



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS AIR FORCE LEGAL OPERATIONS AGENCY

August 6, 2012

USAF Utility Law Field Support Center  
139 Barnes Drive  
Tyndall AFB FL 32403

Ms. Ann Cole, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. 120015-EI

Dear Ms Cole,

Enclosed please find an original and 7 copies of the prehearing statement filed on behalf of Federal Executive Agencies.

Please let me know if you have any questions or concerns regarding these documents.

Sincerely,

KAREN S. WHITE, GS-14, DAF  
Staff Attorney

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for rate increase by Florida  
Power & Light Company

Docket No: 120015-EI

Filed: August 6, 2012

**PREHEARING STATEMENT OF FEDERAL EXECUTIVE AGENCIES**

Federal Executive Agencies, through the undersigned attorney, pursuant to the Order Establishing Procedure in this docket, Order No. PSC-12-0143-PCO-EI, issued March 26, 2012, hereby submit this Prehearing Statement.

**APPEARANCES:**

Lt Col Gregory Fike  
Chief

Ms Karen White  
Staff Attorney

USAF Utility Law Field Support Center  
Air Force Legal Operations Agency  
139 Barnes Drive  
Tyndall AFB, FL 32403  
850-283-6348  
On behalf of Federal Executive Agencies

**1. WITNESSES:**

FEA intends to call the following witnesses, who will address the issues indicated:

<u>NAME</u>	<u>TOPICS</u>
Michael Gorman	Return on Equity/ Capital Structure/ Rate of Return
Robert R. Stephens	Cost of Service/Rate Design

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## 2. EXHIBITS:

Incorporated into the pre-filed written testimony of the above-mentioned witnesses, Federal Executive Agencies intend to introduce the following exhibits, which can be identified on a composite basis for each witness:

<u>Witness</u>	<u>Exhibit</u>	<u>Title</u>
Michael Gorman	App A	Qualifications of Michael P. Gorman
Michael Gorman	MPG-1	Rate of Return
Michael Gorman	MPG-2	Embedded Cost of Debt
Michael Gorman	MPG-3	Proxy Group
Michael Gorman	MPG-4	Consensus Analysts' Growth Rates
Michael Gorman	MPG-5	Consensus Analysts' Constant Growth DCF
Michael Gorman	MPG-6	Payout Ratios
Michael Gorman	MPG-7	Sustainable Growth Rate
Michael Gorman	MPG-8	Sustainable Growth Rate Constant Growth DCF
Michael Gorman	MPG-9	Electricity Sales Are Linked to US Economic Growth
Michael Gorman	MPG-10	Multi-Stage Growth DCF Model
Michael Gorman	MPG-11	Common Stock Market/Book Ratio
Michael Gorman	MPG-12	Equity Risk Premium-Treasury Bond
Michael Gorman	MPG-13	Equity Risk Premium-Utility Bond
Michael Gorman	MPG-14	Bond Yield Spreads
Michael Gorman	MPG-15	Treasury & Utility Bond Yields
Michael Gorman	MPG-16	Value Line Beta
Michael Gorman	MPG-17	CAPM Return
Michael Gorman	MPG-18	Standard and Poor's Credit Metrics
Michael Gorman	MPG-19	Avera's Constant Growth DCF Model
Michael Gorman	MPG-20	Multi-Stage Growth DCF Model
Michael Gorman	MPG-21	Interest Rate Forecasts
Robert Stephens	App A	Qualifications of Robert R. Stephens
Robert Stephens	RRS-1	Rate Increase Mitigation

## 3. STATEMENT OF BASIC POSITION

FEA has filed testimony on return on equity and proposed capital structure that will provide Florida Power & Light (FPL) with an opportunity to realize cash flow financial coverages and balance sheet strength that conservatively support FPL's current bond rating. The FEA recommendation represents fair compensation for FPL's investment risk, and will preserve the Company's financial integrity and credit standing, while

finding an equitable balance between customers and shareholders, recognizing the reality of the economic hardships of FPL's customers.

FEA believes the Company's proposal to remove the Cape Canaveral costs from the 2013 test year to reflect the uncertainty of when it will be placed in-service is reasonable. However, it is not clear that the Company has fully removed all costs associated with the Cape Canaveral project, and should be required to fully disclose the items that are included in construction work in progress (CWIP). To the extent any of the CWIP items include any component of the Cape Canaveral project costs, then the base-rate rate base should be adjusted to remove all Cape Canaveral costs.

FEA filed testimony outlining three shortcomings of FPL's embedded cost of service study, all related to distribution costs, and recommends that each of the shortcomings be corrected. Finally, FEA recommends that the rate modernization approach used in revenue allocation be modified.

