

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of the retail
rates of Florida Power & Light
Company.

DOCKET NO. 001148-EI

FILED: DECEMBER 18, 2001

STAFF'S PRELIMINARY LIST OF ISSUES

Pursuant to Order No. PSC-01-2111-PCO-EI, issued October 24, 2001, establishing prehearing procedures in this docket, the Staff of the Florida Public Service Commission hereby files its Preliminary List of Issues.

- Issue 1:** Are FPL's forecasts of customers and KWH by revenue class, and system KW for the 2002 projected test year reasonable?
- Issue 2:** Is FPL's forecast of inflation rates appropriate?
- ISSUE 2a:** To what extent, if any, should FPL's forecasted financial statements and resulting retail rates for the 2002 test year be adjusted to remove the effects of short term economic conditions?

QUALITY OF SERVICE

- Issue 3:** Is the number of customer bills which have to be estimated each month appropriate for FPL?
- Issue 4:** Is the quality of electric service provided by FPL adequate?
- Issue 5:** Is FPL's customer complaint resolution process adequate?
- Issue 6:** Should FPL be required to provide a refund to retail customers incurring frequent outages?

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FPSC-COMMISSION CLERK

RATE BASE

- Issue 7:** Is FPL's level of Plant in Service in the amount of \$18,901,692,000 (\$19,004,488,000 system) for the 2002 projected test year appropriate?
- Issue 8:** Is FPL's level of Accumulated Provision for Depreciation and Amortization in the amount of \$10,028,613,000 (\$10,089,240,000 system) for the 2002 projected test year appropriate?
- Issue 9:** Is FPL's level of Construction Work in Progress in the amount of \$903,823,000 (\$912,691,000 system) for the 2002 projected test year appropriate?
- Issue 10:** Is FPL appropriately accruing AFUDC on CWIP for the 2002 projected test year?
- Issue 11:** Is FPL's level of Property Held for Future Use in the amount of \$68,266,000 (\$68,611,000 system) for the 2002 projected test year appropriate?
- Issue 12:** Is FPL's level of Working Capital in the amount of \$63,687,000 (\$191,390,000 system) for the 2002 projected test year appropriate?
- Issue 13:** Is FPL's level of Account 151 - Fuel Stock - in the amount of \$93,372,000 (\$94,526,000 system) for the 2002 projected test year appropriate?
- Issue 14:** Should the net overrecovery/underrecovery of fuel and conservation expenses for the test year be included in the calculation of working capital allowance for FPL?
- Issue 15:** Has FPL removed the appropriate amount of Regulatory Asset - Okeelanta Settlement out of 2002 projected test year working capital?
- Issue 16:** Should adjustments to exclude interest on tax deficiency be made to working capital for the 2002 projected test year?

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- Issue 17:** Is \$500 million an appropriate reserve goal for Account 228.1 - Accum. Provision for Property Insurance - Storm Damage?
- Issue 18:** Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause be included in rate base?
- Issue 19:** What are the appropriate adjustments that should be made to FPL's test year rate base to account for the additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001?
- Issue 20:** Should the investment in corporate aircraft be removed from 2002 projected test year?
- Issue 21:** What adjustment, if any, should be made to projected test year rate base to reflect the Commission's decision in Docket No. 991931-EG, concerning the last core of nuclear fuel?
- Issue 22:** What adjustment, if any, should be made to projected test year rate base to reflect the Commission's decision in Docket No. 981246-EI, concerning nuclear decommissioning?
- Issue 23:** What adjustment, if any, should be made to projected test year rate base to reflect the Commission's decision in Docket No. 990324-EI, concerning the disposition of FPL's accumulated nuclear amortization?
- Issue 24:** What adjustments, if any, should be made to projected test year rate base to recognize implementation of Statement of Financial Accounting Standard No. (SFAS) 133/137?
- Issue 25:** What adjustments, if any, should be made to projected test year rate base to recognize implementation of SFAS 143?

