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Matthew M. Childs, P.A.

August 15, 2001

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399

RE: DOCKET NO. 001148-EI

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company is the original and fifteen (15) copies of the Direct Testimony for Korel M. Dubin along with exhibits and C. Martin Mennes in Docket No. 001148-EI.

Also enclosed please find the original and fifteen (15) copies of the Direct Testimony of Mike Naeve along with exhibit, James J. Hoecker, C. Martin Mennes, Henry Southwick and Greg Ramon filed on behalf of Florida Power & Light Company, Florida Power Corporation and Tampa Electric Company in Docket Nos. 001148-EI, 010577-EI and 000824-EI.

Very truly yours,

Matthew M. Childs, P.A.

APP
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OTH

10016-01 through

MMC/gc
Enclosures

cc: All Parties of Record (w/enclosures)

CERTIFICATE OF SERVICE
DOCKET NO. 001148-EI

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Korel M. Dubin along with exhibits and C. Martin Mennes have been filed on behalf of Florida Power & Light Company and furnished by hand delivery (*) or U.S. Mail this 15th day of August, 2001, to the following:

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By: 
Matthew M. Childs, P.A.

TAL_1998/39540-1

CERTIFICATE OF SERVICE
DOCKET NOS. 001148-EI, 010577-EI AND 000824-EI

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Korel M. Dubin along with exhibits, C. Martin Mennes, Mike Naeve along with exhibits, James J. Hoecker, Henry Southwick and Greg Ramon, filed on behalf of Florida Power & Light Company have been furnished by hand delivery (*) or U. S. Mail this 15th day of August, 2001, to the following:

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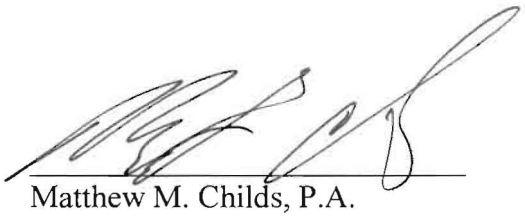

Matthew M. Childs, P.A.

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF KOREL M. DUBIN

DOCKET NO. 001148-EI

AUGUST 15, 2001

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF KOREL M. DUBIN

DOCKET NO. 001148-EI

August 15, 2001

Q. Please state your name, business address, employer and position.

A. My name is Korel M. Dubin, and my business address is 9250 West Flagler Street, Miami, Florida, 33174. I am employed by Florida Power & Light Company (FPL) as the Manager of Regulatory Issues in the Regulatory Affairs Department.

Q. Please state your education and business experience.

A. I received a Bachelor of Arts in Political Science from Emory University in 1980 and in 1982 I received a Master of Business Administration from Barry University. In June 1982, I joined Florida Power and Light Company's Fossil Fuel Section of the Fuel Resources Department. From 1982 through 1985 my responsibilities included administration of fuel supply and operations contracts, development of procurement procedures, research/analysis of transportation options and by-product sales, and support for regulatory filings. In December of 1985 I joined the Rates and Research Department as a Rate Analyst. Since 1985, I have held various positions of increasing responsibility in the Rates and Research Department and the Regulatory Affairs

Department and my primary responsibilities have been in the area of the adjustment clause filings. In June 2000 I became Manager of Regulatory Issues in the Regulatory Affairs Department where I am primarily responsible for the coordination, development, and preparation of the Company's Fuel, Capacity and Environmental Cost Recovery filings. I am a company witness in these clause dockets.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to illustrate the estimated incremental cost impact of purchasing transmission service from GridFlorida, LLC (GridFlorida) to serve FPL retail customers and to request approval of the methodology to quantify and recover such incremental GridFlorida transmission charges through the Capacity Cost Recovery Clause. Such approval would avoid double recovery and under/over recovery of costs, would be administratively efficient, would greatly facilitate review of the level and basis for transmission costs in the future, and appear to be the type of costs the Commission acknowledged would be appropriate for recovery in establishing the Capacity Cost Recovery Clause. For illustrative purposes, my testimony also provides preliminary estimates of GridFlorida Transmission costs including the impact on FPL's customers. My testimony addresses Issue No 4 of Prehearing Order No. PSC-01-1485-PSCO-EI.

