BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	Docket No. 160021-EI
In re: Petition for approval of 2016-2018 storm hardening plan, by Florida Power & Light Company	Docket No. 160061-EI
In re: 2016 depreciation and dismantlement study by Florida Power & Light Company	Docket No. 160062-EI
In re: Petition for limited proceeding to modify and continue incentive mechanism by Florida Power & Light Company	Docket No. 160088-EI
	Filed: August 5, 2016

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to the Order Establishing Procedure in this docket, Order PSC-16-0211-PCO-EI, issued May 27, 2016, PSC-16-0182-PCO-EI May 4, 2016 and Orders PSC-16-0125-PCO-EI issued March 25, 2016 hereby submit this Prehearing Statement.

APPEARANCES:

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On behalf of the Citizens of the State of Florida

1. <u>WITNESSES</u>:

David E. Dismukes	Issues 28-34, 88, 97, 98, 134
Jacob Pous	Issues 40-52, 58, 60, 77, 114, 126
Randy Woolridge	Issues 85-86
Kevin O'Donnell	Issues 80, 81, 83, 86
Helmuth Schultz, III, CPA	Issues 58-60, 77, 97, 102, 105, 106A, 113-115
Ralph Smith, CPA	Issues 24-27, 47, 58-60, 64, 67, 69, 74, 76-82, 86- 88, 98, 107, 113-118, 120, 122-125, 127-133
Daniel J. Lawton	Issues 84, 86

2. <u>EXHIBITS:</u>

Witness	**Exhibits**	**Title**
David E. Dismukes, Ph.D.	DED-1 (IM)	Resume of David E. Dismukes, Ph.D. (Filed in Docket No. 160088-EI)
David E. Dismukes, Ph.D.	DED-1	Company's Historic and Projected Sales: 2011-2020
David E. Dismukes, Ph.D.	DED-2	Percentage Growth in NEL, Customers, and Summer Peak Demand: 2015-2030
David E. Dismukes, Ph.D.	DED-3	Company's Historic and Projected System Load Factor: 2008-2030
David E. Dismukes, Ph.D.	DED-4	Comparison of 2016 Ten-Year Site Plan System Load Factors
David E. Dismukes, Ph.D.	DED-5	Weather-Normalized Historic and Projected System Load Factor: 2008-2030
David E. Dismukes, Ph.D.	DED-6	Weather-Normalized and DSM-Removed Historic and Projected System Load Factor: 2008-2018
David E. Dismukes, Ph.D.	DED-7	Net Energy for Load Implications of Declining Load Factor

David E. Dismukes, Ph.D.	DED-8	Comparison of Summer Peak Demand and NEL: 2015 TYSP w. 2016 Rate case
David E. Dismukes, Ph.D.	DED-9	Comparison of Estimated Load Factors: 2015 TYSP w. 2016 Rate Case
David E. Dismukes, Ph.D.	DED-10	Comparison of NEL and Revenue Class Sales Forecasts
David E. Dismukes, Ph.D.	DED-11	Comparison of 2012 and Current NEL to Revenue Class Reconciliation Adjustments
David E. Dismukes, Ph.D.	DED-12	Net Energy for Load Adjustment Effect on Requested Revenue Requirement
David E. Dismukes, Ph.D.	DED-13	Comparison of Actual Electricity Prices and CPI-U Inflation
Jacob Pous	Appendix A	Resume of Jacob Pous
Jacob Pous	JP-1	OPC Depreciation Analysis
Jacob Pous	JP-2	Supporting Documents and Workpapers
J. Randall Woolridge, Ph.D.	JRW-1 Revised	Recommended Return on Equity
J. Randall Woolridge, Ph.D.	JRW-2	Interest Rates
J. Randall Woolridge, Ph.D.	JRW-3	Public Utility Bond Yields
J. Randall Woolridge, Ph.D.	JRW 4	Summary Financial Statistics for Proxy Groups
J. Randall Woolridge, Ph.D.	JRW-5	Value Line Risk Metrics for Proxy Groups
J. Randall Woolridge, Ph.D.	JRW-6	The Relationship Between Expected ROE and Market-to-Book Ratios
J. Randall Woolridge, Ph.D.	JRW-7	Utility Capital Cost Indicators
J. Randall Woolridge, Ph.D.	JRW-8	Industry Average Betas
J. Randall Woolridge, Ph.D.	JRW-9	DCF Model
J. Randall Woolridge, Ph.D.	JRW-10	DCF Study
J. Randall Woolridge, Ph.D.	JRW-11	CAPM Study

