC:** No, for the reasons stated in Issues 124-133.

**AARP:** No piecemeal rate relief for Okeechobee Energy Center should be approved. The Commission has previously found that generating unit investments can be reasonably considered within traditional rate case filings, where costs and revenues can be reviewed "as a whole" rather than on a piecemeal basis, to determine whether rate relief is actually needed at the time of completion of such new investments.

There has been no showing by FPL that the Company's overall cost of service in 2019 will exceed its approved base rate revenue levels at that time, or that additional revenues would be needed in amounts equal to the piecemeal revenue requirement of only the new Okeechobee generation in isolation. The Company has not forecasted or accounted for any changes in its overall revenues and costs after 2018, other than accounting for the direct costs attributable solely to the Okeechobee generation. It is unknown whether revenue growth or changes in capital costs, O&M and rate base will occur after 2019 in amounts that would partially or completely offset any incremental costs of Okeechobee generation.

**FEA:** Adopt position of OPC.

**FIPUG:** Yes.

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

**Larsons:** No.

**SFHHA:** No, the Okeechobee Energy Center limited scope adjustment should be subject to the same allocation and rate design method as that recommended by SFHHA witness Baron. Specifically, any adjustment should reflect the use of: (1) FPL's traditional 12 CP and 1/13th class cost of service study in lieu of FPL's flawed proposed 12 CP and 25% energy methodology; (2) the MDS methodology for classifying certain distribution costs; (3) SFHHA witness Baron's recommendation to reject FPL's proposal to reset the CILC and CDR incentives; and (4) the application of the 1.5 times average increase mitigation only to present base revenues and excluding clause revenues.

**Sierra Club:** No position.

**Walmart:** No. If the Commission approves the 2019 Okeechobee LSA, for rate schedules that contain demand charges, the increase to those schedules should only be applied to the demand charge. Walmart Direct Testimony of Steve W. Chriss, p. 33.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** Yes. FPL's proposal is consistent with the methodology for cost recovery utilized by FPL for previous adjustments related to the Riviera Beach Energy Center and Port Everglades Energy Center that were part of FPL's Commission-approved 2012 Rate Settlement. (Cohen)

**OPC:** No, for the reasons stated in Issues 124-133.

**AARP:** No piecemeal rate relief for Okeechobee Energy Center should be approved. The Commission has previously found that generating unit investments can be reasonably considered within traditional rate case filings, where costs and revenues can be reviewed "as a whole" rather than on a piecemeal basis, to determine whether rate relief is actually needed at the time of completion of such new investments.

There has been no showing by FPL that the Company's overall cost of service in 2019 will exceed its approved base rate revenue levels at that time, or that additional revenues would be needed in amounts equal to the piecemeal revenue

requirement of only the new Okeechobee generation in isolation. The Company has not forecasted or accounted for any changes in its overall revenues and costs after 2018, other than accounting for the direct costs attributable solely to the Okeechobee generation. It is unknown whether revenue growth or changes in capital costs, O&M and rate base will occur after 2019 in amounts that would partially or completely offset any incremental costs of Okeechobee generation.

**FEA:** FEA adopts the position of SFHHA.

**FIPUG:** Adopt position of SFHHA

**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.

**Larsons:** No.

**SFHHA:** No.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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;**

**FPL:** Yes. For the reasons outlined in witness Cohen's testimony, the relamping option should be closed for customer-owned lights for Street Lighting (SL-1). (Cohen, Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** No.



**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

- 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;**

**FPL:** Yes. For the reasons outlined in witness Cohen's testimony, a willful damage clause should be added, an active house account should be required and where outdoor lights can be installed should be clarified for the Outdoor Lighting (OL-1) tariff. (Cohen, Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** No.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

- 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;**

**FPL:** Yes. For the reasons outlined in witness Cohen's testimony, a clarification of 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 should be approved. (Cohen, Miranda)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** No.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. For the reasons outlined in witness Cohen's testimony, the minimum 2,000 kW demand from transmission-level tariffs should be removed. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** No.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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**

**FPL:** Yes. For the reasons outlined in witness Cohen's testimony, the language in the Service section of the distribution level tariffs should be standardized to include three phase service and clarify that standard service is distribution level. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** No.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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.**

**FPL:** Yes. For the reasons outlined in witness Cohen's testimony, language should be added to provide that surety bonds must remain in effect to ensure payments for electric service in the event of bankruptcy or other insolvency. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** No position.

**Larsons:** No.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** No. As explained in witness Cohen's rebuttal testimony, FPL already offers customers two options that allow qualifying customers to take service under transmission rates and avoid all distribution costs, other than their share of substation costs. A new tariff would require FPL to incur significant costs to serve only a few, if any customers. (Cohen)

**OPC:** No position.

**AARP:** No position.

**FEA:** FEA adopts the position of FIPUG.

**FIPUG:** Yes. FPL fails to recognize that it provides distribution service to customers that take service directly at an FPL-owned distribution substation. Distribution Substation service is less costly to provide than Primary Distribution service because the customer, not FPL, provides the necessary equipment to distribute electricity to and within the customer's facilities. The only difference between Transmission and Distribution Substation services is that FPL must provide the step-down transformer and related equipment to serve the latter.

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** No position.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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)?

**FPL:** Yes. The Commission should approve tariffs reflecting the Commission's approved rates and charges effective January 1, 2017, January 1, 2018 and tariffs reflecting the commercial operation of the new Okeechobee Energy Center. The Commission should direct staff to verify that the revised tariffs are consistent with the Commission's decision. (Cohen)

**OPC:** Yes for 2017. No for 2018 (See Issue 27), and no for the Okeechobee Energy Center for the reasons stated in Issues 124-133.

**AARP:** AARP does not support a multi-year approach to rate changes in this case. Also see AARP's position above regarding no piecemeal rate relief for Okeechobee Energy Center.

**FEA:** FEA adopts the position of OPC.

**FIPUG:** Adopt position of OPC

**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.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Commission should not give staff administrative authority to approve tariffs proposed by the company for 2017, 2018 or thereafter. The Commission should give staff administrative authority to approve tariffs reflecting Commission approved rates that adopt the recommendations herein effective January 1, 2017. The Commission should not provide staff authority for adjustments other than for January 1, 2018.

**Sierra Club:** No position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** The effective dates for FPL's proposed rates and charges are as follows:  
Test Year proposal: January 1, 2017  
Subsequent Year proposal: January 1, 2018  
Limited Scope Adjustment proposal: June 1, 2019 (Barrett)

- OPC:** The effective date for the 2017 rate change should be January 2, 2017.
- AARP:** January 1, 2017 only. No subsequent year or limited scope adjustments are appropriate.
- FEA:** FEA adopts the position of FIPUG.
- FIPUG:** January 1, 2017  
January 1, 2018  
Estimated June 2019
- FRF:** The effective date for the 2017 rate change should be January 2, 2017.
- Larsons:** The effective date for the 2017 rate change should be January 2, 2017.
- SFHHA:** FPL's rates should be adjusted effective January 1, 2017.
- Sierra Club:** No position.
- Walmart:** Walmart takes no position.
- Staff:** Staff has no position pending evidence adduced at the hearing.