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

#### **4. STATEMENT OF FACTUAL ISSUES AND POSITIONS**

##### **Legal Issues**

**Issue 1:** Absent a stipulation of parties in this case, does the Commission possess legal authority to grant FPL's proposal to continue utilizing the storm cost recovery mechanism that was one of the terms of the settlement agreement that the Commission approved in Order No. PSC-11-0089-S-EI?

FEA: No position at this time

**Issue 2:** Does the Commission have the legal authority to approve FPL's requested base rate step increase for the Canaveral Modernization Project (CMP) if the CMP does not go into service until after the 2013 test year?

FEA: No position at this time

**Issue 3:** Does Commission Rule 25-6.1351, "Cost Allocation and Affiliate Transactions," require FPL to implement and apply the criteria (greater of market price or fully allocated cost for charges to affiliates, lesser of market price or fully allocated cost for charges paid to affiliates) and related requirements of the rule to all affiliate



transactions? (OPC)

FEA: No position at this time

**Issue 4:** With respect to amounts that FPL charges or pays to affiliates, who has the burden of proof in this proceeding to demonstrate the amounts comply with Commission Rule 25-6.1351 and should be allowed in the cost of service borne by customers? (OPC)

FEA: No position at this time

**Issue 5:** ***OBJECTION: Does the Commission possess legal authority to grant increased profit as a performance based reward over and above fair, reasonable, just and compensatory rates without specific legislative authority such as that granted to the Commission by the legislature in §366.82 Fla. Stat.? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 6:** ***OBJECTION: If the answer to Issue 5 is yes, does the Commission possess the legal authority to reward FPL based on performance relative to other businesses, many of which are FPL counterparties, and none of which are comparable to FPL in size, location, resources, customer base, etc., rather than on absolute measurements of performance? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 7:** ***OBJECTION: If the answer to Issue 6 is yes, must the Commission consider the negative policy implications of rewarding FPL for performance relative to its counterparties in giving FPL an incentive to use its market power and legislative lobbying power to keep other Florida electric utility rates higher than its own in order to reap the incentive reward for performance measured relative to such entities? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 8:** ***OBJECTION: Is there an inherent conflict between the interests of the ratepaying public and the interests of NextEra Energy, Inc. shareholders such that the Commission must disallow FPL expenses benefiting shareholders rather than ratepayers in order to comply with its statutory mandate under §366.01 Fla. Stat. to protect the public welfare? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

### **Test Period and Forecasting**

**Issue 9:** Is FPL's projected test period of the 12 months ending December 31, 2013 appropriate?

FEA: No position at this time

**Issue 10:** Are FPL's forecasts of Customers, KWH, and KW by Rate Class and Revenue Class, for the 2013 projected test year appropriate? If not, what forecasts of Customers, KWH, and KW by Rate Class and Revenue Class should the Commission use in determining revenues and setting rates in this case?

FEA: No position at this time

**Issue 11:** Are FPL's projected revenues from sales of electricity by rate class at present rates for the 2012 prior year and projected 2013 test year appropriate? If not, what are the appropriate projected amounts of revenues from sales of electricity for the 2012 prior year and projected 2013 test year?

FEA: No position at this time

**Issue 12:** What, if any, provisions should the Commission make in setting FPL's rates for the 2013 test year to address uncertainty related to projected billing determinants and revenues?

FEA: No position at this time

**Issue 13:** What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2013 test year budget?

FEA: No position at this time

**Issue 14:** Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

FEA: No position at this time

### **Quality of Service**

**Issue 15:** Is the quality and reliability of electric service provided by FPL adequate?

FEA: No position at this time

### Rate Base

**Issue 16:** Should the revenue requirement associated with the West County Energy Center Unit 3 currently collected through the Capacity Cost Recovery Clause be included in base rates?

FEA: No position at this time

**Issue 17:** Should FPL's adjustment to extend the amortization period of the new SAP general ledger system from 5 years to 20 years be approved?

FEA: No position at this time

**Issue 18:** Has FPL made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation and Working Capital for the 2013 projected test year?

FEA: No position at this time

**Issue 19:** OBJECTION: *Whether FPL's allegation that a base rate increase is needed to construct the poles, wires, and transformers needed to serve an anticipated 100,000 new customer accounts from the end of 2010 through the end of 2013 is accurate and true? (Mr. Saporito's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 20:** Are FPL's overhead costs (salaries, materials and supplies, benefits, etc.) related to in-house capital improvement projects properly recorded in rate base?

