BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 120015-EI
FLORIDA POWER & LIGHT COMPANY

IN RE: PETITION FOR RATE INCREASE BY FLORIDA POWER & LIGHT COMPANY

COM 5
APA 1
ECR 10
GCL 1
RAD 1
SRC 1
ADM
OPC
CLK 1-RN
Crt Rep. 1

TESTIMONY & EXHIBITS OF:

MORAY P. DEWHURST

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF MORAY P. DEWHURST

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TABLE OF CONTENTS

I. INTRODUCTION **3**

II. RECOMMENDATION OVERVIEW **9**

III. RISK PROFILE **12**

IV. FINANCIAL STENGTH **32**

V. CAPITAL STRUCTURE **40**

VI. RETURN ON EQUITY **42**

VII. ROE PERFORMANCE ADDER **47**

VIII. STORM COST RECOVERY **51**

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Moray P. Dewhurst. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420.

Q. By whom are you employed and what is your position?

A. I am Vice Chairman and Chief Financial Officer at NextEra Energy, Inc. I also serve as Executive Vice President of Finance and Chief Financial Officer of Florida Power & Light Company ("FPL" or the "Company").

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for the major financial areas of the Company and its parent, including the accounting and control functions, tax, treasury, and risk management. I oversee the establishment and maintenance of the financial plans, controls and policies for FPL. I am also responsible for establishing and maintaining effective working relations with the investment and banking communities, and for communicating the results of our operations to investors and rating agencies.

Q. How often do you meet with the investment community?

A. I meet frequently with equity and debt investors as well as securities analysts. In a typical year I will hold two to three hundred individual and small group meetings and participate in several conferences at which other utility companies also communicate with investors. I also meet at least twice annually with each of our three rating agencies. These meetings allow me to

understand both equity and debt investor and credit rating perceptions and concerns.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor's degree in Naval Architecture from MIT and a Master's degree in Management, with a concentration in finance, from MIT's Sloan School of Management. I have approximately twenty years of experience consulting to Fortune 500 and equivalent companies in many different industries on matters of corporate and business strategy. Much of my work has involved financial strategy and financial re-structuring. I was appointed to my present position in October 2011 but also served as the Company's Chief Financial Officer ("CFO") from 2001 through 2008. Since 2009, I have served as Vice Chairman of NextEra Energy, Inc., which responsibilities I still retain.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- MD-1, MFRs Sponsored and Co-sponsored by Moray P. Dewhurst
- MD-2, Matrix of Florida PSC-Approved ROEs Since 1960

Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements ("MFRs") filed in this case?

A. Yes. Exhibit MD-1 shows my sponsorship and co-sponsorship of MFRs.

Q. What is the purpose of your testimony?

A. My testimony presents the current financial position of the company and explains the importance of financial strength for a regulated utility, particularly in challenging economic times. To that end, I support the Company's continued use of its current capital structure for rate making purposes, and its requested Return on Equity ("ROE"). I also explain why an ROE performance adder of 25 basis points ("bps") contingent on maintaining the lowest typical residential 1,000 kilowatt-hour bill in the state is good policy and will benefit customers. Finally, I provide support for the Company's requested storm cost recovery mechanism.

Q. Please summarize your testimony.

A. In general, the provision for an appropriate capital structure and an adequate ROE are essential if a regulated utility is to be able to provide superior value to its customers over time and to provide a fair rate of return to its investors. The manner in which the Florida Public Service Commission ("FPSC" or "Commission") establishes the allowed ROE can also play an important role in providing the right incentives for all utilities in the state to seek to provide superior value to their customers.

Specifically, I recommend that the Commission maintain FPL's capital structure at current levels. FPL's capital structure has been consistently maintained at or near current levels for many years, and this has served its customers well through a variety of economic and operational environments.

I also recommend that the Commission authorize a base allowed ROE of 11.25%, which will provide adequate financial strength and the opportunity for investors to earn a fair rate of return. In addition, I recommend that the Commission authorize a performance premium of 25 bps which is warranted by the superior value that FPL is currently delivering to its customers and would provide an incentive to all utilities to strive to deliver superior performance. However, I recommend that this performance premium should be applied only so long as FPL maintains the lowest typical bill in the state, as it does today.

My testimony explains the factors that determine FPL's risk profile and the Company's requirements for financial strength and shows why a strong financial position is beneficial for customers. My testimony further explains the policy basis for determining an appropriate capital structure and ROE and shows why adding an incentive factor to the allowed ROE can be beneficial over time for the customers of all utilities regulated by the Florida PSC, not just FPL's customers, while simultaneously ensuring affordable rates.

FPL occupies a unique position in the utility industry broadly and within Florida specifically and has requirements for financial strength that many other companies do not. Historically, FPL has been able to maintain a strong financial position while simultaneously delivering superior value – in the form of high reliability, low rates and excellent customer service and a risk-

mitigating clean emissions profile – to its customers. Indeed, today FPL's customer value proposition is arguably the best in the state and one of the best anywhere in the country.

Unfortunately, FPL's very strong financial position was significantly weakened as a result of the FPSC's initial post-hearing order addressing FPL's base rate case of 2009, Order No. PSC-10-0153-FOF-EI ("2010 Pre-Settlement Order"). FPL's credit ratings were downgraded and/or placed on negative outlook as a direct result of what investors perceived as a politicized environment and an outcome that did not adequately reflect FPL's need for financial strength or a fair compensation for the Company's risk profile.

Because the outcome was perceived by investors as such a departure from Florida's reputation for generally constructive and evenhanded regulation, the Company felt compelled at first to suspend major capital projects pending a thorough opportunity to reassure investors that capital would not be committed into an environment in which fair cost recovery could no longer be expected. To ameliorate the situation, FPL entered into a settlement agreement (the "2010 Rate Settlement" or "Settlement Agreement") to help improve the financial stability of the Company. One key benefit of the Settlement Agreement was that it provided sufficient (though temporary) re-assurance to investors to enable FPL to continue with major capital investments for the benefit of our customers.

The Settlement Agreement allowed FPL to earn an ROE of 11%, which more nearly reflected investors' opportunity cost of capital. However, it did so primarily by permitting (indeed requiring) the rapid amortization of surplus depreciation, a non-cash item. Thus the Company's cash flow profile was weakened and the amortization of the so-called surplus depreciation merely masked and temporarily delayed the need for rate relief to properly reflect the Company's underlying cost of providing service. The Settlement Agreement was thus a useful stop-gap measure, which was positively acknowledged as such by investors, but it did not address the fundamental issues created by the Commission's 2010 Pre-Settlement Order.

Authorization of FPL's requested 11.25% ROE, coupled with maintenance of the existing capital structure, will provide the financial strength needed for FPL to continue to deliver superior value to its customers and will also provide investors the opportunity to earn a fair rate of return. The addition of a 25 bps premium to the ROE will offer an important incentive for FPL and for other regulated utilities to improve their performance and deliver superior value to customers.

Finally, I also propose to continue the storm recovery approach that was included in the 2010 Settlement Agreement approved by the Commission. From a policy perspective, a reversion to the historical approach of annually contributing to the storm reserve with the contribution recovered through rates

would be preferable. However, for purposes of this proceeding, I am recommending that the recovery mechanism approach approved by the Commission in the 2010 Rate Settlement be continued.

II. RECOMMENDATION OVERVIEW

Q. Please describe your overall recommendation for capital structure and ROE.

A. I recommend maintaining FPL's equity ratio based on investor sources. This approach was approved by the Commission in the 2010 Pre-Settlement Order and through the Settlement Agreement. That ratio is 59.6% in the test year. I recommend and provide support for an 11.25% ROE which is within the established range identified in the testimony of FPL witness Avera. I also present and provide the support for a 25 bps adder in recognition of FPL's superior performance and value and which for practical purposes I recommend be made contingent on FPL maintaining the lowest typical bill in the state. This performance adder would allow FPL's authorized ROE to be 11.5% (which is still within FPL witness Avera's fair return range), offering investors the opportunity to earn a fair rate of return, while simultaneously ensuring that FPL's customers continue to enjoy today's superior value and the lowest typical bill in the state. Finally, an allowance for earnings variance of 1% should also be established on either side of the midpoint.

Q. Why is an adequate ROE important?

A. An adequate ROE is important to (a) fairly compensate equity investors for the use of their capital, (b) to enable the Company to offer a return sufficient to compete with other firms and attract new capital on reasonable terms, and (c) to help ensure that a regulated utility can achieve and maintain the financial strength to meet its obligations to its customers.

A Company's ROE provides the economic return to its equity holders who have less security and greater risk than bondholders who have a prior claim to a firm's assets in the event of a corporate collapse. An adequate ROE also is important to fixed-income (i.e., bond) investors. With respect to fixed-income investors, as explained by Fitch Ratings Ltd. ("Fitch"):

> "The adequacy of ROEs authorized to regulated utilities by state regulatory commissions is important for fixed-income investors. In cost of service regulation the ROE provides a cushion for bondholders against deviations in operating expenses, electricity sales, and other adverse circumstances, and contributes to the differentiation in ratings." (Fitch Ratings Ltd., "U.S. Electric Utility Allowed Returns on Equity Stable Over the Last Five Years," *Press Release* (Mar. 22, 2010))

Failure to provide a competitive return makes a firm less attractive to investors and will result in a loss of equity value and reduced access to capital markets. FPL competes with companies and utilities around the world and across the country for capital, not just against other Florida-based investor owned utilities.

Finally, a fair rate of return, coupled with an appropriate capital structure, enables a firm to withstand difficult economic and operational conditions in meeting its obligations to its customers.

Q. What policy factors should the Commission consider when determining the appropriate capital structure and ROE?

A. There are three key policy factors that the Commission should consider when determining the appropriate capital structure and ROE. First, the Commission should ensure that FPL has the financial resources to maintain and ideally improve its customer value proposition, which includes low bills, superior reliability and excellent customer service, over the long term. Second, it is important that the Commission provides equity investors the opportunity – not a guarantee – to earn a fair rate of return on their investment. A company must provide a prospective return to shareholders that is at least as good as the return that the shareholders could earn on an investment with equivalent risks. This is essential if FPL is to compete with other companies and attract new capital at reasonable terms. Finally, it is important that FPL and the other utilities in the state have the right incentives to innovate and continuously

improve their delivery of value to their customers in the form of low customer rates, high reliability and excellent customer service.

