Dorothy Menasco

080677-EI

From: Lynette Tenace [ltenace@kagmlaw.com]
Sent: Thursday, August 06, 2009 4:00 PM
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Subject: Docket No. 080677-EI and 090130-EI
Attachments: FIPUG Prehearing Statement 08.06.09.pdf

In accordance with the electronic filing procedures of the Florida Public Service Commission, the following filing is made:

a. The name, address, telephone number and email for the person responsible for the filing is:

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b. This filing is made in Docket No. 080677-EI, In re: Petition for increase in rates by Florida Power & Light Company; and Docket No. 090130-EI, In re: 2009 depreciation and dismantlement study by Florida Power & Light Company.

c. The document is filed on behalf of Florida Industrial Power Users Group.

d. The total pages in the document is 40 pages.

e. The attached document is FIPUG's Prehearing Statement.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Increase in Rates by Florida Power & Light Company.	DOCKET NO. 080677-EI
In re: 2009 depreciation and dismantlement study by Florida Power & Light Company.	DOCKET NO. 090130-EI
	FILED: August 6, 2009

THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT

The Florida Industrial Power Users Group (FIPUG), pursuant to Order No. PSC-09-0159-PCO-EI, as modified by Order No. PSC-09-0521-PCO-EI, files its Prehearing Statement.

A. APPEARANCES:

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On Behalf of the Florida Industrial Power Users Group

B. WITNESSES:

	Witness	Subject Matter	Issues
Jeffry Pollock		Depreciation, capital structure, 2011 Test year, cost of service study, class Revenue allocation, rate design	5-7, 18, 21-23 25, 34, 35, 38, 71, 72, 73, 141, 142, 160, 161, 165, 166, 167

C. EXHIBITS

Exhibit	Witness	Description
______ (JP-1)	Pollock	Estimated Impact of Revised Life Spans on Depreciation Expense
______ (JP-2)	Pollock	Quality Measures – Utility Operating Companies
______ (JP-3)	Pollock	Impact of Capital Structure Adjustment
______ (JP-4)	Pollock	Comparison of Capital Expenditures from Form 10Q Reports
______ (JP-5)	Pollock	Analysis of Monthly Peak Demands as a Percentage of the Annual System Peak
______ (JP-6)	Pollock	Reserve Margin as a Percent of Peak Demand
______ (JP-7)	Pollock	Why Electric Facilities are Sized to Meet Peak Demand
______ (JP-8)	Pollock	Derivation of Production Plant Allocation Factors, Average & Excess Demand Allocation Method
______ (JP-9)	Pollock	Proposed Revenue Class Allocation

____ (JP-10)	Pollock	Recommended Class Revenue Allocation
____ (JP-11)	Pollock	Summary of Class Cost of Service Results

D. STATEMENT OF BASIC POSITION

FIPUG's Statement of Basic Position:

FPL's requested revenue requirements are greatly overstated, and in fact, as recommended by other parties to this proceeding, should be reduced and not increased.

Test Year

The Commission should reject FPL's attempt to implement a subsequent year base rate increase in 2011. Such a request is simply FPL's bold attempt to combine two rate cases into one. The request to increase rates in 2011 should not be granted because it is based on projections from 2008 and does not reflect FPL's formal 2011 budget. FPL's request is speculative, inappropriate and unnecessary.

Depreciation

FPL has vastly overstated its depreciation expense, especially given the huge depreciation surplus of $1.2 billion it currently has. The Commission should require FPL to utilize reasonable life spans for its coal units (at least 55 years) and combined cycle units (at least 35 years) and should require FPL to continue to make the $125 million depreciation adjustment authorized in its 2005 rate case.

In addition, the Commission should require FPL to charge the remaining costs of the plants that are being retired early to the depreciation reserve, rather than amortizing them as an additional expense. Further, the Commission should order FPL to suspend contributions to the fossil plant dismantling fund until after the next depreciation study.

ROE

FPL's request for an ROE of 12.5% is unreasonable and should be rejected given financial conditions today. 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 quality service. It should not be "rewarded" for doing what it is required to do. FPL's ROE should be set no higher than 9.5% as recommended by Public Counsel's witness.

Capital Structure

FPL's request to receive approval of a capital structure which includes an increased equity component due to purchased power agreements or otherwise adjust its capital structure so as to include imputed debt related to purchase power agreements (PPAs) should be rejected. Because the costs of PPAs are a guaranteed pass through in Florida, there is little to no risk to FPL of these agreements and no need to impute debt related to them. The Commission addressed this same issue in the recent TECO rate case and rejected TECO's request for the same kind of adjustment. See Order No. PSC-09-0283-FOF-EI at 35-36.

In addition, FPL's capital structure should be adjusted to reduce the amount of common equity to 50.2% on an adjusted basis, which is comparable to the equity ratios of other comparably-rated electric utilities.

Cost of Service

With respect to FPL's class cost-of-service study, the methodology used to allocate production plant costs should reflect cost-causation. FPL is a strongly summer peaking utility and experiences its tightest margins during the summer months. This suggests that greater emphasis should be placed on summer month demands than is provided in the 12CP & $1/13^{th}$ AD FPL uses. However, 12CP & $1/13^{th}$ AD has been routinely used by the Commission and should be retained. If the Commission decides to place greater emphasis on energy usage, it should adopt the Average and Excess method rather than an Average and Peak method because the former recognizes the dual functionality of generating plants (*i.e.*, serving both base and cycling loads) without double-counting peak demand.

In addition, FPL's proposed class revenue allocation should be rejected because it would result in some classes receiving base rate increases that exceed 150% of the system average increase. This violates the Commission's policy regarding the use of cost-of-service study to set rates, subject to appropriate gradualism constraints.