#### **OTHER ISSUES**

- ISSUE 162:** **Should the Commission approve FPL's proposal to transfer the Martin-Riviera pipeline lateral to Florida Southeast Connection (FSC)?**
- FPL:** Yes. The Commission should approve the transfer of the Martin-Riviera pipeline lateral to Florida Southeast Connection as it reduces operating risk over the remaining life of the asset and provides a CPVRR benefit to customers versus FPL continuing to own the asset within rate base. (Barrett)
- OPC:** If the Commission approves the proposed transfer of the Martin-Riviera pipeline lateral to Florida Southeast Connection, the impact to FPL ratepayers should be revenue neutral.
- AARP:** No position.
- FEA:** No position.
- FIPUG:** Only if such transfer results in savings to FPL's customers
- FRF:** Agree with SFHHA.
- Larsons:** No.

**SFHHA:** The Commission should only approve the transfer of the Martin-Riviera pipeline lateral to FSC on the condition that FPL commence a Section 5 action regarding rates for affiliated pipeline services where FPL is a shipper, when earnings reported in FERC Form 2 by the affiliated pipeline exceeds the last FERC-determined median ROE applicable to interstate pipelines. As part of that condition, FPL would be obligated to cooperate fully with the FPSC Staff and/or outside counsel and other advisors to the Staff to attain a reduction in the pipeline's rates.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

**FPL:** The Commission should require FPL to file a petition prior to receiving final approval of the transfer of the MR-RV lateral to FSC in 2017 demonstrating that the transfer is still cost-effective. The petition shall also include a request for approval to simultaneously lower base rates and increase fuel clause factors to recover the transportation charges that FPL will pay to FSC for the MR-RV lateral under the transportation agreement. (Barrett)

**OPC:** If the Commission approves the proposed transfer of the Martin-Riviera pipeline lateral to Florida Southeast Connection, the Commission should impose requirements that make the impact to FPL ratepayers revenue neutral.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Adopt position of SFHHA

**FRF:** Agree with SFHHA.

**Larsons:** The Larsons agree with and adopt OPC's preliminary position on this issue.

**SFHHA:** The Commission should only approve the transfer of the Martin-Riviera pipeline lateral to FSC on the condition that FPL to commence a Section 5 action regarding rates for affiliated pipeline services where FPL is a shipper, when the pipeline's earnings reported in FERC Form 2 exceed the last FERC-determined median ROE applicable to interstate pipelines. As part of that condition, FPL would be obligated to cooperate fully with the FPSC Staff and/or outside counsel and other advisors to the Staff to attain a reduction in the pipeline's rates.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

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

**FPL:** Yes. FPL's Third Notice of Identified Adjustments filed on June 16, 2016 removed the appropriate amounts associated with the Woodford project and other gas reserve investments. (Ousdahl)

**OPC:** **No.** FPL has not met the burden to show that it made the adjustments to remove the appropriate amounts associated with the Woodford project and other gas reserve costs.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Any and all costs of Woodford as accounted for by FPL in its SAP accounting system at the work breakdown structure for Woodford should be returned to FPL's customers.

**FRF:** Agree with OPC.

**Larsons:** No.

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

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**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?**

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

**OPC:** No position.

**AARP:** No position.



**FEA:** No position.

**FIPUG:** Adopt the position of OPC

**FRF:** No position.

**Larsons:** Yes.

**SFHHA:** Yes.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 166:** **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?**

**FPL:** No. A merger savings mechanism intended to flow back savings from future mergers, acquisitions or reorganizations is unnecessary and should not be established. (Ousdahl)

**OPC:** Yes, a mechanism should be established, if it does not already exist, to allocate benefits of any mergers, acquisitions, or reorganization by NextEra Energy.

**AARP:** Adopt the position of SFHHA.

**FEA:** Adopt the position of SFHHA.

**FIPUG:** Yes.

**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.

**Larsons:** Yes.

**SFHHA:** Yes. The Commission should adopt a merger savings surcredit rider, and direct the Company to make an initial filing and annual filings thereafter that quantify the expected savings and to provide those annual savings to customers through the rider within 90 days after the consummation of any such acquisition or merger. Alternatively, the Commission should use those savings to reduce the 2018, Okeechobee, or other rate increases if and when they are implemented.

**Sierra Club:** Sierra Club adopts SFHHA's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**ISSUE 167:** **Should this docket be closed?**

**FPL:** Yes.

**OPC:** No position.

**AARP:** No position.

**FEA:** No position.

**FIPUG:** Yes.

**FRF:** No position.

**Larsons:** The Larsons agree with and adopt OPC's position on this issue.

**SFHHA:** No position.

**Sierra Club:** Sierra Club adopts OPC's position.

**Walmart:** Walmart takes no position.

**Staff:** Staff has no position pending evidence adduced at the hearing.

**IX. EXHIBIT LIST**

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
<b><u>Direct</u></b>			
Eric Silagy	FPL	ES-1	Eric Silagy Biography
Eric Silagy	FPL	ES-2	FPL Typical Residential Bill 2006-2020
Eric Silagy	FPL	ES-3	Value Provided to FPL Customers
John J. Reed	FPL	JJR-1	Curriculum Vitae
John J. Reed	FPL	JJR-2	Testimony Listing
John J. Reed	FPL	JJR-3	Situational Assessment Rankings

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
John J. Reed	FPL	JJR-4	Productive Efficiency Rankings
John J. Reed	FPL	JJR-5	Operational Metrics
John J. Reed	FPL	JJR-6	Benchmarking Workpapers
John J. Reed	FPL	JJR-7	2014 Assessment and Efficiency Tables
John J. Reed	FPL	JJR-8	Annual Non-Fuel O&M Savings per Customer
John J. Reed	FPL	JJR-9	2014 Combined Situational Assessment and Productive Efficiency Rankings
John J. Reed	FPL	JJR-10	Emissions Comparison
John J. Reed	FPL	JJR-11	Consumer Price Index and Producer Price Index
John J. Reed	FPL	JJR-12	Average Weekly Electric Utility Employee Earnings
John J. Reed	FPL	JJR-13	Handy-Whitman Construction Cost Indices
Marlene M. Santos	FPL	MMS-1	MFRs Sponsored and Co-Sponsored by Marlene M. Santos
Marlene M. Santos	FPL	MMS-2	FPL Customer Service Awards and Recognition
Marlene M. Santos	FPL	MMS-3	2015 Customer Care Center Satisfaction Research
Marlene M. Santos	FPL	MMS-4	2015 Field Organization Satisfaction Research
Marlene M. Santos	FPL	MMS-5	Florida Public Service Commission Logged Complaints
Roxane R. Kennedy	FPL	RRK-1	MFRs Sponsored and Co-Sponsored by Roxane R. Kennedy
Roxane R. Kennedy	FPL	RRK-2	FPL Fossil Generating Capability and Technology Changes