III. RISK PROFILE

Q. What is a company's risk profile and why is it important?

A. A company's risk profile is the unique collection of risks that it faces both in normal operations and in unusual circumstances. It is important because it heavily influences the degree of financial strength and flexibility that the company requires and is therefore an important determinant of the appropriate capital structure to employ and the level of ROE required to provide adequate financial strength and a fair return to investors. Other things being equal, a more challenging risk profile implies that a higher ROE is required and that it is wise to employ a stronger capital structure.

Q. What are the key risk factors that the FPSC should consider in assessing FPL?

A. FPL's risk factors can be grouped into five broad categories:

1. Risks involving basic financial measures such as revenues, costs and capital expenditures;
2. Risks associated with infrastructure, including transmission system, generation mix and fuel supply;
3. Risks associated with climate and weather such as tropical storms and other extreme weather events which affects daily operations;

4. Environmental risks; and

5. Regulatory and political risks.

Q. How does uncertainty regarding future revenues, costs and capital expenditures affect FPL's risk profile?

A. Uncertainty about future financial measures whether revenue, or cost-related, represents a fundamental source of risk for all companies. Unexpected changes in revenues or costs will have an impact on achieved financial performance and investors must be compensated for accepting these risks.

Q. How does FPL's risk profile compare with other utilities with respect to risks around future revenues, costs and capital expenditures?

A. FPL's risk profile with respect to these measures is greater than the typical utility's. The Florida economy was particularly hard hit by the recent recession and while it has recovered somewhat there is currently at least as much uncertainty and likely more around the outlook for the Florida economy as for other states in the nation. This is reflected for FPL in the risk around future customer growth, future usage growth, and the associated risks around the costs of providing service. In addition, FPL is currently in the midst of the largest capital expansion program in its history and this adds to its risk profile as seen through investor's eyes.

Q. Please discuss customer growth and its impact on FPL's risk profile.

A. FPL's projected customer growth rates are expected to be higher than the depressed levels of customer growth experienced during the recent economic downturn. As FPL witness Morley indicates, FPL's customer growth

averaged less than 8,000 per year between 2007 and 2010 versus the growth of over 30,000 projected for 2012 and nearly 46,000 projected for 2013. By 2013, the cumulative increase in customers since 2010 is expected to be almost 105,000. In general, volatility in customer growth increases FPL's risk profile other things being equal.

Q. How does uncertainty in customer growth affect FPL?

A. From an investor perspective, uncertainty in customer growth is seen as increasing risk. On balance, a rapid increase in customer growth (which in the long term is a good thing) places more stress on a utility's short-term financial position and acts to depress earned returns. From an investor perspective, this is a risk for FPL.

Conversely, a drop in customer growth, or even a decline in the overall customer base, as FPL experienced in 2009, has obvious negative impacts on revenues and financial performance. While our base expectations are for an increase of customer growth, there is uncertainty around these expectations which increases the risk profile modestly from an investor perspective.

Q. How is FPL's capital expenditure program viewed from an investor perspective?

A. From an investor perspective, capital expenditures are the necessary precursor to the opportunity to earn a return. Capital expenditures represent dollars at risk. Consequently, large capital expenditure programs, which may be very beneficial for customers over the long haul, are also often perceived by

investors as risky. For example, Fitch noted that "[h]igh capex typically places stress on credit metrics and bond spreads" (Fitch Ratings Ltd., "2012 Outlook: Utilities, Power, and Gas," *Industry Outlook* (Dec. 5, 2011)) and Moody's Investors Service ("Moody's") indicated that "[f]inancing large capital investment programs is a key risk factor to our outlook" (Moody's Investors Service, "U.S. Regulated Electric and Gas Utilities: Stable Despite Rising Headline Rhetoric," *Industry Outlook* (Jan. 17, 2012)). These statements are particularly important to FPL since we are currently in the midst of one of the largest capital expenditure programs of all investor-owned utilities in the nation. While these investments will bring significant value to customers, they represent a source of risk to investors, which must be appropriately reflected when considering FPL's overall risk profile.

Q. Please describe the second risk category relating to infrastructure.

A. FPL's infrastructure, while appropriate for the delivery of superior value to its customers, exposes investors to risks not seen in most other utilities. These risks largely relate to Florida's unique geographical position and certain historical policy choices made by the state and the Commission. Florida's geographical position as a peninsula, with limited connectivity in transmission and fuel supply, coupled with the state's historical policies emphasizing the importance of an attractive environment, place constraints on FPL's transmission system, generation mix and fuel supply which translate into increased risk from an investor perspective. On balance, the result is good for customers, but the incremental risk must be properly reflected when

considering the appropriate degree of financial strength that FPL should maintain and the appropriate authorized ROE and capital structure.

Q. Please describe FPL's transmission risk profile.

A. FPL's transmission risk profile is greater than the typical utility's because of the peninsular nature of Florida and FPL's position serving the southern part of the state with its major population centers. With relatively limited transmission connectivity to other parts of the nation, FPL is inherently more limited in the degree of support it can expect under unusual circumstances. FPL must plan to be more self-reliant – and the record of FPL's transmission reliability shows that it does this well – but from an investor perspective it faces greater transmission risk than the typical utility.

Q. Please describe FPL's generation risk profile.

A. FPL's generation mix exposes FPL and its investors to greater risk than the typical utility, primarily through its extensive utilization of nuclear power. Again, while the net effect is beneficial for customers, the incremental risk must be properly reflected when considering financial strength and authorized ROE. FPL today has the highest percentage of its supply from nuclear power more than any utility in the state – approximately 12% by capacity and 20% of actual energy supply – owing to the high reliability and low dispatch cost of nuclear power. FPL is also actively pursuing expansion of its existing fleet and planning for the long term addition of more nuclear capacity.

Q. How has FPL come to be more reliant on nuclear power than many other utilities?

A. FPL's utilization of nuclear power stems from the conjunction of two factors: emphasis on zero- or low-emissions generation consistent with the state's long-term policies promoting a clean environment as an essential element of the state's competitive positioning; and FPL's historical focus, supported by the Commission, of long-term customer benefit. FPL's commitment to nuclear power dates back to key decisions made in the 1970s which took a long-term view and are responsible for the benefits customers enjoy today from FPL's low cost, highly reliable and zero emissions nuclear power plants. Replicating the value provided today by FPL's nuclear portfolio would be literally impossible: producing the same output and reliability profile with zero emissions today would be much more costly.

Q. Why is nuclear power perceived by investors as more risky?

A. Nuclear power is perceived as more risky not because of perceived risk with the technology itself but because of the broader context within which nuclear power must operate. Specifically, because of the combination of public perception, regulatory scrutiny, and mutual interdependence, all nuclear operations are subject to a greater degree of risk than is typical for other generation technologies. This can be readily illustrated by the impact of the events last year at Japan's Fukushima facility. While the incident: (1) was totally outside U.S. operator's control; (2) occurred in a completely different geography with a different environmental risk profile than Florida; (3)

affected units with different technologies and different physical and operational readiness for extreme events; and (4) was governed by a completely different regulatory regime, it nonetheless affected all U.S. plants through its impact on public perceptions and regulatory reaction. Moody's noted that: "Japan's Fukushima nuclear accident creates a material credit negative for all issuers that own and operate nuclear generation due to increased political intervention; emboldened opposition forces; intensified regulatory scrutiny and higher costs." (Moody's Investors Service, "Moody's Re-evaluating Creditworthiness for Global Nuclear Generators," *Special Comment* (Apr. 7, 2011))

Q. What are some specific financial risks associated with owning and operating nuclear power plants?

A. FPL could at any time be required to spend substantial sums to comply with new federal regulatory requirements, such as those that may be required in response to the event in Japan discussed above. Additionally, because nuclear generation provides power at such a low cost, the cost to replace that power in the event of an extended or unanticipated nuclear generating unit outage is a constant financial risk. This is the case for Progress Energy Florida, which recently agreed to refund customers $288 million in replacement fuel and purchased power costs that resulted from an extended shut down of its Crystal River 3 nuclear generating unit. These are just two examples of financial risks that the owners and operators of nuclear power plants face.

Q. Should the Commission conclude that FPL's exposure to nuclear risk is a negative for customers?

A. No. On balance, FPL's nuclear exposure is very positive for customers. The benefits far outweigh the modest increase to FPL's overall risk profile. Nevertheless, this impact on the risk profile must be properly reflected when considering the need for financial strength and therefore authorized ROE.

Q. Please describe the risks to FPL associated with FPL's fossil fuel supply.

A. Florida's peninsular geography, coupled with FPL's high dependence on a reliable supply of natural gas, represents another source of risk not seen in most utilities. Again, the balance of advantages and disadvantages is positive for our customers, but the incremental risk must be acknowledged. Today, approximately 65% of FPL's generation output is fueled by natural gas. This is a higher fraction than for most utilities, and FPL is the largest utility user of natural gas in the country. Natural gas has a relatively clean emissions profile and today is attractively priced, although historically its price has been subject to periods of volatility. Natural gas is also important as the fuel of choice for those parts of the generation mix that must ramp up and down quickly to accommodate fluctuations in demand on an hourly basis. FPL's extensive utilization of natural gas presents risks of price volatility and fundamental supply availability to FPL's investors.

Q. Does the fuel clause affect the risk associated with price volatility?

A. Yes. The fuel clause reduces but does not eliminate the risk to investors. Like similar mechanisms that apply to many other utilities around the country,

which are well understood by investors, the fuel clause provides a degree of re-assurance that fuel costs will be recovered on a relatively timely basis. However, FPL must still bear the risks associated with timing and liquidity, which can be substantial, and from the investor perspective there remains risk of disallowance, which I consider an aspect of regulatory risk and discuss later.