FEA: No position at this time

**Issue 21:** Has FPL properly reduced rate base by contributions in aid of construction related to underground placement of distribution and transmission facilities?

FEA: No position at this time

**Issue 22:** Is FPL's requested level of Plant in Service in the amount of \$30,424,227,000 (\$31,078,941,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 23:** Should capital recovery schedules be approved for Cutler Units 5 and 6, Sanford Unit 3, and Port Everglades? If so, what are the appropriate capital recovery schedules?

FEA: No position at this time

**Issue 24:** Is FPL's requested level of Accumulated Depreciation in the amount of \$11,901,711,000 (\$12,970,028,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 25:** For purposes of this rate case, should the Commission exercise its authority under Rule 25-6.0141(1)(g) to exclude a proportion of costs incurred by FPL to finance projects during construction from Construction Work in Progress ("CWIP") to be recovered upfront in rate base, and instead treat that proportion of costs **subject to** an allowance for funds used during construction ("AFUDC") to be recovered over the lives of the underlying assets?

FEA: No position at this time

**Issue 26:** If the answer to Issue 25 is in the affirmative, what proportion of costs incurred by FPL to finance projects during construction should be treated as CWIP to be recovered upfront in rate base, and what proportion should be treated **subject to** AFUDC to be recovered over the lives of the underlying assets?

FEA: No position at this time

**Issue 27:** Is FPL's requested Construction Work in Progress in the amount of \$501,676,000 (\$514,978,000 system) for the 2013 projected test year appropriate?

FEA: No. Until FPL can demonstrate that the CWIP balances that it seeks to include in test year rate base excludes balances associated with the Cape Canaveral project.

**Issue 28:** Is FPL's proposed accrual of Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel for the 2013 projected test year appropriate?

FEA: No position at this time

**Issue 29:** Is FPL's requested level of Nuclear Fuel of \$565,229,000 (\$576,317,000 system) for the 2013 projected test year appropriate?

FEA: No position at this time

**Issue 30:** Should the Commission approve FPL's request to include the Fort Drum, McDaniel, and Hendry County proposed generation sites in Plant Held For Future Use?

FEA: No position at this time

**Issue 31:** Should the Commission approve FPL's request to include nine proposed transmission line sites for which projected in-service dates are either 2022-2023 or indeterminate ("TBA") within Plant Held For Future Use?

FEA: No position at this time

**Issue 32:** Is FPL's requested level of Property Held for Future Use in the amount of \$230,192,000 (\$237,400,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 33:** Should any adjustments be made to FPL's fossil fuel inventories for the 2013 projected test year?

FEA: No position at this time

**Issue 34:** Should unamortized rate case expense be included in Working Capital?

FEA: No position at this time

**Issue 35:** Should Account 143, Other Accounts Receivable, be included in working capital for the 2013 test year?

FEA: No position at this time

**Issue 36:** Should an adjustment be made to the amount of Account 182.3, Other Regulatory Assets, included in working capital for the 2013 test year?

FEA: No position at this time

**Issue 37:** Should an adjustment be made to the amount of Account 186, Miscellaneous Deferred Debits, included in working capital for the 2013 test year?

FEA: No position at this time

**Issue 38:** Should unbilled revenues be included in working capital for the 2013 test

year?

FEA: No position at this time

**Issue 39:** Should the net over-recovery/under-recovery of fuel, capacity, conservation, and environmental cost recovery clause expenses be included in the calculation of the working capital allowance?

FEA: No position at this time

**Issue 40:** What is the appropriate methodology for calculating FPL's Working Capital for the 2013 projected test year?

FEA: No position at this time

**Issue 41:** If FPL's **balance sheet approach** methodology for calculating its Working Capital is adopted, what adjustments, **if any**, should be made to FPL's proposed Working Capital?

FEA: No position at this time

**Issue 42:** Are FPL's adjustments to the Asset Retirement Obligation (ARO) revenue neutral as required by Commission rule?

FEA: No position at this time

**Issue 43:** **Should the nuclear maintenance reserve be modified to reflect post-paid reserve accounting in lieu of pre-paid reserve accounting? (SFHHA)**

FEA: No position at this time

**Issue 44:** Is FPL's requested level of Working Capital in the amount of \$1,217,209,000 (\$2,032,805,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 45:** Is FPL's requested rate base in the amount of \$21,036,823,000 (\$21,470,413,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

### **Cost of Capital**

**Issue 46:** What is the appropriate amount of accumulated deferred taxes to include

in the capital structure?