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Roxane R. Kennedy	FPL	RRK-3	FPL Fossil Performance Improvements
Roxane R. Kennedy	FPL	RRK-4	FPL Fossil Heat Rate Comparison
Roxane R. Kennedy	FPL	RRK-5	Cumulative Benefits from FPL's Modernized Fossil Fleet since 2001
Roxane R. Kennedy	FPL	RRK-6	FPL Fossil Forced Outage Rate Comparison
Roxane R. Kennedy	FPL	RRK-7	FPL Fossil Total Non-Fuel O&M Production Cost Comparison
Roxane R. Kennedy	FPL	RRK-8	FPL Fossil Capacity Managed per Employee Improvements
Roxane R. Kennedy	FPL	RRK-9	FPL Combustion Turbine Technology Upgrades
Roxane R. Kennedy	FPL	RRK-10	Total Expenditure Comparison (Average \$/kW)
Mitchell Goldstein	FPL	MG-1	Listing of MFRs and Schedules Sponsored in Whole or in Part by Mitchell Goldstein
Mitchell Goldstein	FPL	MG-2	NRC Performance Indicators
Mitchell Goldstein	FPL	MG-3	NRC Inspection Findings
Mitchell Goldstein	FPL	MG-4	NRC Regulatory Status
Mitchell Goldstein	FPL	MG-5	Nuclear Performance Metrics
Manuel B. Miranda	FPL	MBM-1	MFRs Co-sponsored by Manuel B. Miranda
Manuel B. Miranda	FPL	MBM-2	Percentage of FPL Feeders Hardened / Underground
Manuel B. Miranda	FPL	MBM-3	FPL's FPSC SAIDI 2006-2015
Manuel B. Miranda	FPL	MBM-4	FPL's FPSC MAIFIe 2006-2015
Manuel B. Miranda	FPL	MBM-5	Regional SAIDI Benchmarking

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Manuel B. Miranda	FPL	MBM-6	AFS Avoided/Actual Customer Interruptions
Manuel B. Miranda	FPL	MBM-1	160061-EI - FPL's Electric Infrastructure Storm Hardening Plan
Manuel B. Miranda	FPL	MBM-2	160061-EI - Percentage of FPL Feeders Hardened / Underground
Rosemary Morley	FPL	RM-1	MFRs and Schedules Sponsored and Co-Sponsored by Rosemary Morley
Rosemary Morley	FPL	RM-2	Weather-Normalized Retail Delivered Sales per Customer
Rosemary Morley	FPL	RM-3	Summary of FPL's Historical and Forecasted Sales
Rosemary Morley	FPL	RM-4	Change in Typical Bill vs. Other Consumer Costs
Robert E. Barrett, Jr.	FPL	REB-1	MFRs and Schedules Sponsored or Co-sponsored by Robert E. Barrett, Jr.
Robert E. Barrett, Jr.	FPL	REB-2	2016 Planning and Budgeting Process Guideline
Robert E. Barrett, Jr.	FPL	REB-3	MFR-F5 Forecasting Flowchart and Models
Robert E. Barrett, Jr.	FPL	REB-4	MFR-F8 Major Forecast Assumptions
Robert E. Barrett, Jr.	FPL	REB-5	Plan and Actual Net Income 2013-2015
Robert E. Barrett, Jr.	FPL	REB-6	Net Income Adjusted for Reserve Amortization and Weather
Robert E. Barrett, Jr.	FPL	REB-7	FPL's Revenue Request - 2017 vs. 2016
Robert E. Barrett, Jr.	FPL	REB-8	Drivers of the Increase in Revenue Requirements for 2013-2017
Robert E. Barrett, Jr.	FPL	REB-9	Summary of CPVRR Analysis for Peaker Upgrade Project

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Robert E. Barrett, Jr.	FPL	REB-10	Summary of CPVRR Analysis for .05 Compressor Upgrades
Robert E. Barrett, Jr.	FPL	REB-11	Summary of CPVRR Analysis for Large Scale Solar Projects
Robert E. Barrett, Jr.	FPL	REB-12	FPL's Adjusted O&M Comparisons
Robert E. Barrett, Jr.	FPL	REB-13	FPL's Revenue Request 2018 vs. 2017
Robert E. Barrett, Jr.	FPL	REB-14	Summary of CPVRR Analysis for Transfer of Martin-Riviera Gas Lateral
Kim Ousdahl	FPL	KO-1	MFRs and Schedules Sponsored and Co-sponsored by Kim Ousdahl
Kim Ousdahl	FPL	KO-2	MFR A-1 for the 2017 Test Year
Kim Ousdahl	FPL	KO-3	2017 and 2018 ROE Calculation Without Rate Relief
Kim Ousdahl	FPL	KO-4	MFR A-1 for the 2018 Subsequent Year
Kim Ousdahl	FPL	KO-5	Nuclear Maintenance Outage Costs Revenue Requirement
Kim Ousdahl	FPL	KO-6	Fukushima Project Cost by Recovery Mechanism – Company Adjustment
Kim Ousdahl	FPL	KO-7	Clause Recoverable Projects CWIP – Company Adjustment
Kim Ousdahl	FPL	KO-8	Accumulated Deferred Income Tax Proration Adjustment to Capital Structure for 2017 Test Year and 2018 Subsequent Year
Kim Ousdahl	FPL	KO-9	FPSC Adjustments for Cedar Bay and Woodford Project Costs
Kim Ousdahl	FPL	KO-10	NextEra Energy, Inc. Primary Operating Entities Structure and Affiliate Support Services

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Kim Ousdahl	FPL	KO-11	2016 Cost Allocation Manual
Kim Ousdahl	FPL	KO-12	Direct Charges - Historical and Projected
Kim Ousdahl	FPL	KO-13	Corporate Services Charges – Historical and Projected Specific Cost Drivers and Massachusetts Formula Ratios
Kim Ousdahl	FPL	KO-14	Historical and Projected Corporate Services Charges - Cost Pools and Costs Billed to Affiliates
Keith Ferguson	FPL	KF-1	MFRs Co-sponsored by Keith Ferguson
Keith Ferguson	FPL	KF-2	Proposed Depreciation Company Adjustments by Year for Base vs. Clause for 2017 and 2018
Keith Ferguson	FPL	KF-3	Summary of Capital Recovery Schedules for 2017 and 2018 – Base Rates vs. Clause Recoverable
Keith Ferguson	FPL	KF-4	2016 Dismantlement Study
Keith Ferguson	FPL	KF-5	Proposed Dismantlement Company Adjustments for Base vs. Clause
Keith Ferguson	FPL	KF-6	Proposed Company Adjustments for Change in Nuclear End of Life Accruals
Ned W. Allis	FPL	NWA-1	2016 Depreciation Study
Ned W. Allis	FPL	NWA-2	List of Depreciation Assignments and Depreciation Testimony
Kathleen Slattery	FPL	KS-1	MFRs Sponsored and Co-Sponsored by Kathleen Slattery
Kathleen Slattery	FPL	KS-2	Total Salaries & Wages 2014
Kathleen Slattery	FPL	KS-3	Position to Market (2015 Base Pay)