J. Randall Woolridge, Ph.D.	JRW-12	Florida Power & Light Company's ROE Results
J. Randall Woolridge, Ph.D.	JRW-13	GDP and S&P 500 Growth Rates
Kevin O'Donnell	KWO-1	Qualifications and Experience of Kevin O'Donnell
Helmuth W. Schultz III	HWS-1	Resume of Helmuth W. Schultz III (filed in Dockets 160021-EI and 160061-EI
Helmuth W. Schultz III	HWS-2	2017 & 2018 Payroll Adjustments
Helmuth W. Schultz III	HWS-3	Employee Incentive Compensation Adjustment
Helmuth W. Schultz III	HWS-4	Benefit Expense Adjustment
Helmuth W. Schultz III	HWS-5	Payroll Tax Expense Adjustment
Helmuth W. Schultz III	HWS-6	Distribution Vegetative Management – Tree Trimming
Helmuth W. Schultz III	HWS-7	Pole Inspection Expense 2017 & 2018
Helmuth W. Schultz III	HWS-8	Directors and Officers Liability Insurance Adjustment
Helmuth W. Schultz III	HWS-9	Storm Hardening Capital
Ralph C. Smith	RCS-1	Resume of Ralph C. Smith
Ralph C. Smith	RCS-2	Revenue Requirement Schedules January 2017 Rate Change
Ralph C. Smith	RCS-3	Revenue Requirement Schedules January 2018 Subsequent Year Rate Change
Ralph C. Smith	RCS-4	Revenue Requirement Schedules Okeechobee Limited Scope 2019 Rate Change
Daniel J. Lawton	DJL-1	Resume of Daniel J. Lawton
Daniel J. Lawton	DJL-2	Surplus Equity Return Impact Test Year 2017
Daniel J. Lawton	DJL-3	Surplus Equity Return Impact Test Year 2018
Daniel J. Lawton	DJL-4	Surplus Equity Return Impact Test Year 2019
Daniel J. Lawton	DJL-5	Financial Metric Evaluation

3. STATEMENT OF BASIC POSITION

FPL's request is excessive for 2017, without even considering the additional requests for the subsequent time periods. FPL has amended its request to seek an approximately $826 million base rate increase in 2017. On top of this request, FPL is now asking for an additional $270 million in 2018, plus another $209 million increase in mid-2019 for the Okeechobee Clean Energy Center (Okeechobee). There is no requested increase in 2020. Even though FPL claims its request covers a four-year period, there would be no prohibition for the Company filing for an increase should it earn below its authorized return. In the Company's request, they are asking for a 100 basis point (or 1% point increase) over its currently authorized ROE midpoint of 10.5% to 11.5%, with the addition of a 50 basis point "adder."

OPC has evaluated FPL's Petition, testimony, the Minimum Filing Requirements (MFRs), discovery responses and testimonies filed in this proceeding into which Dockets Nos. 160061-EI, Storm Harding Plan, 160088-EI, Incentive Mechanism, and 160062-EI, Depreciation and Dismantlement, have been consolidated with the FPL base rate case, Docket No. 160021-EI. OPC has engaged multiple expert witnesses to conduct an extensive and thorough review: Jack Pous, Depreciation and Dismantlement; Dr. David Dismukes, Incentive Mechanism and Forecasting; Helmuth Schultz, C.P.A, Accounting Adjustments; Ralph Smith, C.P.A., Accounting Adjustments and Revenue Requirement; Dr. Randy Woolridge, Return on Equity; Kevin O'Donnell, C.F.A., Capital Structure; and Dan Lawton, Financial Integrity and surplus ROE inflator. OPC has identified four principal areas for adjustment: Depreciation and Dismantlement; Revenues; Capital Structure; and Return on Equity.

Depreciation and Dismantlement

Mr. Pous' review of FPL's depreciation study has demonstrated that FPL's requested increase of $195.1 million in depreciation expense is materially overstated. Mr. Pous recommends more realistic parameters for many of the depreciation accounts. Mr. Pous' recommendation identifies a total company depreciation reserve excess of $923 million, which he recommends be flowed back to current customer over 4 years. Assuming that the Commission adopts Mr. Pous' adjustments to FPL's depreciation and dismantlement study, the sum of the adjustments results in a reduction to FPL's 2017 revenue request due to $280 million for new lower depreciation rates and an additional $221 million in flow-back to customers in 2017 for excess depreciation reserve on a jurisdictional basis.

Revenue Increase

Dr. Dismukes has reviewed FPL's forecasts for 2017 and 2018. After comparing the 2015 Net Energy Load (NEL) forecast used for FPL's Ten Year Site Plan (TYSP) and the Okeechobee need determination case with the forecast used to prepare this rate case, Dr. Dismukes has determined that FPL's rate case forecast significantly understates revenues in the test year. He recommends that the Commission reject FPL's proposed rate case forecast and employ the 2015 NEL forecast previously used by the Commission to approve the Okeechobee need determination for FPL. Adopting the 2015 NEL forecast will decrease the Company's revenue requirement increase by $206.5 million in 2017 and $259.5 million in 2018.

Capital Structure

Kevin O'Donnell has addressed FPL's excessive equity ratio request of 59.6% equity. As Mr. O'Donnell testifies, FPL's request in this case puts an unnecessary costly burden on FPL's ratepayer - an extra $40.97 per year to typical residential customers - and should not be allowed. Mr. O'Donnell's examination of capital structures demonstrates that the FPL proxy group average equity ratio is 49.3% and the national average for allowed equity ratios is 49%. Rather than utilizing FPL's proposed unreasonable, hypothetical capital structure of 59.6% equity, Mr. O'Donnell recommends using a more rationale, hypothetical capital structure of 50% equity. Applying a 50% equity ratio, which is in-line with industry averages (and still more than the equity ratios of both NextEra's consolidated group and the FPL proxy group average), results in an approximately $337 million reduction to FPL's 2017 request.