FPL, with the Commission's support, has for many years employed an extensive short-term hedging program for its fuel purchases, which provides a significant benefit to customers in the form of reducing the rate volatility that the customer sees as a result of fluctuating fuel prices. This program requires significant credit and liquidity support from FPL. At any given time FPL may need access to credit and liquidity that may easily exceed $1 billion. FPL maintains large credit facilities to support those needs in addition to normal working capital and cash management needs, and such facilities are only available to utilities with strong financial positions. From an investor perspective, the timing, credit and liquidity implications of FPL's natural gas purchases and hedging program represent a source of risk not typically seen in most other utilities. FPL's exposure to natural gas was recognized by Standard & Poor's ("S&P") in its 2010 report:

> "A large and growing reliance on natural gas to fuel utility generation could, over time, turn from an advantage (because of its favorable environmental status) to a weakness if gas

prices continue to significantly fluctuate and rise over time." (Standard & Poor's, "FPL Group Inc. Downgraded To 'A-' From 'A', Off CreditWatch; Outlook Stable," *Research Update* (Mar. 11, 2010))

Q. What impact does natural gas supply have on FPL's risk profile?

A. FPL's natural gas supply is limited in the number of pipelines that serve the state – which is another reflection of Florida's unique, peninsular geography. That limited number of independent pipelines represents another source of risk to investors not typically seen at other utilities. The potential for disruption of supply at the critical entry points, primarily in the Gulf of Mexico, which could occur through natural disasters (hurricanes) or through gas industry operational issues, also increases FPL's risk profile slightly.

Q. What actions has FPL taken to address the risks associated with fuel supply?

A. In 2007, FPL noted this concern and moved to diversify its natural gas portfolio by planning two ultra-supercritical pulverized coal generating units ("FGPP") for a combined net capacity of 1,960 MW, with proposed in-service dates of 2013 and 2014. In Order No. PSC-07-0557-FOF-EI, the Commission denied this request indicating "....that the potential benefits regarding fuel diversity offered by FPL in support of the FGPP fail to mitigate the additional costs and risks of the project...." While FPL acknowledges the Commission's conclusion, it would be inappropriate to allow customers to enjoy the advantages of the lower cost natural gas units that were substituted for the

proposed coal units without also recognizing the modest incremental risk associated with the resulting increase in dependence on natural gas.

In addition, FPL petitioned the Commission for a determination of need for its proposed Florida EnergySecure Pipeline in Docket 090172-EI. With regard to the need for new gas infrastructure, the Commission agreed with FPL that increased gas transportation infrastructure is needed to meet future electricity needs, given the uncertainty surrounding both coal-fired and nuclear generation in the state. However, the Commission nonetheless denied FPL's petition in Order No. PSC-09-0715-FOF-EI.

Q. Please explain the risks associated with climate and weather.

A. Florida's peninsular geographic location exposes its electrical system to a higher likelihood of adverse weather events than most other parts of the country. In particular, FPL's service territory includes much of the east and west coastlines of Florida and these coastlines are highly exposed to damage from tropical storm activity. For example, FPL's service territory experienced an unusually high level of storm activity in 2004 and 2005 and received damage from seven hurricanes and incurred more than $1.8 billion in costs to restore the electric transmission and distribution system. While the recovery of prudently incurred storm costs helps to mitigate this risk, investors are still exposed to loss of revenues and other impacts during adverse weather

conditions and restoration periods.[1] This is a risk that is unmitigated by any mechanism for storm cost recovery. Additionally, there is limited electrical interconnection capacity serving Florida due to our unique peninsular geographic location. This means that the ability to supply purchased power from outside of Florida in the event that there is a significant need or disruption, due to storm conditions, for example, is severely constrained. FPL's ability to maintain reliable service is therefore more constrained than utilities with better connectivity.

Q. Do weather-related risks have an impact on FPL's financial position?

A. Yes. In addition to increasing FPL's overall risk profile (which in turn has a direct impact on requirements for financial strength), the exposure of FPL's service territory to adverse weather impacts has a direct impact on FPL's need for financial strength. FPL must maintain ready access to larger reserves of credit and liquidity than most other utilities. Given the high value that FPL and its customers place on service availability and reliability, rapid restoration of service after a weather-induced outage is our highest priority. FPL must be able to marshal both internal and external resources on a massive scale very quickly, and this leads to large needs for credit and liquidity. Restoration efforts must be funded long before the recovery of prudently incurred costs can be expected.

[1] Note that rates are set on volume based expectations that are not reduced for the average expected impact of tropical storms.

Q. Are there other examples of weather events having an impact on a utility's financial strength?

A. Yes. To offer an extreme example, the 2005 "Katrina" storm essentially caused a "blackout" of the city of New Orleans, according to a 2009 U.S. Department of Energy ("DOE") report:

> "As a result, Entergy New Orleans was unable to fully restore power for several months. The investor-owned utility ("IOU"), facing estimated restoration costs in the range of $260 to $325 million and a loss of customer revenue estimated at $147 million, filed for bankruptcy in late September 2005." (U.S. Department of Energy, "Comparing the Impacts of the 2005 and 2008 Hurricanes on U.S. Energy Infrastructure," (Feb. 2009))

Simply put, Entergy New Orleans did not have the financial strength to withstand Katrina. Quite apart from illustrating the risk to equity investors (whose position was obviously wiped out by the bankruptcy), this example shows that inadequate financial strength in a utility is not in customers' interest either.

Q. How does FPL's financial position differ from Entergy New Orleans with respect to tropical storm exposure?

A. FPL consistently maintains a much stronger financial position. This difference is reflected in FPL's experience with hurricane "Wilma" in 2005. As the DOE report notes:

> "Wilma made landfall in Florida as a Category 3 hurricane, knocking out power to 3.5 million customers in the population-dense communities of southern Florida on October 24, 2005. Hurricane force winds cut a 180-mile swath across the state, blacking out 60 percent of Florida Power & Light's 35-county territory. In Miami-Dade County, 98 percent of the IOU's customers, including major airports, hospitals, and Port Everglades lost power." (U.S. Department of Energy, "Comparing the Impacts of the 2005 and 2008 Hurricanes on U.S. Energy Infrastructure," (Feb. 2009))

Thus, even though the impact of Wilma caused extensive damage, "restoration proceeded quickly with the help of 18,000 workers from 33 states and Canada, and two weeks after Hurricane Wilma made landfall only 100,000 customers remained without power." FPL was able to manage this vast restoration effort because of its strong financial position.

Q. What conclusions should the Commission draw from your analysis of weather exposure?

A. In addition to emphasizing the importance of the basic principle that prudently incurred restoration costs are recoverable as part of the cost of providing service, my analysis also shows why it is in customers' interests for a utility to maintain adequate financial strength to deal with the kind of extreme weather events that may affect its service territory. FPL's overall risk profile is increased by the nature of its service territory and its requirements for financial strength are greater than most other utilities for the same reason.

Q. What action has FPL taken to reduce the impact of its above average exposure to extreme weather events?

A. FPL has for many years imposed more stringent standards for its transmission and distribution facilities than is normal for the industry in recognition of its greater vulnerability. In the wake of the 2004 and 2005 hurricane seasons, FPL went further and began a comprehensive, long-term investment program, labeled Storm Secure, aimed at strengthening its core infrastructure. While no utility system can be immune to the impacts of tropical storms, FPL's proactive investments are designed to make its transmission and distribution system more resistant so that less damage will be incurred, and more resilient so that when damage does occur, restoration can proceed more quickly.

Q. Please describe the risk category relating to environmental risks and exposure?

A. All utilities are subject to risks associated with environmental regulations. From an investor perspective, regulations are unpredictable, outside a utility's control, and can have a material impact on capital requirements and liquidity.

Q. How are environmental requirements reflected in utility regulation?

A. In most jurisdictions, environmental requirements are recognized as a cost of providing service and mechanisms for recovery are provided, whether through base rate proceedings, or special environmental clauses or "trackers."

Q. How are environmental requirements addressed in Florida?

A. In Florida, the longstanding use of the Environmental Cost Recovery Clause ("ECRC") provides utilities a means of recovering costs associated with compliance with environmental regulations imposed by government agencies.

Q. What impact does the ECRC have on FPL's risk profile?

A. The ECRC, coupled with FPL's proactive approach to environmental issues, help to ameliorate the impact of environmental regulation on FPL's risk profile. FPL must still respond to regulation and must maintain credit and liquidity to address environmental issues, but risks associated with eventual recovery are reduced.

Q. How does FPL's environmental risk exposure compare with other utilities?

A. FPL has relatively lower risk exposure with respect to regulations around air emissions. FPL has relatively higher risk exposure with respect to pending

Clean Water Act regulations governing cooling water intake and discharge structures. On balance, investors perceive FPL to have slightly less environmental risk exposure than most utilities.

Q. Are your conclusions around environmental risk exposure reflected in your overall assessment of risk?

A. Yes.

Q. Please summarize the fifth risk category you outlined, involving political and regulatory risks facing FPL and its investors.

A. Political and regulatory factors are generally perceived by investors as the largest single source of risk in regulated utilities, but their nature and impact are different from the other risk factors I have discussed so far. Investors evaluate regulatory jurisdictions on the quality, consistency and predictability of regulatory outcomes. Quality in this context means the extent to which costs (including cost of capital) legitimately incurred in providing service are recoverable on a full and timely basis. Investors are acutely aware of regulatory factors in different jurisdictions they evaluate and compare these factors across jurisdictions, and are extremely reluctant to commit capital to utilities operating in jurisdictions with uncertain or negative regulatory environments. This affects both the cost and availability of capital.