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Kathleen Slattery	FPL	KS-4	Merit Pay Program Awards, 2013 to 2015
Kathleen Slattery	FPL	KS-5	Total Benefit Program Relative Value Comparision-2015
Kathleen Slattery	FPL	KS-6	Active Employee Medical Plan Relative Value Comparison-2015
Kathleen Slattery	FPL	KS-7	Average Medical Plan Expense Per Employee 2011-2016
Kathleen Slattery	FPL	KS-8	Pension & 401(k) Employee Savings Plan Relative Value Comparison-2015
Sam Forrest	FPL	SAF-1	Incentive Mechanism Comparison for Period 2013-2015 (pages 1-4)
Robert B. Hevert	FPL	RBH-1	Curriculum Vitae
Robert B. Hevert	FPL	RBH-2	Capital Asset Pricing Model Results
Robert B. Hevert	FPL	RBH-3	Bond Yield Plus Risk Premium
Robert B. Hevert	FPL	RBH-4	Constant Growth Discounted Cash Flow Model
Robert B. Hevert	FPL	RBH-5	Multi-Stage Growth Discounted Cash Flow Model
Robert B. Hevert	FPL	RBH-6	Ex-Ante Market Risk Premium
Robert B. Hevert	FPL	RBH-7	Bloomberg and Value Line Beta Coefficients
Robert B. Hevert	FPL	RBH-8	Change in Net Plant and Asset Turnover
Robert B. Hevert	FPL	RBH-9	Flotation Cost Adjustment
Robert B. Hevert	FPL	RBH-10	Proxy Group Capital Structure
Moray P. Dewhurst	FPL	MD-1	MFRs and Schedules Sponsored and Co-Sponsored by Moray P. Dewhurst
Moray P. Dewhurst	FPL	MD-2	FPL's Virtuous Circle



<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Moray P. Dewhurst	FPL	MD-3	Regional Comparison: ROE and Key Performance Metrics
Tiffany C. Cohen	FPL	TCC-1	MFRs and Schedules Sponsored or Co-Sponsored by Tiffany C. Cohen
Tiffany C. Cohen	FPL	TCC-2	FPL Bill Comparisons - January 2016 to January 2020
Tiffany C. Cohen	FPL	TCC-3	Florida Utility Bill Comparison
Tiffany C. Cohen	FPL	TCC-4	Change in the Consumer Price Index versus FPL Bills
Tiffany C. Cohen	FPL	TCC-5	Parity of Major Rate Classes
Tiffany C. Cohen	FPL	TCC-6	Summary of Proposed Rates for Major Rate Schedules
Rena B. Deaton	FPL	RBD-1	MFRs and Schedules Sponsored or Co-sponsored by Rena B. Deaton
Rena B. Deaton	FPL	RBD-2	Load Research Rate Classes and Related Rate Schedules
Rena B. Deaton	FPL	RBD-3	Rate Class Extrapolation Methodologies
Rena B. Deaton	FPL	RBD-4	Rates of Return and Parity at Present Rates
Rena B. Deaton	FPL	RBD-5	Target Revenue Requirements at Proposed Rates
Rena B. Deaton	FPL	RBD-6	Comparison of FPL Cost of Service Methodologies
David E. Dismukes, Ph.D.	OPC	DED-1 (IM)	Resume of David E. Dismukes, Ph.D. (Filed in Docket No. 160088-EI)
David E. Dismukes, Ph.D.	OPC	DED-1	Company's Historic and Projected Sales: 2011-2020

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
David E. Dismukes, Ph.D.	OPC	DED-2	Percentage Growth in NEL, Customers, and Summer Peak Demand: 2015-2030
David E. Dismukes, Ph.D.	OPC	DED-3	Company's Historic and Projected System Load Factor: 2008-2030
David E. Dismukes, Ph.D.	OPC	DED-4	Comparison of 2016 Ten-Year Site Plan System Load Factors
David E. Dismukes, Ph.D.	OPC	DED-5	Weather-Normalized Historic and Projected System Load Factor: 2008-2030
David E. Dismukes, Ph.D.	OPC	DED-6	Weather-Normalized and DSM-Removed Historic and Projected System Load Factor: 2008-2018
David E. Dismukes, Ph.D.	OPC	DED-7	Net Energy for Load Implications of Declining Load Factor
David E. Dismukes, Ph.D.	OPC	DED-8	Comparison of Summer Peak Demand and NEL: 2015 TYSP w. 2016 Rate case
David E. Dismukes, Ph.D.	OPC	DED-9	Comparison of Estimated Load Factors: 2015 TYSP w. 2016 Rate Case
David E. Dismukes, Ph.D.	OPC	DED-10	Comparison of NEL and Revenue Class Sales Forecasts
David E. Dismukes, Ph.D.	OPC	DED-11	Comparison of 2012 and Current NEL to Revenue Class Reconciliation Adjustments

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
David E. Dismukes, Ph.D.	OPC	DED-12	Net Energy for Load Adjustment Effect on Requested Revenue Requirement
David E. Dismukes, Ph.D.	OPC	DED-13	Comparison of Actual Electricity Prices and CPI-U Inflation
Jacob Pous	OPC	Appendix A	Resume of Jacob Pous
Jacob Pous	OPC	JP-1	OPC Depreciation Analysis
Jacob Pous	OPC	JP-2	Supporting Documents and Workpapers
J. Randall Woolridge, Ph.D.	OPC	Appendix A	Qualifications of Dr. J. Randall Woolridge
J. Randall Woolridge, Ph.D.	OPC	Appendix B	Historic Interest Rates and Capital Costs
J. Randall Woolridge, Ph.D.	OPC	JRW-1 Revised	Recommended Return on Equity
J. Randall Woolridge, Ph.D.	OPC	JRW-2	Interest Rates
J. Randall Woolridge, Ph.D.	OPC	JRW-3	Public Utility Bond Yields
J. Randall Woolridge, Ph.D.	OPC	JRW 4	Summary Financial Statistics for Proxy Groups
J. Randall Woolridge, Ph.D.	OPC	JRW-5	Value Line Risk Metrics for Proxy Groups
J. Randall Woolridge, Ph.D.	OPC	JRW-6	The Relationship Between Expected ROE and Market-to-Book Ratios

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
J. Randall Woolridge, Ph.D.	OPC	JRW-7	Utility Capital Cost Indicators
J. Randall Woolridge, Ph.D.	OPC	JRW-8	Industry Average Betas
J. Randall Woolridge, Ph.D.	OPC	JRW-9	DCF Model
J. Randall Woolridge, Ph.D.	OPC	JRW-10	DCF Study
J. Randall Woolridge, Ph.D.	OPC	JRW-11	CAPM Study
J. Randall Woolridge, Ph.D.	OPC	JRW-12	Florida Power & Light Company's ROE Results
J. Randall Woolridge, Ph.D.	OPC	JRW-13	GDP and S&P 500 Growth Rates
Kevin O'Donnell	OPC	KWO-1	Qualifications and Experience of Kevin O'Donnell
Helmuth W. Schultz III	OPC	HWS-1	Resume of Helmuth W. Schultz III (filed in Dockets 160021-EI and 160061-EI)
Helmuth W. Schultz III	OPC	HWS-2	2017 & 2018 Payroll Adjustments
Helmuth W. Schultz III	OPC	HWS-3	Employee Incentive Compensation Adjustment
Helmuth W. Schultz III	OPC	HWS-4	Benefit Expense Adjustment
Helmuth W. Schultz III	OPC	HWS-5	Payroll Tax Expense Adjustment
Helmuth W. Schultz III	OPC	HWS-6	Distribution Vegetative Management – Tree Trimming