Last, FPL's proposed rate design should be revised to:

- More closely align the demand and energy charges to reflect the corresponding demand and non-fuel energy-related costs;
- Set the HLFT rates to blend at a 70% load factor with the corresponding GSD and GSLD rates;
- Correct the CILC rate design so that the incentive payments are spread to all customer classes (rather than being partially absorbed by the CILC customers); and
- Increase the Rider CDR credit to reflect the higher equipment costs and greater value of providing non-firm service than when the credit was first initiated.

E. <u>STATEMENT OF ISSUES AND POSITIONS</u>:

<u>2010 PROPOSED TEST PERIOD</u>

<u>ISSUE 1</u>: Does the Commission have the legal authority to approve a base rate increase using a 2010 projected test year?
Whether the FPSC has jurisdiction under Florida law at Sections 366.06(1) and 367.08(2) to consider FPL's petition for a rate increase based on FPL's projected 2010 test-year period of the 12 –months starting January 1, 2010 and ending December 31, 2010 supported by future speculative projections of costs and investments used and useful in the public service? (Saporito's proposed issue)

<u>FIPUG:</u> No position at this time.

<u>ISSUE 2</u>: Is FPL's projected test period of the 12 months ending December 31, 2010, appropriate?

<u>FIPUG:</u> No position at this time.

<u>ISSUE 3</u>: Are FPL's forecasts of customers, kWh, and kW by rate classes for the 2010 projected test year appropriate?

<u>FIPUG:</u> No position at this time.

<u>2011 PROPOSED SUBSEQUENT YEAR TEST PERIOD</u>

<u>ISSUE 4</u>: Does the Commission have the legal authority to approve a subsequent year base rate adjustment using a 2011 projected test year?

Whether the FPSC has jurisdiction under Florida law at Sections 366.06(1) and 367.08(2) to consider FPL's petition for a rate increase based on FPL's projected 2011 test-year period of the 12-months starting January 1, 2011 and ending December 31, 2011 supported by future speculative projections of costs and investments used and useful in the public service? (Saporito's proposed issue)

<u>FIPUG:</u> No position at this time.

<u>ISSUE 5</u>: Should the Commission approve in this docket FPL's request to adjust base rates in January 2011?

<u>FIPUG:</u> No. This request is an objectionable "pancaking" of two separate and distinct rate cases into one proceeding. Further, FPL's 2011 projections are highly speculative as they are based on 2008 projections and cannot be prudently relied upon as reasonable projections upon which to base rates in 2011.

ISSUE 6: Is FPL's projected subsequent year test period of the 12 months beginning January 1, 2011 and ending December 31, 2011, appropriate?

FIPUG: No. This request is the inappropriate bundling of two separate and distinct rate cases into one proceeding. Further, FPL's 2011 projections are highly speculative as they are based on 2008 projections and cannot be prudently relied upon as reasonable projections upon which to base rates in 2011. If FPL can demonstrate its need for rate relief in 2011, it may file a rate case with all supporting documentation at the appropriate time.

ISSUE 7: Are FPL's forecasts of customers, kWh, and kW by rate classes for the 2011 projected test year appropriate?

FIPUG: No. Such forecasts are highly speculative and cannot be relied upon to set rates.

GENERATION BASE RATE ADJUSTMENT

ISSUE 8: Should the Commission approve a Generation Base Rate Adjustment (GBRA) which would authorize FPL to increase base rates for revenue requirements associated with new generating addition approved under the Power Plant Siting Act, at the time they enter commercial service?

FIPUG: No. Capital additions, such as new generating plants, should not be automatically recovered through yet another recovery clause. If FPL believes that the addition of generating plant necessitates a rate change, it may petition the Commission for such a change in a full rate case where the Commission and the parties may examine all of FPL's revenues and expenses, rather than giving FPL guaranteed recovery of new plant in isolation from other factors that affect rates.

ISSUE 9: If the Commission approves a GBRA for FPL, how should the cost of qualifying generating plant additions be determined?

FIPUG: The appropriate costs of the qualifying generating plant should be determined in a separate proceeding.

~~**ISSUE 10**: Should FPL use a 40 year life for the West County Energy Center 3 as opposed to a 25 year life, when calculating depreciation expenses in its GBRA? *(My notes reflect that this was included. Is this correct)*~~

ISSUE 11: If the Commission approves a GBRA for FPL, how should the GBRA be designed?

FIPUG: No position at this time.

ISSUE 12: If the Commission approves a GBRA for FPL, should the maximum amount of the base rate adjustment associated with a qualifying generating facility be limited by a consideration of the impact of the new generating facility on FPL's earned rate of return ("earnings test")? If so, what are the appropriate financial parameters of the test, and how should the earnings test be applied??

FIPUG: While FIPUG opposes the establishment of the GBRA, if it is approved, the Commission should limit any recovery to an earnings test. The Commission should examine all of FPL's revenues and expenses and permit recovery of plant addition only if such review establishes that FPL is earning below the low end of its range. Any recovery should be limited to bringing FPL to the low end of the range. This review should be done in a separate proceeding and not conducted in conjunction with the annual fuel adjustment proceeding.

ISSUE 13: If the Commission determines it appropriate to adopt the use of a GBRA mechanism, how should FPL be required to implement the GBRA?

FIPUG: FPL should be required to file all necessary information so that the Commission and the parties can make the determinations described in Issue 12 on an annual basis.

ISSUE 14: If the Commission chooses not to approve the continuation of the GBRA mechanisms, but approves the use of the subsequent year adjustment, what is the appropriate adjustment to FPL's rate request to incorporate the revenue requirements reflected in the West County Unit 3 MFR Schedules?

FIPUG: No position at this time.

JURISDICTIONAL SEPARATION

ISSUE 15: Does FPL's methodology of including its transmission-related investment, costs, and revenues of its non-jurisdictional customers when calculating retail revenue requirements properly and fairly identify the retail customers appropriate revenue responsibility for transmission investment? If no, then what adjustments are necessary?