Q. Are regulatory risks relevant to debt as well as equity investors?

A. Yes. My direct conversations with equity and debt investors indicate that regulatory factors are indeed relevant, but the impact on debt investors can also be seen through the frameworks disclosed by rating agencies. For

example, Moody's incorporates four "Factors" in developing the ratings for regulated electric and gas utilities. Factor 1 evaluates the regulatory framework of the utility and constitutes 25% of the credit weighting for a company. This Factor reviews the predictability and reliability of the Regulatory Framework which includes a regulatory body or state commission. Credit ratings are negatively impacted if the state public service commission has a history of being unpredictable or adverse to utilities. Factor 2 also has a weighting of 25% in the methodology and evaluates the ability of the utility to recover costs and earn returns. Here, a utility is negatively impacted in its credit ratings if regulators second-guess spending decisions or deny rate increases or cost recovery needed to fund on-going operations. These two rating factors have a full 50% impact on the Moody's credit rating of the utility.

Q. Please provide examples of the way in which regulatory risk has affected FPL and its investors.

A. Historically, Florida was for many years generally viewed as a jurisdiction ranking low in regulatory risk. Two key decisions in particular in the 2010 Pre-Settlement Order contributed to a re-evaluation of this position. First, establishing an ROE midpoint as low as 10%, the lowest among Florida IOUs, and the lowest authorized in Florida in 50 years (and also ranks among the bottom third in the nation) was viewed as inconsistent both with past practice and with good policy. Second, the departure from historical practice in ordering rapid amortization of surplus depreciation, in order to temporarily

avoid a base rate increase, was also viewed as inconsistent with past practice as well as good policy. Both decisions, perceived as significant breaks with past policy and practice, contributed materially to FPL's credit downgrade.

Q. Why are historical decisions relevant in today's environment?

A. Investors have long memories when it comes to events that they perceive may have implications for the future. In my discussions, I have frequently been confronted by investors and asked to explain events that occurred a decade or more in the past. Particularly when it comes to regulatory environments, investors value consistency and predictability, and they seek to avoid committing capital to companies that cannot offer competitive levels of regulatory and political consistency and predictability.

Q. Why should the Commission be concerned with the impact of its actions on investor risk perceptions?

A. For all the reasons discussed elsewhere in my testimony, FPL is more reliant than most utilities on timely, unfettered and competitive access to capital markets. Regulatory risk, as perceived by investors, can be an important impediment to FPL's ability to raise capital on competitive terms, which in the long run is not good for its customers.

Q. What impact will the Commission's decisions in this proceeding have on regulatory risk?

A. Once heightened, perceptions of regulatory risk may take several years to abate. However, Commission decisions that are perceived as returning the Florida regulatory environment toward its pre-2009 balance will be seen as

reducing regulatory risk. In particular, re-aligning FPL's allowed ROE to be consistent both with FPL's opportunity cost of capital and with its superior operating performance, as I discuss and recommend in Sections VI and VII, will be an important signal to investors.

Q. How does FPL manage its risk profile and what are the consequences for its financial policies?

A. FPL seeks, as a matter of policy, to minimize the impact that each major source of risk has on its ability to deliver superior value to its customers. In general, FPL responds to its risk profile by seeking to ensure that it has sufficient resources – both financial and operational – as well as sufficient flexibility to enable it to manage through risk events with as little impact to customers as possible. As just one example, in keeping with other utilities FPL manages its transmission system with sufficient redundancy that a single point of failure does not result in widespread outages. Given its location in the Florida peninsula with only limited ability to draw on resources outside the state in the event of problems, this requires a relatively greater degree of flexibility and redundancy.

Q. What conclusions should the Commission draw from your analysis of FPL's risk profile?

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

somewhat riskier investment profile should also be properly reflected in FPL's authorized ROE.

IV. FINANCIAL STRENGTH

Q. Why is financial strength important to FPL and its customers?

A. Financial strength and flexibility are essential to support capital expenditure requirements – both planned and unplanned – which are necessary to serve (and at times of emergency to restore) power to FPL's customers. FPL competes in a global market for capital and a strong balance sheet with appropriate rates of returns attract capital market investors. Customers gain the benefits of the financial strength, flexibility and optimization in the form of quick access to capital in the event of power disruptions due to tropical storms and other such unfortunate occasions as are inherent in the unique geographic position of which Florida is located.

Customers benefit directly from the investments FPL is able to finance to continuously improve its infrastructure. For example, transmission system investments enhance service reliability, Advanced Metering Infrastructure ("AMI") investments enhance customer control and access to information, and generating fleet modernization investments improve fuel efficiency, thus lowering fuel costs for customers, and environmental performance. FPL customers also benefit from quick access to capital in responding to

unplanned events such as major tropical storms. As FPL has a strong financial position and can access the financial markets on reasonable terms, the cost to customers to finance system improvements and restore unplanned power outages related to unforeseen events is lower than it would be otherwise.

The Commission has recognized the importance of financial strength, as noted in Commission Order in the 2010 Pre-Settlement Order:

> "FPL's position of financial strength has served it and its customers by holding down the Company's cost of capital." (page 119)

In this way, FPL directly reduces the costs to its customers and offers a relative safe harbor with its financial strength for capital investors.

Additionally, as a regulated utility, FPL has a statutory obligation to serve all customers. This obligation requires the Company to have the flexibility to enter into the financial markets and access capital when needed, even when the time may not be ideal from a market perspective. For example, FPL's financial strength and flexibility were critical to respond to events such as the active storm seasons experienced in 2004 and 2005 and to access markets during the financial crisis of 2008-2009. FPL's balance sheet strength and

financial flexibility are important factors in its ability to finance major infrastructure investments as well as manage unexpected events.

Q. Please describe FPL's current financial position and credit profile.

A. FPL's financial position is strong but has been weakened as a result of the 2010 Pre-Settlement Order. FPL's current S&P and Moody's credit ratings have declined to A-/A2 respectively.

Q. How was FPL affected by the 2010 Pre-Settlement Order?

A. FPL was affected by the 2010 Pre-Settlement Order both directly and indirectly. FPL was affected directly by the impact of a low authorized ROE and the application of non-cash earnings through surplus depreciation. FPL was also indirectly affected by the perceived politicization of the Florida regulatory environment. Investors generally were concerned that the basis for regulatory decisions had changed in a manner adverse to both investor and long term customer interests. Both investors and credit rating agencies negatively reacted to the perceived change in the regulatory climate.

As FPL cautioned during that rate case, its credit ratings were in fact downgraded by both S&P and Moody's. On March 11, 2010, shortly after the 2010 Pre-Settlement Order, S&P downgraded FPL's corporate credit rating to "A-" from "A" and FPL's commercial paper rating to "A-2" from "A-1." S&P noted the challenges that FPL was facing and stated:

> "FPL's credit fundamentals on its regulated utility side have been among the strongest in the U.S., due primarily to low regulatory risk

and an attractive service territory with healthy economic growth and a sound business environment. Both of those pillars have been weakened in the past year as Florida, and FP&L's service territory in particular, have suffered during the recession, and regulators have responded with decisions that reflect more intense political influence over the regulatory environment. Maintaining financial strength despite regulatory setbacks and a slowly improving economy in Florida will be challenging." (Standard & Poor's, "FPL Group Inc. Downgraded To 'A-' From 'A', Off CreditWatch; Outlook Stable," *Research Update* (Mar. 11, 2010))

Moody's rating action followed shortly thereafter. On April 9, 2010 Moody's downgraded FPL's corporate credit rating to "A2" from "A1." Finally on April 30, 2010, Fitch took rating action on the parent company and subsidiaries. Although Fitch maintained the "A" corporate credit rating at FPL, they kept the ratings of FPL on "Negative Rating Outlook." Fitch stated that "Ratings of FP&L would be adversely affected if the FPSC adopts less supportive policies on recovery of purchased power costs, fuel expense, environmental compliance costs, new renewal resources, or storm related expenses, or if the utility pursues major capital investment without assured revenue recovery" (emphasis added). (Fitch Ratings Ltd., "Fitch Downgrades FPL Group Inc. and FPL Group Capital to 'A-'; Affirms Florida Power & Light," *Report*, (Apr. 30, 2010)).

Q. Is the downgrade in commercial paper rating by Standard & Poor's a concern for FPL?

A. Yes. In difficult financial and economic times, it is important to have significant and quick access to liquidity. Any downgrade in commercial paper ratings can be expected to impact the terms upon which FPL will have access to markets for working capital and needed liquidity. The downgrade in FPL's commercial paper rating implies greater credit risk to investors which leads to (1) increased credit spreads and (2) the potential for a reduced access to short-term liquidity. Some commercial paper investors are not permitted by their investment policies to invest in commercial paper that is rated below A-1/P-1 ratings, thus reducing the available market for liquidity immediately accessible to FPL. On balance, companies with less or no ability to access the commercial paper markets have to either hold higher average cash balances, and/or establish higher costing credit facilities both of which represents a less efficient, more costly financial structure. This is not in customers' interests.

Q. Have FPL's credit ratings and investor perceptions been affected by the regulatory and political environment?

A. Yes. As noted above, FPL's credit ratings have been negatively impacted by recent regulatory and political decisions. Investor perceptions were also negatively impacted as returns on invested capital were seen as being subject to political or regulatory risk. In this way, the regulatory and political environment can have a direct impact on a utility and its subsequent ability to serve its customer base. One of the essential components of the regulatory

compact is the obligation to serve. A regulated utility, like FPL, must make the required investment when it is needed, not when it is convenient or economically advantageous to do so. This is particularly critical in times of economic challenges, when unregulated companies may defer capital expenditures or even constrict their current operations. FPL has continued to invest in the State of Florida even during challenging economic times which also benefits the Florida economy at times when it is most needed. In fact, over the three-year period from 2011 to 2013, FPL plans to invest approximately $9 billion to strengthen and improve Florida's electric generation and delivery system. A regulated utility also does not have the luxury to defer storm-damage restoration and capital expenditures which is a key part of an overall risk profile. Investors and credit rating agencies recognize this risk and rely on the regulatory and political constituencies to be constructive and support a regulated utility's obligation to serve.

