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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company.	DOCKET NO. 160021-EI
In re: Petition for approval of 2016-2018 storm hardening plan, by Florida Power & Light Company.	DOCKET NO. 160061-EI
In re: 2016 depreciation and dismantlement study by Florida Power & Light Company.	DOCKET NO. 160062-EI
In re: Petition for limited proceeding to modify and continue incentive mechanism, by Florida Power & Light Company.	DOCKET NO. 160088-EI FILED: September 19, 2016

THE FLORIDA RETAIL FEDERATION'S POST-HEARING STATEMENT OF ISSUES AND POSITIONS AND NOTICE OF CONCURRENCE IN BRIEF OF THE CITIZENS OF THE STATE OF FLORIDA

The Florida Retail Federation (the "FRF" or "Federation"),[1] pursuant to the Orders Establishing Procedure in this docket,

[1] In this Post-hearing Statement and Brief/Notice of Concurrence, the following additional abbreviations are used: the Citizens of the State of Florida, represented by the Office of Public Counsel, are referred to as "Citizens" or "OPC"; the South Florida Hospital and Healthcare Association is referred to as "SFHHA"; the Florida Industrial Power Users Group is referred to as "FIPUG"; the Federal Executive Agencies are referred to as "FEA"; Daniel and Alexandria Larson are referred to as "Larsons"; AARP is referred to as "AARP;" and Wal-Mart Stores East, L.P. and Sam's East, Inc. is referred to as "Walmart." "FPL" and "Company" refer to Florida Power & Light Company. "Commission" refers to the Florida Public Service Commission. Citations to the hearing transcript are in the form "TR (page number)," with the name of the witness preceding the TR cite where appropriate. Citations to hearing exhibits are in the form "EXH (Exhibit number) (page number)."

Order PSC-16-0300-PCO-EI (issued July 27, 2016), Order PSC-16-0211-PCO-EI (issued May 27, 2016), Order PSC-16-0182-PCO-EI (issued May 4, 2016), and PSC-16-0125-PCO-EI (issued March 25, 2016), hereby submits the Federation's Post-hearing Statement and Notice of Concurrence with the Brief of the Citizens of the State of Florida. To conserve time and resources, and for the sake of brevity, with respect to most issues and except as stated otherwise, the FRF will simply note its concurrence in the analysis and conclusions of the Citizens; in a limited number of instances, the FRF notes its specific agreement with SFHHA and FIPUG.

SUMMARY

The Commission should deny Florida Power & Light Company's proposed rate increases for 2017 in their entirety because they are excessive and unnecessary to allow FPL to fulfill its responsibility to provide safe and reliable service at the lowest reasonable cost. Moreover, the Commission should deny FPL's proposed increases for 2018 and 2019 because they are based on flawed and uncertain projections; FPL can seek rate increases for those years if and when it can establish that it actually needs additional revenues in order to provide safe and reliable service at the lowest reasonable cost.

The Florida Retail Federation does not make this recommendation lightly; as the FRF has stated time and again, FPL and all of Florida's utilities need sufficient revenues to support their fulfillment of their responsibility (or duty) to provide safe and reliable service at the lowest reasonable cost. As the FRF articulates its philosophy, Florida needs healthy electric utilities with sufficient revenues to pay their employees, pay their bills, and earn a reasonable return sufficient to attract necessary capital. However, Florida does not need its utilities to enrich their management and shareholders with excessive earnings. Rather, the FRF makes this recommendation, and asks the Commission to take this action, based on full consideration of the following facts:

1. It is FPL's responsibility to provide safe and reliable service at the lowest reasonable cost.

2. FPL's requested rate increases are excessive: With no rate increases at all, and assuming the information presented in FPL's filings to be true (much of which is disputed by the several parties representing customers' interests in this case), in 2017 FPL would earn Net Operating Income ("NOI," the equivalent of profit) of $1.618 Billion. MFR Schedule A-1, page 1 of 1. In 2015, as reported by FPL on a pro forma adjusted basis, FPL earned NOI of $1.729 Billion; in 2015, FPL's "Actual Per Books" NOE exceeded $2.058 Billion. Exhibit 573, FPL's Earnings Surveillance Report for December 2015, Schedule 1, page 1 of 1.[2]

3. FPL's requested excessive rate increases are based on and driven by two key factors, its requested rate of return on equity ("ROE") of 11.5%, including its requested performance adder, and its capital structure that includes an excessive percentage of common equity capital - 59.6

[2] On information and belief, as well as on the facial similarity of FPL's reported 2015 NOI (shown in Exhibit 573) and FPL's own projected 2017 NOI (MFR Schedule A-1), the FRF believes that FPL's NOI or profit is running at comparable levels in 2016.

percent. These values are far greater than the vast majority of other public service commissions and public utility commissions in the United States have authorized in recent time.