FIPUG: No position at this time.

ISSUE 16: What is the appropriate jurisdictional separation of costs and revenues between the wholesale and retail jurisdictions?

FIPUG: No position at this time.

QUALITY OF SERVICE

ISSUE 17: Is the quality and reliability of electric service provided by FPL adequate?

FIPUG: No position at this time.

DEPRECIATION STUDY

ISSUE 18: Should the current-approved depreciation rates, capital recovery schedules, and amortization schedules be revised?

FIPUG: Yes. See Issues 21, 22, 23, 25 – 31.

ISSUE 19: What are the appropriate depreciation rates, capital recovery schedules, and amortization schedules?

FIPUG: No position at this time.

ISSUE 20: *INTENTIONALLY BLANK*

ISSUE 21: *Is FPL's proposed accelerated capital recovery appropriate? FIPUG*

FIPUG: No. FPL has a $1.2 billion surplus in its depreciation reserve. This large surplus makes it unnecessary to charge ratepayers for capital costs for investments that FPL has chosen to retire early.

ISSUE 22: *What life spans should be used for FPL's coal plants? FIPUG*[1]

FIPUG: Based on industry experience and specific real world examples, FPL has significantly understated the life span of its coal units. The 40-year and 41-year life spans FPL has proposed should be rejected and the Commission should use a life span of at least 55 years for FPL's coal units.

ISSUE 23: *What life spans should be used for FPL's combined cycle plants? FIPUG*[2]

FIPUG: Based on industry experience and specific real world examples, FPL has significantly understated the life span of its combined cycle units. The average 27-year life span FPL has proposed should be rejected and the Commission should use a life span of at least 35 years for FPL's combined cycle units.

ISSUE 24: *What are the appropriate depreciation rates? City SD*

FIPUG: No position at this time.

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[1] FIPUG is willing to address Issue 22 within OPC's Issue 25, assuming that OPC's issue remains in the case. Otherwise, FIPUG will maintain its position on Issue 22.

[2] FIPUG is willing to address Issue 23 within OPC's Issue 25, assuming that OPC's issue remains in the case. Otherwise, FIPUG will maintain its position on Issue 23.

ISSUE 25: Has FPL applied appropriate life spans to categories of production plant when developing its proposed depreciation rates? (Note: To date, the parties have identified the following categories of production plant as sub issues)

Coal-fired production units

Large steam oil or gas-fired generating facilities

Combined cycle generating facilities OPC

FIPUG: No.

ISSUE 26: *Has FPL applied the appropriate methodology to calculate the remaining life of production units? OPC*

FIPUG: No.

ISSUE 27: *Has FPL appropriately quantified the level of interim retirements associated with production units? If not, what is the appropriate level, and what is the related impact on depreciation expense for generating facilities? OPC*

FIPUG: No.

ISSUE 28: *Has FPL incorporated the appropriate level of net salvage associated with the interim retirements that are estimated to transpire prior to the final termination of a generating station or unit? If not, what is the appropriate level? OPC*

FIPUG: No.

ISSUE 29: *Has FPL quantified the appropriate level of terminal net salvage in its request for dismantlement costs? If not, what is the appropriate level? OPC*

FIPUG: No.

ISSUE 30: *Has FPL applied appropriate life characteristics (curve and life) to each mass property account (transmission, distribution, and general plant) when developing its proposed depreciation rates?*
(Note: To date, the parties have identified the following accounts as sub issues)

a. 350.2 Transmission Easements
b. 353 Transmission Substation Equipment
c. 353.1 Transmission Substation Equipment Step-Up Transformers
d. 354 Transmission Towers & Fixtures
e. 356 Transmission Overhead Conductor
f. 359 Transmission Roads and Trails

g. 362 Distribution Substation Equipment
h. 364 Distribution Poles, Towers & Fixtures OPC

<u>FIPUG:</u> No.

<u>*ISSUE 31*</u>: *Has FPL applied appropriate net salvage levels to each mass property (transmission, distribution, and general plant) account when developing its proposed depreciation rates? (Note: To date, the parties have identified the following accounts as sub issues)*

a.	*353*	*Transmission Station Equipment*
b.	*354*	*Transmission Tower & Fixtures*
c.	*355*	*Transmission Poles & Fixtures*
d.	*356*	*Transmission Overhead Conductors*
e.	*364*	*Distribution Poles, Towers & Fixtures*
f.	*365*	*Overhead Conductors & Devices*
g.	*366.6*	*Underground Conduit – Duct System*
h.	*367.6*	*Underground Conductor – Duct System*
i.	*368*	*Distribution Line Transformers*
j.	*369.1*	*Distribution Services – Overhead*
k.	*369.7*	*Distribution Services – Underground*
l.	*370*	*Distribution Meters*
m.	*370.1*	*Distribution Meters – AMI*
n.	*390*	*General Structures & Improvements OPC*

<u>FIPUG:</u> No.

<u>*ISSUE 32*</u>: *What are the appropriate depreciation rates for FPL, and what amount of annual depreciation expense should the Commission include in Docket 080677-EI for ratemaking purposes? OPC*

<u>FIPUG:</u> No position at this time.

<u>**ISSUE 33**</u>: Based on the application of the depreciation parameters that the Commission has deemed appropriate to FPL's data, *and a comparison of the theoretical reserves to the book reserves,* what are FPL's *theoretical* reserve imbalances?

<u>FIPUG:</u> No position at this time.

<u>**ISSUE 34**</u>: What, if any, corrective reserve measures should be taken with respect to the theoretical reserve imbalances identified in the prior issue?

<u>FIPUG:</u> The very large depreciation surplus ($1.2 billion) demonstrates that action must be taken to restore generational equity. To accomplish this, the Commission should require FPL to continue to book the $125 million depreciation expense, should require FPL to cease contributions to the fossil dismantlement fund and

use a portion of the depreciation surplus to offset the $314 million of accelerated capital recovery.