<u>Return on Equity (ROE)</u>

Dr. Woolridge has evaluated FPL's requested ROE in light of current market conditions and the changes since FPL's last rate case. FPL's requested 11% ROE, especially with its requested 59.6% equity ratio, is excessive under current market conditions. Dr. Woolridge notes in his testimony that both interest rates and awarded ROEs have decreased since 2012. Dr. Woolridge, applying the Discount Cash Flow (DCF) method checked by the Capital Asset Pricing Model (CAPM) method with a proposed capital structure of 50% and also utilizing a comparable electric proxy group, determined that the appropriate ROE for FPL is 8.75%. Utilizing an 8.75% ROE would result in an approximately $560 million reduction from FPL's 2017 request.

<u>Additional Issues</u>

OPC experts have other additional adjustments based on their thorough examination of FPL's requests. Mr. Schulz recommends reductions to FPL's requested increase in unneeded new employee positions and storm hardening related expenses. Mr. Smith recommends reductions for rate case expense, tax-related costs, and generation overhaul expense. Mr. Lawton discusses FPL's ability to maintain its financial integrity with the implementation of all OPC recommendations and why no ROE inflator should be allowed.

<u>Conclusion</u>

Based on this extensive expert review, OPC has determined a rate **<u>decrease</u>** of $807 million is appropriate for 2017, and that no rate increases are needed for 2018 or for the Okeechobee limited scope adjustment in 2019.

LEGAL ISSUES

ISSUE 1: Does the Commission possess the authority to grant FPL's proposal to continue utilizing the storm cost recovery mechanism that was part of the settlement agreements approved in Order Nos. PSC-11-0089-S-EI and PSC-13-0023-S-EI?

OPC: No, Section 366.8260, Florida Statutes, Storm-recovery financing, sets forth the statutory scheme for storm cost recovery.

ISSUE 2: Does the Commission have the authority to approve FPL's requested limited scope adjustment for the new Okeechobee Energy Center in June of 2019?

OPC: OPC has not contested the authority of the Commission to approve a limited scope adjustment in this proceeding. However, OPC does not believe that a limited scope adjustment is reasonable or necessary based on OPC's recommended revenue requirements for 2017 and 2018.

ISSUE 3: Does the Commission possess the authority to adjust FPL's authorized return on equity based on FPL's performance?

OPC: In Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 597, 603 (1944), the U.S. Supreme Court found that:

> the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital.

The Commission has the authority to establish a return on equity commensurate with the U.S. Supreme Court standard. The Commission approved an upward adjustment of 25 basis points to Gulf Power Company's equity return for performance related to conservation measures. The Commission set rates using the midpoint and 25 basis point adjustment but maintained the 100 basis point range based off the cost-based mid-point approved by the Commission in Order No. PSC-02-0787-FOF-EI, issued June 10, 2002, in Docket No. 010949-EI at pp. 35-36.

ISSUE 4: Does the Commission have the authority to include non-electric transactions in an incentive mechanism?

OPC: No. In Citizens v. Graham, 191 So. 3d 897 (Fla 2016), the Florida Supreme Court stated that under the plain meaning of Section 366.01 and Section 366.02, Florida Statutes, cost recovery is permissible only for costs arising from the "generation, transmission, or distribution" of electricity. Id. at 7. The Court also noted that utilities through the fuel clause do not earn a return on money spent to purchase fuel or earn a return on the cost of hedging positions purchased. Id. at 8-9. It would exceed the Commission's authority to grant cost recovery to the extent FPL proposes to earn a return for non-electric transactions in an incentive mechanism.

ISSUE 5: Does the Commission have the authority to approve proposed depreciation rates to be effective January 1, 2017, based upon a depreciation study that uses year-end 2017 plant balances?

OPC: This is a legal issue that will be briefed.

ISSUE 6: Are Commercial Industrial Load Control (CILC) and Commercial/Industrial Demand Reduction (CDR) credits subject to adjustment in this proceeding?

OPC: No position.

STORM HARDENING ISSUES

ISSUE 7: Does the Company's Storm Hardening Plan (Plan) comply with the National Electric Safety Code (ANSI C-2) (NESC) as required by Rule 25-6.0345, F.A.C.?

OPC: No position at this time.

ISSUE 8: Does the Company's Plan address the extreme wind loading standards specified in Figure 250-2(d) of the 2012 edition of the NESC for new distribution facility construction as required by Rule 25-6.0342(3)(b)1, F.A.C.?

OPC: No position at this time.

ISSUE 9: Does the Company's Plan address the extreme wind loading standards specified by Figure 250-2(d) of the 2012 edition of the NESC for major planned work on the distribution system, including expansion, rebuild, or relocation of existing facilities, assigned on or after the effective date of this rule distribution facility construction as required by Rule 25-6.0342(3)(b)2, F.A.C.?

OPC: No position at this time.

ISSUE 10: Does the Company's Plan address the extreme wind loading standards specified by Figure 250-2(d) of the 2012 edition of the NESC for distribution facilities serving critical infrastructure facilities and along major thoroughfares taking into account political and geographical boundaries and other applicable operational considerations as required by Rule 25-6.0342(3)(b)3, F.A.C.?

OPC: No position at this time.

ISSUE 11: Is the Company's Plan designed to mitigate damages to underground and supporting overhead transmission and distribution facilities due to flooding and storm surges as required by Rule 25-6.0342(3)(c), F.A.C.?

OPC: No position at this time.

ISSUE 12: Does the Company's Plan address the extent to which the placement of new and replacement distribution facilities facilitate safe and efficient access for installation and maintenance as required by Rule 25-6.0342(3)(d), F.A.C.?

OPC: No position at this time.