FEA: No position at this time

**Issue 47:** What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

FEA: No position at this time

**Issue 48:** What is the appropriate cost rate for short-term debt for the 2013 projected test year?

FEA: No position at this time

**Issue 49:** What is the appropriate cost rate for long-term debt for the 2013 projected test year?

FEA: The appropriate cost rate for long-term debt is 5.08%.

**Issue 50:** What is the appropriate cost rate for customer deposits for the 2013 projected test year?

FEA: No position at this time

**Issue 51:** What is the appropriate equity ratio that should be used for FPL for ratemaking purposes in this case?

FEA: FEA proposes an equity ratio of 44.08%. This equity ratio includes modification to FPL's "Pro Rata" adjustments. Specifically, FEA proposes to allocate deferred taxes based on FPL's total plant investment.

**Issue 52:** OBJECTION: *What is the FPL "average residential bill" for detached single family dwellings, as opposed to apartments, separately metered garages, etc? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 53:** OBJECTION: *To the extent the data is available, what is the current hypothetical average 1000 Kwh residential bill for every investor owned utility in the United States? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 54:** Should FPL's request for a 25 basis point performance adder to the authorized return on equity and proposed annual review mechanism be



approved?

FEA: No. The 25 basis point performance adder proposed by FPL should be rejected by the Commission.

**Issue 55:** OBJECTION: *What are the historical ROE figures for FPL for every year of its existence? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 56:** OBJECTION: *What are the current ROE figures for every investor owned utility in the United States? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 57:** OBJECTION: *Is the existing FPL rate structure, which resulted in a 21% total return to shareholders of NextEra Energy, Inc. in 2011, and a total 10 year shareholder return of 209%, beating the S&P 500 by over 600%, on its face unjust, unreasonable or excessive such that the Commission should dismiss the instant rate case and, on its own motion under §366.06 and/or §366.07, and lower FPL Return on Equity to a figure more appropriate to the current economic conditions and the current cost of borrowing? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 58:** What is the appropriate authorized return on equity (ROE) to use in establishing FPL's revenue requirement?

FEA: The appropriate ROE for FPL is 9.25%, which is the midpoint of FEA witness Gorman's recommendation of 9.10% to 9.40%.

**Issue 59:** What is the appropriate capital structure that should be used by FPL for ratemaking purposes in this case?

FEA: No position at this time

**Issue 60:** Is the combination of regulatory ROE, debt costs, capital structure and performance adder (if any) appropriate?

FEA: No position at this time

**Issue 61:** What is the appropriate weighted average cost of capital?

FEA: No position at this time

### **Net Operating Income**

**Issue 62:** Has FPL maximized the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year? If not, what action, if any, should the Commission take in setting FPL's rates in this case? (For purposes of this issue, "net jurisdictional revenue" **may** include net revenue related to the supply of CO2 captured from an FPL facility.)

FEA: No position at this time

**Issue 63:** **Does FPL properly account for revenues received from FPL Fibernet and other telecommunications companies for utilizing long-haul fiber optic facilities hosted by FPL's electric transmission system? (FIPUG)**

FEA: No position at this time

**Issue 64:** What are the appropriate projected amounts of other operating revenues for the 2013 projected test year?

FEA: No position at this time

**Issue 65:** Is FPL's projected level of Total Operating Revenues of \$4,407,253,000 (\$4,505,007,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 66:** Has FPL made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?

FEA: No position at this time

**Issue 67:** Should an adjustment be made to transfer incremental security costs from the Capacity Cost Recovery Clause to base rates?

FEA: No position at this time

**Issue 68:** If incremental security costs continue to be recovered in the Capacity Cost Recovery Clause, should the Commission approve FPL's adjustment to transfer incremental security payroll loadings from base rates to the Capacity Cost Recovery Clause?

FEA: No position at this time

**Issue 69:** Has FPL made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

FEA: No position at this time

**Issue 70:** Has FPL made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

FEA: No position at this time

**Issue 71:** Should FPL's adjustment to remove all costs for the Substation Pollution Discharge Prevention Program from base rates and include them in the Environmental Cost Recovery Clause be approved?

FEA: No position at this time

**Issue 72:** Has FPL made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause?

FEA: No position at this time

**Issue 73:** Should FPL's adjustment to remove ECCR clause related payroll loadings of \$1,815,000 for FICA and unemployment taxes from base rates and include them in the Energy Conservation Cost Recovery Clause be approved?

FEA: No position at this time

**Issue 74:** Has FPL made the appropriate adjustments to remove all non-utility activities from operating revenues and operating expenses for the 2013 projected test year?

FEA: No position at this time

**Issue 75:** Is the percentage value used to allocate NextEra Energy, Inc. corporate costs and/or expenses to FPL appropriate?