ISSUE 35: *What steps should the Commission take to restore generational equity? FIPUG*[3]

FIPUG: The very large depreciation surplus ($1.2 billion) demonstrates that action must be taken to restore generational equity. To accomplish this, the Commission should require FPL to continue to book the $125 million depreciation expense, should require FPL to cease contributions to the fossil dismantlement fund and use a portion of the depreciation surplus to offset the $314 million of accelerated capital recovery.

ISSUE 36: *What considerations and criteria should the Commission take into account when evaluating the time frame over which it should require FPL to amortize the depreciation reserve imbalances that it determines in this proceeding? OPC*

FIPUG: No position at this time.

ISSUE 37: *What would be the impact, if any, of the parties' respective proposals with respect to the treatment of the depreciation reserve imbalances on FPL's financial integrity? OPC*

FIPUG: No position at this time.

ISSUE 38: *What is the appropriate disposition of FPL's depreciation reserve imbalances? OPC*

FIPUG: The Commission should require FPL to continue to book the $125 million depreciation expense, should require FPL to cease contributions to the fossil dismantlement fund and use a portion of the depreciation surplus to offset the $314 million of accelerated capital recovery.

ISSUE 39: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

FIPUG: No position at this time.

FOSSIL DISMANTLEMENT COST STUDY

ISSUE 40: Should the current-approved annual dismantlement provision be revised?

FIPUG: No position at this time.

[3] FIPUG is willing to address Issue 35 within OPC's Issue 38, assuming that OPC's issue remains in the case and that the parties are given latitude beyond the usual 50 words in parties' positions on the issue. Otherwise, FIPUG will maintain its position on Issue 35.

ISSUE 41: What, if any, corrective reserve measures should be approved?

FIPUG: No position at this time.

ISSUE 42: What is the appropriate annual provision for dismantlement?

FIPUG: No position at this time.

ISSUE 43: Does FPL employ reasonable depreciation parameters and costs when it assumes that it must restore all generation sites to "greenfield" status upon their retirement?

FIPUG: No position at this time.

ISSUE 44: In future dismantlement studies filed with the Commission, should FPL consider alternative demolition approaches? *May be stipulated.*

FIPUG: No position at this time.

RATE BASE

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 45: Has the Company removed all non-utility activities from rate base? (remove issue? OPC to let parties know)

FIPUG: No position at this time.

ISSUE 46: Should the net over-recovery/under-recovery of fuel, capacity, conservation, and environmental cost recovery clause expenses be included in the calculation of working capital allowance for FPL?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 47: Are the costs associated with Advanced Metering Infrastructure (AMI) meters appropriately included in rate base?

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 48</u>: *Is FPL's proposed base rate adjustment formula regarding the application of the Commission's Nuclear Cost Recovery Rule appropriate? (My notes reflect this issue and issue 59 were the same and moved to Other Issues section) *City SD*

<u>FIPUG:</u> No position at this time.

<u>ISSUE 49</u>: *Should FPL's estimated plant in service be reduced to reflect the actual capital expenditures implemented in 2009 on an annualized basis carried forward into the projected test Year(s) and for reductions of a similar magnitude?*

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year? SFHHA

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 50</u>: Are FPL's requested levels of Plant in Service appropriate?

A. For the 2010 projected test year in the amount of $28,288,080,000?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year in the amount of $29,599,965,000?

Whether FPL's petition for a rate increase is prudent and necessary to make investments used and useful in the public service? (Saporito's version of issue)

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 51</u>: Are FPL's requested levels of accumulated depreciation appropriate?

A. For the 2010 projected test year in the amount of $12,590,521,000?

<u>FIPUG:</u> No; see Issues 21, 22, 23, 25 – 31.

B. If applicable, for the 2011 subsequent projected test year in the amount of $13,306,984,000?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 52: Is FPL's proposed adjustment to CWIP for the Florida EnergySecure Line (gas pipeline) appropriate?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 53: Has FPL removed any Environmental Cost Recovery Clause (ECRC) capital cost recovery items from the ECRC and placed them into rate base?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 54: Should FPL be permitted to record in rate base the incremental difference between Allowance for Funds Used During Construction (AFUDC) permitted by Section 366.93, F.S. for nuclear construction and FPL's most currently approved AFUDC for recovery when the nuclear plants enter commercial operation? *This issue will be decided in a different docket.*

FIPUG: No position at this time.

ISSUE 55: Are FPL's requested levels of Construction Work in Progress (CWIP) appropriate?

A. For the 2010 projected test year in the amount of $707,530,000?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year in the amount of $772,484,000?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 56: Are FPL's requested levels of Property Held for Future Use appropriate?

A. For the 2010 projected test year in the amount of $74,502,000?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year in the amount of $71,452,000?

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 57</u>: Should any adjustments be made to FPL's fuel inventories? *(may be removed pending staff review of discovery)*

<u>FIPUG:</u> No position at this time.

<u>ISSUE 58</u>: Is FPL's proposed accrual of Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel appropriate?

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 59</u>: Should nuclear fuel be capitalized and included in rate base due to the dissolution of FPL Fuels, Inc.?

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 60</u>: Are FPL's requested levels of Nuclear Fuel appropriate?

A. For the 2010 projected test year in the amount of $374,733,000?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year in the amount of $408,125,000?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 61: Should the unamortized balance of the FPL Glades Power Park (FGPP) be included in rate base?

FIPUG: No.

ISSUE 62: Are FPL's requested levels of Working Capital appropriate?

A. For the 2010 projected test year in the amount of $209,262,000?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year in the amount of $335,360,000?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 63: Is FPL's requested rate base appropriate?

A. For the 2010 projected test year in the amount of $17,063,586,000?

FIPUG: No. The adjustments recommended by Intervenors should be made.