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Helmuth W. Schultz III	OPC	HWS-7	Pole Inspection Expense 2017 & 2018
Helmuth W. Schultz III	OPC	HWS-8	Directors and Officers Liability Insurance Adjustment
Helmuth W. Schultz III	OPC	HWS-9	Storm Hardening Capital
Ralph C. Smith	OPC	RCS-1	Resume of Ralph C. Smith
Ralph C. Smith	OPC	RCS-2	Revenue Requirement Schedules January 2017 Rate Change
Ralph C. Smith	OPC	RCS-3	Revenue Requirement Schedules January 2018 Subsequent Year Rate Change
Ralph C. Smith	OPC	RCS-4	Revenue Requirement Schedules Okeechobee Limited Scope 2019 Rate Change
Daniel J. Lawton	OPC	DJL-1	Resume of Daniel J. Lawton
Daniel J. Lawton	OPC	DJL-2	Surplus Equity Return Impact Test Year 2017
Daniel J. Lawton	OPC	DJL-3	Surplus Equity Return Impact Test Year 2018
Daniel J. Lawton	OPC	DJL-4	Surplus Equity Return Impact Test Year 2019
Daniel J. Lawton	OPC	DJL-5	Financial Metric Evaluation
Michael Brosch	AARP	MLB-1.1	Summary of Qualifications

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Michael Brosch	AARP	MLB-1.2	Prior Testimony Listing
Michael Brosch	AARP	MLB-1.3	NRRI Future Test Years: Challenges Posed for State Utility Commissions; Briefing Paper No. 13-08, July 2013
Michael Brosch	AARP	MLB-1.4	Edison Electric Institute Rate Case Summary Q1, 2016
Michael Brosch	AARP	MLB-1.5	AUS Monthly Utility Reports, June 2016
Michael Brosch	AARP	MLB-1.6	Y Charts Financial Data – North American Utilities
Michael P. Gorman	FEA	App A	Qualifications of Michael P. Gorman
Michael P. Gorman	FEA	MPG-1	Rate of Return
Michael P. Gorman	FEA	MPG-2	Valuation Metrics
Michael P. Gorman	FEA	MPG-3	Embedded Cost of Debt
Michael P. Gorman	FEA	MPG-4	Proxy Group
Michael P. Gorman	FEA	MPG-5	Consensus Analysts' Growth Rates
Michael P. Gorman	FEA	MPG-6	Consensus Analysts' Constant Growth DCF
Michael P. Gorman	FEA	MPG-7	Payout Ratios
Michael P. Gorman	FEA	MPG-8	Sustainable Growth Rate
Michael P. Gorman	FEA	MPG-9	Sustainable Growth Rate Constant Growth DCF
Michael P. Gorman	FEA	MPG-10	Electricity Sales Are Linked to US Economic Growth
Michael P. Gorman	FEA	MPG-11	Multi-Stage Growth DCF Model
Michael P. Gorman	FEA	MPG-12	Common Stock Market/Book Ratio
Michael P. Gorman	FEA	MPG-13	Equity Risk Premium-Treasury Bond

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Michael P. Gorman	FEA	MPG-14	Equity Risk Premium-Utility Bond
Michael P. Gorman	FEA	MPG-15	Bond Yield Spreads
Michael P. Gorman	FEA	MPG-16	Treasury & Utility Bond Yields
Michael P. Gorman	FEA	MPG-17	Value Line Beta
Michael P. Gorman	FEA	MPG-18	CAPM Return
Michael P. Gorman	FEA	MPG-19	Standard and Poor's Credit Metrics
Michael P. Gorman	FEA	MPG-20	Revised Hevert Multi-Stage Growth DCF Model
Michael P. Gorman	FEA	MPG-21	Interest Rate Forecasts
Brian C. Andrews	FEA	App A	Qualifications of Brian C. Andrews
Brian C. Andrews	FEA	BCA-1	BCA Recommended Adjustments
Brian C. Andrews	FEA	BCA-2	Account 362 – Composite Remaining Life
Brian C. Andrews	FEA	BCA-3	Account 365 – Composite Remaining Life
Brian C. Andrews	FEA	BCA-4	Account 369.1 – Composite Remaining Life
Amanda M. Alderson	FEA	App A	Qualifications of Amanda M. Alderson
Amanda M. Alderson	FEA	AMA-1	Monthly Peak Demands as a Percent of the Annual System Peak
Amanda M. Alderson	FEA	AMA-2	Comparison of Production Allocation Factors
Amanda M. Alderson	FEA	AMA-3	Revenue Spread for 2017 Test Year
Amanda M. Alderson	FEA	AMA-4	FEA Proposed CILC Rate Design; Proof of Revenue at FEA Proposed CILC Rates

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Jeff Pollock	FIPUG	JP-1	Analysis of Historical and Projected Weather Normalized Retail Sales and Number of Customers
Jeff Pollock	FIPUG	JP-2	2017 Cost of Long-Term Debt Adjusted for Lower Interest Rates
Jeff Pollock	FIPUG	JP-3	Average Authorized Return on Equity for Vertically Integrated Electric IOU's In Rate Cases Decided in 2012-March 2016
Jeff Pollock	FIPUG	JP-4	Average of the Last Authorized Financial Equity Ratio and Return on Equity For Each Vertically Integrated Electric IOU In Rate Cases Decided in 2012-March 2016
Jeff Pollock	FIPUG	JP-5	Proposed Base Revenue Increase by Rate Class
Jeff Pollock	FIPUG	JP-6	FPL's Application of Gradualism
Jeff Pollock	FIPUG	JP-7	FPL's Proposed Class Revenue Allocation Measured as a Percent of Sales Revenues Including Clauses
Jeff Pollock	FIPUG	JP-8	Class Revenue Allocation Based on FPL's Class Cost-of-Service Study Gradualism Applied on Sales Revenues Including Clauses
Jeff Pollock	FIPUG	JP-9	Summary of FPL's Class Cost-of-Service Study Results At Present and Proposed Rates Applying Gradualism To Total Revenues Including Clauses
Jeff Pollock	FIPUG	JP-10	NARUC Electric Utility Cost Allocation Manual Excerpt
Jeff Pollock	FIPUG	JP-11	Utilities that Classify a Portion of their Distribution Network Investment as Customer-Related
Jeff Pollock	FIPUG	JP-12	Illustration of Different Types of Delivery Service