4. Focusing on FPL's request for an ***additional $826 million per year of its customers' money in 2017, and every year thereafter***, just these two factors account for virtually the entire request as compared to reasonable values applied by other state utility regulators. The difference between FPL's requested ROE of 11.5% and the fairly typical 9.5% applied in other states accounts for approximately $480 million of FPL's requested increase. FPL's excessive equity ratio - 59.6% - when compared to a more reasonable and more typical value of 50.0%, accounts for approximately $337 million of FPL's requested increase. Together, then, just these two factors account for $817 million per year, virtually FPL's entire requested increase for 2017. (Actually, the $817 million represents 98.9 percent of FPL's total request for $826 million more of its customers' money in 2017. And again, this assumes no other adjustments, even though many of the other factors driving FPL's requested increases, including other cost items and sales projections, are disputed by the parties representing the interests of FPL's customers.)

6. Thus, if the Florida Public Service Commission were to set FPL's rates using values more typically applied by other state utility commissions, without making any other adjustments at all, FPL would "need" rate increases of only $9 million per year.

The Commission should also reject FPL's requested 2018 rate increases - for an ***additional $270 million per year of its customers' money every year starting in 2018*** - for the same reasons that it rejected FPL's nearly identical request in 2010. As the Commission explained in that case,

> The Company's ratepayers deserve a full investigation into the cause of FPL's claimed deterioration of its earnings. Two general rate increases that are barely twelve months apart justify the time and expense of a second separate proceeding.

> Two back-to-back general rate increases are especially of concern when one considers that the need for base rate increases has already been reduced for FPL due to the effect of the cost recovery clauses. Cost recovery clauses provide for approximately 61 percent of FPL's revenue and reduce the risk of under-recovery of a substantial portion of FPL's operating costs. The recovery of costs through the clauses should limit the need and frequency of full rate cases for FPL.
>
> States that make use of a projected test year, like Florida, typically only attempt to look one year into the future. FPL is asking us to look far beyond the horizon, into 2011, and raise consumers' rates not only in 2010 based on a 2010 projected test year, but to raise consumers rates again in 2011 based on speculative and untested projections for a 2011 subsequent projected test year. These test years were developed in 2008. As one reaches farther into the future, predictions and projections of future economic conditions become less certain and more subject to the vagaries of changing variables. This is particularly true given that for 2010, FPL projected results based upon the assumption of a "down economy," and for 2011 projected results based upon a "down economy just beginning to recover."
>
> Because of unpredictable changes in the economy, it is certainly possible that FPL's perceived need for a 2011 base rate increase could be offset by changes in sales growth, billing determinants, additional Stimulus Bill of the American Recovery and Reinvestment Act of 2009 (Stimulus Bill) benefits, and other cost-decreasing measures. At a time when Florida's ratepayers have been hit hard by the downturn in the economy, it makes sense to wait and see if a subsequent rate case is justified. FPL's claim that it will need a rate increase in 2011 simply is too speculative, and is hereby rejected.

<u>In re: Petition for Increase in Rates by Florida Power & Light Company</u>, Docket No. 080677-EI, Order No. 10-0153-FOF-EI at 10.

The Commission should also reject FPL's requested 2019 rate increases for a ***further $209 million per year of its customers'***

money every year starting in June 2019, which it claims it needs to support its investment and operation of its Okeechobee Clean Energy Center, for the same reasons that the Commission rejected FPL's similar, although farther-reaching, GBRA proposal in 2010 and also for the same reasons cited above applicable to future-year step increases.

GENERATION BASE RATE ADJUSTMENT

> For the reasons explained in detail below, we do not approve FPL's request for a Generation Base Rate Adjustment (GBRA) mechanism that would authorize FPL to increase base rates for revenue requirements associated with new generating additions approved under the Power Plant Siting Act at the time they enter commercial service. The existing ratemaking procedure provided by Florida Statutes and our rules provides for a more rigorous and thorough review of the costs and earnings associated with new generating units. Section 366.06(2), F.S., provides that when approved rates charged by a utility do not provide reasonable compensation for electrical service, the utility may request that we hold a public hearing and determine reasonable rates to be charged by the utility. Section 366.071, F.S., provides expedited approval of interim rates until issuance of a final order for a rate change. Rule 25-0243, F.A.C., establishes the minimum filing requirements for utilities in a rate case. These procedures have been sufficient in the past for FPL and other regulated utilities wishing to recover capital expenditures when a new generating facility begins commercial service. We find that the GBRA shall expire as scheduled when new rates are established as delineated in this Order.
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> * * *
>
> We deny FPL's request to continue the GBRA mechanism. It is not possible for us to exercise as adequate a level of economic oversight within the context of a GBRA mechanism as we can exercise within the context of a traditional rate case proceeding.

> Furthermore, a policy change of this magnitude, which would ultimately affect other utilities, deserves a more thorough review through a separate generic proceeding.