- Issue 26:** What adjustments, if any, should be made to projected test year rate base to recognize implementation of the AcSEC Statement of Position regarding accounting for certain costs and activities related to property, plant, and equipment?
- Issue 27:** Is FPL's rate base of \$9,908,855,000 (\$10,088,964,000 system) for the 2002 projected test year appropriate? (This is a fallout calculation.)

COST OF CAPITAL

- Issue 28:** What is the appropriate cost of common equity capital for FPL?
- Issue 29:** What is the appropriate common equity ratio for ratemaking purposes for FPL?
- Issue 30:** What is the appropriate amount of accumulated deferred taxes to include in FPL's capital structure?
- Issue 31:** What is the appropriate amount and cost rate of unamortized investment tax credits to include in FPL's capital structure?
- Issue 32:** Have FPL's rate base and capital structure been reconciled appropriately?
- Issue 33:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for FPL for the projected test year?

NET OPERATING INCOME

- Issue 34:** Is FPL's level of Total Operating Revenues in the amount of \$3,649,342 (\$3,703,679 system) for the 2002 projected test year appropriate?

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- Issue 35:** Has FPL made the appropriate adjustments to remove the capacity cost revenues and related expenses recoverable through the Capacity Cost Recovery Clause?
- Issue 36:** Has FPL made the appropriate adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?
- Issue 37:** Has FPL made the appropriate adjustments to remove the environmental revenues and related expenses recoverable through the Environmental Cost Recovery Clause?
- Issue 38:** Has FPL made the appropriate adjustments to remove the conservation revenues and related expenses recoverable through the Conservation Cost Recovery Clause?
- Issue 39:** Is FPL's level of Account 513 - Maintenance of Electric Plant (Major Only) expense in the amount of \$17,241,000 (\$17,454,000 system) for the 2002 projected test year appropriate?
- Issue 40:** Is FPL's level of Total Steam Power Generation O&M (Accounts 500-514) in the amount of \$129,196,000 (\$130,835,000 system) for the 2002 projected test year appropriate?
- Issue 41:** Is FPL's level of Account 517 - Operation Supervision and Major Engineering expense in the amount of \$71,662,000 (\$71,858,000 system) for the 2002 projected test year appropriate?
- Issue 42:** Is FPL's level of Account 519 - Coolants and Water expense in the amount of \$6,445,000 (\$6,462,000 system) for the 2002 projected test year appropriate?
- Issue 43:** Is FPL's level of Account 520 - Steam expense in the amount of \$23,360,000 (\$23,424,000 system) for the 2002 projected test year appropriate?
- Issue 44:** Is FPL's level of Account 523 - Electric expense in the amount of \$269,000 (\$270,000 system) for the 2002 projected test year appropriate?

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- Issue 45:** Is FPL's level of Account 524 - Miscellaneous Nuclear Power expense in the amount of \$37,862,000 (\$37,965,000 system) for the 2002 projected test year appropriate?
- Issue 46:** Is FPL's level of Total Nuclear Power Generation Operation expense (Accounts 517-525) in the amount of \$139,598,000 (\$139,979,000 system) for the 2002 projected test year appropriate?
- Issue 47:** Is FPL's level of Total Nuclear Power Generation Maintenance expense (Accounts 528-532) in the amount of \$119,011,000 (\$119,264,000 system) for the 2002 projected test year appropriate?
- Issue 48:** Is FPL's level of Account 546 - Operation Supervision and Engineering expense in the amount of \$3,489,000 (\$3,535,000 system) for the 2002 projected test year appropriate?
- Issue 49:** Is FPL's level of Account 548 - Generation expense in the amount of \$2,930,000 (\$2,968,000 system) for the 2002 projected test year appropriate?
- Issue 50:** Is FPL's level of Account 549 - Miscellaneous Other Power Generation expense in the amount of \$8,713,000 (\$8,826,000 system) for the 2002 projected test year appropriate?
- Issue 51:** Is FPL's level of Other Power Generating Maintenance expense (Accounts 551-554) in the amount of \$21,126,000 (\$21,399,000 system) for the 2002 projected test year appropriate?
- Issue 52:** Is FPL's level of Account 565 - Transmission of Electricity by Others expense in the amount of \$10,329,000 (\$10,440,000 system) for the 2002 projected test year appropriate?
- Issue 53:** Is FPL's level of Account 566 - Miscellaneous Transmission expense in the amount of \$4,183,000 (\$4,228,000 system) for the 2002 projected test year appropriate?