<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Jeff Pollock	FIPUG	JP-13	FIPUG's Class Cost-of-Service Study
Jeff Pollock	FIPUG	JP-14	Recommended Class Revenue Allocation
Jeff Pollock	FIPUG	JP-15	Summary of FIPUG's Class Cost-of-Service Study Results At Present and Recommended Rates
Jeff Pollock	FIPUG	JP-16	Comparison of Present and Proposed Tariff Changes
Richard A. Baudino	SFHHA	RAB-1	Resume of Richard A. Baudino
Richard A. Baudino	SFHHA	RAB-2	Historical Bond Yields
Richard A. Baudino	SFHHA	RAB-3	Federal Reserve Press Releases and Articles
Richard A. Baudino	SFHHA	RAB-4	FPL Investor Presentations and SEC Form 10-K
Richard A. Baudino	SFHHA	RAB-5	FPL's Response to SFHHA's Request for Production of Documents No. 70 and Selected FPL Discovery Responses
Richard A. Baudino	SFHHA	RAB-6	DCF Analysis: Dividend Yield Calculations
Richard A. Baudino	SFHHA	RAB-7	DCF Analysis: Comparison Group Growth Rate and ROE
Richard A. Baudino	SFHHA	RAB-8	CAPM Analysis: Comparison Group
Richard A. Baudino	SFHHA	RAB-9	CAPM Analysis: Historic Market Premium
Richard A. Baudino	SFHHA	RAB-10	Silagy Prior Testimony
Richard A. Baudino	SFHHA	RAB-11	Avera Prior Testimony
Richard A. Baudino	SFHHA	RAB-12	FERC GDP Growth Rate
Richard A. Baudino	SFHHA	RAB-13	DCF Analysis: Growth Rates

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Stephen J. Baron	SFHHA	SJB-1	List of Expert Testimony Appearances
Stephen J. Baron	SFHHA	SJB-2	FPL's Response to FIPUG's Interrogatory No. 10
Stephen J. Baron	SFHHA	SJB-3	FPL's Response to SFHHA's Interrogatory No. 145
Stephen J. Baron	SFHHA	SJB-4	EIA Levelized Cost of New Generation Resources
Stephen J. Baron	SFHHA	SJB-5	NARUC Electric Utility Cost Allocation Manual - Distribution Costs
Stephen J. Baron	SFHHA	SJB-6	TECO MDS Analysis
Stephen J. Baron	SFHHA	SJB-7	Gulf Power MDS Analysis
Stephen J. Baron	SFHHA	SJB-8	Analysis of FPL Account 364 - Minimum Size Poles
Stephen J. Baron	SFHHA	SJB-9	Rate Class CILC-1D - SFHHA Recommended Rate Design - 2017
Stephen J. Baron	SFHHA	SJB-10	Rate Class CILC-1D - SFHHA Recommended Rate Design - 2018
Stephen J. Baron	SFHHA	SJB-11	MDS - SFHHA 2017 Class Cost of Service Studies Using FPL's 12 CP and 25% Average Demand Method
Stephen J. Baron	SFHHA	SJB-12	MDS - SFHHA 2018 Class Cost of Service Studies Using FPL's 12 CP and 25% Average Demand Method
Stephen J. Baron	SFHHA	SJB-13	FPL MFR Schedule E-13c, Page 2 of 45
Stephen J. Baron	SFHHA	SJB-14	FPL's Response to Staff's Data Request No. 22
Stephen J. Baron	SFHHA	SJB-15	FPL CDR RIM Test Analysis, Docket No. 150085-EG
Stephen J. Baron	SFHHA	SJB-16	SFHHA Recommended 2017 Revenue Allocation Methodology

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Stephen J. Baron	SFHHA	SJB-17	SFHHA Recommended 2018 Revenue Allocation Methodology
Lane Kollen	SFHHA	LK-1	Resume of Lane Kollen
Lane Kollen	SFHHA	LK-2	FPL's Response to OPC Request for Admission No. 2
Lane Kollen	SFHHA	LK-3	FPL's Response to OPC Request for Admission No. 3
Lane Kollen	SFHHA	LK-4	FPL's Response to OPC Interrogatory No. 17
Lane Kollen	SFHHA	LK-5	FPL's Response to OPC Interrogatory No. 5
Lane Kollen	SFHHA	LK-6	SFHHA Reduction in Injuries and Damages Expense
Lane Kollen	SFHHA	LK-7	FPL's Response to Staff's Data Request No. 90, Attachment 2
Lane Kollen	SFHHA	LK-8	SFHHA Reduction in End of Life Materials & Supplies and Nuclear Fuel Last Core Expense
Lane Kollen	SFHHA	LK-9	Florida Administrative Code, Section 25-6.0436 - Depreciation (2016)
Lane Kollen	SFHHA	LK-10	Prior Version Florida Administrative Code, Section 25-6.0436 - Depreciation (2008)
Lane Kollen	SFHHA	LK-11	SFHHA Reduction to Depreciation Expense - Increase Remaining Life By 1 Year
Lane Kollen	SFHHA	LK-12	SFHHA Reduction to Depreciation Expense to Combine All Subaccounts to Account 343
Lane Kollen	SFHHA	LK-13	Exhibit NWA-1 (Docket No. 160021-EI)
Lane Kollen	SFHHA	LK-14	SFHHA Reduction to Depreciation Expense to Reallocate Reserve Based on Gross Plant for All Account 343

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Lane Kollen	SFHHA	LK-15	FPL's Response to SFHHA Interrogatory No. 162
Lane Kollen	SFHHA	LK-16	SFHHA Reduction to Depreciation Expense to Restate Remaining Lives for Scherer 4 and SJRRP (2017)
Lane Kollen	SFHHA	LK-17	SFHHA Reduction in Dismantling Costs to Remove 20% Contingency (2017)
Lane Kollen	SFHHA	LK-18	Reproduction of Exh. KF-4 (Page 49)
Lane Kollen	SFHHA	LK-19	Reproduction of Exh. KF-4 (Page 13)
Lane Kollen	SFHHA	LK-20	SFHHA Adjustment to Dismantlement Reserve
Lane Kollen	SFHHA	LK-21	SFHHA Reduction in Dismantling Costs to Extend Lives for Scherer 4 and SJRRP
Lane Kollen	SFHHA	LK-22	FPL's Response to SFHHA Interrogatory No. 57
Lane Kollen	SFHHA	LK-23	SFHHA Reduction in Capital Recovery Amortization to Amortize Over 10 Years
Lane Kollen	SFHHA	LK-24	FPL's Response to SFHHA Interrogatory No. 175
Lane Kollen	SFHHA	LK-25	Florida Administrative Code Section 25-6.0141 (current)
Lane Kollen	SFHHA	LK-26	FPL's Response to SFHHA Interrogatory Nos. 133 and 134
Lane Kollen	SFHHA	LK-27	SFHHA Recommended Rate Base - 2017 and 2018
Lane Kollen	SFHHA	LK-28	SFHHA Adjustment to Cost of Capital - 2017
Lane Kollen	SFHHA	LK-29	SFHHA Adjustment to Cost of Capital - 2018