Q. Please briefly describe GridFlorida.

A. As discussed in GridFlorida Witness Mr. Naeve's prepared Direct Testimony, GridFlorida is a for-profit Regional Transmission Organization (RTO). Florida Power & Light Company, Florida Power Corporation, and Tampa Electric Company (the Joint Applicants) formed GridFlorida in response to the Federal Energy Regulatory Commission (FERC) Order 2000. On March 28, 2001, the FERC issued its Order provisionally granting RTO status to GridFlorida. GridFlorida will be a limited liability company and will own and operate transmission facilities divested to it by transmission owners in exchange for a non-voting membership interest and operate transmission facilities of other transmission owners that transfer operational control to GridFlorida pursuant to a Participating Owners Management Agreement. As a consequence, upon completion of the transfer of transmission facilities by FPL to GridFlorida, and the commencement of operation by GridFlorida, FPL will continue to provide the same retail transmission service but will be purchasing wholesale transmission service from GridFlorida. In addition, FPL's traditional retail base return and O & M expenses associated with the transferred transmission assets will be replaced by purchased transmission O&M expenses incurred to provide transmission service to retail customers.

As explained in GridFlorida Witness William Ashburn's prepared Direct Testimony, once GridFlorida begins commercial operations, service over GridFlorida owned and / or operated facilities must be taken under GridFlorida's Open Access Transmission Tariff. The Joint Applicants will

each be charged the FERC approved transmission rates for all service including that associated with service at retail. The basis for the transmission charges to be applied by GridFlorida will differ from those of the individual Joint Applicants prior to GridFlorida operations. The structure of the charges for transmission service will move towards spreading cost responsibility for all transmission facilities among all participants in the peninsular Florida transmission service area. With the creation of GridFlorida all transmission related costs, including those that were formerly associated with the transmission on the utility's own transmission facilities, will be billed by GridFlorida pursuant to tariffs approved by the FERC. These rates and charges will address not only the costs for operations formerly provided by the affected utility but will include other costs as well. We currently anticipate that the GridFlorida charges will consist of Zonal, System, Grid Management and Scheduling Charges. These charges are described in more detail in GridFlorida Witness William Ashburn's prepared Direct Testimony.

Q. How does FPL propose to recover the costs associated with GridFlorida?

A. FPL proposes to include incremental transmission costs for GridFlorida in the Capacity Cost Recovery Factor. However, FPL is not seeking recovery at this time. FPL is requesting approval of its proposed methodology to recover the incremental GridFlorida transmission charges through the Capacity Cost Recovery Clause. All costs included in my testimony today are for illustrative

purposes. If the methodology is approved, FPL anticipates including the incremental GridFlorida transmission charges in the September 2002 Capacity Cost Recovery Projection Filing for Commission review and approval for recovery commencing in January 2003.

Q. Please describe FPL's proposed methodology to recover costs associated with GridFlorida.

A. FPL proposes to include the GridFlorida transmission charges in the Capacity Cost Recovery Factor.

GridFlorida Projected Charges

As described by GridFlorida Witness William Ashburn, the proposed GridFlorida charges include Zonal, System, Grid Management, and Scheduling charges. FPL proposes to include an additional schedule in the Capacity Cost Recovery filing providing these monthly projected charges. This proposed additional schedule is provided as KMD-1, Page 2 of 6. Preliminary estimates show that the payment to GridFlorida for transmission service purchased to serve retail load in 2003 is estimated to be $366 million (KMD-1, page 6 of 6). This consists of estimates of FPL payments for the Zonal Charge, System Charge, Grid Management Charge and Scheduling Service Charges (for estimating purposes, the scheduling costs are included in Accenture's estimates of Grid Operating Expenses which are collected through the Grid Management Charge).

The Zonal Charge estimate of $293 million consists of FPL's share of the revenue requirements for existing facilities in the FPL zone in service as of 12/31/2000, including $4.7 million for FPL's share of 20% of the TDU facilities revenue requirements included in the FPL zone. As Mr. Ashburn explains, the Zonal Charge recovers the revenue requirements of the zone utility and Seminole and FMPA facilities' revenue requirements embedded in that zone pursuit to a phase-in schedule. Such facilities are automatically phased in to zonal revenue requirements at 20% per year beginning in year 1, or, alternatively, are included at 100% upon a showing at FERC that they meet the integration standard as defined in Order 888.