FEA: No position at this time

**Issue 76:** Should the percentage value of NextEra Energy, Inc. corporate costs and/or expenses allocated to FPL be equal to the percentage value of NextEra Energy, Inc. corporate costs and/or expenses allocated to NextEra Energy Resources?

FEA: No position at this time

**Issue 77:** Are the amounts of the NextEra Energy, Inc. corporate costs and/or expenses (including executive compensation and benefits) allocated to FPL fair, just, and reasonable?

FEA: No position at this time

**Issue 78:** OBJECTION: *What portion of NextEra Energy, Inc. expenses borne by FPL customers are not useful in serving the FPL ratepaying public but rather benefit NextEra Energy, Inc. shareholders? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 79:** Should any adjustments be made to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies for the 2013 projected test year?

FEA: No position at this time

**Issue 80:** What additional action (including, but not limited to, establishing a separate investigatory docket), if any, should the Commission take related to affiliate transactions as a result of the evidence taken in this docket?

FEA: No position at this time

**Issue 81:** Are FPL's overhead costs (salaries, materials and supplies, benefits, etc.) allocated to capital projects properly deducted from operating expenses?

FEA: No position at this time

**Issue 82:** Has FPL made appropriate reductions in operating expenses where capital projects are not done in-house, but employee salaries and related overhead costs have been included in rate base?

FEA: No position at this time

**Issue 83:** Has FPL properly reduced operating expenses in amounts equal to overheads reimbursed by third parties through contributions in aid of construction related to underground placement of distribution and transmission facilities?

FEA: No position at this time

**Issue 84:** Has FPL properly reduced operating expenses in amounts equal to any overheads charged to third parties as contributions in aid of construction,

fees or other payments to FPL?

FEA: No position at this time

**Issue 85:** Should FPL salaries, costs and overheads for activities associated with (a) public relations or external affairs, (b) shareholder services, (c) attempted acquisitions of electric facilities, and (d) efforts opposing municipalizations pursuant to a franchise agreement be removed from operating expenses?

FEA: No position at this time

**Issue 86:** Should FPL costs to pay contractors for legal, public relations or other consulting services be borne by customers or FPL shareholders?

FEA: No position at this time

**Issue 87:** What is the appropriate amount of FPL's tree trimming expense for the 2013 projected test year?

FEA: No position at this time

**Issue 88:** What is the appropriate amount of FPL's pole inspection expense for the 2013 projected test year?

FEA: No position at this time

**Issue 89:** What is the appropriate amount of FPL's production plant O&M expense for the 2013 projected test year?

FEA: No position at this time

**Issue 90:** What is the appropriate amount of FPL's transmission O&M expense for the 2013 projected test year?

FEA: No position at this time

**Issue 91:** What is the appropriate amount of FPL's distribution O&M expense for the 2013 projected test year?

FEA: No position at this time

**Issue 92:** ***OBJECTION: Is the proposed advertising expense of \$516,478 for the test year of 2013, which is a 332% increase over 2011's advertising expense of \$155,397 and which would raise the per customer cost 367% from \$.03 to \$.11, a legitimate cost, used and useful in serving the public? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 93:** OBJECTION: *Is an advertising expense of \$155,397 for the test year of 2013 inadequate to serve the needs of the public? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 94:** What is the appropriate amount of advertising expenses for the 2013 projected test year?

FEA: No position at this time

**Issue 95:** If in its resolution of Legal Issue 1 the Commission determines it has legal authority to do so, should it approve FPL's proposed storm cost recovery mechanism?

FEA: No position at this time

**Issue 96:** What is the appropriate annual storm damage accrual and storm damage reserve for the 2013 projected test period?

FEA: No position at this time

**Issue 97:** OBJECTION: *What portion of NextEra Energy, Inc. executive compensation expenses borne by FPL customers are not useful in serving the FPL ratepaying public but rather benefit NextEra Energy, Inc. shareholders? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 98:** OBJECTION: *What has been the total compensation for the head of FPL or, if a subsidiary, its parent company, for every year of FPL's existence? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 99:** Should an adjustment be made to FPL's level of executive compensation for the 2013 projected test year?

FEA: No position at this time

**Issue 100:** Should an adjustment be made to FPL's level of non-executive compensation for the 2013 projected test year?

FEA: No position at this time

**Issue 101:** Are FPL's proposed increases to average salaries for the 2013 projected test year appropriate?

FEA: No position at this time

**Issue 102:** Is FPL's projected level of employee positions for the 2013 projected test year appropriate?

FEA: No position at this time

**Issue 103:** What is the appropriate amount of Other Post Employment Benefits Expense for the 2013 projected test year?