B. If applicable, for the 2011 subsequent projected test year in the amount of $17,880,402,000?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

COST OF CAPITAL

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 64: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 65: Should FPL be required to use the entire amount of customer deposits and ADIT related to utility rate base in its capital structure? SFHHA

FIPUG: No position at this time.

ISSUE 66: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 67: What is the appropriate cost rate for short-term debt?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 68: What is the appropriate cost rate for long-term debt?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 69: Have rate base and capital structure been reconciled appropriately?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 70: Has FPL appropriately described the actual 59% equity ratio that it proposes to use for ratemaking purposes as an "adjusted 55.8% equity ratio" on the basis of imputed debt associated with FPL's purchased power contracts?

FIPUG: No.

ISSUE 71: What is the appropriate equity ratio that should be used for FPL for ratemaking purposes in this case?

A. For the 2010 projected test year?

FIPUG: The appropriate common equity ratio for FPL is 50.2% on an unadjusted basis. FPL's requested equity ratio of 59.6% is unreasonably high and is over 900 basis points higher than comparably rated utilities.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 72: Do FPL's power purchase contracts justify or warrant any changes to FPL's capital structure in the form of imputed debt or equity for ratemaking purposes?

A. For the 2010 projected test year?

FIPUG: Yes. The Commission should reject FPL's request to impute $949.3 million of debt related to purchase power contracts. Such contracts are a direct pass through to ratepayers and represent no risk to FPL. In the recent TECO rate case, the Commission rejected a similar request for a PPA adjustment.

B. If applicable, for the 2011 subsequent projected test year? *(FIPUG and FRF)*

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 73: What is the appropriate capital structure for FPL for the purpose of setting rates in this docket?

A. For the 2010 projected test year?

FIPUG: See Issues 71-72.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 74: *Has the fuel adjustment clause decreased FPL's cost of equity and, if so, by how many basis points? City of SD*

FIPUG: Yes. FPL's automatic recovery of fuel costs on a guaranteed annual basis greatly lowers any risk of recovery it may have and should decrease its equity costs.

ISSUE 75: *Has the nuclear cost recovery clause decreased FPL's cost of equity and, if so, by how many basis points? City of SD*

FIPUG: Yes. FPL's automatic recovery of nuclear expenses on a guaranteed annual basis greatly lowers any risk of recovery it may have and should decrease its equity costs.

ISSUE 76: *Has the conservation cost recovery clause decreased FPL's cost of equity and, if so, by how many basis points? City of SD*

FIPUG: Yes. FPL's automatic recovery of conservation expenses on a guaranteed annual basis greatly lowers any risk of recovery it may have and should decrease its equity costs.

ISSUE 77: *Has the environmental cost recovery clause decreased FPL's cost of equity and, if so, by how many basis points? City of SD*

FIPUG: Yes. FPL's automatic recovery of environmental costs on a guaranteed annual basis greatly lowers any risk of recovery it may have and should decrease its equity costs.

ISSUE 78: *Has the Generation Base Rate Adjustment reduced FPL's cost of equity and, if so, by how many basis points? City of SD*

FIPUG: Yes. FPL's automatic recovery of costs through the GBRA on a guaranteed basis greatly lowers any risk of recovery it may have and should decrease its equity costs.

ISSUE 79: *Is it appropriate to adjust the equity cost rate for flotation costs? OPC*

FIPUG: No position at this time.

ISSUE 80: What return on common equity should the Commission authorize in this case?

A. For the 2010 projected test year?

FIPUG: FPL's request for an ROE of 12.5% is unreasonable and should be rejected given financial conditions today. 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 quality service. It should not be "rewarded" for doing what it is required to do. FPL's ROE should be set no higher than 9.5% as recommended by Public Counsel's witness.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 81: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

NET OPERATING INCOME

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 82: What are the appropriate inflation, customer growth, *and other trend factors* for use in forecasting?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 83: Should FPL's proposal to transfer capacity charges and capacity-related revenue associated with the St. John's River Power Park from base rates to the Capacity Cost Recovery Clause be approved?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 84: Has FPL made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 85: Has FPL made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 86: 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 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 87: 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 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 88: Should an adjustment be made to operating revenue to reflect the incorrect forecasting of FPL's C/I Demand Reduction Rider Incentive Credits and Offsets?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 89: Is an adjustment appropriate to FPL's Late Payment Fee Revenues if the minimum Late Payment Charge is approved in Issue (79 right now)?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 90: Are any adjustments necessary to FPL's Revenue Forecast?

A. For the 2010 projected test year?

FIPUG: Yes, the adjustments proposed by Intervenors should be made.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 91: Are FPL's projected levels of Total Operating Revenues appropriate?

A. For the 2010 projected test year in the amount of $4,114,727,000?

FIPUG: No, the adjustments proposed by Intervenors should be made.

B. If applicable, for the 2011 subsequent projected test year in the amount of $4,175,024,000?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 92: Has FPL made the appropriate adjustments to remove charitable contributions?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 93: Should an adjustment be made to remove FPL's contributions recorded above the line for the historical museum?

A. For the 2010 projected test year?

FIPUG: Yes.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 94: Should an adjustment be made for FPL's Aviation cost for the test year?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 95: Are the cost savings associated with AMI meters appropriately included in net operating income?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 96: What is the appropriate level of Bad Debt Expense?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 97:</u> Should an adjustment be made to remove the portion of Bad Debt Expense associated with clause revenue that is currently being recovered in base rates and include them as recoverable expenses in the respective recovery clauses?

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

<u>ISSUE 98</u>: Should an adjustment be made to advertising expenses?

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 99</u>: Has FPL made the appropriate adjustments to remove lobbying expenses?

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 100</u>: Are any adjustments necessary to FPL's payroll to reflect the historical average level of unfilled positions and jurisdictional overtime?