Order No. 10-0153-FOF-EI at 13-16.

Finally, the Commission should pay no heed whatsoever to FPL's self-vaunted 4-year rate proposal. This dramatically exceeds what FPL needs to do its job, and it dramatically and vastly exceeds anything resembling anything that FPL was ever awarded by the Florida PSC in its regulatory history. (See Exhibit 571, which shows the amounts requested by Florida's investor-owned electric utilities and the amounts awarded by the Commission, from 1960 to the present.) Granting FPL's request would give FPL 100 percent of its request, which totals more than $4.5 Billion of additional base rate revenue from its customers over the next four years, TR 199. Moreover, ***FPL will not stand behind its supposed commitment*** (actually a pie-crust promise a la Mary Poppins, easily made, easily broken) not to seek additional revenues before 2021 ***unless the PSC awards FPL 100 percent of its total requested increases*** of more than $4,.5 Billion of additional customers' money. TR 148 (Silagy).

Historical Perspective - Long Run

Exhibit 571 in this proceeding is a Commission document titled "REVENUE REDUCTIONS AND INCREASES ORDERED BY THE FLORIAD PUBLIC SERVICE COMMISSION FOR CERTAIN INVESTOR-OWNED ELECTRIC

AND NATURAL GAS UTILITIES FROM 1960 TO PRESENT." This document shows, by docket number and with the Commission's order numbers also provided, the amounts requested and amounts awarded by the Commission for every rate case since 1960. From 1960 through 1970, the Commission ordered several rate decreases for FPL; FPL did not request any increases during that decade. Examining the amounts requested and amounts awarded between 1971 and 1985, it appears that the greatest percentage that FPL received, as a percentage of its request, was approximately 56 percent in 1977, when FPL was awarded $195,496,841 out of its requested total increase of $349,000,000 per year. Exhibit 571, Docket No. 760727-EU, Order No. 7923. In Docket No. 830465-EU, Exhibit 571 appears to show that FPL made two requests totaling approximately $455 million per year, and that it was awarded increases totaling approximately $205 million per year. Docket No. 830465-EU, Order Nos. 13948 and 14005.

From the conclusion of Docket No. 830465-EU until the present date, other than the Generation Base Rate Adjustment ("GBRA") cases that began following the 2005 rate freeze settlement in Docket No. 050045-EI,the Commission has reduced FPL's rates a number of times, including reductions ordered (or approved in settlements) in 1988, 1989, 1990, 1991, 1999, and 2002, and FPL provided customer refunds based on revenue-sharing provisions contained in certain settlement agreements in 2000, 2001, 2002, and 2003.

Historical Perspective - Recent History

Other than GBRA increases for specific power plants, there has been exactly one case in the past 31 years in which the Commission voted issue by issue to decide an FPL rate case.

In 2009, in Commission Docket No. 080677-EI, FPL filed MFRs asserting that it "needed" rate increases strikingly similar to those FPL has requested in the case before your today. In its 2009 filing, FPL asked for the following increases:

For 2010: $1,043,535,000 in additional base rate revenues;

For 2011: $247,367,000 in additional base rate revenues; and

And also in 2011, through its request for GBRA treatment for all new power plants approved under the Florida Electrical Power Plant Siting Act, additional base revenues associated with a new power plant, West County Unit 3, which would have been approximately $180-200 million per year to begin in July 2011. Order No. 10-0153-FOF-EI at 3.

Very similarly, in the current Docket No. 160021-EI, FPL has requested the following increases:

For 2017: $826,000,000 per year in additional base rate revenues;

For 2011: $270,000,000 per year in additional base rate revenues; and

And for 2019: additional base revenues associated with its Okeechobee Clean Energy Center, to begin in June

2019 at an annual rate of $209,000,000 per year. TR 1550 (Barrett)

The cumulative total of FPL's requests in 2009 was between $1.4 Billion and $1.5 Billion per year; in the current Docket No. 160021-EI, FPL's requested annual increases total $1.305 Billion per year.

The Commission in the 2009 case determined that FPL could continue providing safe and reliable service, paying all of its obligations, and have an opportunity to earn a reasonable return on its investment with a one-time rate increase in 2010 of approximately $76 million per year, no second-year step increase and no subsequent increase for West County 3.

With help from the Consumer Parties, including the FRF, through a 2011 settlement (approved in Order No. 11-0189-S-EI) in which FPL was allowed to use GBRA treatment for its West County 3 power plant and provided additional protection for recovery of significant storm restoration costs, FPL operated with a base rate freeze at the levels ordered by the Commission in 2010 from 2010 until 2013, yet FPL provided safe and reliable service, paid all of its bills, and was able to raise sufficient capital to make all needed investments. Of at least equal significance, relative to the financial health of FPL and its parent, NextEra Energy ("NEE"), during this period, NEE's stock price increased, it increased its dividends every year, and according to FPL's Earnings Surveillance Reports, FPL consistently earned at the top of its authorized range, 11.00% on a PSC-adjusted basis throughout those three years.