The System Charge estimate of $23 million is a rough estimate used to illustrate FPL's share of revenue requirements for New Facilities (for year 1, those facilities placed in service between 12/31/2000 and 12/31/2002). An estimate based on actual FPL plant additions was used as a proxy for FPL's share of all GridFlorida participants' New Facilities' revenue requirements.

The Grid Management Charge estimate of $50 million consists of the return on and amortization of FPL's share of incremental start-up costs as shown in GridFlorida Witness William Ashburn's Exhibit WRA-1 and FPL's share of incremental ongoing annual grid operation costs as detailed in GridFlorida Witness Brad Holcombe's exhibit BLH-3.

Adjustment for Transmission Costs in Base Rates

In order to ensure that there is no double recovery, FPL's proposed methodology calls for the GridFlorida costs to be adjusted for Transmission Costs in Base Rates. Each year the amount of transmission costs currently in base rates is to be adjusted for sales as described below. This amount would then be subtracted from the GridFlorida costs before inclusion in the Capacity Cost Recovery Factor calculation. For illustrative purposes, we have used the preliminary 2000 Cost of Service. (See KMD-1, Page 5 of 6). This shows that the imbedded cost of retail transmission service in 2000 is $265 million. However, this amount will be updated to reflect the results of the 2002 cost of service. This $265 million would be divided by actual 2000 MWh sales of 87,959,341 which results in 0.3013 cents per kWh. This 0.3013 cents per kWh multiplied by the projected 2003 MWh sales of 98,415,270 results in $296.5 million transmission costs included in base rates adjusted for sales. This results in the transmission cost in base rates escalated to 2003 to reflect the increase in sales in 2003. (See KMD-1, Page 2 of 6, Note 1). This $296.5 million (KMD-1, Page 2 of 6, Line 6) is then subtracted from the total payment to GridFlorida of $366 million (KMD-1, Page 2 of 6, Line 5) resulting in a difference of $69.5 million (KMD-1, Page 2 of 6, Line 7).

Adjustment for Oil Backout

One other adjustment FPL proposes is to reflect an Oil Back-out flow back to

customers, estimated at $10 million per year. Presently, the retail customers are not paying for any depreciation or return on the depreciable portion of the 500kv Line Oil Backout Project. When the assets are transferred, along with a depreciation reserve that reflects only straight line depreciation, the retail customer will then pay through the GridFlorida portion of the Capacity Cost Recovery charge a return on the net assets and depreciation expense based on straight line depreciation. The retail customer will pay this additional amount until the Oil Backout project is fully depreciated on a straight-line basis over the remaining life of the assets. In order to make this as revenue neutral as possible for the retail customers, FPL proposes to record a deferred gain for the accelerated depreciation which will be a liability and pay the retail customers a return on that liability through the Capacity Cost Recovery Clause. Thus, the return that GridFlorida is charging FPL for the Oil Backout assets will be offset by the return FPL would be flowing back to the retail customers on the deferred gain. In addition, the amortization of the deferred gain will equate to the straight-line depreciation since both are being recorded over the same period of time, the remaining life. The depreciation expense on the Oil Backout assets that GridFlorida charges FPL for serving its retail load will be offset by the amortization of the gain. This $10 million Oil Backout adjustment (KMD-1, Page 2 of 6, Line 8) results in the incremental GridFlorida charges to be recovered through the Capacity Cost Recovery Clause of $59.5 million (KMD-1, Page 2 of 6, Line 9) for 2003.

Total Costs Recovered through Capacity Cost Recovery Clause

The $59.5 million is then carried forward to schedule KMD-1, Page 1 of 6, Line 11 and added to the other capacity costs projected for the year (For purposes of this illustration, all other capacity costs are shown as zero). The total cost is adjusted by the Revenue Tax Multiplier of 1.01597, resulting in the estimated total cost to be recovered of $60 million (KMD-1, Page 2 of 6, Line 16).

Allocation to Rate Classes and Factor Calculation

Consistent with the regular Capacity Cost Recovery filing, costs are allocated to the rate classes on a 12CP and 1/13th demand basis. 1/13th of the cost is classified as energy-related and allocated on the basis of contribution to total kWh sales. The other 12/13th is classified as demand-related and allocated based on the contribution of each class to the 12 monthly system peaks. This demand based allocation methodology, used for the Capacity Cost Recovery Clause, is consistent with the treatment of transmission costs in base rates.

