**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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| In re: Petition for increase in rates by Florida Power & Light Company. | DOCKET NO.: 120015-EI<br>FILED: August 3, 2012 |



**PREHEARING STATEMENT OF ALEXANDRIA AND DANIEL LARSON**

Alexandria and Daniel Larson ("Larsons") hereby file their Prehearing Statement in Docket No. 120015-EI.

(1) **The name of all known witnesses whose testimony has been pre-filed or who may be called by the party, along with subject matter of each such witness' testimony in the order that the witnesses shall be presented at hearing.**

None at this time. The Larsons will cross-examine witnesses as deemed necessary.

(2) **A description of all pre-filed exhibits and other exhibits that may be used by the party in presenting its direct case (including individual components of a composite exhibit) and the witness sponsoring each.**

None at this time. The Larsons reserve the right to ask the Commission to take official recognition of its prior Orders.

(3) **A statement of the party's basic position in the proceeding.**

It is the basic position of the Petitioners that the Commission should:

(a) Deny the rate increase requested by FPL;

(b) Deny the requested Return on Equity (ROE) requested by FPL.

After being denied the largest unjustified rate increase in Florida's history in 2010, FPL complained that the Public Service Commission decision to deny their $1.3 billion dollar rate case would cause terrible things to happen. Over the past two years FPL has reported healthy profits and earnings, FPL's parent company has raised its quarterly dividend by 26%, and its stock is currently trading at a 52 week high. Having low rates does not provide the legal basis or justification to increase base rates. Prevailing economic conditions do not support the requested ROE increase. We believe that FPL should withdraw this unjustified rate case and extend the existing base rate settlement agreement for a period of two additional years.

**(4) A statement of each question of fact, question of law, and policy question that the party considers at issue, along with the party's position on each issue, and, where applicable, the names of the party's witness(es) who will address each issue. Parties who wish to maintain "no position at this time" on any particular issue or issues should refer to the requirements of subsection C, below.**

**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?

**Larsons**: No; FPL should withdraw this unjustified rate case and extend the existing base rate settlement agreement for a period of two additional years.

**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?

**Larsons**: No; FPL should be required to file a limited proceeding to seek recovery for CMP in rates.

**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)**

**Larsons**: Yes. FPL customers are unjustly subsidizing the costs of FPL affiliates while not sharing in the revenue generated.

**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 Rule25-6.1351 and should be allowed in the cost of service borne by customers? (OPC)**

**Larsons**: FPL has the burden of proof to demonstrate that the amounts comply with Commission Rule 25-6.1351. The affiliate transactions should be subject to a high degree of scrutiny to protect FPL customers.

**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)***

**Larsons**: No. Absent specific legislative authority the Commission lacks the discretion to approve such a request.

**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)***

**Larsons**: No. The FPL request should be denied.

**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 it's 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)***

**Larsons**: Yes. The FPL request should be denied.

**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)***

**Larsons**: Yes.

## Test Period and Forecasting

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

**Larsons**: Yes.

**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?

**Larsons**: No. The FPL forecasts are not appropriate and should be evaluated against the evidence presented at hearing.

**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?

**Larsons**: No. The FPL projections are not appropriate and should be evaluated against the evidence presented at hearing.

**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?

**Larsons**: The Commission should seek to mitigate the impact of uncertainty and protect ratepayers by adopting the most likely projections based upon the evidence presented at hearing. FPL's projections are biased in favor of FPL.

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

**Larsons**: Prevailing economic conditions suggest these factors should remain relatively constant when forecasting the 2013 test year budget.

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

**Larsons**: No.

## Quality of Service

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

**Larsons**: Yes.

## 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?

**Larsons**: Yes.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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)***

**Larsons**: The most recent earnings conference confirms that FPL is earning a healthy rate of return and does not require a base rate increase. These costs can be absorbed within the current rate structure without the need to increase base rates.

**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?

**Larsons**: No.

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

**Larsons**: No.

**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)

**Larsons**: No.

**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?

**Larsons**: No; the FPL schedules are not appropriate and should be evaluated against the evidence presented at hearing.