This history shows that FPL can fulfill, and has fulfilled, its responsibility of providing safe and reliable service with far less of its customers' money that it has requested from the Commission. The Commission should recognize this fact and accordingly deny FPL's requested increases for 2017.

Regarding FPL's Performance and Requested Performance Adder

FPL's service is adequate but overall, it is middling when compared to the reliability performance of Florida's other IOUs, Duke, Gulf Power, Tampa Electric, and Florida Public Utilities Company. Specifically, FPL ranks the best on 2 out of the 7 standard reliability metrics reported in the PSC 2014 Reliability Report, and on the other 5 metrics, FPL ranks better than some utilities and worse than others. See Exhibits 586 and 587. This is simply not performance that is so exemplary as to justify requiring FPL's customers to pay an additional $120 million per year. In fact, it is not sufficient to justify FPL's customers paying anything extra at all.

The Commission should deny FPL's requested ROE performance adder.

Conclusions and Prayer for Relief

Considering the fact that FPL will make more than $1.6 Billion in NOI/profit next year with no rate increase at all, MFR Schedule A-1, and considering how well FPL has fared over the past 6-plus years, particularly following the Commission's 2010 decision that granted FPL only a small fraction of its requests that are so similar to its requests in this docket, FPL's customers implore the Commission to hold the line.

The evidence shows that FPL can fulfill its responsibility of providing safe and reliable service ***with no rate increase at all in 2017***, and ***still earn more than $1.6 Billion in profit*** after paying all of its employees and all of its bills. On behalf of its members and - speaking figuratively and morally, albeit not in a strict legal representational capacity - on behalf of the millions of Floridians who shop in its members' stores, the Florida Retail Federation respectfully asks the Commission to deny FPL's excessive rate increase requests in this case.

THE FLORIDA RETAIL FEDERATION'S POSTHEARING STATEMENT OF ISSUES AND POSITIONS

LEGAL ISSUES

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

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

ISSUE 2: **Does the Commission have the authority to approve FPL's requested limited scope adjustment for the new Okeechobee Energy Center in June of 2019?**

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

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

FRF: *Agree with OPC.*

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

FRF: *No. In Citizens v. Graham, 191 So. 3d 897 (Fla 2016), the Florida Supreme Court stated that under the plain meaning of Section 366.01 and Section 366.02, Florida Statutes, cost recovery is permissible only for costs arising from the "generation, transmission, or distribution" of electricity. Id. at 7. The Court also noted that utilities through the fuel clause do not earn a return on money spent to purchase fuel or earn a return on the cost of hedging positions purchased. Id. at 8-9. It would exceed the Commission's authority to grant cost recovery to the extent FPL proposes to earn a return for non-electric transactions in an incentive mechanism.* [109 words]

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

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

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

FRF: *No.*

STORM HARDENING ISSUES

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

ISSUE 13: Does the Company's Plan provide a detailed description of its deployment strategy including a description of the facilities affected; including technical design specifications, construction standards, and

construction methodologies employed as required by Rules 25-6.0341 and 25-6.0342(4)(a), F.A.C.?

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

WOODEN POLE INSPECTION PROGRAM

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

FRF: *No position.*

10 POINT STORM PREPAREDNESS INITIATIVES

ISSUE 20: **Does the Company's 10-point initiatives plan comply with Order No. PSC-06-0351-PAA-EI, issued on April 25, 2006; Order No. PSC-06-0781-PAA-EI, issued on September 19, 2006; and Order No. PSC-07-0468-FOF-EI, issued on May 30, 2007, in Docket No. 060198-EI?**

FRF: *No position.*

APPROVAL OF STORM HARDENING PLAN

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

FRF: *Agree with OPC.*

COSTS FOR STORM HARDENING AND 10 POINT INITIATIVES

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

FRF: *No position.*

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

FRF: *No position.*

TEST PERIOD AND FORECASTING

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

FRF: *Yes, with appropriate adjustments supported by the Citizens' witnesses.*

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

FRF: *No. The Commission should reject FPL's request for a subsequent year increase for the same reasons the Commission applied in Order No. 10-0153-FOF-EI, including that "The Company's ratepayers deserve a full investigation into the cause of FPL's claimed deterioration of its earnings."*

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

FRF: *No. Based on the 2017 test year, FPL's rates and revenues should be reduced by approximately $327 million. If FPL's rates remained unchanged in 2017, an overall revenue reduction of approximately $147 million would be appropriate for 2018, meaning that even with those reduced revenues, FPL would have sufficient revenues to provide safe and reliable service in 2018.*

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

FRF: *No, the subsequent test year adjustment is not necessary or good policy. FPL has not shown an extraordinary circumstance or need for a rate relief in 2018.*