KMD-1, Page 3 of 6 provides the calculation of energy and demand allocation percentages by rate class and KMD-1, Page 4 of 6 provides the calculation of the Capacity Cost Recovery Factors by Rate Class. These calculations use the average 12 CP load factor based on actual calendar data, demand and energy losses based on actual calendar data, and projected kWh sales for the year. For this illustration, actual calendar year 2000 data was used for the 12

CP load factor and energy and demand losses, and projected sales for 2003 were used. KMD-1, Page 4 of 6 shows the preliminary incremental GridFlorida transmission costs of $60 million (adjusted for revenue taxes) allocated to each rate class and the resulting Capacity Cost Recovery Factor for each rate class. Based on these preliminary estimates, the impact of these incremental GridFlorida transmission costs in year 1 of GridFlorida operations is $0.69 on a Typical Residential 1,000 kWh Bill (See KMD-1, Page 4 of 6, RS1 Rate Class).

Filing Process

FPL proposes to include the GridFlorida transmission charges (less the amount of transmission costs included in base rates adjusted for sales, and adjusted for the amortization of Oil Backout flow back) in its Capacity Cost Recovery Filings each year as part of the regular capacity cost recovery process where the Final True up is filed in April for the previous year, the Estimated/Actual True Up is filed in August for the current year, the Projections are filed in September for the subsequent year, the Hearing is held in November and new Capacity Charges reflecting incremental GridFlorida transmission charges become effective from January through December.

Q. Why is it appropriate to recover the incremental transmission costs for Grid Florida through the Capacity Cost Recovery Clause?

A. FPL believes it is appropriate for the Commission to expressly approve the methodology to recover the GridFlorida transmission costs, to the extent they exceed the amount reflected in base rates, through the Capacity Cost Recovery Clause. Such approval would; 1) avoid double recovery, 2) avoid under/over recovery of costs, 3) would be administratively efficient and would greatly facilitate review of the level and basis for transmission costs in the future, and 4) appear to be the type of costs the Commission acknowledged would be appropriate in establishing the Capacity Cost Recovery Clause.

First, FPL's proposed methodology, whereby the GridFlorida transmission costs recovered through the Capacity Cost Recovery Clause are adjusted for the amount included in base rates, avoids double recovery of these costs.

Second, these incremental transmission costs are volatile and as such are more appropriately reflected in a clause to avoid over/under recovery of costs. As described in the Joint Panel Testimony regarding the GridFlorida proposal, the Joint Applicants currently have pending requests for interconnection of 53 plants representing 26,468 MW of non-utility owned generation to come on line between 2001 and 2005. The speed with which future interconnections are made is uncertain and will result in unpredictable fluctuations in GridFlorida's System Charge. There is also fluctuation in costs due to the various transition proposals of the pricing plan. As described in GridFlorida Witness William Ashburn's prepared Direct Testimony, the cost shifting

mitigation mechanism of the GridFlorida pricing structure includes phasing-out of zonal charges in years 6 through 10, phasing in of credits for Transmission Dependent Utilities (TDU) facilities in years 1 through 5, and phasing out charges for pancaked rates in long-term contracts in years 6 through 10. The combined affect of phasing out zonal charges and elimination of pancaked rates in years 6 through 10, along with the uncertainty of the level of new construction throughout GridFlorida and other factors prevent me from quantifying the actual potential charges for 2003. For instance, the current estimates of start-up and ongoing grid operation costs include a 20% to 30% contingency.

Third, including the incremental GridFlorida transmission costs in the Capacity Cost Recovery Clause would be administratively efficient because GridFlorida costs would simply become part of the already established Capacity Cost Recovery filing and hearing process. Furthermore, including the incremental GridFlorida transmission costs in the Capacity Cost Recovery Clause would greatly facilitate review of the level and basis for transmission costs in the future since these costs would become part of the already established Capacity Cost Recovery Audits conducted by the Commission Staff Auditors each year. Additionally, including the incremental GridFlorida transmission costs in the Capacity Cost Recovery Clause rather than establishing a separate clause results in more than $1 million in savings in billing system programming costs.