ISSUE 13: Does the Company's Plan provide a detailed description of its deployment strategy including a description of the facilities affected; including technical design specifications, construction standards, and construction methodologies employed as required by Rules 25-6.0341 and 25-6.0342(4)(a), F.A.C.?

OPC: No position at this time.

<u>ISSUE 14</u>: Does the Company's Plan provide a detailed description of its deployment strategy as it relates to the communities and areas within the utility's service area where the electric infrastructure improvements, including facilities identified by the utility as critical infrastructure and along major thoroughfares are to be made as required by Rules 25-6.0342(3)(b)3 and 25-6.0342(4)(b), F.A.C.?

OPC: No position at this time.

<u>ISSUE 15</u>: Does the Company's Plan provide a detailed description of its deployment strategy to the extent that the electric infrastructure improvements involve joint use facilities on which third-party attachments exist as required by Rule 25-6.0342(4)(c), F.A.C.?

OPC: No position at this time.

<u>ISSUE 16</u>: Does the Company's Plan provide a reasonable estimate of the costs and benefits to the utility of making the electric infrastructure improvements, including the effect on reducing storm restoration costs and customer outages as required by Rule 25-6.0342(4)(d), F.A.C.?

OPC: No position at this time.

<u>ISSUE 17</u>: Does the Company's plan provide an estimate of the costs and benefits to third-party attachers affected by the electric infrastructure improvements, including the effect on reducing storm restoration costs and customers outages realized by the third-party attachers as required by Rule 25-6.0342(4)(e), F.A.C.?

OPC: No position at this time.

<u>ISSUE 18</u>: Does the Company's Plan include a written Attachment Standards and Procedures addressing safety, reliability, pole loading capacity, and engineering standards and procedure for attachments by others to the utility's electric transmission and distribution poles that meet or exceed the edition of the National Electrical Safety Code (ANSI C-2) that is applicable as required by Rule 25-6.0342(5), F.A.C.?

OPC: No position at this time.

<u>WOODEN POLE INSPECTION PROGRAM</u>

<u>ISSUE 19</u>: Does the Company's eight-year wooden pole inspection program comply with Order No. PSC-06-0144-PAA-EI, issued on February 27, 2006, in Docket No. 060078-EI, and Order No. PSC-06-0778-PAA-EU, issued on September 18, 2006, in Docket No. 060531-EU?

OPC: No position at this time.

<u>10 POINT STORM PREPAREDNESS INITIATIVES</u>

<u>ISSUE 20</u>: Does the Company's 10-point initiatives plan comply with Order No. PSC-06-0351-PAA-EI, issued on April 25, 2006; Order No. PSC-06-0781-PAA-EI, issued on September 19, 2006; and Order No. PSC-07-0468-FOF-EI, issued on May 30, 2007, in Docket No. 060198-EI?

OPC: No position at this time.

APPROVAL OF STORM HARDENING PLAN

ISSUE 21: Should the Company's Storm Hardening Plan for the period 2016 through 2018 be approved?

OPC: To the extent the plan is based on excessive and unnecessary levels of expenditures, it should not be approved.

COSTS FOR STORM HARDENING AND 10 POINT INITIATIVES

ISSUE 22: What adjustments, if any, should be made to rate base associated with the storm hardening Rule 25-6.0342, F.A.C., and 10 point initiatives requirements?

OPC: No position at this time.

ISSUE 23: What adjustments, if any, should be made to operating expenses associated with the storm hardening Rule 25-6.0342, F.A.C., and 10 point initiatives requirements?

OPC: No position at this time.

TEST PERIOD AND FORECASTING

ISSUE 24: Is FPL's projected test period of the 12 months ending December 31, 2017, appropriate?

OPC: Yes, with appropriate adjustments. (Smith)

ISSUE 25: Do the facts of this case support the use of a subsequent test year ending December 31, 2018 to adjust base rates?

OPC: No. A subsequent test year is not necessary or good policy. If the test year is chosen appropriately, it should be representative of rates on a going-forward basis, negating the need for another rate adjustment so shortly after the original test year, absent any extraordinary circumstances, which FPL has not shown. In fact, OPC's recommendation is for a reduction of approximately $807 million based on the 2017 test year ($812 million with growth in 2018) and an overall revenue reduction of approximately $604 million for 2018. (Smith)

<u>ISSUE 26</u>: Has FPL proven any financial need for rate relief in any period subsequent to the projected test period ending December 31, 2017?

OPC: No. Based on the 2017 test year, revenues should be reduced by approximately $807 million. Thus, no subsequent year adjustment is necessary. Based on the 2018 test year, if no rate change occurred in 2017, an overall revenue reduction of approximately $604 million is appropriate. (Smith)

<u>ISSUE 27</u>: Is FPL's projected subsequent test period of the 12 months ending December 31, 2018, appropriate?

OPC: No, the subsequent test year adjustment is not necessary or good policy. FPL has not shown an extraordinary circumstance or need that warrants a 2018 test year. Based on the 2017 test year, revenues should be reduced by approximately $807 million. Thus, no subsequent year adjustment is necessary. Based on the 2018 test year, if no rate change occurred in 2017, an overall revenue reduction of approximately $604 million is appropriate. (Smith)

<u>ISSUE 28</u>: Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the 2017 projected test year appropriate?