Q. What actions did FPL take to minimize the negative impact of the original Order?

A. Reducing the impact of investor perception of higher risk was a primary motivation for FPL to enter into the 2010 Rate Settlement. The Settlement was not a long-term solution, but it provided investors a degree of assurance that FPL could earn an ROE around 11% which more closely reflected investor's opportunity cost of capital than the 10% ROE authorized by the Commission in its 2010 Pre-Settlement Order. This was achieved by allowing FPL to amortize a reserve surplus depreciation balance to generate

temporary non-cash earnings in an amount sufficient to produce a total ROE close to 11%. The effect of this reversal is to temporarily lower expenses and also to increase future rate base relative to what it would have been without the surplus amortization. Thus it is a temporary expedient for keeping rates low. Eventually the surplus is exhausted, and at that point not only does the credit to expenses disappear, but also the rate base on which customers must pay a rate of return is now higher than it otherwise would have been. Unfortunately, that is the situation FPL and its customers are now facing.

FPL has applied the terms of the 2010 Rate Settlement as agreed. One result was that on May 2, 2011, Fitch removed its "Negative Rating Outlook" for FPL, pointing to the Settlement and the potential for "the improved economic and utility regulatory environment in Florida." (May 2, 2011; Fitch Affirms Ratings of NextEra and Florida Power & Light; Outlook Revised to Stable).

While helpful, the Settlement could only serve as a temporary and imperfect solution to the issues FPL is facing as a result of the 2010 Pre-Settlement Order. Since that order did not address the underlying need for rate relief, the amortization of the surplus depreciation simply masks the true cash flow degradation that has occurred at FPL, and in any case, the reliance upon the non-cash depreciation reserve adjustment mechanism to support earnings is scheduled to expire at the end of this year.

In addition to entering into the 2010 Settlement Agreement, FPL also engaged in a significant proactive investor outreach effort, to try and ameliorate the impact on investor perceptions. This effort, in addition to explaining how the 2010 Settlement Agreement provided a reasonable although temporary response, focused on convincing investors that the departure from Florida's traditionally fair and constructive regulatory environment was not a permanent change.

Q. Did FPL take any measures to ease the pressure on its liquidity?

A. Yes. FPL took actions to lessen pressure on its short term credit facility and improve its liquidity. First, FPL borrowed $250 million on its revolving credit facility on March 11, 2010, when Standard & Poor's downgraded FPL's credit ratings. Next, FPL added a substantial global credit facility and issued new first mortgage bonds. These actions were directed at re-establishing reasonable assurance that the Company would have adequate liquidity to support customer electric service needs. These actions of course all came at a cost, which was borne by FPL's shareholders.

Q. How did the 2010 Rate Settlement affect investor perceptions?

A. The settlement had a positive effect on investor perceptions and provided a short term reduction in uncertainty. Investors viewed the Settlement Agreement as a positive intermediate step which bought time for the Florida regulatory environment to improve and for FPL to seek improvements in what was viewed as an unattractive recovery proposition.

Q. What is needed when the 2010 Rate Settlement expires for FPL to maintain its financial strength?

A. There are three principal conditions that are needed for FPL to maintain the financial strength it requires in order to continue to provide the best long term value proposition for its customers. First, base rates must properly reflect the true cost of service once the temporary, unsustainable impact of surplus depreciation amortization disappears. Second, the present capital structure level should be maintained. And, third, the authorized ROE should be re-set to a level more consistent with the true opportunity cost of capital for a utility with above average risk.

V. CAPITAL STRUCTURE

Q. What is your recommendation for an equity ratio for FPL for regulatory purposes?

A. FPL has consistently maintained a strong capital structure for many years. I recommend that the test year equity ratio of 59.6% based on investor sources (equivalent to 46.0% based on all sources) be approved. This is consistent with the ratio approved by the Commission in 2010 and deemed appropriate then. FPL's requirements for financial strength have in no way diminished in the past two or three years, and therefore there should be no occasion to reduce the equity ratio. If coupled with an adequate ROE and base rates that properly reflect the true cost of service, which includes taking account of the

disappearance of surplus depreciation amortization, the current equity ratio will provide adequate financial strength and therefore there is no reason to increase it.

Q. How does your recommendation compare with FPL's actual practice?

A. It is the same. The Commission has stated that the capital structure used for ratemaking purposes should bear an appropriate relationship to the utility's actual sources of capital. (See e.g., Order No. 850246-EI, Petition of Tampa Electric Company for Authority to Increase its Rates and Charges.) FPL has for many years consistently maintained its capital structure. While FPL's extensive capital program has in recent years exceeded internal cash flow generation (by $1.5 billion over the past three years), this cash flow deficit has been met by a balanced program of incremental debt and incremental equity. In fact, FPL's equity, representing the shareholders' commitment to the business has increased by $3.6 billion over the past five years (2007-11). That commitment has been predicated on the expectation of a return to more constructive regulation in Florida.

Q. Does the investor community view FPL's current equity ratio as adequate?

A. Yes. Investors recognize FPL's particular risk profile and its particular need for financial strength and accordingly expect it to maintain a strong capital structure. Because FPL has maintained essentially the same actual capital structure for many years, any change from this would likely raise questions in

investors' minds and would be viewed as a negative departure from past practice.

VI. RETURN ON EQUITY

Q. What is the basis for your ROE recommendation?

A. My ROE recommendation of 11.25% is based on a combination of factors. First, I have reviewed FPL witness Avera's testimony and the methodologies underlying it, and based on my knowledge of financial theory and my experience as a financial analyst and as a CFO agree that these are appropriate and generally accepted methods for estimating allowed ROE. I concluded that FPL witness Avera's range of 10.25% to 12.25% is reasonable under current circumstances. Second, I have relied on my experience as a CFO and familiarity with FPL's financial position, as well as my direct knowledge of investor perceptions, to form a judgment as to the impact that my recommendation will have on FPL's financial strength and the degree to which it will be accepted by investors as appropriate given FPL's unique circumstances. Third, I have considered the current allowed ROE for other regulated utilities, particularly within the State of Florida, and the impact that the relationship between these and my recommended ROE may have on investor perceptions.

Q. How do these considerations influence your recommendation?

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

Q. How is your analysis of FPL's risk profile reflected in your recommendation?

A. My recommendation is the mid-point of FPL witness Avera's recommended range. Compared solely with the utility companies in FPL witness Avera's analysis my recommendation is slightly above the mid-point of the range, which is entirely consistent with my analysis of FPL's relative risk profile. The inclusion in FPL witness Avera's analysis of some of the least risky, most stable and mature participants in the non-utility sectors of the economy is also consistent with this approach. As FPL witness Avera has explained, these

companies are included on the basis of risk comparability. With the inclusion of these companies FPL's risk profile is roughly in line with the broadly defined proxy group, and my recommendation falls well within the range that FPL witness Avera has estimated for this broadly defined proxy group.

Q. What is FPL's current allowed ROE?

A. In the 2009 rate case, the FPSC approved a midpoint ROE of 10.0% for FPL, the lowest ROE approved for any Florida electric, telecommunications, or natural gas utility in at least the past 50 years, as shown on Exhibit MD-2. The 10.0% allowed ROE was a decrease of 175 bps compared to FPL's previously allowed return.

Q. What was the impact of the 2009 decision to lower FPL's allowed ROE on investors?

A. Investors – both equity and fixed income – as well as rating agencies perceived the decision as negative for financial strength and credit quality. Along with other factors related to perceptions of the "politicization" of the regulatory environment, the decision to decrease FPL's allowed ROE to such a low level contributed to rating agency decisions to downgrade FPL's credit ratings.

Q. How do investors and credit rating agencies view allowed ROE?

A. Allowed ROE is important to investors as well as credit rating agencies for several reasons. First, it is an important indicator of the degree to which a regulated utility will have the financial resources to serve its customers well. It is also an important indicator of the *relative* attractiveness of a utility as a

place to invest capital. Finally, it is generally viewed as one indicator of the quality of the broader regulatory environment. While investors and rating agencies recognize that the allowed ROE is not a guarantee of profit, an adjustment to a more competitive level would be consistent with maintaining a good credit rating and encouraging and attracting investment with FPL and within the State of Florida.

Q. How does FPL's current allowed ROE compare to other utilities?

A. FPL's current allowed ROE of 10.0% is the lowest of any of the IOUs within Florida. It is also in the bottom third of allowed ROEs nationally. This places FPL at a competitive disadvantage in seeking to attract capital investment at the same time that it is engaged in the largest capital spending program in its history. As explained earlier in my testimony, FPL has been able temporarily to overcome this disadvantage through the 2010 Rate Settlement Agreement; however, with the expiration of the Agreement at the end of 2012 a more permanent solution is required. Increasing the allowed ROE to 11.25%, consistent with my recommendations, will restore FPL's ability to compete effectively for capital on an equal footing with other utilities. Over the long run this is good for customers.

Q. Should the Commission consider a utility's delivery of value to customers when determining what ROE to authorize?

A. Yes. From a policy perspective it is important that some general relationship should exist between a utility's allowed ROE and its relative performance in delivering value to its customers. It is in customers' long term interests that

utilities have a strong incentive to deliver superior value and to improve their value delivery over time. FPL's value delivery is excellent overall and on key measures (low typical bills, high reliability) clearly the best in the state. It is inconsistent for a company with a superior record of delivering value to its customers to emerge from a key regulatory proceeding with the lowest allowed ROE in the state and among the bottom third nationally. As a practical matter, FPL has been penalized with a low ROE even though it provides superior performance and value. My recommended allowed ROE of 11.25% will restore balance in this respect that is lacking today. As a matter of policy, the Commission can enhance the effectiveness of the incentive through a modest performance adder, which I will discuss later in my testimony.

Q. How is FPL's ROE request consistent with maintaining low customer bills?

A. It is important to recognize that ROE is only one component of a company's overall cost of capital. FPL's proposed overall cost of capital in the test year is 7.0% which is very low. That low cost of capital is passed directly on to customers and helps to maintain FPL's low typical bill level. As FPL witness Deaton's testimony shows, even with the full base rate increase requested by FPL, including the impact of re-setting ROE to a more appropriate level, FPL's typical residential bill will increase by only a few cents per day and will remain the lowest in the state. FPL's typical bill is roughly 25% below the national average, and it will remain roughly 25% below the national average.