Finally, when establishing the Capacity Cost Recovery Clause, the Commission acknowledged that costs other than purchased power capacity costs could be appropriate for recovery through the Capacity Cost Recovery Clause. In July 1991, this Commission issued Order No. 24840 opening a "generic docket" to investigate the recovery of off-system capacity purchases by Florida's investor owned electric utilities. Thereafter, in February 1992, the Commission issued Order No. 25773 in Docket No. 910794-EQ. This order, which concluded the Commission's generic investigation, established the Capacity Cost Recovery Clause that has been used thereafter. In establishing this clause, the Commission noted that the capacity portion of purchased power contracts has been recovered through base rates and that "the capacity portion of those costs are not recoverable until the utility has a full requirements rate case." (Order at p. 4). Thus, to remove this disincentive, the Commission created the Capacity Cost Recovery Clause for the purpose of recovery of capacity costs not included in base rates. During the course of this generic docket, the Commission responded to requests to broaden the Clause to permit the recovery of costs other than those directly related to purchase power contracts. The Commission confined the Capacity Clause, which it approved for implementation but stated:

> "FPC and FIPUG suggested other costs which may be appropriate for inclusion in a capacity factor. FPC stated that any other fixed non-fuel costs associated with the purchase of capacity (such as non-fuel O &

M) should also be considered as well as any related transmission wheeling charges. FIPUG also suggested that conservation programs are related to demand side management and peak shaving. Therefore, we find any incentive payments under such programs to be capacity costs are to be included in the recovery factor. While there may be merit in these suggestions, we do not have sufficient information at this point to determine definitively what additional items may be appropriate. The suggestions would require consideration in a rate case or other generic proceeding to determine the exact nature and magnitude of such new charges. For the purpose of this docket, we find the recovery factor to be limited to approval of demand related capacity costs specifically identified in purchased power contracts. Other issues may be taken up in appropriate forums for possible inclusion on a utility by utility basis". (Order No. 25773 at p. 5).

FPL believes that the Commission clearly acknowledged that costs other than Capacity charges for purchased power contracts, specifically "... any related transmission wheeling charges," could be appropriately recovered through the Capacity Clause but that to do so would require consideration of additional information.

For these reasons, FPL believes it is appropriate to bring this matter to the Commission for consideration and approval.

Q. Does this conclude your testimony?

A. Yes, it does.

FOR ILLUSTRATIVE PURPOSES ONLY

FLORIDA POWER & LIGHT COMPANY
PROJECTED CAPACITY PAYMENTS
JANUARY 2003 THROUGH DECEMBER 2003

	PROJECTED												
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 CAPACITY PAYMENTS TO NON-COGENERATORS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2 CAPACITY PAYMENTS TO COGENERATORS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3. CAPACITY PAYMENTS FOR MISSION SETTLEMENT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4 CAPACITY PAYMENTS FOR OKEELANTA/OSCEOLA SETTLEMENT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
5. TRANSMISSION REVENUES FROM CAPACITY SALES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6 SJRPP SUSPENSION ACCRUAL	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
7 RETURN REQUIREMENT ON SUSPENSION PAYMENT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
8 SYSTEM TOTAL (Lines 1+2+3+4+5+6-7)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
9 JURISDICTIONAL % *													99 03598%
10. JURISDICTIONALIZED CAPACITY PAYMENTS													$0
11. GRIDFLORIDA TRANSMISSION CHARGES (detail on page 2 of 6)													$59,498,841
12. LESS: SJRPP CAPACITY PAYMENTS INCLUDED IN THE 1988 TAX SAVINGS REFUND DOCKET													$0
13 LESS: FINAL TRUE-UP – overrecovery/(underrecovery) JANUARY 2000 - DECEMBER 2000 $0		EST \ ACT TRUE-UP – overrecovery/(underrecovery) JANUARY 2001 - DECEMBER 2001 $0											$0
14. TOTAL (Lines 10+11-12-13)													$59,498,841
15 REVENUE TAX MULTIPLIER													1 01597
16. TOTAL RECOVERABLE CAPACITY PAYMENTS													$60,449,038