OPC: No. No. FPL's forecast of KWH by Rate Schedule and Revenue Class are based upon a faulty NEL energy sales forecast that the Commission should reject as unacceptable for ratemaking purposes. Instead the Commission should adopt new forecasts of KWH by Rate Schedule and Revenue Class based upon the 2015 TYSP NEL forecast. (Dismukes)

<u>ISSUE 29</u>: Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the 2018 projected test year appropriate, if applicable?

OPC: No. The Commission should reject FPL's NEL energy sales forecast as unacceptable for ratemaking purposes and instead should adopt the 2015 TYSP NEL forecast, which will increase test year weather-normalized retail delivered energy by 3,896 gigawatt-hours or 3.5 percent. Likewise, the proposed adjustment will increase subsequent year weather-normalized retail delivered energy by 4,882 gigawatt-hours, or 4.3 percent. The adjustment will decrease the Company's needed revenue requirement increase by $206.5 million in 2017 and $259.5 million in 2018. (Dismukes)

<u>ISSUE 30</u>: Are FPL's forecasts of Customers, KWH, and KW by Rate Schedule and Revenue Class, for the period June 2019 to May 2020, appropriate, if applicable?

OPC: No. FPL has not provided a separate forecast for the June 2019 to May 2020 period. (Dismukes)

<u>ISSUE 31</u>: Are FPL's projected revenues from sales of electricity by rate class at present rates for the 2016 prior year and projected 2017 test year appropriate?

OPC: No. The Commission should use the 2015 TYSP NEL forecast that will increase test year weather-normalized retail delivered energy by 3,896 gigawatt or 3.5 percent. (Dismukes)

<u>ISSUE 32</u>: Are FPL's projected revenues from sales of electricity by rate class at present rates for the projected 2018 test year appropriate, if applicable?

OPC: No. The Commission should use the 2015 TYSP NEL forecast that will increase test year weather-normalized retail delivered energy by 4,882 gigawatt or 4.3 percent. (Dismukes)

<u>ISSUE 33</u>: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2017 test year budget?

OPC: FPL's proposed rate case forecast significantly understates sales as compared to the previously used 2015 NEL forecast. The difference between the rate case and 2015 forecasts go far beyond updating the forecasting model data and have not been explained or justified. The Commission should adopt the energy sales forecast included in FPL's 2015 TYSP. Further, FPL proposes to use an overstated inflation factor of 2.5% based on a single source. A more appropriate 1.44% inflation should be used which is based on weighting multiple sources. (Dismukes)

<u>ISSUE 34</u>: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2018 test year budget, if applicable?

OPC: FPL's proposed rate case forecast significantly understates sales as compared to the previously used 2015 NEL forecast. The difference between the rate case and 2015 forecasts go far beyond updating the forecasting model data and have not been explained or justified. The Commission should adopt the energy sales forecast included in FPL's 2015 TYSP. Further, FPL proposes to use an overstated inflation factor of 2.5% based on a single source. A more appropriate 2.06% inflation should be used which is based on weighting multiple sources. (Dismukes)

ISSUE 35: Are FPL's estimated operating and tax expenses, for the projected 2017 test year, sufficiently accurate for purposes of establishing rates?

OPC: No. See OPC's positions on Issues 89-120.

ISSUE 36: Are FPL's estimated operating and tax expenses, for the projected 2018 subsequent year, sufficiently accurate for purposes of establishing rates, if applicable?

OPC: No. See OPC's positions on Issues 89-120.

ISSUE 37: Are FPL's estimated Net Plant in Service and other rate base elements, for the projected 2017 test year, sufficiently accurate for purposes of establishing rates?

OPC: No. See OPC's positions on Issues 53-77.

ISSUE 38: Are FPL's estimated Net Plant in Service and other rate base elements, for the projected 2018 subsequent year, sufficiently accurate for purpose of establishing rates, if applicable?

OPC: No. See OPC's positions on Issues 53-77.

QUALITY OF SERVICE

ISSUE 39: Is the quality of the electric service provided by FPL adequate taking into consideration: a) the efficiency, sufficiency and adequacy of FPL's facilities provided and the services rendered; b) the cost of providing such services; c) the value of such service to the public; d) the ability of the utility to improve such service and facilities; e) energy conservation and the efficient use of alternative energy resources; and f) any other factors the Commission deems relevant.

OPC: FPL's quality of service is adequate for general ratemaking purposes. However, FPL's is not providing service beyond the "superior performance" that FPL ratepayers have already paid for in base rates and which FPL is obligated to provide under the regulatory compact. Moreover, FPL has been issued a Notice of Violation by the Florida Department of Environmental Protection due to the hypersaline water infiltrating the Biscayne Aquifer drinking water supply as a discharge from its Turkey Point Nuclear Units cooling canal system. FPL has stated that it expects to ask customers to pay $50 million in just the first year for remediation of this problem it has caused and to which it has contributed.

DEPRECIATION STUDY

ISSUE 40: What, if any, are the appropriate capital recovery schedules?

OPC: FPL has the burden to show that its requested capital recovery schedules are reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

<u>ISSUE 41</u>: What is the appropriate depreciation study date?

OPC: FPL has the burden to show that the date for its depreciation study is reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

<u>ISSUE 42</u>: If the appropriate depreciation study date is not December 31, 2017, what action should the Commission take?

OPC: FPL has the burden to show that the date for its depreciation study is reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

<u>ISSUE 43</u>: Should accounts 343 and 364 be separated into subaccounts and different depreciation rates be set for the subaccounts using separate parameters? If so, how should the accumulated depreciation reserves be allocated and what parameters should be applied to each subaccount?