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Lane Kollen	SFHHA	LK-30	SFHHA Adjustment to Cost of Capital - Okeechobee Limited Scope Adjustment
Lane Kollen	SFHHA	LK-31	26 C.F.R. § 1.167(l)-1
Lane Kollen	SFHHA	LK-32	FPL's Response to SFHHA Interrogatory No. 171
Lane Kollen	SFHHA	LK-33	SFHHA Correction of Revenue Expansion Factor to Include Section 199 Manufacturer's Deduction
Lane Kollen	SFHHA	LK-34	SFHHA Reduction to Depreciation Expense for Okeechobee LSA
Lane Kollen	SFHHA	LK-35	SFHHA Recommended Rate Base - Okeechobee LSA
Lane Kollen	SFHHA	LK-36	Appendix to FERC Order in Docket No. RP16-300-000
Steve W. Chriss	Walmart	SWC-1	Qualifications Statement
Steve W. Chriss	Walmart	SWC-2	Estimated Impact of FPL's Proposed Increase in ROE from 10.5 Percent to 11.5 Percent
Steve W. Chriss	Walmart	SWC-3	Calculation of Proposed Test Year Jurisdictional Revenues Collected Through Base Rates
Steve W. Chriss	Walmart	SWC-4	Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2013 to Present
Steve W. Chriss	Walmart	SWC-5	Calculation of Production Capacity Cost Allocators
Steve W. Chriss	Walmart	SWC-6	Comparison of Cost Recovery, FPL 12 CP and 25% Cost of Service Study, Present and Proposed Rates for GSLDT-1, GSLD-1, GSDT-1, and GSD-1
Steve W. Chriss	Walmart	SWC-7	Calculation of Proposed Rates, GSLD-1 and GSLDT-1

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Steve W. Chriss	Walmart	SWC-8	Calculation of Proposed Rates, GSD-1 and GSDT-1
Iliana H. Piedra	Staff	IHP-1	Auditor's Report – Twelve Months Ended December 31, 2015
Rhonda L. Hicks	Staff	RLH-1	Summary of Complaints

**Rebuttal**

Robert E. Barrett, Jr.	FPL	REB-15	Illustrative MFR C-37 with Revised Inflation Factor
Kim Ousdahl	FPL	KO-15	Calculation of Deferred Income Tax on Okeechobee LSA
Kim Ousdahl	FPL	KO-16	Historical and Forecasted Injuries and Damages Reserve
Kim Ousdahl	FPL	KO-17	Comparison of 2009 Actual and 2016 Estimated Rate Case Expenses
Kim Ousdahl	FPL	KO-18	Docket No. 080677-EI Actual Rate Case Expense Letter
Kim Ousdahl	FPL	KO-19	1st, 2nd and 3rd Notices of Identified Adjustments
Kim Ousdahl	FPL	KO-20	Recalculated Revenue Requirements including Impact of Identified Adjustments
Rosemary Morley	FPL	RM-5	Weather-normalized Retail Delivered Sales per Customer
Rosemary Morley	FPL	RM-6	Summary of FPL's Historical and Forecasted Sales
Rosemary Morley	FPL	RM-7	Annual Percent Change in Weather-normalized Use-Per-Customer
Rosemary Morley	FPL	RM-8	Weather-normalized Load Factors
Rosemary Morley	FPL	RM-9	Comparison of FPL's Proposed Load Forecast and Those Utilized in the Okeechobee Need Determination Case

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Rosemary Morley	FPL	RM-10	Summary of Incorrect, Incomplete or Misleading Statements Made by OPC Witness Dismukes' Testimony
Ned W. Allis	FPL	NWA-3	Mass Property Service Lives-Account Specific
Ned W. Allis	FPL	NWA-4	Mass Property Net Salvage-Account Specific
Ned W. Allis	FPL	NWA-5	Interrogatory Responses
Keith Ferguson	FPL	KF-2 (Updated)	Proposed Depreciation Company Adjustment by Year for Base vs. Clause for 2017 and 2018
Keith Ferguson	FPL	KF-4 (Corrected)	FPL 2016 Dismantlement Study filed on May 3, 2016 with FPL's First Notice of Identified Adjustments
Keith Ferguson	FPL	KF-7	Dismantlement Reserve - Company Adjustment Impact - Rate Base Only
Keith Ferguson	FPL	KF-8	Order Approving Capital Recovery of Port Everglades ESPs
Jeffrey T. Kopp	FPL	JTK-1	FPL's Response to Staff's Seventh Set of Interrogatories No. 165
Roxane R. Kennedy	FPL	RRK-1	Example (Mitsubishi) Combustion Turbine (CT) Maintenance Intervals by Outage Type
Roxane R. Kennedy	FPL	RRK-2	Example (Mitsubishi) Combustion Turbine Parts Standards by Outage Inspection Type
Manuel B. Miranda	FPL	MBM-3	FPL's Responses to OPC's 16th Set of Interrogatories Nos. 363-365
Manuel B. Miranda	FPL	MBM-7	FPL's Response to OPC's 1st Set of Interrogatories No. 13
Kathleen Slattery	FPL	KS-9	FPL Planned vs. Actual Gross Payroll 2011-2015
Robert B. Hevert	FPL	RBH-11	Capital Asset Pricing Model Results

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Robert B. Hevert	FPL	RBH-12	Bond Yield Risk Premium
Robert B. Hevert	FPL	RBH-13	Constant Growth Discounted Cash Flow Model
Robert B. Hevert	FPL	RBH-14	Multi-Stage Discounted Cash Flow Model
Robert B. Hevert	FPL	RBH-15	Ex-Ante Market Risk Premium
Robert B. Hevert	FPL	RBH-16	Bloomberg and Value Line Beta Coefficients
Robert B. Hevert	FPL	RBH-17	Proxy Group Capital Structure
Robert B. Hevert	FPL	RBH-18	Flotation Cost Adjustment - Combined Proxy Group
Robert B. Hevert	FPL	RBH-19	Proxy Group Comparison
Robert B. Hevert	FPL	RBH-20	Value Line P/E Ratios
Robert B. Hevert	FPL	RBH-21	Proof Concept: Earnings, Dividends, Book Value and Stock Price Growth Rate Equivalence in Constant Growth DCF
Robert B. Hevert	FPL	RBH-22	Growth Rate Regression Analysis
Robert B. Hevert	FPL	RBH-23	Analysts' Projected EPS Growth Rates - Woolridge Proxy Group as Filed
Robert B. Hevert	FPL	RBH-24	Bond Yield Plus Risk Premium - Settled Only
Robert B. Hevert	FPL	RBH-25	Implied Return on Equity with M/B Ratio at Unity
Robert B. Hevert	FPL	RBH-26	Constant Growth Discounted Cash Flow Model and Credit Rating Regression
Robert B. Hevert	FPL	RBH-27	Hypothetical Example: Flotation Cost Recovery