*CALCULATION OF JURISDICTIONAL %

	AVG 12 CP AT GEN (MW)	%
FPSC	15,948	99 03598%
FERC	155	0 96402%
TOTAL	16,103	100 00000%

* BASED ON 2000 ACTUAL DATA

FOR ILLUSTRATIVE PURPOSES ONLY

FLORIDA POWER & LIGHT COMPANY
PRELIMINARY ESTIMATES OF GRIDFLORIDA COSTS
JANUARY 2003 - DECEMBER 2003

		PRELIMINARY ESTIMATES												
		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1	Zonal Charges	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$24,416,667	$293,000,000
2.	System Charges	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$1,916,667	$23,000,000
3	Grid Management Charges	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$4,166,667	$50,000,000
4	Scheduling Charges	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0
5.	Total Payment to GridFlorida	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$30,500,000	$366,000,000
6.	Transmission Cost in Base Rates Adjusted for Sales (see Note 1)	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$24,708,430	$296,501,159
7.	Difference	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$5,791,570	$69,498,841
8	Less: Oil Back-Out flow back to customers	$833,333	$833,333	$833,333	$833,333	$833,333	$833,333	$833,333	$833,333	$833,333	$833,333	$833,333	$833,333	$10,000,000
9.	**GridFlorida Transmission Charges**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$4,958,237**	**$59,498,841**

Note 1

	$ Millions	MWH Sales	¢ / kWh
Actual 2000	$265	87,959,341	0 3013
Projected 2003 Sales		98,415,270	
Transmission Costs in Base Rates Adjusted for Sales	$296.5		

Transmission Costs in Base Rates	$296,501,159

FOR ILLUSTRATIVE PURPOSES ONLY

FLORIDA POWER & LIGHT COMPANY
CALCULATION OF ENERGY & DEMAND ALLOCATION % BY RATE CLASS
JANUARY 2003 THROUGH DECEMBER 2003

Rate Class	(1) AVG 12CP Load Factor at Meter (%)	(2) Projected Sales at Meter (kwh)	(3) Projected AVG 12 CP at Meter (kW)	(4) Demand Loss Expansion Factor	(5) Energy Loss Expansion Factor	(6) Projected Sales at Generation (kwh)	(7) Projected AVG 12 CP at Generation (kW)	(8) Percentage of Sales at Generation (%)	(9) Percentage of Demand at Generation (%)
RS1	60.938%	51,792,551,061	9,702,307	1.096656115	1.075433109	55,699,424,211	10,640,094	52.70839%	59.62714%
GS1	71.059%	6,103,694,487	980,550	1.096656115	1.075433109	6,564,115,139	1,075,326	6.21162%	6.02613%
GSD1	78.573%	22,546,325,257	3,275,656	1.096544563	1.075351927	24,245,234,312	3,591,903	22.94327%	20.12904%
OS2	149.531%	22,355,962	1,707	1 080484913	1.063082399	23,766,230	1,844	0.02249%	0.01033%
GSLD1/CS1	81.969%	10,104,646,264	1,407,237	1.094747540	1.074025051	10,852,643,219	1,540,569	10.26986%	8.63336%
GSLD2/CS2	90.955%	1,577,672,977	198,010	1.087891242	1.068548693	1,685,820,398	215,413	1.59529%	1.20718%
GSLD3/CS3	84.688%	533,026,130	71,849	1.026933481	1.022023682	544,765,328	73,784	0.51551%	0.41349%
ISST1D	0.000%	0	0	1.096656115	1.075433109	0	0	0.00000%	0.00000%
SST1T	95.114%	94,440,323	11,335	1.026933481	1.022023682	96,520,247	11,640	0 09134%	0.06523%
SST1D	81.410%	69,037,195	9,681	1.058919085	1.046606781	72,254,796	10,251	0.06837%	0.05745%
CILC D/CILC G	93.492%	3,566,365,476	435,459	1.084866212	1.066720945	3,804,316,751	472,415	3.60003%	2.64742%
CILC T	93.120%	1,271,570,984	155,881	1.026933481	1.022023682	1,299,575,659	160,079	1.22979%	0.89708%
MET	66.484%	91,165,376	15,653	1.058368342	1.046190930	95,376,390	16,567	0.09025%	0.09284%
OL1/SL1/PL1	297.393%	552,410,372	21,204	1.096656115	1.075433109	594,080,404	23,253	0.56218%	0.13031%
SL2	100.229%	90,008,136	10,251	1.096656115	1.075433109	96,797,730	11,242	0.09160%	0.06300%
TOTAL		98,415,270,000	16,296,780			105,674,690,814	17,844,380	100.00%	100.00%