The Commission can be assured that approving FPL's requested ROE is fully consistent with maintaining customer affordability: FPL provides very affordable service in the state today; and it will continue to do so if FPL's requested ROE is approved. An appropriate ROE will allow FPL to continue the extensive program of capital investment that is designed to ensure that bills remain affordable far out into the future.

VII. ROE PERFORMANCE ADDER

Q. Please describe the ROE performance factor proposed by the Company.

A. FPL is requesting an addition to its proposed authorized ROE of 25 bps to create an incentive for all utilities regulated by the FPSC to achieve superior customer value and to recognize that FPL provides superior customer value. However, FPL is proposing that the adder only be applicable to the extent that FPL maintains the lowest typical customer bill in the state.

Q. What factors should the Commission consider when evaluating the performance of utilities for purposes of determining whether or not to authorize an ROE performance adder?

A. The Commission should consider a broad array of performance measures that contribute to the delivery of superior value. Chief among these are reliability of service, cost or affordability, and customer service quality. In each case, the Commission should also assess the sustainability of performance, in order to avoid providing an incentive for temporary but unsustainable performance.

Q. How does FPL's performance on these measures compare with other utilities?

A. Overall, FPL's performance compares extremely well on all principal measures, both against other companies within Florida and considered more broadly against utilities in other states. On most measures, FPL's service reliability is top quartile or better; typical customer bills are the lowest in the state and approximately 25% below national averages; and FPL has been consistently commended by independent third parties for superior customer service. Furthermore, high performance on these measures has been sustained over a multi-year period. Nor is FPL's position merely an artifact of external forces. While natural gas prices can certainly rise and fall, affecting the relative position of FPL's typical bills, FPL's investments in modern efficient generation have helped improve FPL's relative cost position across a wide range of natural gas prices, and FPL's top decile performance in non-fuel O&M benefits customers under all market conditions. FPL's superior performance is a function of sustained effort, capital deployment, and a willingness to take risks and innovate. These are all characteristics which the Commission should encourage and support in all the utilities subject to its oversight, and it can do so by authorizing FPL's proposed performance adder.

FPL witness Reed provides a detailed analysis in his testimony that shows how well FPL has performed in recent years relative to other utilities, and several other witnesses describe FPL's performance in specific areas.

Q. Why is FPL proposing to make the ROE performance factor contingent on maintaining the lowest typical bill in the state?

A. To be clear, consistent with prior Commission practice, it is appropriate for the Commission to consider all aspects of FPL's performance. But for purposes of this case, FPL is requesting that the Commission use a simple measure to assure that customers continue to receive the best possible value. FPL is not suggesting that this is the only appropriate measure to assess performance, or that it should be used by the Commission in all instances or for other utilities that it regulates. That is not FPL's intention. The Commission can continue to assess FPL's and other utilities' performance on the basis of many factors. Indeed, as I have discussed, FPL's overall performance remains the basis for the Commission determining, in the first instance, whether a performance factor is appropriate. FPL is proposing that its ROE performance factor be made contingent on FPL maintaining the lowest typical bill in the state. This is an approach that is understandable to customers and represents a challenge that FPL is willing to undertake.

Q. Why should the Commission not simply focus on low bills in determining whether to grant a performance factor?

A. Were the Commission to focus solely on low bills to the exclusion of anything else, it could set up inappropriate incentives, inadvertently encouraging utilities to over-weight efforts aimed at improving cost position compared with efforts aimed at reliability and broader measures of customer service. By focusing attention on a 'balanced scorecard' and by maintaining an element of

judgment in considering whether to grant a performance factor, the Commission will signal that it is concerned about the overall value proposition that utilities provide their customers and encourage them to strive for superior performance along all dimensions of importance to customers. FPL has presented that balanced scorecard for the Commission to assess. How to determine whether the adder should be maintained may be a case by case determination, depending on what the Commission deems reasonable and appropriate for a particular utility. For the reasons I have discussed, in this instance FPL is proposing that its performance adder be contingent upon maintaining the lowest bill in the state which takes into account the importance of using a criterion that can be readily administered and easily understood by customers.

Q. Why is a performance factor appropriate if utilities have an obligation to serve their customers?

A. While all utilities with an obligation to serve will naturally strive to deliver good value, there is in practice a wide range of activities that can be pursued to deliver customer value. In many cases different courses of action can be pursued, some with more and some with less risk, and some with more and some with less potential for improving customer value. As a practical matter there is no substitute for some positive, economic encouragement to induce a higher degree of risk taking and innovation in pursuit of superior outcomes. In this sense an ROE performance adder can partially mimic the natural economic incentives present in freely competitive markets.

Q. Couldn't the Commission simply penalize poor performance instead of rewarding good performance?

A. While penalties for deliberately or negligently poor performance may be appropriate in some circumstances, in the vast majority of cases all regulated utilities will be seeking to provide good value to customers. The practical issue is how to encourage the new and different in order to advance the "state of the art" in providing service to customers. Negative incentives will tend to promote risk avoidance: utilities will work hard to avoid being penalized, but they will be much less likely to take the risks needed to seek out new possibilities. In contrast, a positive incentive such as FPL's proposed performance adder will actively encourage the difficult challenge of seeking new and different approaches in order to improve customer value.

VIII. STORM COST RECOVERY

Q. Is FPL requesting a storm accrual in this proceeding?

A. No. FPL is not requesting a storm accrual in this proceeding.

Q. How does FPL propose to address storm recovery in this proceeding?

A. FPL proposes for the immediate future to continue to recover prudently incurred storm costs under the framework prescribed by the 2010 Rate Settlement. Specifically, if FPL incurs storm costs related to a named tropical storm, the Company may begin collecting up to $4 per 1,000 kWh (roughly $400 million annually) beginning 60 days after filing a petition for recovery

with the FPSC. This interim recovery period will last up to 12 months. If costs to FPL related to named storms exceed $800 million in any one year, the Company can also request that the Commission increase the $4 per 1,000 KWh accordingly. This cost recovery mechanism also may be used to replenish the Company's storm reserve. Any cost not recovered under this mechanism is deferred on the balance sheet and recovered beyond the initial 12 months as determined by the Commission.

Q. Is this proposal a departure from prior FPL positions on this issue?

A. Yes. In the past the Commission has employed and FPL has endorsed an overall framework for storm cost recovery consisting of three main parts: (1) an annual storm accrual, adjusted over time as circumstances change; (2) a storm damage reserve adequate to accommodate most but not all storm years; and (3) a provision for utilities to seek recovery of costs that went beyond the storm reserve. These three parts acting together allowed FPL over time to recover the full costs of storm restoration, while at the same time balancing competing customer interests: that is, minimizing and mitigating the ongoing impact as much as possible, softening the volatility of "rate shock" in customer bills because the reserve may have been insufficient, and intergenerational equity. This balance required periodic adjustment in the main components of the framework.

Q. What considerations led to the development of this framework for storm cost recovery?

A. The historical framework arose primarily as a result of the disappearance of an economical commercial market for transmission and distribution insurance against windstorm loss in the wake of hurricane Andrew. The Commission recognized that prudently incurred storm restoration costs are a cost of doing business in Florida, legitimately recoverable under fundamental principles of regulation. Had commercial insurance remained available on reasonable terms, the cost of that insurance would have continued to be included in rates. In lieu of including in rates the cost of insurance, FPL included in rates an annual accrual, which was used to support a funded storm reserve. As a general guide, this reserve was intended to be large enough to cover most but not all tropical storm events. The Commission repeatedly acknowledged that some storms might cause more damage than the existing reserve could handle and provided an alternate mechanism for recovering restoration costs incurred in excess of the reserve balance. This framework was successfully used by FPL and the Commission through the 1990s and through the devastation of back-to-back storm seasons of 2004 and 2005. FPL customers today continue to pay a small charge for the 2004-2005 restoration costs that exceeded the then value of the storm reserve.

Q. What is FPL's current exposure to storm restoration costs?

A. FPL's latest comprehensive Storm Loss and Reserve Performance Analysis in 2009 showed that over the long term, taking into account the statistically

probable incidence and size or power of tropical storms, FPL can expect to incur, on average, about $150 million per year in restoration costs.

Q. Why is FPL not proposing in this proceeding to use a framework that has proven successful in the past?

A. FPL has attempted to reduce the number of complex issues to be decided in this proceeding. Accordingly, FPL proposes temporarily to continue the alternative cost recovery framework spelled out in the 2010 Rate Settlement.

Q. Is there a risk with this approach?

A. Yes. In the event of significant storm damage in the short term, before the Florida economy has fully recovered, FPL will have access to a storm reserve smaller than it otherwise would have been, and the resulting supplemental charge will be larger and/or will last longer than it otherwise might have. FPL continues to believe that the best long term policy is to revert to the traditional proven framework and reinstitute an annual accrual, recovered through rates, to the storm reserve. However, FPL believes that it is reasonable for the Commission to continue the alternative framework of the 2010 Rate Settlement at the present time.