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

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

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

FRF: *No. The Commission should use FPL's 2015 TYSP NEL forecast, which will increase test year weather-normalized retail delivered energy by 3,896 gigawatt-hours or 3.5 percent. Likewise, the proposed adjustment will increase subsequent year weather-normalized retail delivered energy by 4,882 gigawatt-hours, or 4.3 percent. These corrections alone will decrease the Company's needed revenue requirements by $206.5 million in 2017 and $259.5 million in 2018.* [63 words]

ISSUE 30: **Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the period June 2019 to May 2020, appropriate, if applicable?**

FRF: *No.*

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

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

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

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

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

FRF: *The rate case forecast significantly understates sales as compared to the previously used 2015 NEL forecast. The Commission should use the more reasonable 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.*

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

FRF: *No 2018 rate increase is appropriate. If the Commission considers such an increase, a more appropriate 2.06% inflation rate should be used which is based on weighting multiple sources.*

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

FRF: *No.*

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

FRF: *No.*

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

FRF: *No position.*

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

FRF: *No. Values projected for 2018, particularly where FPL has not demonstrated a need for rate increases in either 2017 or 2018, are too speculative to be used to justify requiring FPL's customers to pay more, particularly two to three years beyond the time when the forecasts were prepared.*

QUALITY OF SERVICE

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

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

ARGUMENT:

FPL's service is adequate, but no better than what FPL's customers have paid for and continue to pay for. In fact, data presented in the Commission's Review of Florida's Investor-Owned Electric Utilities 2014 Service Reliability Reports, published in November 2015 ("PSC 2014 Reliability Report") and included in the record as Exhibit 586, shows that FPL' service reliability is, as might be expected, better than other Florida investor-owned utilities ("IOUs")[3] on some metrics and worse than other Florida IOUs on some metrics.

The PSC 2014 Reliability Report presents comparative information on seven reliability metrics: System Average Interruption Duration Index (Adjusted SAIDI), System Average

[3] For clarity, the other Florida IOUs are Duke Energy Florida ("DEF"), Florida Public Utilities Company ("FPUC"), Gulf Power Company ("Gulf"), and Tampa Electric Company ("TECO").

Interruption Frequency Index (Adjusted SAIFI), Customer Average Interruption Duration Index (Adjusted CAIDI), Average Number of Feeder Momentary Events (Adjusted MAIFIe), Percent of Customers with More Than Five Interruptions (Adjusted CEMI5), Number of Outages per 10,000 Customers, and Average Duration of Outage Events (Adjusted L-Bar).

Overall, FPL ranks best on two of the seven metrics. FPL is better than some and worse than some of the other Florida IOUs on the other 5 reliability metrics, as follows:

- Adjusted SAIDI - FPL is the best.
- Adjusted SAIFI - FPL is better than DEF and FPUC, and worse than Gulf and TECO.
- Adjusted CAIDI - FPL is the best.
- Adjusted MAIFIe - FPL is better than DEF and TECO, and worse than Gulf
- Adjusted CEMI5 - FPL is worse than Gulf and TECO, better than DEF.
- Number of Outages per 10,000 Customers - FPL is worse than Gulf and TECO, and better than DEF and FPUC.
- Adjusted L-Bar - FPL is slightly better than TECO, which was the worst, and worse than DEF, FPUC, and Gulf.

Generally speaking, SAIFI indicates how often a customer's service is interrupted, while L-Bar measures how long a customer is out of service when an outage is experienced. Reed, TR 573.

Thus, the data show that FPL is in the middle of the Florida pack with respect to outage frequency (SAIFI), and near the bottom with respect to outage duration (L-Bar). Although Mr. Reed testified that FPL's performance on the SAIFI metric had improved, TR 569, the data indicate that, while FPL's SAIFI performance improved from 2011 to 2013, it was worse in 2014 than in any year since before 2010 (Exhibit 586 at page 77), and Exhibit 587, an excerpt from FPL's 2016 Update Report (at page 92 of the original FPL document) shows that FPL's SAIFI value for 2015 slightly worse in 2015 than in 2014. Overall, this performance on reliability cannot be characterized as superior to that of the other Florida utilities.

DEPRECIATION STUDY

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

FRF: *No position.*

ISSUE 41: What is the appropriate depreciation study date?

FRF: *The appropriate depreciation study date is December 31, 2016, to match FPL's proposed effective date for new rates of January 1, 2017. FPL's proposed study date of December 31, 2017 imposes a mismatch and arbitrarily increases depreciation rates and expense.*

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

FRF: *The Commission should reject FPL's depreciation study based on the December 31, 2017. FPL's study is unreliable and overstates depreciation rates and expense. The most appropriate course of action is to maintain FPL's current depreciation rates.*

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

FRF: *No.*

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

FRF: * The Commission should consider using a realistic life span of 45 years for its combined cycle units. Otherwise, the appropriate depreciation parameters and depreciation rates to be used in determining FPL's revenue requirements and rates are those resulting from using FPL's current depreciation rates.*

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

FRF: *The appropriate depreciation parameters and depreciation rates to be used in determining FPL's revenue requirements and rates are those resulting from using FPL's current depreciation rates.*

<u>ISSUE 46</u>: 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?