FEA: No position at this time

**Issue 104:** What is the appropriate amount of FPL's requested level of Salaries and Employee Benefits for the 2013 projected test year? (Fallout Issue)

FEA: No position at this time

**Issue 105:** What is the appropriate amount of Pension Expense for the 2013 projected test year?

FEA: No position at this time

**Issue 106:** Should an adjustment be made to the amount of the Directors and Officers Liability Insurance expense that FPL included in the 2013 projected test year?

FEA: No position at this time

**Issue 107:** What is the appropriate amount of accrual for the Injuries & Damages reserve for the 2013 projected test year?

FEA: No position at this time

**Issue 108:** What is the appropriate amount and amortization period for Rate Case Expense for the 2013 projected test year?

FEA: No position at this time

**Issue 109:** What is the appropriate amount of uncollectible expense and bad debt rate for the 2013 projected test year?



FEA: No position at this time

**Issue 110:** What is the appropriate accounting methodology for the Nuclear Outage Maintenance Expense?

FEA: No position at this time

**Issue 111:** What is the appropriate amount of the Nuclear Outage Maintenance Expense and Nuclear Outage Maintenance Reserve for the 2013 test year?

FEA: No position at this time

**Issue 112:** Has FPL included the appropriate amount of expense associated with the AMI smart meters in the 2013 projected test year?

FEA: No position at this time

**Issue 113:** Has FPL included the appropriate amount of savings associated with the AMI smart meters in the 2013 projected test year?

FEA: No position at this time

**Issue 114:** Is FPL's requested level of O&M Expense of **\$1,542,322,000** (\$1,568,633,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 115:** What is the appropriate amount of depreciation and fossil dismantlement expense for the 2013 projected test year?

FEA: No position at this time

**Issue 116:** Is FPL's requested amortization of \$191,000,000 the appropriate amount of the theoretical depreciation reserve surplus to be amortized for the 2013 projected test year?

FEA: No position at this time

**Issue 117:** Given that in Order No. PSC-11-0089-S-EI the Commission directed FPL to complete the amortization of \$894 million of depreciation surplus during the period 2010-2013, and in light of the Commission's decision regarding the amount of remaining reserve surplus to be amortized in the 2013 test year in conjunction with the resolution of Issue 116, should the Commission direct FPL to discontinue recording amortization of reserve surplus on its books after 2013 unless authorized or directed by subsequent Commission order?

FEA: No position at this time

**Issue 118:** Is FPL's requested level of Depreciation and Amortization Expense of \$802,761,000 (\$819,794,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 119:** Is FPL's requested level of Taxes Other Than Income of \$371,710,000 (\$378,853,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 120:** Should the Commission adjust FPL's test year current state income taxes or rate base to recognize benefits, if any, that FPL has provided, or will provide, to any affiliates in furtherance of the affiliate's ability to elect to apportion adjusted Federal income tax under s.220.153, Florida Statutes (single sales factor)?

FEA: No position at this time

**Issue 121:** Is FPL's requested level of Income Taxes of \$513,276,000 (\$528,838,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 122:** Is FPL's requested level of (Gain)/Loss on Disposal of Plant of negative \$2,641,000 (negative \$2,641,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 123:** Is FPL's requested level of Total Operating Expenses of \$3,250,894,000 (\$3,317,404,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 124:** Is FPL's projected Net Operating Income of \$1,156,359,000 (\$1,187,603,000 system) for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

### **Revenue Requirements**

**Issue 125:** What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL?

FEA: No position at this time

**Issue 126:** Is FPL's requested annual operating revenue increase of \$516,521,000 for the 2013 projected test year appropriate? (Fallout Issue)

FEA: No position at this time

**Issue 127:** What economic impact will FPL's request for a rate increase have on customers, businesses and communities in Florida, including economic development activities and raising capital in Florida?

FEA: No position at this time

### **Base Rate Step Adjustment**

**Issue 128:** Should the Commission approve a base rate step adjustment for the Canaveral Modernization Project?

FEA: No position at this time

**Issue 129:** Should deferred taxes be included in the capital structure rather than as a reduction to rate base for the Canaveral Modernization Project base rate step adjustment?

FEA: No position at this time

**Issue 130:** Is FPL's requested rate base of \$821,325,000 (\$837,297,000 system) for the Canaveral Modernization Project appropriate?

FEA: No position at this time

**Issue 131:** What is the appropriate weighted average cost of capital, including the proper components, amounts and cost rates associated with the capital structure, to calculate the base rate step adjustment for the Canaveral Modernization Project?