Q. Does this conclude your testimony?

A. Yes.

Florida Power and Light Company

MFRs AND SCHEDULES SPONSORED AND CO-SPONSORED BY MORAY DEWHURST

MFR Schedule	Period	Title
SOLE SPONSOR:		
D-02	Historic Prior Test	COST OF CAPITAL
D-03	Historic Prior Test	SHORT-TERM DEBT
D-04A	Prior Test	LONG TERM DEBT OUTSTANDING
D-05	Historic Prior Test	PREFERRED STOCK OUTSTANDING
D-07	Historic	COMMON STOCK DATA
D-08	Test	FINANCING PLANS - STOCK AND BOND ISSUES
D-09	Historic Prior Test	FINANCIAL INDICATORS SUMMARY
CO-SPONSOR:		
A-01	Test	FULL REV REQUIREMENTS INCREASE REQUESTED
D-01A	Prior Test	COST OF CAPITAL
D-04B	Test & Prior	REAQUIRED BONDS
CANAVERAL STEP INCREASE SCHEDULES SPONSORED OR CO-SPONSORED		
A-01	CC Adjustment	FULL REV REQUIREMENTS INCREASE REQUESTED
D-01A	CC Adjustment	COST OF CAPITAL

REVENUE REDUCTIONS AND INCREASES ORDERED BY THE FLORIDA PUBLIC SERVICE COMMISSION FOR CERTAIN ELECTRIC, GAS AND TELEPHONE UTILITIES FROM 1960 TO PRESENT

(All Electric, Gas and Telephone Utilities from 1968 to Present)

ELECTRIC COMPANIES

Docket No.	Order No.	Date of Order	Allowable Return on Equity Set	Range
PROGRESS ENERGY FL., INC. (Formerly Florida Power Corporation)				
71370-EU	5619	12-29-72	13.75%	13.50 - 14.25%
74061-EU	6094	04-05-74	13.50%	13.50 - 14.25%
78407-EU	6794	07-22-75	14.60%	14.30 - 14.90%
770316-EU	8160	02-02-78	14.30%	14.30 - 14.90%
800119-EU	9864	03-11-80	15.50%	14.50 - 16.50%
820100-EU	11628	02-17-83	15.85%	14.85 - 16.85%
830470-EU	13771	10-12-84	15.55%	14.55 - 16.55%
			15.55%	14.55 - 16.55%
861096-EI	16862	11-19-86	12.50%	
870220-EI	18627	01-04-88	12.60%	12.60 - 13.60%
910890-EI	92-1197	10-22-92	12.00%	11.00 - 13.00%
			12.00%	11.00 - 13.00%
			12.00%	11.00 - 13.00%
050078-EI	05-0945	09-28-05	11.75%	N/A
090079-EI	10-0131	03-05-10	10.50%	9.50-11.50%
FLORIDA POWER & LIGHT COMPANY				
71627-EU	5620	12-29-72	12.875%	12.75 - 13.25%
71627-EU	5696	04-03-73		12.75 - 13.25%
74509-EU	6591	04-01-75	13.75%	13.50 - 14.00%
760727-EU	7843	06-16-77	13.75%	13.50 - 14.00%
810002-EU	10306	09-23-81	15.85%	14.85 - 16.85%
820097-EU	11437	12-22-82	15.85%	14.85 - 16.85%
830465-EU	13948	12-28-84	15.60%	14.60 - 16.60%
830465-EU	14005	01-16-85	15.60%	14.60 - 16.60%
880355-EI	19158	04-19-88	13.60%	
890319-EI	21143	04-28-89	13.60%	
900038-EI	23996	01-16-91	12.80%	11.80 - 13.80%
930612-EI	93-1024	07-16-93	12.00%	11.00 - 13.00%
990067-EI	99-0519	03-17-99	11.00%	10.00 - 12.00%
050045-EI	05-0902	09-14-05	11.75%	N/A
080677-EI	10-0153	03-17-10	10.00%	9.00-11.00%
FLORIDA PUBLIC UTILITIES COMPANY				
750289-EU	7001	11-17-75	14.50%	14.25 - 14.75%
770652-EU	8502	10-04-78	13.25%	12.75 - 13.75%
880558-EI	21532	07-12-89	13.55%	12.35 - 14.35%
881056-EI	22224	11-27-89	12.85%	11.85 - 13.85%
930400-EI	94-0170	02-10-94	10.85%	9.85 - 11.85%
930720-EI	94-0983	08-12-94	11.60%	10.60 - 12.60%
030438-EI	04-0369	04-06-04	11.50%	10.50 - 12.50%
070304-EI	08-0327	05-19-08	11.00%	10.00 - 12.00%

REVENUE REDUCTIONS AND INCREASES ORDERED
BY THE FLORIDA PUBLIC SERVICE COMMISSION FOR CERTAIN
ELECTRIC, GAS AND TELEPHONE UTILITIES FROM 1960 TO PRESENT
(All Electric, Gas and Telephone Utilities from 1968 to Present)

ELECTRIC COMPANIES (continued)

Docket No.	Order No.	Date of Order	Allowable Return on Equity Set	Range
GULF POWER COMPANY				
74437-EU	6650	05-07-75	14.25%	14.00 - 14.50%
760858-EU	7978	09-27-77	14.25%	14.00 - 14.50%
770872-EU	5424	08-07-78	13.50%	13.25 - 13.75%
800001-EO	9852	03-05-81	14.75%	13.75 - 15.75%
810136-EU	10963	07-07-82	15.85%	14.75 - 16.75%
820150-EU	11498	01-11-83	15.85%	14.85 - 16.85%
840086-EI	14030	01-21-85	15.60%	14.60 - 16.60%
880360-EI	19185	04-19-88	13.60%	
880360-EI	20969	03-31-89	13.60%	
891345-EI	23573	10-03-90	12.05%	11.55 - 13.55%
			12.55%	11.55 - 13.55%
930139-EI	93-0771	05-20-93	12.00%	11.00 - 13.00%
010949-EI	02-0787	06-10-02	12.00%	10.75 - 12.75%
TAMPA ELECTRIC COMPANY				
9776-EU	4490	01-06-69	13.75%	
70532-EU	5278	11-30-71	15.50%	
73604-EU	6133	05-02-74	15.50%	
74597-EU	6681	05-21-75	14.75%	
760846-EU	7987	10-04-77	13.75%	13.50 - 14.00%
800011-EU	9599	10-17-80	14.50%	13.50 - 15.50%
820007-EU	11307	11-10-82	15.75%	14.75 - 16.57%
830012-EU	12663	11-07-83	15.50%	14.50 - 16.50%
850050-EI	15451	12-13-85	14.50%	13.50 - 15.50%
880356-EI	19185	04-19-88	13.60%	
890325-EI	21136	04-27-89	13.60%	
900153-EI	22719	03-22-90	13.60%	
900153-EI	23883	12-14-90	13.60%	
920062-EI	92-0022	03-10-92	12.50%	11.50 - 12.50%
920324-EI	93-0165	02-02-93	12.00%	11.00 - 13.00%
930987-EI	94-0337	03-25-94	11.35%	10.35 - 12.35%
950379-EI	95-0580	05-10-95	11.75%	10.75 - 12.75%
080317-EI	09-0283	04/30/09	11.25%	10.25-12.25%

REVENUE REDUCTIONS AND INCREASES ORDERED BY THE FLORIDA PUBLIC SERVICE COMMISSION FOR CERTAIN ELECTRIC, GAS AND TELEPHONE UTILITIES FROM 1960 TO PRESENT

(All Electric, Gas and Telephone Utilities from 1968 to Present)

TELEPHONE COMPANIES

Docket No.	Order No.	Date of Order	Allowable Return on Equity Set	Range
ALLTEL FLORIDA, INC. (Formerly North Florida Telephone Company)				
73012-TP	6204	11-16-73		10.00 - 12.00%
74783-TP	6689	05-23-75	12.50%	12.00 - 13.00%
810326-TP	10857	06-07-82	15.50%	14.50 - 16.50%
830471-TP	13467	06-29-84	15.50%	14.50 - 16.50%
850064-TL	15627	02-05-86	14.60%	13.60 - 15.60%
			13.80%	12.80 - 13.80%
900875-TL	23819	12-03-90	13.00%	12.00 - 14.00%
920193-TL	93-0562	04-13-93	11.90%	10.90 - 12.90%
940196-TL	94-0383	03-31-94	11.50%	10.50 - 12.50%
CENTRAL TELEPHONE COMPANY OF FLORIDA				
			12.00%	11.25 - 12.75%
72220-TP	5660	02-27-73	12.00%	11.75 - 12.50%
750320-TP	7130	02-27-76	12.29%	12.04 - 12.54%
850142-TP	14786	08-28-85	14.50%	13.50 - 15.50%
861361-TP	17783	06-30-87	12.75%	11.75 - 13.75%
891246-TL	23454	09-10-90	13.00%	12.00 - 14.00%
920310-TL	92-0985	09-11-92	12.50%	11.50 - 13.50%
	93-0005	01-04-93	12.50%	11.50 - 13.50%
FLORALA TELEPHONE COMPANY				
780365-TP	8543	10-27-78	16.50%	15.00 - 18.00%
871206-PU	19165	04-18-88	15.00%	14.00 - 16.00%
891233-TL	22261	12-04-89	12.90%	11.90 - 13.90%
910729-TL	25693	02-05-92	12.80%	11.80 - 13.80%
940197-TL	94-0548	05-11-94	11.80%	10.80 - 12.80%
FRONTIER COMMUNICATIONS OF THE SOUTH, INC. (FORMERLY SOUTHLAND TELEPHONE COMPANY)				
760843-TP		No Action	12.76%	
820352-TP	11270	10-26-82	15.50%	15.00 - 16.00%
900018-TL	22588	02-21-90	12.90%	11.40 - 14.40%
920196-TL	94-0282	03-10-94	12.00%	11.00 - 13.00%
GENERAL TELEPHONE COMPANY OF FLORIDA				
6413-TP		06-29-62		10.08 - 10.36%
9368-TP	4461	11-26-68		10.75 - 11.35%
70049-TP	4991	11-19-70		11.25 - 12.85%
74792-TP	6832	08-11-75	13.75%	13.50 - 14.00%
760464-TP		06-18-76	12.96%	12.75 - 13.25%
790084-TP	9192	12-27-79	13.25%	12.25 - 14.25%
810095-TP	10440	12-07-81	15.50%	14.50 - 16.50%
870171-TL	22352	12-29-89	12.30%	11.30 - 13.30%
920188-TL	93-0108	01-21-93	12.20%	11.20 - 13.20%

REVENUE REDUCTIONS AND INCREASES ORDERED
BY THE FLORIDA PUBLIC SERVICE COMMISSION FOR CERTAIN
ELECTRIC, GAS AND TELEPHONE UTILITIES FROM 1960 TO PRESENT
(All Electric, Gas and Telephone Utilities from 1968 to Present)

TELEPHONE COMPANIES (continued)