- Issue 54:** Is FPL's level of Account 571 - Maintenance of Overhead Transmission Lines, which includes tree-trimming expenses, in the amount of \$9,590,000 (\$9,693,000 system) for the 2002 projected test year appropriate?
- Issue 55:** Is FPL's level of Account 588 - Miscellaneous Distribution Operating Expenses in the amount of \$27,776,000 (\$27,776,000 system) for the 2002 projected test year appropriate?
- Issue 56:** Is FPL's level of Total Distribution Operation expense (Accounts 580-589) in the amount of \$93,308,000 (\$93,322,000 system) for the 2002 projected test year appropriate?
- Issue 57:** Is FPL's level of Account 593 - Maintenance of Overhead Lines, which includes tree trimming expenses, in the amount of \$85,843,000 (\$85,843,000 system) for the 2002 test year appropriate?
- Issue 58:** Is FPL's level of Total Distribution Maintenance expense (Accounts 590-599) in the amount of \$167,892,000 (\$167,895,000 system) for the 2002 projected test year appropriate?
- Issue 59:** Is FPL's level of Account 904 - Uncollectible Accounts expense in the amount of \$10,283,000 (\$10,283,000 system) for the 2002 projected test year appropriate?
- Issue 60:** Is FPL's level of Total Customer Accounts Expense (Accounts 901-905) in the amount of \$105,888,000 (\$106,019,000 system) for the 2002 projected test year appropriate?
- Issue 61:** Is FPL's level of Account 909 - Information and Inst. Advertising expense in the amount of \$2,541,000 (\$2,541,000 system) for the 2002 projected test year appropriate?
- Issue 62:** Is FPL's level of Account 910 - Miscellaneous Customer Service and Information expense in the amount of \$5,451,000 (\$5,451,000 system) for the 2002 projected test year appropriate?

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- Issue 63:** Is FPL's level of Total Customer Service and Information Expense (Accounts 907-910) in the amount of \$17,229,000 (\$78,959,000 system) for the 2002 projected test year appropriate?
- Issue 64:** Is FPL's level of Account 911 - Supervision Sales expense in the amount of \$1,051,000 (\$1,051,000 system) for the 2002 projected test year appropriate?
- Issue 65:** Is FPL's level of Account 920 - Administrative and General Salaries expense in the amount of \$132,361,000 (\$132,877,000 system) for the 2002 projected test year appropriate?
- Issue 66:** Is FPL's level of Account 921 - Office Supplies and Expenses in the amount of \$79,587,000 (\$80,025,000 system) for the 2002 projected test year appropriate?
- Issue 67:** Is FPL's level of Account 923 - Outside Services expense in the amount of \$20,075,000 (\$20,153,000 system) for the 2002 projected test year appropriate?
- Issue 68:** Is FPL's 2002 projected test year accrual of \$50,300,000 for Storm Damage appropriate?
- Issue 69:** What is the appropriate amount of Other Post Employment Benefits Expense for the projected 2002 test year?
- Issue 70:** What is the appropriate amount of Pension Expense for the projected 2002 test year?
- Issue 71:** Is FPL's 2002 projected test year accrual for medical/life reserve-active employees and retirees appropriate?
- Issue 72:** Is FPL's level of Account 928 - Regulatory Commission Expense in the amount of \$8,803,000 (\$8,803,000 system) appropriate?
- Issue 73:** Is FPL's amount in Account 935 - Maintenance of General Plant expense in the amount of \$8,222,000 (\$8,254,000 system) appropriate?