<u>FRF</u>: * The record in this proceeding does not support significant modification to the expenses and parameters and resulting theoretical reserve imbalance submitted by FPL based on its study and expert testimony, except possibly for the adjustments proposed by SFHHA witness Kollen and FEA witness Andrews. (TR4059-4066; 3953-3970)*

<u>ISSUE 47</u>: 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?

<u>FRF</u>: *The Commission should reject FPL's depreciation study. The appropriate depreciation parameters and depreciation rates to be used in determining FPL's revenue requirements and rates are those resulting from using FPL's current depreciation rates.*

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

<u>FRF</u>: *No such measures are appropriate or justified based on the depreciation study filed by FPL.*

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

<u>FRF</u>: *The new depreciation rates, if any, should be implemented in January 2017.*

<u>ISSUE 50</u>: Should FPL's currently approved annual dismantlement accrual be revised?

FRF: *Agree with SFHHA.*

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

FRF: *Agree with SFHHA.*

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

A. For the 2017 projected test year?

FRF: *Agree with SFHHA.*

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

FRF: *Agree with SFHHA.*

RATE BASE

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

FRF: *Yes.*

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

A. For the 2017 projected test year?

FRF: *No position.*

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

FRF: *No position.*

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

A. For the 2017 projected test year?

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *Agree with FIPUG.*

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

FRF: *Agree with FIPUG.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with SFHHA.*

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

FRF: *Agree with SFHHA.*

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

A. For the 2017 projected test year?

FRF: *Agree with SFHHA.*

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

FRF: *Agree with SFHHA.*

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

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

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

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

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

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

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

A. For the 2017 projected test year?

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

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

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

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

A. For the 2017 projected test year?

FRF: *No.*

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

FRF: *No.*

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

A. For the 2017 projected test year?

FRF: *Agree with SFHHA.*

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

FRF: *Agree with SFHHA.*

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

A. For the 2017 projected test year?

FRF: * PHFFU for the 2017 test year should be reduced by $14.681 million total ($14.228 million jurisdictional).*

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

FRF: *For the 2018 future test year, the jurisdictional adjustment decreases average 2018 jurisdictional rate base by $14.234 million.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

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

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

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

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

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

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

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

ISSUE 74: If FPL's balance sheet approach methodology for calculating its Working Capital is adopted, what adjustments, if any, should be made to FPL's proposed Working Capital

A. For the 2017 projected test year?

FRF: *2017 working capital should be reduced by the full amount of the unamortized balance of rate case expense of $4.309 million.*

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

FRF: *2018 working capital should be reduced by the full amount of the unamortized balance of rate case expense of $3.078 million.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *2017 working capital should be $867.037 million.*

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

FRF: *If the Commission considers a 2018 rate increase, 2018 working capital should be $912.686 million.*

ISSUE 77: What is the appropriate level of rate base

A. For the 2017 projected test year?

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

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

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

COST OF CAPITAL

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

A. For the 2017 projected test year?

FRF: *The appropriate amount of ADIT included in the capital structure should be $7,368.582 million. With a reconciliation adjustment to increase ADIT by $42.910 million based on OPC's increase to rate base, results in a total ADIT balance of $7,411.492 million.*

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

FRF: *The appropriate amount of ADIT included in FPL's 2018 capital structure should be $7,753.738 million with a reconciliation adjustment to increase ADIT by $91.257 million, resulting in a total ADIT balance of $7,844.995 million.* [49 words]

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

A. For the 2017 projected test year?

FRF: *The appropriate 2017 amount of unamortized ITCs included in the capital structure should be $106.275 million with a reconciliation adjustment to increase ITCs by $.619 million, resulting in a total ITC balance of $106.894 million.* [50 words]

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

FRF: *The appropriate 2018 amount of unamortized ITCs included in the capital structure should be $100.559 million with a reconciliation adjustment to increase ITCs by $1.184 million, resulting in a total ITC balance of $101.743 million. Other adjustments to ITCs may also be appropriate, based on the evidence adduced at hearing.* [50 words]

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

A. For the 2017 projected test year?

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

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

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

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

A. For the 2017 projected test year?

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

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

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

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

A. For the 2017 projected test year?

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

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

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

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

A. For the 2017 projected test year?

FRF: *The appropriate equity ratio is 50% for the 2017 projected test year. Equity should be reduced by $2,355.609 million with corresponding increases to long and short term debt. The amount of common equity is $12,326.965 million for the 2017 projected test year prior to reconciliation to rate base. Applying a 50% equity ratio, which is consistent with industry averages (and greater than the equity ratios of both NextEra's consolidated group and the FPL proxy group average), results in an approximately $360 million reduction to FPL's 2017 requested revenue increase.* [89 words]