<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Robert B. Hevert	FPL	RBH-28	Analysis Using Gorman's Rolling Average Equity Risk Premium Data
Robert B. Hevert	FPL	RBH-29	Analysis Using Mr. Gorman's Annual Equity Risk Premium Data
Robert B. Hevert	FPL	RBH-30	Forecasting 30 Year Treasury Yields: Regression Results Based on Data in Exhibit MPG-21
Robert B. Hevert	FPL	RBH-31	Mr. Gorman's Financial Integrity Analysis (Exhibit MPG-19)
Robert B. Hevert	FPL	RBH-32	Frequency Distribution of Observed Market Risk Premia, 1926-2015
Robert B. Hevert	FPL	RBH-33	Alternative Bond Yield Plus Risk Premium Analysis
Robert B. Hevert	FPL	RBH-34	Value Line Projected Sustainable Growth And Return On Common Equity
Robert B. Hevert	FPL	RBH-35	Mr. Baudino's Exhibit No. (RAB-7) Adjusted
Robert B. Hevert	FPL	RBH-36	Equity Duration Calculation Using Mr. Baudino's DCF Model Data
Robert B. Hevert	FPL	RBH-37	Duration of Treasury Bonds at Current Interest Rates
Robert B. Hevert	FPL	RBH-38	DCF Model ROE Estimate Assuming Different Holding Periods and No Terminal Value
Robert B. Hevert	FPL	RBH-39	R-Squared of Beta Coefficient Regressions for Mr. Baudino's Proxy Group: Value Line Methodology
Robert B. Hevert	FPL	RBH-40	Bond Yield Plus Risk Premium Analysis Applying 95.00% Confidence Interval
Robert B. Hevert	FPL	RBH-41	S&P Business Risk Profiles and Credit Rankings
Robert B. Hevert	FPL	RBH-42	Recently Authorized ROEs

<u>Witness</u>	<u>Proffered By</u>	<u>ID</u>	<u>Description</u>
Robert B. Hevert	FPL	RBH-43	Summary of Adjustment Clauses & Alternative Regulation/Incentive Plans
Robert B. Hevert	FPL	RBH-44	Mr. Lawton's Financial Integrity Analysis Replicated, as Filed (Exhibit DJL-5)
Terry Deason	FPL	TD-1	Biographical Information for Terry Deason
Tiffany C. Cohen	FPL	TCC-7	Comments on Illustrative Baron Table 12
Tiffany C. Cohen	FPL	TCC-8	Distribution Substation Interrogatory
Tiffany C. Cohen	FPL	TCC-9	Major Southeastern IOU Bill Comparison 2006 - 2016
Rena B. Deaton	FPL	RBD-8	Comparison of CI Customer Fuel Savings To Additional Revenue Requirement Under 12CP & 25%
Rena B. Deaton	FPL	RBD-9	Impact of Proposed Production Cost Allocation Methods
Rena B. Deaton	FPL	RBD-10	Impact of MDS and Proposed Production Cost Allocation Methods
Rena B. Deaton	FPL	RBD-11	Summary of Rate Class Impact due to Proposed Alternative Allocation Methods
Rena B. Deaton	FPL	RBD-12	Prior Commission Orders Rejecting Use of MDS
Rena B. Deaton	FPL	RBD-13	Revised MFR E-1 and E6b
Robert E. Barrett, Jr.	FPL	REB-15	Illustrative MFR C-37 with Revised Inflation Factor

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

**X. STIPULATIONS**

All parties have entered into the following stipulation for Issue 73A: The appropriate method of calculating working capital is the balance sheet method.

**XI. PENDING MOTIONS OR REQUESTS**

None at this time.

**XII. PENDING CONFIDENTIALITY MATTERS**

None.

**XIII. POST-HEARING PROCEDURES**

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position on each issue is limited to no more than 75 words, set off with asterisks: however, each party will be allowed to select up to seven issues for which the summary of each position may be expanded to no more than 180 words, set off with asterisks. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position. If the prehearing position is longer than the allowable 75 and 180 words, it must be reduced to no more than 75 and 180 words, respectively. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding. Also, failure of a party to adhere to the word limitation will result in elimination of all words after the first 75 or 180, as applicable. Moreover, if a party uses the 180 word limitation on more than seven selected issues, it will result in the Commission accepting the first seven position statements with a reduction to the first 75 words for any remaining position statements beyond the first seven selected issues.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 150 pages and shall be filed at the same time.

**XIV. RULINGS**

Opening statements, if any, shall be limited to 20 minutes for FPL. Additionally, opening statements, if any, shall not exceed 10 minutes for OPC, and 5 minutes each for all other intervenors. There shall be no sharing of time between parties. All parties shall bring 40 copies of all exhibits they wish to enter into evidence to the final hearing and abide by the rules for any confidential materials contained therein.

FIPUG has complied with the requirements of Order No. PSC-16-0300-PCO-EI, issued on July 27, 2016, Third Order Revising Order Establishing Procedure (Third Order), and shall be allowed to request the sequestration of witnesses. Likewise, SFHHA timely amended its Prehearing Statement filed on August 5, 2016, and per my ruling, may also be permitted to

request sequestration of witnesses. All other parties to this case have waived the right to request sequestration of witnesses pursuant to Section 90.616, F.S.

The Third Order requires parties who wish to voir dire witnesses at the hearing to identify the witnesses the party wishes to voir dire and “state with specificity the portions of that witness’ pre-filed testimony, by page and line number, and/or exhibits, by page and line number, to which the party objects.” Failure to do so waives the party’s right to voir dire absent a showing of good cause at the time the witness is offered for cross-examination at hearing. In its prehearing statement FIPUG stated as follows: “FIPUG objects to any expert witness not designated as an expert and expressly offered as an expert witness, with areas of expertise identified.” FIPUG did not provide the names of any witnesses to voir dire or the pages of any testimony or exhibits to which it objects. Thus, I find that FIPUG has not complied with the requirements of the Third Order and shall be prohibited from voir dire at hearing.

The Sierra Club has requested that it be allowed to either allow 10 Sierra Club member witnesses to testify at the hearing regarding its associational standing or, in the alternative, mark for identification the affidavits of these witnesses as a composite exhibit to be admitted into evidence at the beginning of the hearing.<sup>16</sup> FPL has objected to allowing the 10 Sierra witnesses to testify on the grounds that this amounts to untimely *de facto* testimony. FPL notes that the Sierra Club filed for intervention on July 18, 2016, 11 days after the filing date for intervenor witnesses in the rate case (Docket No. 160021-EI) and the depreciation study case (Docket No. 160062-EI). I agree that allowing the proffered witnesses to testify at the hearing violates the filing requirements of the Order Establishing Procedure, Order No. PSC-16-0125-PCO-EI, issued on March 25, 2016. Thus, I will deny the Sierra Club’s request to do so. However, I will allow the affidavits to be marked as an exhibit and included in the Comprehensive Exhibit List with a ruling on their admissibility deferred until their tender at the hearing.

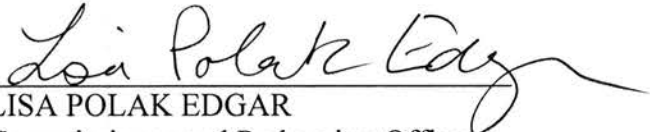
It is therefore,

ORDERED by Commissioner Lisa Polak Edgar, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

---

<sup>16</sup> These affidavits were provided to the parties and filed with the Clerk on August 15, 2016.

By ORDER of Commissioner Lisa Polak Edgar, as Prehearing Officer, this 19th day  
of August, 2016.

  
LISA POLAK EDGAR  
Commissioner and Prehearing Officer  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

Copies furnished: A copy of this document is  
provided to the parties of record at the time of  
issuance and, if applicable, interested persons.

SBr

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.