OPC: No. The Commission should retain the existing interim retirement ratios established by the Commission in the prior case, with one exception. That one exception reinstates a single interim retirement rate for Account 343 – Prime Movers. Moreover, by retaining the interim retirement ratio approach and again denying the use of truncated interim retirement Iowa survivor curves, the Commission eliminates one of FPL's more unreasonable aggressive depreciation tools from consideration. Retention of the existing interim retirement ratios, after reversing the separation of Account 343, on a standalone basis results in a $165.6 million reduction to depreciation expense.

For Account 364, FPL's first time proposal to separate poles between wood and concrete into two subaccounts should also be denied. The Company's proposal of using a 40R2 life-curve results in an artificially short ASL for wood poles. Mr. Allis' sole reliance on the overall band actuarial results coupled with his apparent decision to skip the life estimation phase of his study is a fatal flaw for his proposal. Further, his historical data period does not properly capture the changing chemical treatments for wood poles, the pole inspection programs implemented in 2006, and the significant increase in the retirement of wood poles due to the storm hardening program. Making Mr. Allis' proposal and basis less credible is the fact that he performed additional actuarial analyses that relied on different placement and/or experience bands, but he inappropriately omitted his results in his presentation to the Commission. Mr. Pous recommends a modest increase in ASL to 44 years with a corresponding R2.5 Iowa Survivor Curve, which the standalone impact results in a $6,213,541 reduction to depreciation expense.

For concrete poles, Mr. Pous testified the Company's 45-year ASL proposal reflects an artificially short ASL, which should be increased to a conservative 56-year ASL with a corresponding S0 Iowa Survivor Curve, which the standalone impact results in a $4,281,779 reduction to depreciation expense. (Pous)

ISSUE 44: What are the appropriate depreciation parameters (e.g., service lives, remaining lives, net salvage percentages, and reserve percentages) and resulting depreciation rates for the accounts and subaccounts related to each production unit?

OPC: For production unit parameters recommended by Mr. Pous, see Exhibit JP-1 pages 1-15. FPL's 40-year life span is a continued effort to understate the realistic life span for its combined cycle generating facilities based on the current understanding and expectations of their life characteristics. Recently, utilities and regulators are recognizing that 50 and 60-year life spans are more appropriate for steam-fired generating facilities, including Gannett Fleming's witnesses testifying elsewhere to 45-year life spans for combined cycle generating units. Further, any claims of harsh operating conditions such as corrosion is already being addressed by FPL. The standalone impact of Mr. Pous' 45-year life span results in a reduction to depreciation expense of $47 million annually. (Pous)

<u>ISSUE 45</u>: What are the appropriate depreciation parameters (e.g., service lives, remaining lives, and net salvage percentages) and resulting depreciation rates for each transmission, distribution, and general plant account, and subaccounts, if any?

OPC: For production unit parameters recommended by Mr. Pous, see Exhibit JP-1 pages 16-17. Mr. Pous is also recommending adjustments to FPL's Life Analyses to 14 accounts or subaccounts as listed in the first table below. The combined impact of these adjustments result in a standalone reduction of $57,878,890 to annual depreciation expense, and increase the reserve surplus for mass property accounts by $472,736,255. Additionally, FPL's proposed net salvage reflected in the 2014 Study is flawed and insufficiently substantiated, and proposes excessive levels of negative net salvage. Mr. Pous recommends a reduction to FPL's depreciation expense based on adjustments to its proposed net salvage level for 13 accounts as summarized in the second table below. (Pous)

Summary of OPC's Recommended Mass Property Life Adjustments

Account	FPL Proposed	OPC Proposed	OPC Adjustment	Impact
350.2	75S4	100R4	25	$1,024,767
353	40R1	44L1	4	$4,805,285
353.1	30R1	38R1	8	$3,685,141
354	60R4	70R4	10	$1,341,842
355	50R2	55S0	5	$5,024,286
356	51R1	55S0	4	$2,053,816
362	45R1.5	48S0.5	3	$3,189,707
364.1	40R2	44R2.5	4	$6,213,541
364.2	50R1.5	56S0	6	$4,281,779
365	48R1	53R1	5	$9,047,446
367.6	42S0	46L0.5	4	$5,916,659
367.7	35R2	45L1	10	$7,848,266
373	35O1	39L0	4	$1,707,755
392.3	12S3	13S3	1	$1,738,601
Total				**$57,878,890**

Summary of OPC's Recommended Net Salvage Adjustments

Account	FPL Proposed	OPC Proposed	OPC Adjustment	Impact
353	(2%)	0%	2%	($1,191,149)
354	(25%)	(15%)	10%	($1,018,685)
355	(50%)	(40%)	10%	($3,310,591)
356	(55%)	(45%)	10%	($2,282,226)
362	(10%)	(5%)	5%	($2,805,684)
364.1	(100%)	(60%)	40%	($15,941,184)
364.2	(100%)	(60%)	40%	($8,098,004)
365	(80%)	(60%)	20%	($11,371,415)
367.6	(5%)	0%	5%	($2,732,496)
369.1	(125%)	(85%)	45%	($4,953,744)
370	(30%)	(20%)	10%	($546,123)
370.1	(30%)	(20%)	10%	($5,499,976)
390	(10%)	10%	20%	($2,354,193)
Total				**($62,105,471)**

ISSUE 46: Based on the application of the depreciation parameters and resulting depreciation rates that the Commission deems appropriate, and a comparison of the theoretical reserves to the book reserves, what are the resulting imbalances?