<u>FIPUG:</u> No position at this time.

<u>ISSUE 101</u>: Should FPL reduce expenses for productivity improvements given the Company's lower historical rate of growth in payroll costs?

<u>FIPUG:</u> Yes.

<u>ISSUE 102</u>: Is it appropriate for FPL to increase its forecasted Operating and Maintenance Expenses due to estimated needs for nuclear production staffing?

<u>FIPUG:</u> No.

<u>ISSUE 103</u>: Should an adjustment be made to FPL's requested level of Salaries and Employee Benefits?

A. For the 2010 projected test year?

<u>FIPUG:</u> Yes.

B. If applicable, for the 2011 subsequent projected test year?

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 104</u>: Should an adjustment be made to FPL's level of executive compensation?

A. For the 2010 projected test year?

<u>FIPUG:</u> Yes. Agree with OPC.

B. If applicable, for the 2011 subsequent projected test year? (OPC)

<u>ISSUE 105</u>: Should an adjustment be made to FPL's level of non-executive compensation?

A. For the 2010 projected test year?

<u>FIPUG:</u> Yes. Agree with OPC.

B. If applicable, for the 2011 subsequent projected test year? (OPC)

<u>ISSUE 106</u>: Should an adjustment be made to Pension Expense?

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year? *(staff may remove this issue after discovery is reviewed)*

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 107</u>: Is a test year adjustment necessary to reflect FPL's receipt of an environmental insurance refund in 2008?

A. For the 2010 projected test year?

FIPUG: Yes. Agree with OPC.

B. If applicable, for the 2011 subsequent projected test year?

ISSUE 108: Is a test year adjustment appropriate to reflect the expected settlement received from the Department of Energy?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

ISSUE 109: Should adjustments be made for the net operating income effects of transactions with affiliated companies for FPL?

FIPUG: Yes. Agree with OPC.

ISSUE 110: Is *an adjustment appropriate to the allocation factor for FPL Group's executive costs? OPC*

FIPUG: Yes. Agree with OPC.

ISSUE 111: Are any adjustments necessary to FPL's Affiliate Management Fee Cost Driver allocation factors? OPC

FIPUG: Yes. Agree with OPC.

ISSUE 112: Are any adjustments necessary to FPL's Affiliate Management Fee Massachusetts Formula allocation factors? OPC

FIPUG: Yes. Agree with OPC.

ISSUE 113: Are any adjustments necessary to the costs charged to FPL by FiberNet? OPC

FIPUG: Yes. Agree with OPC.

ISSUE 114: Should an adjustment be made to allow ratepayers to receive the benefit of FPLES margins on gas sales as a result of the sale of FPL's gas contracts to FPLES? OPC

FIPUG: Yes. Agree with OPC.

ISSUE 115: *Is an adjustment appropriate to recognize compensation for the services that FPL provides to FLPES for billing on FPL's electric bills? OPC*

FIPUG: Yes. Agree with OPC.

ISSUE 116: *Is an adjustment appropriate to recognize compensation for the services that FPL provides to FLPES to the extent that FPL service representatives provide referrals or perform similar functions for FPLES? OPC*

FIPUG: Yes. Agree with OPC.

ISSUE 116a: Is an adjustment necessary to reflect the gains on sale of utility assets sold to FPL's non-regulated affiliates?

FIPUG: Yes. Agree with OPC.

ISSUE 117: *Is an adjustment appropriate to increase power monitoring revenue for services provided by FPL to allow customers to monitor their power and voltage conditions? OPC*

FIPUG: No position at this time.

ISSUE 118: *What is the total operating income impact of affiliate adjustments, if any, that is necessary for the 2010 test year? OPC*

FIPUG: No position at this time.

ISSUE 119: Should the Commission order notification requirements to report the future transfer of the FPL-NED assets from FPL to a separate company under FPL Group Capital?

FIPUG: Yes.

ISSUE 120: Should an adjustment be made to FPL's requested storm damage reserve, annual accrual of $150 million, and target level of $650 million?

A. For the 2010 projected test year?

FIPUG: Yes. Agree with OPC.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 121: What adjustment, if any, should be made to the fossil dismantlement accrual?

FIPUG: Contributions to the fossil dismantlement accrual should cease until the next dismantlement study is filed.

ISSUE 122: What is the appropriate amount and amortization period of Rate Case Expense?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 123: Should an adjustment continue to be made to Administrative and General Expenses to eliminate "Atrium Expenses" per Order No. 10306, Docket No. 810002-EU?

A. For the 2010 projected test year?

FIPUG: Yes.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 124: Should FPL's request to move payroll loading associated with the Environmental Cost Recovery Clause (ECRC) payroll currently recovered in base rates to the ECRC be approved?

A. For the 2010 projected test year?

FIPUG: No. This would allow FPL to reflect changes in payroll loading (an indirect cost) in the clause. Clause recovery should be limited to recovery of direct costs.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 125: Should an adjustment be made to remove payroll loadings on incremental security costs that are currently included in base rates and include them in the Capacity Cost Recovery Clause?

A. For the 2010 projected test year?

FIPUG: No. This would allow FPL to reflect changes in payroll loading (an indirect cost) in the clause. Clause recovery should be limited to recovery of direct costs.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 126: Should an adjustment be made to move the incremental hedging costs that are currently being recovered through the Fuel Cost Recovery Clause to base rates?

A. For the 2010 projected test year?

FIPUG: No, hedging costs should be reviewed on an annual basis.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 127: Should the Commission adjustment in FPL's 1985 base rate case, Docket No. 830465-EI, for imputed revenues associated with orange groves be reversed?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 128: Is FPL's requested level of O&M Expense appropriate?

A. For the 2010 projected test year in the amount of $1,694,367,000?

FIPUG: No.