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

FRF: *The appropriate equity ratio is 50% for the 2018 subsequent projected test year, if applicable. Equity should be reduced by $2,469.402 million with corresponding increases to long and short term debt. The amount of common equity is $12,815.120 million for the 2018 subsequent projected test year, prior to reconciliation to rate base.* [52 words]

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

<u>FRF</u>: *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.*

<u>ARGUMENT</u>

As explained and demonstrated by the data presented in the FRF's argument on FPL's quality of service in Issue 39 above, FPL's service is adequate but overall, it is middling when compared to the reliability performance of Florida's other IOUs, Duke, Gulf Power, Tampa Electric, and Florida Public Utilities Company. Specifically, FPL ranks the best on 2 out of the 7 standard reliability metrics reported in the <u>PSC 2014 Reliability Report</u>, and on the other 5 metrics, FPL ranks better than some utilities and worse than others. <u>See</u> Exhibits 586 and 587. This is simply not performance that is so exemplary as to justify requiring FPL's customers to pay an additional $120 million per year. In fact, it is not sufficient to justify FPL's customers paying anything extra at all. The Commission should deny FPL's proposed ROE performance adder.

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

A. For the 2017 projected test year?

FRF: *The appropriate ROE is 8.75%, because it fairly reflects current capital market conditions and because it will allow NextEra and FPL to attract sufficient capital at a reasonable cost to enable FPL to provide safe and reliable service. Utilizing an 8.75% ROE would result in an approximately $480 million reduction from FPL's 2017 request.*

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

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

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

A. For the 2017 projected test year?

FRF: *The appropriate weighted average cost of capital to use in establishing FPL's revenue requirement and setting FPL's rates for the 2017 test year, consistent with providing FPL with sufficient capital to provide safe and reliable service, and a reasonable return on that capital, with a 50% debt/50% equity capital structure, is a 5.05% overall rate of return.* [57 words]

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

FRF: *If applicable, 5.05%.*

NET OPERATING INCOME

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

A. For the 2017 projected test year?

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

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

FRF: *If applicable, the appropriate projected amount of other operating revenues per OPC adjustments for the 2018 projected test year is $194.137 million.*

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

A. For the 2017 projected test year?

FRF: *$6,128.441 million for 2017.*

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

FRF: *$6,221.118 million for 2018.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *$60.953 million.*

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

FRF: *$62.172 million.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

FRF: *Yes, but with the clarifications and modifications recommended by the Citizens' witnesses.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

ISSUE 106: What is the appropriate amount of Pension Expense

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

FRF: * 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.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *The appropriate level of O&M expenses is $1,267,955 million for the 2017 test year.*

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

FRF: *The appropriate level of O&M expenses is $1,310,440 million for the 2018 test year.*

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

A. For the 2017 projected test year?

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

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

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

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

A. For the 2017 projected test year?

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

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

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

ISSUE 116: **What is the appropriate level of Income Taxes**

A. For the 2017 projected test year?

FRF: *The appropriate level of income taxes should be $788.841 million for the 2017 test year.*

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

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

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

A. For the 2017 projected test year?

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

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

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

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

A. For the 2017 projected test year?

FRF: *The appropriate level of total operating expenses should be $4,287.136 million for the 2017 test year.*

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

FRF: *The appropriate level of total operating expenses should be $4,381.397 million for the 2018 test year.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

FRF: *The appropriate level of net operating income should be $1,841.305 million for the 2017 test year.*

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

FRF: *The appropriate level of net operating income should be $1,839.721 million for the 2018 test year.*

REVENUE REQUIREMENTS

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

A. For the 2017 projected test year?

FRF: *Agree with OPC.*

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

FRF: *Agree with OPC.*

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

A. For the 2017 projected test year?

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

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

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

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

A. For the 2017 projected test year?

FRF: *The appropriate annual revenue ***decrease*** should be $327.469 million from current rates for the 2017 test year.*

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

FRF: *No annual revenue increase is appropriate for the 2018 test year.*

OKEECHOBEE LIMITED SCOPE ADJUSTMENT

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

FRF: *The Okeechobee June 1, 2019 limited scope adjustment (LSA) increase requested by FPL should not be approved at this time, because FPL has not justified a need for any additional revenues in 2017 or 2018, and because the reasonableness and accuracy of FPL's 2019-2020 projections is questionable. However, if the Okeechobee LSA is considered then OPC'S 2018 ROR should be used; operating costs associated with the project should be updated based on a then-current forecast; and start-up costs included in FPL's projects should be removed to normalize costs and exclude one-time, non-recurring costs.* [93 words]

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

FRF: *No.*

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

FRF: *Agree with OPC.*

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

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

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

FRF: *No. No mid-2019 step increase is warranted or should be granted, and accordingly, the Commission should not rule on the appropriateness of the Okeechobee rate base at this time. Any increases for Okeechobee outside a general rate case should be based on then-current information, which should be presented by FPL in 2019 prior to approval of any increase.*

ISSUE 129: What is the appropriate weighted average cost of capital, including the proper components, amounts and cost rates associated with the capital structure, to calculate the limited scope adjustment for the new Okeechobee Energy Center?