OPC: FPL's $99 million total deficiency is severely skewed due to the numerous inappropriate life and/or net salvage parameters created by the aggressive depreciation practices employed by FPL and Gannett Fleming. If the Commission were to adopt approximately half of Mr. Pous' recommendations, the resulting reserve surplus would still approach $1 billion. Instead, Mr. Pous recommends an approach that should satisfy all concerns if all or most of his adjustments to net salvage and life parameters are adopted. He recommends that $923,126,674 of the $1,513,903,241 mass property related reserve surplus associated with Mr. Pous' adjustments be returned to customers over the next 4-years. The remaining $590,776,567 of mass property related reserve surplus associated with his recommended adjustments provides a safety cushion and addresses the matching principle as it relates to the intergenerational inequity problem, but not to levels the Commission has found appropriate in other cases. Amortizing the excess reserve over a 4-year period reduces depreciation expense by $230,781,669, and increases the level of normal remaining life calculated depreciation expense Mr. Pous would have recommended absent this adjustment by $24,432,693. This approach also takes into account the need to gauge the impact of a shorter amortization period so as to not impair the financial integrity of the Company, as testified by OPC witness Lawton. (Pous, Lawton)

ISSUE 47: If the Commission accepts FPL's depreciation study for purposes of establishing its proposed depreciation rates and related expense, what adjustments, if any, are necessary?

OPC: See OPC's positions in Issues 40 to 46 for OPC's recommended adjustments to the depreciation rates. Adjustments to accumulated depreciation are addressed in Issues 58 and 60, and depreciation expense in Issue 114. (Pous, Smith)

ISSUE 48: What, if any, corrective reserve measures should be taken with respect to the imbalances identified in Issue 46?

OPC: Amortizing the excess reserve over a 4-year period reduces depreciation expense by $230,781,669, and increases the level of normal remaining life calculated depreciation expense Mr. Pous would have recommended absent this adjustment by $24,432,693.

<u>ISSUE 49</u>: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

OPC: The new depreciation rates should be implemented in January 2017.

<u>ISSUE 50</u>: Should FPL's currently approved annual dismantlement accrual be revised?

OPC: FPL has the burden to show that its annual dismantlement accrual is reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

<u>ISSUE 51</u>: What, if any, corrective dismantlement reserve measures should be approved?

OPC: FPL has the burden to show that its annual dismantlement accrual corrective dismantlement reserve measures are reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

<u>ISSUE 52</u>: What is the appropriate annual accrual and reserve for dismantlement

A. For the 2017 projected test year?

OPC: FPL has the burden to show that its annual dismantlement accrual and reserve for dismantlement are reasonable and appropriate for the 2017 test year. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden to show that its annual dismantlement accrual and reserve for dismantlement are reasonable and appropriate for the 2018 test year. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

RATE BASE

ISSUE 53: Should the revenue requirement associated with West County Energy Center Unit 3 currently collected through the Capacity Cost Recovery Clause be included in base rates?

OPC: As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing capital items in rate base rather than in cost recovery clauses.

<u>ISSUE 54</u>: Has FPL appropriately accounted for the impact of the Cedar Bay settlement agreement

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has appropriately accounted for the impact of the Cedar Bay settlement agreement for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has appropriately accounted for the impact of the Cedar Bay settlement agreement for the 2018 test year.

<u>ISSUE 55</u>: Has FPL made the appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation and Working Capital

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that only utility-related costs are properly recorded on its books and records and reflected in the 2017 MFRs.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that only utility-related costs are properly recorded on its books and records and reflected in the 2018 MFRs.

<u>ISSUE 56</u>: What is the appropriate amount of Plant in Service for FPL's Large Scale Solar Projects?

OPC: FPL has the burden of demonstrating that its Large Scale Solar Projects costs are properly recorded on its books and records and reflected in the MFRs.

ISSUE 57: Is FPL's replacement of its peaking units reasonable and prudent?

OPC: FPL has the burden of demonstrating that its replacement of its peaking units are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

ISSUE 58: If adjustments are made to FPL's proposed depreciation and dismantling expenses, what is the impact on rate base

A. For the 2017 projected test year?

OPC: To reflect OPC witness Pous' adjustment to depreciation and dismantlement expenses, rate base should be increased (accumulated depreciation decreased) by \$146.314 million (\$130.489 million jurisdictional) for depreciation expense, and \$115.391 million (\$102.910 million jurisdictional) for the depreciation reserve excess. An additional adjustment to increase rate base should also be made to reflect OPC witness Schultz' adjustment of \$.428 million (total and jurisdictional) for the 2017 storm hardening plant. (Smith, Pous, Schultz)

B. If applicable, for the 2018 subsequent projected test year?

OPC: To reflect OPC witness Pous' adjustment to depreciation and dismantling expenses, rate base should be increased (accumulated depreciation decreased) by \$143.093 million (\$128.358 million jurisdictional) for 2017 depreciation expense, and \$230.782 million (\$207.018 million jurisdictional) for the 2017 full year depreciation reserve excess impact, and \$115.391 million (\$102.910 million jurisdictional) for the 2018 depreciation reserve excess half year impact. An additional adjustment to increase rate base should also be made to reflect OPC witness Schultz' adjustment of $.615 million (total and jurisdictional) for the 2018 storm hardening plant. (Smith, Pous, Schultz)