B. If applicable, for the 2011 subsequent projected test year in the amount of $1,781,961,000?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 129: Should FPL be permitted to collect depreciation expense for its new Customer Information System prior to its implementation date?

FIPUG: No.

ISSUE 130: Should FPL's depreciation expenses be reduced for the effects of its capital expenditure reductions?

FIPUG: No position at this time.

ISSUE 131: Should any adjustment be made to Depreciation Expense?

A. For the 2010 projected test year?

FIPUG: Yes. See Issues 21, 22, 23, 25 – 31.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 132: Should an adjustment be made to Taxes Other Than Income Taxes for the 2010 and 2011 projected test years?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 133: Should an adjustment be made to reflect any test year revenue requirement impacts of "The American Recovery and Reinvestment Act" signed into law by the President on February 17, 2009?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 134: Should an adjustment be made to Income Tax expense?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 135: Is FPL's projected Net Operating Income appropriate?

A. For the 2010 projected test year in the amount of $725,883,000?

FIPUG: The adjustments suggested by Intervenors should be made.

B. If applicable, for the 2011 subsequent projected test year in the amount of $662,776,000?

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>REVENUE REQUIREMENTS</u>

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

<u>ISSUE 136</u>: What are the appropriate revenue expansion factors and the appropriate net operating income multipliers, including the appropriate elements and rates, for FPL?

A. For the 2010 projected test year?

<u>FIPUG:</u> No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

<u>FIPUG:</u> For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 137</u>: Is FPL's requested annual operating revenue increase appropriate?

A. For the 2010 projected test year in the amount of $1,043,535,000?

<u>FIPUG:</u> No. Adjustments suggested by Intervenors should be made.

B. If applicable, for the 2011 subsequent projected test year in the amount of $247,367,000?

<u>FIPUG:</u> No. For the reasons set out in Issues 5-7, the Commission should not consider 2011.

<u>ISSUE 138</u>: *Whether FPL's rates should be decreased by $1.3 billion dollars?Saporito*

<u>FIPUG:</u> No position at this time.

<u>COST OF SERVICE AND RATE DESIGN ISSUES</u>

(A decision on the 2011-related items marked as (B) below will be necessary only if the Commission votes to approve FPL's request for a subsequent year adjustment.)

ISSUE 139: Has FPL correctly calculated revenues at current rates for the 2010 and 2011 projected test year?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 140: Should FPL use a minimum distribution cost methodology (utilizing either a "zero intercept" or a "minimum size" approach) to allocate distribution plant costs to rate classes?

FIPUG: There is a customer-related component of certain distribution plant costs, as cited in the NARUC *Electric Utility Cost Allocation Manual*, which should be recognized in setting rates.

ISSUE 141: What is the appropriate Cost of Service Methodology to be used to allocate base rate and cost recovery costs to the rate classes?

FIPUG: The Commission should retain and continue to use the 12CP-1/13th average demand method.

ISSUE 142: How should the change in revenue requirement be allocated among the customer classes?

FIPUG: The Commission should continue to apply the principle of gradualism which prevents any class from receiving an overly large increase. FPL's proposal would result in CILC, General Service Large Demand-1 and General Service Large Demand-2 receiving increase in excess of the system average increase (at the rates FPL proposes) in conflict with past Commission precedent and decisions.

ISSUE 143: Has FPL properly adjusted revenues to account for unbilled revenues?

FIPUG: No position at this time.

ISSUE 144: Are FPL's proposed service charges for initial connect, field collection, reconnect for non-payment, existing connect, and returned payment charges appropriate?

FIPUG: No position at this time.

ISSUE 145: Is FPL's proposal to increase the minimum late payment charge to $10 appropriate?

FIPUG: No position.

ISSUE 146: Are FPL's proposed Temporary Service Charges appropriate? (4.030)

FIPUG: No position at this time.

ISSUE 147: Is FPL's proposed increase in the charges to obtain a Building Efficiency Rating System (BERS) rating appropriate? (4.041)

FIPUG: No position at this time.

ISSUE 148: Are FPL's proposed termination factors to be applied to the total installed cost of facilities when customers terminate their Premium Lighting or Recreational Lighting agreement prior to the expiration of the contract term appropriate? (8.722 and 8.745)

FIPUG: No position.

ISSUE 149: Are FPL's proposed charges under the Street Lighting Vandalism Option notification appropriate? (8.717)

FIPUG: No position.

ISSUE 150: Is FPL's proposed Present Value Revenue Requirement multiplier to be applied to the installed cost of premium lighting facilities under rate Schedule Premium Lighting (PL-1) and the installed cost of recreational lighting facilities under the rate Schedule Recreational Lighting (RL-1) to determine the lump sum advance payment amount for such facilities appropriate? (8.720 and 8.743)

FIPUG: No position.

ISSUE 151: Is FPL's proposal to close the Wireless Internet Rate (WIES) schedule to new customers appropriate?

FIPUG: No position.

ISSUE 152: Should FPL's proposal to close the relamping option on the Street Lighting (SL-1) and Outdoor Lighting (OL-1) tariffs for new street light installations be approved? (8.716 and 8.725)

FIPUG: No position.

ISSUE 153: Should FPL's proposal to remove the 10 year and 20 year payment options from the PL-1 and RL-1 tariff be approved? (8.720 and 8.743)

FIPUG: No position.

ISSUE 154: Is FPL's proposed monthly kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider appropriate? (8.820)

FIPUG: No position at this time.

ISSUE 155: Is FPL's proposed monthly fixed charge carrying rate to be applied to the installed cost of customer-requested distribution equipment for which there are no tariffed charges appropriate? *(10.010)*

FIPUG: No position at this time.

ISSUE 156: Is FPL's proposed Monthly Rental Factor to be applied to the in-place value of customer-rented distribution substations to determine the monthly rental fee for such facilities appropriate? (10.015)

FIPUG: No position at this time.