- Issue 74:** Is FPL's level of Total Administrative and General Expense (Accounts 920-935) in the amount of \$277,245,000 (\$288,300,000 system) for the 2002 projected test year appropriate?
- Issue 75:** Are lobbying expenses included in the 2002 projected test year and, if so, should an adjustment be made to remove them?
- Issue 76:** Are industry association dues included in the 2002 projected test year and, if so, should an adjustment be made to remove them?
- Issue 77:** Are membership dues included in the projected test year and, if so, should an adjustment be made to remove them?
- Issue 78:** Has FPL budgeted to fund the EEI Utility Waste Management Group, and if so, should an adjustment be made to remove it?
- Issue 79:** Is FPL's assumed growth in salaries and wages appropriate? If not, what adjustment is necessary?
- Issue 80:** Is FPL's level of employees in the 2002 projected test year appropriate?
- Issue 81:** Is FPL's level of Salaries and Employee Benefits for the 2002 projected test year appropriate?
- Issue 82:** What are the appropriate adjustments to FPL's 2002 projected test year operating expenses to account for the additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001?
- Issue 83:** Is FPL's level of economic development expenses appropriate?
- Issue 84:** Is FPL's level of Total Operation and Maintenance Expense in the amount of \$1,218,944,000 (\$1,228,113,000 system) for the 2002 projected test year appropriate? (This is a fallout calculation.)

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- Issue 85:** Is FPL's Depreciation and Amortization Expense of \$801,678,000 (\$825,250,000 system) for the 2002 projected test year appropriate? (This is a fallout calculation.)
- Issue 86:** Has FPL provided adequate assurance that repowering its Ft. Myers and Sanford units is the most cost effective alternative among available choices?
- Issue 87:** Has FPL followed a reasonable methodology for procuring services (Requests for Purchase) from outside parties and if not, should an adjustment be made to remove inappropriate costs?
- Issue 88:** Are FPL's Consumer Price Index factors used in determining 2002 projected test year expenses appropriate?
- Issue 89:** Has FPL justified expenses in excess of the projected 2002 Administrative and General Benchmark for Post Retirement Benefits Other than Pensions?
- Issue 90:** Has FPL justified expenses in excess of the projected 2002 Administrative and General Benchmark for Pension Expense?
- Issue 91:** Has FPL justified expenses in excess of the projected 2002 Administrative and General Benchmark for Management Incentive Compensation Plan?
- Issue 92:** Is FPL's level of Taxes Other Than Income Taxes in the amount of \$273,168,000 (\$273,598,000 system) for the 2002 projected test year appropriate?
- Issue 93:** Should the total amount of Gross Receipts Tax be removed from base rates and shown as a separate line item on the bill?
- Issue 94:** Is FPL's interest on tax deficiencies of \$193,000 (\$194,000 system) for the 2002 projected test year appropriate?

Issue 95: Are FPL's Income Tax expenses in the amount of \$384,215,000 (\$378,890,000 system) for the 2002 projected test year appropriate?

Issue 96: Are consolidating tax adjustments appropriate, and if so, what are the appropriate amounts for the 2002 projected test year for FPL?

Issue 97: What adjustment, if any, should be made to 2002 projected test year NOI to reflect the Commission's decision in Docket No. 991931-EG, concerning the last core of nuclear fuel?

Issue 98: What adjustment, if any, should be made to 2002 projected test year NOI to reflect the Commission's decision in Docket No. 981246-EI, concerning nuclear decommissioning?

Issue 99: What adjustment, if any, should be made to 2002 projected test year NOI to reflect the Commission's decision in Docket No. 990324-EI, concerning the disposition of FPL's accumulated nuclear amortization?

Issue 100: What adjustments, if any, should be made to the projected test year expenses to recognize implementation of SFAS 143?

Issue 101: What adjustments, if any, should be made to projected test year NOI to recognize implementation of SFAS 133/137?

Issue 102: What adjustments, if any, should be made to the projected test year expenses to recognize implementation of the AcSEC Statement of Position regarding accounting for certain costs and activities related to property, plant, and equipment?

Issue 103: Is FPL's Net Operating Income of \$873,016,000 (\$873,841,000 system) for the 2002 projected test year appropriate? (This is a fallout calculation)

REVENUE REQUIREMENTS

Issue

104: What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL?

Issue

105: Is FPL's annual operating revenue increase for the 2002 projected test year appropriate?