**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)

**Larsons**: No.

**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?

**Larsons**: Yes.

**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?

**Larsons**: The appropriate proportion of costs should be determined based upon the evidence presented at hearing.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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)

**Larsons**: No.

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

**Larsons**: Yes.

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

**Larsons**: No.

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

**Larsons**: No.

**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?

**Larsons**: Yes.

**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?

**Larsons**: Yes.

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

**Larsons**: No.

**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?

**Larsons**: Yes.

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

**Larsons**: The appropriate methodology should be determined based upon the evidence presented at hearing.

**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?

**Larsons**: The appropriate adjustments should be determined based upon the evidence presented at hearing.

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

**Larsons**: No.

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

**Larsons**: Yes.

**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)

**Larsons**: No.

**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)

**Larsons**: No.

## Cost of Capital

**Issue 46**: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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?

**Larsons**: No. The FPL request is without merit. FPL has an underlying duty to serve its customers without additional incentives.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: Yes.

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

**Larsons**: 0.0% - 6.0%; FPL has a strong balance sheet and low risk. Prevailing economic conditions do not support the FPL request to increase ROE. Nothing has fundamentally changed from the last rate case. The current authorized ROE has allowed FPL to record healthy profits over the past two years. The risk associated with its unregulated operations should not be borne by FPL customers.

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

**Larsons**: The appropriate capital structure should be based upon OPC witness testimony.

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

**Larsons**: No. The performance adder is not justified.

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

**Larsons**: The appropriate weighted average cost of captial should be based upon OPC witness testimony.

## 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 $CO_2$ captured from an FPL facility.)

**Larsons**: No.

**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)**

**Larsons**: No.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

**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)

**Larsons**: No.

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

**Larsons**: No.

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

**Larsons**: Yes.

**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?

**Larsons**: No.

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

**Larsons**: No.

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

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

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

**Larsons**: No. FPL customers are subsidizing unregulated costs/expenses and growth. (note the change to the wording of this issue as communicated by OPC)

**Issue 76**: **Should the percentage value (or other assignment value or methodology basis) of NextEra Energy, Inc. corporate costs and/or expenses allocated to FPL be equal to the percentage value(or other assignment value or**

**methodology basis) of NextEra Energy, Inc. corporate costs and/or expenses allocated to NextEra Energy Resources, LLC?**

**Larsons**: Yes. (note the change to the wording of this issue as communicated by OPC)

**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?

**Larsons**: No.

**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)***

**Larsons**: The majority of NextEra Energy, Inc. expenses are not useful in serving the FPL ratepaying public (see Issues 75, 76, and 77 above).

**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?

**Larsons**: Yes.

**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?

**Larsons**: The Commission should open a separate docket, require that FPL operate as an independent stand-alone utility, and deny all excessive corporate overhead expenses that are being subsidized by FPL customers.

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

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: No.

**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?

**Larsons**: Yes.

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

**Larsons**: These costs should be borne by shareholders.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

**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)***

**Larsons**: No. FPL should not be allowed to showboat on the customer dime. Advertising does not benefit FPL customers and this money should be used to further lower customer rates.

**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)***

**Larsons**: No. The appropriate amount should be $0.

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

**Larsons**: The appropriate amount should be $0.

**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?

**Larsons**: No.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

**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)***

**Larsons**: 90%.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

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

**Larsons**: Yes. it should be lowered.

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

**Larsons**: Yes.

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

**Larsons**: No.

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

**Larsons**: No.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

**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)

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

**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?

**Larsons**: Yes.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount and period should be determined based upon the evidence presented at hearing. Excess Rate Case Expense should be denied.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate methodology should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

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

**Larsons**: No.

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

**Larsons**: No.

**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)

**Larsons**: No.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

**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?

**Larsons**: No.

**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?

**Larsons**: Yes.

**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)

**Larsons**: No.

**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)

**Larsons**: No.

**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)?

**Larsons**: Yes.

**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)

**Larsons**: No.

**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)

**Larsons**: No.

**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)

**Larsons**: No.

**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)

**Larsons**: No.

## 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?

**Larsons**: The appropriate values should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate amount should be determined based upon the evidence presented at hearing.