ISSUE 157: Are FPL's proposed termination factors to be applied to the in-place value of customer-rented distribution substations to calculate the termination fee appropriate? (10.015)

FIPUG: No position at this time.

ISSUE 158: Is FPL's proposed minimum charge for non-metered service under the GS rate appropriate?

FIPUG: No position.

ISSUE 159: What are the appropriate customer charges?

FIPUG: No position at this time.

ISSUE 160: What are the appropriate demand charges?

FIPUG: FPL's demand-related costs should be recovered through the demand charge and energy-related base rate costs should be collected through the energy charge. However, FPL's proposed General Service Demand rate designs do not follow this practice. FPL has underpriced the demand charge and overpriced the energy charge. Demand charges should be increased to recover the target revenues assigned to the CILC class.

ISSUE 161: What are the appropriate energy charges?

FIPUG: FPL's demand-related costs should be recovered through the demand charge and energy-related base rate costs should be collected through the energy charge. However, FPL's proposed General Service Demand rate designs do not follow this practice. FPL has underpriced the demand charge and overpriced the energy charge and the non-fuel energy costs exceed FPL's unit costs. FPL's proposed energy charges for the GSLD-1 and GSLD-2 rate classes exceed their costs by 87% and 111% respectively. Thus, energy costs should be decreased to reflect unit costs.

ISSUE 162: What are the appropriate lighting rate charges?

FIPUG: No position.

ISSUE 163: What is the appropriate level and design of the charges under the Standby and Supplemental Services (SST-1) rate schedule?

FIPUG: No position at this time.

ISSUE 164: What is the appropriate level and design of charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule?

FIPUG: No position at this time.

ISSUE 165: Is FPL's design of the HLFT rates appropriate?

FIPUG: No. First, FPL's proposed HFLT rates exhibit the same problems with the energy and demand charge described in Issues 160 and 161 which must be corrected. In addition, HLFT rates were designed for higher load factor customers. Second, the average load factors for HLFT customers are about 80% compared to only 64% for GSLDT customers. However, FPL's proposed rates would make HLFT more expensive than GSLDT unless the customer can achieve load factors above 84% for HLFT-2 and over 100% for HLFT-3. This requirement is impractical, and it would result in customers migrating back to Rate GSLDT-2. The HLFT rates should be designed for customers with load factors above 70%. Blending the rates at a 70% load factor reflects the HLFT class' characteristics, and would be consistent with encouraging customers to improve load factor.

ISSUE 166: Is FPL's design of the CILC rate appropriate?

FIPUG: No. FPL has assumed an incorrect level of CILC incentive payments in the rate design. FPL calculated the CILC base revenue requirements as the difference between the allocated firm cost of service (which assumed CILC customers receive firm service) and an assumed level of incentive payments. But the incentives embedded in FPL's rate design are much higher than those used to calculate the class' revenue requirements. This created a shortfall which FPL attempts to recover by increasing the non-fuel energy charge. This is why the non-fuel CILC energy charges are higher than unit costs.

To correct this problem, FPL should restate the incentive payments to reflect the amounts embedded in the CILC rate design. The revised incentive payments should then be allocated to all customer classes (in the same manner as FPL allocated the estimated payments) in determining class revenue requirements.

ISSUE 167: *What should the CDR credit be set at? FIPUG*

FIPUG: The CDR credit should be set at at least $5.50/KW to reflect the cost of FPL's next avoided unit.

ISSUE 168: What is the appropriate method of designing time of use rates for FPL? (AFFIRM Issue)

FIPUG: No position at this time.

ISSUE 169: *Has FPL carried its burden of proof as to the legality and appropriateness of the proposed commercial time of use rates? AFFIRM*

FIPUG: No position at this time.

ISSUE 170: *Should FPL be directed to develop a prepayment option in lieu of monthly billing for those customers who can benefit from such an alternative? (OPC Issue)*

FIPUG: No position at this time.

ISSUE 171: *What is a fair and reasonable rate for the customers of Florida Power and Light Company? AGO*

FIPUG: No position at this time.

ISSUE 172: What is the appropriate effective date for FPL's revised rates and charges?

FIPUG: No position at this time.

OTHER ISSUES

ISSUE 173: Should an adjustment be made in base rates to include FPL's nuclear uprates being placed into service during the projected test years if any portion of prudently incurred NCRC recovery is denied?

A. For the 2010 projected test year?

FIPUG: No position at this time.

B. If applicable, for the 2011 subsequent projected test year?

FIPUG: For the reasons set out in Issues 5-7, the Commission should not consider 2011.

ISSUE 174: *Should FPL be required to reduce base rates on January 1, 2014, to recognize the change in the separation factor resulting from the increased wholesale load served under the Lee County Contract? (Staff)*

FIPUG: No position at this time.

ISSUE 175: *Should an adjustment be made to FPL's revenue forecast as a result of the PSC's decision in the DSM Goals Docket, Docket No. 080407-EG? If so, what adjustment should be made? (FPL)*

FIPUG: No.

ISSUE 176: 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?

FIPUG: No position at this time.

ISSUE 177: Should this docket be closed?

FIPUG: No position at this time.

F. STIPULATED ISSUES:

FIPUG: None at this time.

G. PENDING MOTIONS:

FIPUG: None at this time.

H. PENDING REQUEST OR CLAIMS FOR CONFIDENTIALITY:

FIPUG: None at this time.

I. OBJECTIONS TO A WITNESS' QUALIFICATION AS AN EXPERT:

FIPUG: None at this time.

K. REQUIREMENTS THAT CANNOT BE COMPLIED WITH:

FIPUG: None at this time.

I. OTHER:

FIPUG: None at this time.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Florida Industrial Power Users Group's Prehearing Statement was served via Electronic Mail and First Class United States Mail this 6th day of August, 2009, to the following:

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