Docket No.	Order No.	Date of Order	Allowable Return on Equity Set	Range
GULF TELEPHONE COMPANY				
72376-TP	5626	12-27-72	15.10%	12.60 - 17.60%
830509-TP	13430	06-18-84	15.10%	12.60 - 17.60%
870454-TL	19169	04-18-88	13.80%	12.80 - 14.80%
891234-TL	22297	12-11-89	12.90%	11.90 - 13.90%
910730-TL	25606	01-17-92	12.90%	11.90 - 13.90%
940198-TL	94-0549	05-11-94	11.80%	10.80 - 12.80%
INDIANTOWN TELEPHONE COMPANY				
74569-TP	6621	04-17-75	12.37%	12.00 - 12.75%
891235-TL	23237	07-23-90	12.90%	11.90 - 13.90%
900921-TL	92-0036	03-10-92	12.70%	11.70 - 13.70%
940199-TL	94-0545	05-11-94	11.80%	10.80 - 12.80%
NORTHEAST FLORIDA TELEPHONE COMPANY				
780972-TP	8811	04-10-79	16.00%	14.00 - 18.00%
830386-TP	13293	05-15-84	16.00%	14.00 - 18.00%
871206-PU	19165	04-18-88	15.00%	13.50 - 16.50%
891236-TL	22273	12-07-89	12.90%	11.40 - 14.40%
QUINCY TELEPHONE COMPANY				
760323-TP	7566	12-30-76	13.70%	13.20 - 14.20%
810251-TP	11030	07-27-82	16.10%	15.20 - 17.20%
870736-TL	18831	02-09-88	13.80%	12.80 - 14.80%
870453-TL	20937	03-27-89	13.30%	12.30 - 14.30%
891237-TL	22367	01-03-90	12.90%	11.90 - 13.90%
920195-TL	94-0645	05-26-94	11.65%	10.65 - 12.65%
ST. JOSEPH TELEPHONE COMPANY				
750166-TP	7045	12-11-75	13.00%	12.50 - 13.50%
790863-TP	9714	12-17-80	15.00%	14.00 - 16.00%
891238-TL	22284	12-11-89	12.90%	11.90 - 13.90%
			12.50%	11.50 - 13.50%
940200-TL	94-0547	05-11-94	11.65%	10.65 - 12.65%

REVENUE REDUCTIONS AND INCREASES ORDERED
BY THE FLORIDA PUBLIC SERVICE COMMISSION FOR CERTAIN
ELECTRIC, GAS AND TELEPHONE UTILITIES FROM 1960 TO PRESENT
(All Electric, Gas and Telephone Utilities from 1968 to Present)
TELEPHONE COMPANIES (continued)

Docket No.	Order No.	Date of Order	Allowable Return on Equity Set	Range
SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY				
63957-TP		04-16-70	10.55%	
71308-TP		01-04-72	10.55%	
72700-TP	5815	08-02-73	10.55%	
72701-TP	5987	12-27-73	11.50%	11.25 - 11.75%
74805-TP	7018	12-04-75	12.13%	11.84 - 12.43%
760842-TP	7926	08-10-77	12.13%	12.00 - 13.00%
780354-TP	8376	06-22-78	12.13%	12.00 - 13.00%
810035-TP	10449	12-15-81	15.25%	14.25 - 16.25%
820294-TP	12221	07-13-83	15.00%	14.00 - 16.00%
880069-TL	20162	10-13-88	13.20%	11.50 16.00%
			14.00%	(Sharing Point)
920260-TL	94-0172	02-11-94		12.00 - 14.00%
				(1994 Sharing Range)
				12.50 - 14.50%
				(1995 Sharing Range)
UNITED TELEPHONE COMPANY OF FLORIDA				
750316-TP	7109	02-13-76	11.28%	11.03 - 11.53%
780777-TP	9208	01-14-80	13.25%	12.25 - 14.25%
810211-TP	11029	07-27-82	15.75%	14.75 - 16.75%
880444-TL	19726	07-26-88	13.50%	12.50 - 14.50%
891239-TL	24049	01-31-91	13.00%	12.00 - 14.00%
910980-TL	92-0708	07-24-92	12.50%	11.50 - 13.50%

REVENUE REDUCTIONS AND INCREASES ORDERED
BY THE FLORIDA PUBLIC SERVICE COMMISSION FOR CERTAIN
ELECTRIC, GAS AND TELEPHONE UTILITIES FROM 1960 TO PRESENT
(All Electric, Gas and Telephone Utilities from 1968 to Present)
GAS COMPANIES

Docket No.	Order No.	Date of Order	Allowable Return on Equity Set	Range
CHESAPEAKE UTILITIES CORPORATION (Formerly Central Florida Gas Company and Plant City Natural Gas Company)				
891179-GU	23166	07-10-90	13.00%	12.00 - 14.00%
920729-GU	92-0817	08-14-92	12.00%	11.00 - 13.00%
931099-GU	93-1772	12-10-93	11.00%	10.00 - 12.00%
000100-GU	00-2263	11-28-00	11.50%	10.50 - 12.50%
090125-GU	10-0029	1/14/2010	10.80%	9.8% - 11.8%
CITY GAS COMPANY				
8960-GU	4342	04-09-68		13.00 - 13.60%
70576-GU	5164	07-16-71	14.00%	13.75 - 14.25%
70576-GU	5164	07-16-71	14.00%	13.75 - 14.25%
74596-GU	6544	03-04-75	14.50%	
810004-GU	10395	11-06-81	16.00%	15.00 - 17.00%
830581-GU	13609	08-22-84	15.75%	14.75 - 16.75%
891175-GU	24013	01-23-91	13.00%	12.00 - 14.00%
931098-GU	93-1820	12-22-93	11.00%	10.00 - 12.00%
940276-GU	94-1570	12-19-94	11.30%	10.30 - 12.30%
960502-GU	96-1404	11-20-96	11.30%	10.30 - 12.30%
000768-GU	01-0316	02-05-01	11.50%	10.50 - 12.50%
030569-GU	04-0128	02-09-04	11.25%	10.25 - 12.25%
FLORIDA PUBLIC UTILITIES COMPANY				
73589-GU	6273	09-05-74	14.50%	14.25 - 14.75%
760469-GU	7629	02-04-77	14.50%	14.25 - 14.75%
800414-GU	9956	04-20-81	15.00%	14.00 - 16.00%
820249-GU	11855	04-19-83	16.04%	16.04 - 16.14%
850172-GU	16195	06-06-86	14.50%	13.50 - 15.50%
9000152-GU	23987	01-15-91	13.00%	12.00 - 14.00%
931100-GU	94-0249	03-07-94	11.00%	10.00 - 12.00%
940620-GU	95-0518	04-26-95	11.40%	10.40 - 12.40%
040216-GU	04-1110	11-08-04	11.25%	10.25 - 11.25%
			10.85%	9.85% - 11.85%
INDIANTOWN GAS COMPANY				
020470-GU	02-1666	11-26-02	11.50%	10.50 - 12.50%
030954-GU	04-0565	06-02-04	11.50%	10.50 - 12.50%

REVENUE REDUCTIONS AND INCREASES ORDERED
BY THE FLORIDA PUBLIC SERVICE COMMISSION FOR CERTAIN
ELECTRIC, GAS AND TELEPHONE UTILITIES FROM 1960 TO PRESENT
(All Electric, Gas and Telephone Utilities from 1968 to Present)
GAS COMPANIES (continued)

Docket No.	Order No.	Date of Order	Allowable Return on Equity Set	Range
PEOPLES GAS SYSTEM, INC.				
5760-GU	3452	09-26-62	11.32%	
6076-GU		09-26-62	11.32%	
72446-GU	5826-A	08-14-73	14.25%	14.00 - 14.50%
74767-GU	6737	06-24-75	14.75%	14.50 - 15.00%
760922-GU	7897	07-15-77	14.75%	14.50 - 15.00%
810302-GU	11612-A	03-22-83	16.00%	15.00 - 17.00%
830123-GU	12712	11-28-83	15.75%	14.75 - 16.75%
850811-GU	16313	07-08-86	14.25%	13.25 - 15.25%
891353-GU	23858	12-11-90	13.00%	12.00 - 14.00%
911150-GU	92-0924	09-03-92	12.00%	11.00 - 13.00%
931101-GU	93-1773	12-10-93	11.25%	10.25 - 12.25%
020384-GU	03-0038	01-06-03	11.25%	10.25 - 12.25%
ST. JOE NATURAL GAS COMPANY				
820490-GU	12372	08-16-83	16.00%	15.70 - 17.70%
870986-GU	19793	08-11-88	13.70%	12.70 - 14.70%
931102-GU	93-1775	12-10-93	11.00%	10.00 - 12.00%
001447-GU	01-1274	06-08-01	11.50%	10.50 - 12.50%
070592-GU	08-0436	07-08-08	11.00%	10.00 - 12.00%
SEBRING GAS SYSTEM, INC.				
910873-GU	92-0229	04-20-92	12.00%	11.00 - 13.00%
931103-GU	93-1774	12-10-93	11.00%	10.00 - 12.00%
040270-GU	04-1260	12-20-04	11.50%	10.50 - 12.50%
SOUTH FLORIDA NATURAL GAS COMPANY (Merged with Florida Public Utilities Company)				
72344-GU	5816	08-03-73	14.50%	14.00 - 16.00%
830330-GU	13193	04-16-84	15.75%	14.75 - 16.75%
860341-GU	17933	08-04-87	13.23%	12.23 - 14.23%
900623-GU	24608	06-03-91	13.00%	12.00 - 14.00%
931104-GU	93-1776	12-10-93	11.00%	10.00 - 12.00%
WEST FLORIDA NATURAL GAS COMPANY (Merged with Peoples Gas System, Inc.)				
72676-GU	5685	03-29-73	14.75%	
820404-GU	12217	07-11-83	16.20%	15.20 - 17.20%
850503-GU	16549	09-05-86	13.15%	12.15 - 14.15%
871255-GU	21054	04-17-89	13.50%	12.50 - 14.50%
910778-GU	92-0580	06-29-92	12.00%	11.00 - 13.00%
931105-GU	93-1777	12-10-93	11.00%	10.00 - 12.00%