FEA: No position at this time

**Issue 132:** Is FPL's requested net operating loss of \$32,092,000 (\$32,712,000 system) for the Canaveral Modernization Project appropriate?

FEA: No position at this time

**Issue 133:** Is FPL's requested Net Operating Income Multiplier of 1.63188 for the Canaveral Modernization Project appropriate?

FEA: No position at this time

**Issue 134:** Is FPL's requested base rate step increase of \$173,851,000 for the Canaveral Modernization Project appropriate?

FEA: No position at this time

**Issue 135:** What is the appropriate effective date for implementing FPL's requested base rate step increase for the Canaveral Modernization Project?

FEA: No position at this time

### **Cost of Service and Rate Design Issues**

**Issue 136:** OBJECTION: *Are the proposed FPL rates fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 137:** OBJECTION: *Are the proposed FPL rates unjust, unreasonable, excessive or unjustly discriminatory or preferential? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 138:** OBJECTION: *Are existing FPL rates fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 139:** Should FPL employ a minimum distribution system ("MDS") cost of service methodology to classify and allocate distribution costs; if not, what methodology should be used?

FEA: Yes. Within the context of its next rate case, FPL should employ a cost methodology which utilizes the new MDS cost of service methodology.

**Issue 140:** What is the appropriate cost of service methodology to be used to allocate production costs to the rate classes?

FEA: No position at this time

**Issue 141** What is the appropriate cost of service methodology to be used to allocate transmission plant-related costs to the rate classes?

FEA: No position at this time

**Issue 142:** Has FPL properly allocated costs to the rate classes?

FEA: FPL should assign the cost of single-phase primary voltage facilities only to secondary voltage customers in the context of its next rate case.

**Issue 143:** Is FPL's proposed allocation of the Cape Canaveral Modernization step increase reasonable?

FEA: No position at this time

**Issue 144:** How should the change in revenue requirement be allocated among the customer classes?

FEA: No position at this time

**Issue 145:** Should FPL's current time-of-use residential rate be closed to new customers, effective January 1, 2013?

FEA: No position at this time

**Issue 146:** Should the Commission approve FPL's new Residential Time-of-Use Rider?

FEA: No position at this time

**Issue 147:** Should FPL's proposal to credit the fuel charge for lighting customers who are required to turn off outside lights during turtle nesting season be approved?

FEA: No position at this time

**Issue 148:** Should FPL's proposed change to the late payment charge be approved?

FEA: No position at this time

**Issue 149:** OBJECTION: *Is the proposed new minimum late charge of \$5.00 or 1.5% per month unjust, unreasonable or excessive? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 150:** OBJECTION: *Is the existing late charge of 1.5% per month fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 151:** OBJECTION: *What is the actual legitimate cost to FPL of late payments? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 152:** OBJECTION: *Is there evidence of public acceptance of a new \$5.00 minimum late charge? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 153:** OBJECTION: *What is the historic distribution of the amounts of late payments? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 154:** OBJECTION: *What percentage of late payments are under \$5.00? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 155:** OBJECTION: *What percentage of late payments are caused by apparent clerical errors, such as being a penny off, transposing cents and ten cents, etc.? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 156:** OBJECTION: *Is it appropriate to raise the minimum late payment charge to \$5.00 resulting in a 103% increase to FPL of revenue from late fees, an additional \$33 million? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 157:** Should FPL's proposed change to the temporary construction service rate be approved?

FEA: No position at this time

**Issue 158** Should FPL's proposed change to the Returned Payment Charge be approved?

FEA: No position at this time

**Issue 159** OBJECTION: *Is the proposed increase in the minimum returned check fee from \$23.24 to up to \$40 unjust, unreasonable or excessive? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 160** OBJECTION: *Is the existing minimum returned check fee of \$23.24 fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 161** OBJECTION: *Is the existing minimum returned check fee of \$23.24 unjust, unreasonable, or excessive? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 162** OBJECTION: *What is the actual legitimate cost to FPL of a returned check? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 163** OBJECTION: *Is there evidence of public acceptance of a new minimum returned check fee of up to \$40? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 164** OBJECTION: *Is it appropriate to raise the minimum returned check fee with a resulting 41% increase in returned check fee revenue to FPL, an additional \$2 million? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 165:** What is the appropriate monthly kW credit to be provided customers who own their own transformers pursuant to the Transformation Rider? (8.820)

FEA: No position at this time

**Issue 166** Has FPL correctly quantified the incentive payments associated with the Commercial/Industrial Load Control (CILC) classes?