(1) AVG 12 CP load factor based on actual calendar data.
(2) Projected kwh sales for the period January 2003 through December 2003.
(3) Calculated: Col(2)/(8760 hours * Col(1))
(4) Based on 2000 demand losses.
(5) Based on 2000 energy losses.
(6) Col(2) • Col(5).
(7) Col(3) • Col(4).
(8) Col(6) / total for Col(6)
(9) Col(7) / total for Col(7)

FOR ILLUSTRATIVE PURPOSES ONLY

FLORIDA POWER & LIGHT COMPANY
CALCULATION OF CAPACITY PAYMENT RECOVERY FACTOR
JANUARY 2003 THROUGH DECEMBER 2003

Rate Class	(1) Percentage of Sales at Generation (%)	(2) Percentage of Demand at Generation (%)	(3) Energy Related Cost ($)	(4) Demand Related Cost ($)	(5) Total Capacity Costs ($)	(6) Projected Sales at Meter (kwh)	(7) Billing KW Load Factor (%)	(8) Projected Billed KW at Meter (kw)	(9) Capacity Recovery Factor ($/kw)	(10) Capacity Recovery Factor ($/kwh)
RS1	52.70839%	59.62714%	$2,450,901	$33,271,416	$35,722,317	51,792,551,061	-	-	-	0.00069
GS1	6.21162%	6.02613%	$288,836	$3,362,528	$3,651,364	6,103,694,487	-	-	-	0.00060
GSD1	22.94327%	20.12904%	$1,066,845	$11,231,827	$12,298,672	22,546,325,257	48.23371%	53,316,880	0.23	-
OS2	0.02249%	0.01033%	$1,046	$5,766	$6,812	22,355,962	-	-	-	0.00030
GSLD1/CS1	10.26986%	8.63336%	$477,541	$4,817,336	$5,294,877	10,104,646,264	61.70922%	22,430,977	0 24	-
GSLD2/CS2	1.59529%	1.20718%	$74,180	$673,593	$747,773	1,577,672,977	67.56448%	3,198,716	0.23	-
GSLD3/CS3	0.51551%	0.41349%	$23,971	$230,721	$254,692	533,026,130	70.23956%	1,039,546	0.25	-
ISST1D	0.00000%	0.00000%	$0	$0	$0	0	0.00000%	0	**	-
SST1T	0.09134%	0.06523%	$4,247	$36,398	$40,645	94,440,323	10.45089%	1,237,888	**	-
SST1D	0.06837%	0.05745%	$3,179	$32,055	$35,234	69,037,195	62.93622%	150,266	**	-
CILC D/CILC G	3.60003%	2.64742%	$167,399	$1,477,235	$1,644,634	3,566,365,476	73.24678%	6,669,825	0.25	-
CILC T	1.22979%	0.89708%	$57,184	$500,565	$557,749	1,271,570,984	77.61662%	2,244,208	0.25	-
MET	0.09025%	0.09284%	$4,197	$51,805	$56,002	91,165,376	55.94088%	223,243	0.25	-
OL1/SL1/PL1	0.56218%	0.13031%	$26,141	$72,712	$98,853	552,410,372	-	-	-	0.00018
SL2	0.09160%	0.06300%	$4,259	$35,154	$39,413	90,008,136	-	-	-	0 00044
TOTAL			$4,649,926	$55,799,111	$60,449,038	98,415,270,000		90,511,549		

Note:There are currently no customers taking service on Schedule ISST1(T) Should any customer begin taking service on this schedule during the period, they will be billed using the ISST(D) Factor.

(1) Obtained from Page 2, Col(8)
(2) Obtained from Page 2, Col(9)
(3) (Total Capacity Costs/13) * Col (1)
(4) (Total Capacity Costs/13 * 12) * Col (2)
(5) Col (3) + Col (4)
(6) Projected kwh sales for the period January 2003 through December 2003
(7) (kWh sales / 8760 hours)/((avg customer NCP)(8760 hours))
(8) Col (6) / ((7) *730) For GSD-1, only 83.265% of KW are billed due to 10 KW exemption
(9) Col (5) / (8)
(10) Col (5) / (6)

Totals may not add due to rounding.