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

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

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

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

FRF: *A mid-2019 step increase is not warranted nor should it be granted. However, if the Okeechobee LSA is considered, then the appropriate Net Operating Income Multiplier should be 1.63024.*

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

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

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

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

ASSET OPTIMIZATION INCENTIVE MECHANISM

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

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

COST OF SERVICE AND RATE DESIGN ISSUES

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

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

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

FRF: *The revenue requirement approved by the Commission should be allocated to rate classes following the general principle of moving the rate classes toward parity, subject to the Commission's long-standing policy and practice that, in designing new rates, the Commission should apply the following limitations, which are commonly referred to as the Commission's "Transition Rules": (1) to the extent possible, consistent with other parameters, the revenue increase should be allocated so as to bring all rate classes as close to parity as practicable; (2) if the utility is granted an increase, no class should receive an increase greater than 1.5 times the system average increase in total, and if the utility is ordered to decrease rates, no class should receive a decrease greater than 1.5 times the system average decrease; and (3) if the utility is granted a revenue/rate increase, no class should receive a decrease, and if the utility is ordered to implement a decrease, no class should receive an increase. See Order No. PSC-0283-FO-EI at pp. 86-87.* [168 words]

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

A. Effective January 1, 2017?

FRF: *No position.*

B. Effective January 1, 2018?

FRF: *No position.*

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

FRF: *No position.*

ISSUE 143: **What are the appropriate temporary construction service charges**

A. Effective January 1, 2017?

FRF: *No position.*

B. Effective January 1, 2018?

FRF: *No position.*

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

A. Effective January 1, 2017?

FRF: *No position.*

B. Effective January 1, 2018?

FRF: *No position.*

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

FRF: *The appropriate monthly credit for the Commercial/Industrial Demand Reduction (CDR) Rider customers effective January 1, 2017, is the existing credit amount.*

ISSUE 146: **What are the appropriate customer charges**

A. Effective January 1, 2017?

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

B. Effective January 1, 2018?

FRF: *No rate increases are appropriate for 2018. If a rate increase were granted for 2018, the appropriate customer charges should be set based on the customer unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.* [52 words]

ISSUE 147: What are the appropriate demand charges

A. Effective January 1, 2017?

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

B. Effective January 1, 2018?

FRF: *No rate increases are appropriate for 2018. If a rate increase were granted for 2018, the appropriate demand charges should be set based on the demand unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.* [52 words]

ISSUE 148: What are the appropriate energy charges

A. Effective January 1, 2017?

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

B. Effective January 1, 2018?

FRF: *No rate increases are appropriate for 2018. If a rate increase were granted for 2018, the appropriate energy charges should be set based on the energy unit costs per the Commission-approved class cost of service study, subject to the Commission's Transition Rules described in the FRF's position stated in Issue 140 above.* [52 words]

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

A. Effective January 1, 2017?

FRF: *No position.*

B. Effective January 1, 2018?

FRF: *No position.*

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

A. Effective January 1, 2017?

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

B. Effective January 1, 2018?

FRF: *No rate increases are appropriate for 2018. The appropriate credits for the CILC rate schedule are those currently in effect; demand and energy charges should be set as described above.*

ISSUE 151: What are the appropriate lighting rate charges

A. Effective January 1, 2017?

FRF: *No position.*

B. Effective January 1, 2018?

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

A. Effective January 1, 2017?

FRF: *No position.*

B. Effective January 1, 2018?

FRF: *No position.*

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

A. Effective January 1, 2017?

FRF: *No position.*

B. Effective January 1, 2018?

FRF: *No position.*

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

FRF: *No. No rate increases associated with the Okeechobee Energy Center should be approved in this docket. Rates that would include FPL's investment and costs associated with the Okeechobee Energy Center should only be approved in a future general rate case.*

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

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

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

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

FRF: *No position.*

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

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

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

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

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

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

OTHER ISSUES

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

FRF: *Agree with SFHHA.*

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

FRF: *Agree with SFHHA.*

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

FRF: *Agree with OPC.*

ISSUE 165: Should FPL be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

FRF: *Yes.*

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?

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.*

ISSUE 167: Should this docket be closed?

FRF: *After all opportunities for seeking reconsideration or appellate review have either exhausted or expired pursuant to applicable law, this docket should be closed.*

Respectfully submitted this 19th day of September, 2016

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished to the following, by electronic mail, on this 19th day of September, 2016.

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