**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?

**Larsons**: The proposed rate increase will have a negative effect on all of the above.

## Base Rate Step Adjustment

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

**Larsons**: No.

**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?

**Larsons**: No.

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

**Larsons**: No.

**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?

**Larsons**: Not applicable because the step increase should be denied.

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

**Larsons**: No.

**Issue 133**: Is FPL's requested Net Operating Income Multiplier of 1.63188 for the Canaveral Modernization Project appropriate?
**Larsons**: No.

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

**Larsons**: No.

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

**Larsons**: Not applicable because the step increase should be denied.

## 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)***

**Larsons**: No.

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

**Larsons**: Yes.

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

**Larsons**: Yes. The existing rate can be further lowered.

**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?

**Larsons**: No.

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

**Larsons**: The appropriate methodology should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate methodology should be determined based upon the evidence presented at hearing.

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

**Larsons**: No.

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

**Larsons**: No.

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

**Larsons**: The appropriate allocation should be determined based upon the evidence presented at hearing.

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

**Larsons**: No.

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

**Larsons**: No.

**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?

**Larsons**: No.

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

**Larsons**: No.

**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)***

**Larsons**: Yes.

**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)***

**Larsons**: Yes.

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

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

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

**Larsons**: FPL should be required to provide this information at hearing.

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

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: No.

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

**Larsons**: No.

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

**Larsons**: No.

**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)***
**Larsons**: Yes.

**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)***

**Larsons**: Yes.

**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)***

**Larsons**: Yes.

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

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: No.

**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)

**Larsons**: The appropriate credit should be determined based upon the evidence presented at hearing.

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

**Larsons**: No.

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

**Larsons**: Yes.

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

**Larsons**: No.

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

**Larsons**: No.

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

**Larsons**: No.

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

**<u>Larsons</u>**: The appropriate charges should be determined based upon the evidence presented at hearing.

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

**<u>Larsons</u>**: The appropriate charges should be determined based upon the evidence presented at hearing.

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

**<u>Larsons</u>**: Four TOU periods.

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

**<u>Larsons</u>**: The appropriate charges should be determined based upon the evidence presented at hearing.

**<u>Issue 175</u>**: 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)***

**<u>Larsons</u>**: Yes.

**<u>Issue 176</u>**: 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)***

**<u>Larsons</u>**: Yes.

**<u>Issue 177</u>**: 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)***
**<u>Larsons</u>**: No.

**<u>Issue 178</u>**: 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)***

**<u>Larsons</u>**: Yes.

**<u>Issue 179</u>**: 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)***

**Larsons**: FPL should be required to provide this information at hearing.

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

**Larsons**: The appropriate cost should be determined based upon the evidence presented at hearing.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: No.

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

**Larsons**: The appropriate charges should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate charges should be determined based upon the evidence presented at hearing.

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

**Larsons**: The appropriate charges should be determined based upon the evidence presented at hearing.

**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?

**Larsons**: January 1, 2013.

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

**Larsons**: The appropriate charges should be determined based upon the evidence presented at a limited proceeding separate from this docket.

## 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)***

**Larsons**: No. Who pays for the microwave ovens that FPL gives to customers who complain during rate cases?

**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)***

**Larsons**: Yes.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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)***

**Larsons**: FPL should be required to provide this information at hearing.

**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?

**Larsons**: Yes.

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

**Larsons**: Yes.

**(5) A statement of issues to which the parties have stipulated.**

None at this time.

**(6) A statement of all pending motions or other matters the party seeks action upon.**

None at this time.

**(7) A statement identifying the party's pending requests or claims for confidentiality.**

None at this time.

**(8) Any objections to a witness' qualifications as an expert. Failure to identify such objection will result in restriction of a party's ability to conduct voir dire absent a showing of good cause at the time the witness is offered for cross-examination at hearing; and**

None at this time.

**(9) A statement as to any requirement set forth in this order that cannot be complied with, and the reasons therefore.**

We have complied with all requirements of orders regarding prehearing procedures.

Respectfully submitted on this 3rd day of August, 2012.

s/ Daniel R. Larson
Daniel R. Larson
Petitioner

s/ Alexandria Larson
Alexandria Larson
Petitioner

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to the following via Electronic Mail this 3rd day of August, 2012 to all parties of record in this proceeding.

s/ Daniel R. Larson
Daniel R. Larson
Petitioner

s/ Alexandria Larson
Alexandria Larson
Petitioner