COST OF SERVICE AND RATE DESIGN

Issue

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

Issue

107: Is FPL's method of developing its estimates by rate class of the 12 monthly coincident peak hour demands and the class non-coincident peak hour demands appropriate?

Issue

108: What is the appropriate cost of service methodology to be used in designing FPL's rates?

Issue

109: Are FPL's estimated revenues from sales of electricity by rate class at present rates for the projected 2002 test year appropriate?

Issue

110: If a revenue decrease is ordered, how should it be allocated among the customer classes?

Issue

111: What are the appropriate demand charges?

Issue

112: What are the appropriate energy charges?

Issue

113: What are the appropriate customer charges?

Issue

114: What are the appropriate service charges?

Issue

115: What are the appropriate lighting rate schedule charges?

Issue

116: How should FPL's time-of-use rates be designed?

Issue

117: What is the appropriate credit per KW of billing demand for those customers who provide their own transformation?

Issue

118: What is the appropriate monthly fixed charge carrying rate to be applied to the installed cost of additional customer-requested distribution equipment for which there are no tariffed charges?

Issue

119: What is the appropriate 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?

Issue

120: What are the appropriate termination factors to be applied to the in-place value of customer-rented distribution substations to calculate the termination fee?

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Issue

121: What are the appropriate termination factors to be applied to the total installed cost of premium lighting facilities under rate schedule PL-1 to determine the termination fee?

Issue

122: What is the appropriate Present Value Revenue Requirement multiplier to be applied to the installed cost of premium lighting facilities under rate schedule PL-1 to determine the lump sum advance payment amount for such facilities?

Issue

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

Issue

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

GRIDFLORIDA ISSUES

Issue

125: What are the appropriate amounts and components of rate base to transfer and/or allocate to GridFlorida for FPL?

Issue

126: What are the appropriate amounts and components of capital structure to transfer and/or allocate to GridFlorida for FPL?

Issue

127: What are the appropriate amounts of revenues and expenses to transfer and/or allocate to GridFlorida for FPL?

Issue

128: What is the amount of the net increase/decrease in revenue requirements to the utility due to participation in GridFlorida for FPL?

Issue

129: How should costs associated with FPL's participation in GridFlorida be recovered?

Issue

130: In the event the Commission determines that GridFlorida transmission charges should be recovered through a cost recovery clause, what is the appropriate adjustment for transmission costs in base rates to ensure that there is no double recovery?

OTHER ISSUES

Issue

131: Should adjustments be made for the rate base effects of FPL's transactions with affiliated companies?

Issue

132: Should adjustments be made for the capital structure effects of FPL's transactions with affiliated companies?

Issue

133: Should adjustments be made for the net operating income effects of FPL's transactions with affiliated companies?

Issue

134: Is an incentive plan appropriate for FPL to promote cost savings and if so, how would it be structured?

Issue

135: What is the appropriate regulatory treatment for sales of natural gas and transportation capacity made by FPL to an affiliated company?

Issue

136: What is the appropriate regulatory treatment for sales of natural gas and transportation capacity made by FPL to an unaffiliated company?

Issue

137: How should FPL allocate the costs associated with its sales of natural gas to Florida Power and Light Energy Services?

Issue

138: What is the appropriate regulatory treatment of Florida Power and Light Energy Services' revenues and costs made to customers within FPL's service area?

Issue

139: What is the appropriate regulatory treatment of Florida Power and Light Energy Services' revenues and costs made to customer outside of FPL's service area?

**PROPOSED PREHEARING
STIPULATED ISSUES**

Issue

140: Are FPL's forecasted fuel prices for 2001 and 2002 reasonable?

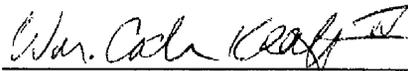
Issue

141: Should FPL be required to file, within 60 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?

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Dated this 18th day of December, 2001.

Respectfully submitted,



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Review of the retail
rates of Florida Power & Light
Company.

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FILED: DECEMBER 18, 2001

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that STAFF'S PRELIMINARY LIST OF ISSUES has
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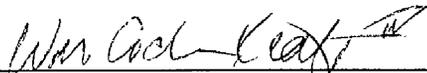
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