CAPACITY RECOVERY FACTORS FOR STANDBY RATES

Reservation Demand Charge (RDC) =	(Total col 5)/(Doc 2, Total col 7)(10) (Doc 2, col 4) / 12 months	
Sum of Daily Demand Charge (SDD) =	(Total col 5)/(Doc 2, Total col 7)/(21 onpeak days) (Doc 2, col 4) / 12 months	
	CAPACITY RECOVERY FACTOR	
	RDC	SDD
	** ($/kw)	** ($/kw)
ISST1 (D)	$0.03	$0.01
SST1 (T)	$0.03	$0.01
SST1 (D)	$0.03	$0.01

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Transmission Revenue Requirements

Preliminary Cost of Service Based on 12 Month Ending/13 Month Average
December 2000
In (000)

		2000 Cost of Service (1)
1	**KWH Sales**	87,959,341,413
2		
3	**Transmission -**	
4	Transmission Base Revenues	$277,056
5	Generation Step Up Transformer Adjustment (2)	($14,532)
6	Transmission of Electricity by Others Adjustment (3)	($9,161)
7	Refunctionalization of Distribution Facilities (4)	$12,373
8	Refunctionalization of Transmission Facilities (4)	($359)
9	Transmission Retail Base Revenues (Adjusted)	$265,377

Notes:

(1) Actual 2000 "jurisdictional adjusted" financial data per Surveillance Report was assigned/allocated to operating functions based on traditional FPSC Cost of Service allocation methodologies
(2) Generation Step Up (GSU) transformers which are traditionally considered Transmission Plant will not be transferred to GridFlorida.
(3) Transmission of electricity by others which is traditionaly funcionalized to the Transmission responsibility center will be excluded from the calculation of GridFlorida revenue requirements.
(4) Estimated adjustment for portion of Transmission/Distribution joint use substations that will be transferred from Distribution to the GridFlorida or from Transmision to Distribution.

FOR ILLUSTRATIVE PURPOSES ONLY

Estimate of FPL Retail Responsibility of Transmission Service from GridFlorida

For Illustrative Purposes:

Line			Year 1 ($Millions)
1			
2	**FPL Revenue Requirement Summary**		
3	Zonal Charge Estimate	Part 1	$293
4	System Charge Estimate	Part 2	23
4	Grid Management Charge Estimate	GMC	50
5	Scheduling Charge Estimate (included in GMC)	Schedule 1	0
6	**Total Revenue Requirement**		$366
7			
8			
9	**Zonal Charge Revenue Requirement**		
10	Existing Facilities @ 12/31/00	Note 1	$310
11	Phase in TDU Facilities	Note 2	5
12	Total Zonal Revenue Requirement		$315
13	FPL Retail Load Ratio Share of zone		93%
14	Total Zonal Revenue Requirement - FPL Retail		$293
15			
16	**System Charge Revenue Requirement**		
17	FPL Share of Transmission Net Additions (2001 and 2002)	Note 3	$123
18	Annual Carrying Charge Rate	Note 4	18.5%
19	FPL Load Ratio Share of System Charge		$23
20			
21	**Grid Management Charge**		
22	Start-up Costs	Note 5	$23
23	GridFlorida A&G and other expenses	Note 6	27
24	Total Grid Management Charge		$50

Notes:

1 Estimate of Revenue requirement of FPL's transmission facilities as of December 31, 2000

2 Based on estimate of Transmission Dependent Utilities (TDU) revenue requirements in FPL zone as provided during the Collaborative process in 2000 (Exhibit CMN-1, Witness Naeve, page 1265). The revenue requirements of $23 million is phased-in over 5 years

3 This is a proxy of GridFlorida's transmission plant additions during 2001 and 2002 allocated to FPL retail load This estimate of transmission plant additions is based on FERC Form 1 data of net transmission plant additions for 1999 and 2000 This is only as a proxy of what the System Charge to FPL would be

4 Annual carrying charge rate estimates revenue requirements to cover expenses as outlined in the Transmission Pricing Plan, and other expenses such as depreciation and return requirements on new facility investments.

5 1st year revenue requirement for GridFlorida's Start-up costs reflect the net cost responsibility to FPL retail customers Refer to Exhibit WRA 1.

6 1st year revenue requirement for GridFlorida's operating expenses reflect the net cost responsibility to FPL retail customers. Refer to Exhibit BLH 3