FEA: No position at this time

**Issue 167** Should the CILC rate be reopened?

FEA: No position at this time

**Issue 168** Is FPL's proposed design of the demand and non-fuel energy charges for the CILC rate appropriate?

FEA: No position at this time

**Issue 169** Should the Commercial/Industrial Demand Reduction Credit Rider (CDR) credit be increased?

FEA: No position at this time

**Issue 170** Should CILC and CDR credits be allocated to non-firm loads?

FEA: No position at this time

**Issue 171:** What is the appropriate level and design of the charges under the Standby and Supplemental Services (SST-1) rate schedule?

FEA: No position at this time

**Issue 172:** What is the appropriate level and design of charges under the Interruptible Standby and Supplemental Services (ISST-1) rate schedule?

FEA: No position at this time

**Issue 173:** What is the appropriate method of designing time of use rates for FPL?

FEA: No position at this time

**Issue 174:** What are the appropriate customer charges for January 1, 2013?

FEA: No position at this time

**Issue 175:** OBJECTION: *Is the proposed residential RS-1 monthly customer charge of \$7.00 unjust, unreasonable or excessive? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 176:** OBJECTION: *Is the existing residential RS-1 monthly customer*

***charge of \$5.90 fair, reasonable, just and compensatory? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 177:** ***OBJECTION: Is the existing residential RS-1 monthly customer charge of \$5.90 unjust, unreasonable, or excessive? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 178:** ***OBJECTION: Was the cost of monthly RS-1 customer service \$5.89 per month in 2010 and/or 2011 as stated by S.E. Romig, FPL Director, Rates and Tariffs, in his letter of August 5, 2011 to Mr. Thomas Saporito filed on August 8, 2011 in Docket 05554? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 179:** ***OBJECTION: In reference to the letter in Issue 178, what are the specific customer accounts and amounts making up the \$3.69 of the \$5.89 which is designated as "Miscellaneous Customer Accounts" in the attachment to Mr. Romig's letter? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 180:** ***OBJECTION: What is the actual legitimate cost of providing monthly RS-1 service? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 181:** ***OBJECTION: Is there evidence of public acceptance of a \$7.00 RS-1 monthly customer charge? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 182:** ***OBJECTION: Is it appropriate to raise the RS-1 monthly customer charge 19% with a resulting increase in revenue to FPL of \$54 million? (Mr. Nelson's Issue Objected to by FPL)***

FEA: No position at this time

**Issue 183:** ***What are the appropriate demand charges for January 1, 2013?***

FEA: No position at this time

**Issue 184:** ***What are the appropriate energy charges for January 1, 2013?***

FEA: No position at this time

**Issue 185:** What are the appropriate lighting rate charges for January 1, 2013?

FEA: No position at this time

**Issue 186:** What is the appropriate effective date for FPL's revised rates and charges, prior to a Base Rate Step adjustment, if any, associated with the Canaveral Modernization project?

FEA: No position at this time

**Issue 187:** What are the appropriate charges after the Canaveral Modernization Project comes on line?

FEA: No position at this time

#### **Other Issues**

**Issue 188:** OBJECTION: *Whether FPL's investment in energy conservation; advertisements; consumer energy efficient appliances; and consumer electric generating systems is prudent, appropriate, and/or reasonable? (Mr. Saporito's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 189:** OBJECTION: *Whether FPL's incentive to expand its capital base in order to increase or maintain NextEra Energy, Inc. total shareholder return is in conflict with the mandate of the Florida Legislature to promote co-generation and demand side renewable energy which does not increase FPL's capital base? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 190:** OBJECTION: *What actions has FPL taken to promote or discourage utilization of demand side renewable energy systems, solar energy, and cogeneration that the Commission is mandated by §§366.80 - 366.85 to consider in establishing the appropriate rates in the instant rate case? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 191:** OBJECTION: *How many of Florida's 54 other electric utilities (other than FPL) buy electric power from FPL? (Mr. Nelson's Issue Objected to by FPL)*

FEA: No position at this time

**Issue 192:** Should FPL be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

FEA: No position at this time

**Issue 193:** Should this docket be closed?

FEA: No position at this time

5. STIPULATED ISSUES:

None at this time.

6. PENDING MOTIONS:

None.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

None.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

None at this time.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which Federal Executive Agencies cannot comply.

Dated this 6<sup>th</sup> day of August, 2012



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Chief

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Staff Attorney

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On behalf of Federal Executive Agencies

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and foregoing **PREHEARING STATEMENT OF  
FEDERAL EXECUTIVE AGENCIES** has been furnished by electronic mail on this 6<sup>th</sup> day of  
August, 2012, to the following:

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