ISSUE 59: What is the appropriate level of Plant in Service (Fallout Issue)

A. For the 2017 projected test year?

OPC: To reflect the reduction to plant recommended by OPC witness Schultz for storm hardening, 2017 plant should be reduced by $31.546 million on a total and jurisdictional basis. (Schultz, Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: To reflect the reduction to plant recommended by OPC witness Schultz for storm hardening, 2018 plant should be reduced by $45.335 million on a total and jurisdictional basis. (Schultz, Smith)

ISSUE 60: What is the appropriate level of Accumulated Depreciation (Fallout Issue)

A. For the 2017 projected test year?

OPC: To reflect OPC witness Pous' adjustment to depreciation and dismantlement expenses, rate base should be increased (accumulated depreciation decreased) by $146.314 million ($130.489 million jurisdictional) for depreciation expense, and $115.391 million ($102.910 million jurisdictional) for the depreciation reserve excess. An additional adjustment to increase rate base should also be made to reflect

OPC witness Schultz' adjustment of $.428 million ($.428 million jurisdictional) for the 2017 storm hardening plant. (Smith, Pous, Schultz)

B. If applicable, for the 2018 subsequent projected test year?

OPC: To reflect OPC witness Pous' adjustment to depreciation and dismantlement expenses, rate base should be increased (accumulated depreciation decreased) by $143.093 million ($128.358 million jurisdictional) for 2017 depreciation expense, and $230.782 million ($207.018 million jurisdictional) for the 2017 full year depreciation reserve excess impact, and $115.391 million ($102.910 million jurisdictional) for the 2018 depreciation reserve excess half year impact. An additional adjustment to increase rate base should also be made to reflect OPC witness Schultz' adjustment of $.615 million ($.615 million jurisdictional) for the 2018 storm hardening plant. (Smith, Pous, Schultz)

ISSUE 61: Are FPL's proposed adjustments to move certain CWIP projects from base rates to the Environmental Cost Recovery Clause appropriate?

OPC: No. FPL's proposed adjustments to move certain CWIP projects from base rates to the ECRC should be denied. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing capital items in rate base rather than in cost recovery clauses.

ISSUE 62: Are FPL's proposed adjustments to move certain CWIP projects from base rates to the Energy Conservation Cost Recovery Clause appropriate?

OPC: No. FPL’s proposed adjustments to move certain CWIP projects from base rates to the ECCR should be denied. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing capital items in rate base rather than in cost recovery clauses.

<u>ISSUE 63</u>: Is the company’s proposed adjustment to remove Fukushima-related costs from the rate base and recover all Fukushima-related capital costs in the Capacity Cost Recovery Clause appropriate?

OPC: No. FPL’s proposed adjustments to move certain CWIP projects from base rates to the CCRC should be denied. As a general matter, and absent any countervailing consideration that would be to the detriment of customers, OPC favors placing capital items in rate base rather than in cost recovery clauses.

<u>ISSUE 64</u>: What is the appropriate level of Construction Work in Progress to be included in rate base

A. For the 2017 projected test year?

OPC: CWIP should not be afforded rate base treatment. CWIP, by its very nature, is plant that is not completed and is not providing service to customers. More specifically, and in reference to this proceeding, CWIP is not used or useful in delivering electricity to FPL's customers. Rate base recovery of CWIP should be limited to extraordinary circumstances and removal of CWIP from FPL’s rate base will not materially impact FPL’s earnings or financial indicators. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: CWIP should not be afforded rate base treatment. CWIP, by its very nature, is plant that is not completed and is not providing service to customers. More specifically, and in reference to this proceeding, CWIP is not used or useful in delivering electricity to FPL's customers. Rate base recovery of CWIP should be limited to extraordinary circumstances and removal of CWIP from FPL's rate base will not materially impact FPL's earnings or financial indicators. (Smith)

ISSUE 65: Are FPL's proposed reserves for Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel appropriate

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its proposed reserves for Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its proposed reserves for Nuclear End of Life Material and Supplies and Last Core Nuclear Fuel are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

ISSUE 66: What is the appropriate level of Nuclear Fuel (NFIP, Nuclear Fuel Assemblies in Reactor, Spent Nuclear Fuel less Accumulated Provision for Amortization of

Nuclear Fuel Assemblies, End of Life Materials and Supplies, Nuclear Fuel Last Core)

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its proposed level of Nuclear Fuel (NFIP, Nuclear Fuel Assemblies in Reactor, Spent Nuclear Fuel less Accumulated Provision for Amortization of Nuclear Fuel Assemblies, End of Life Materials and Supplies, Nuclear Fuel Last Core) are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its proposed level of Nuclear Fuel (NFIP, Nuclear Fuel Assemblies in Reactor, Spent Nuclear Fuel less Accumulated Provision for Amortization of Nuclear Fuel Assemblies, End of Life Materials and Supplies, Nuclear Fuel Last Core) are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

ISSUE 67: What is the appropriate level of Property Held for Future Use

A. For the 2017 projected test year?

OPC: FPL has made no showing why the PHFFU projects that have been in rate base for more than 10 years, and some for more than 40 years, which are not expected to provide service for more than 10 years after the test year, are reasonably needed to provide reliable service to existing and future customers. Customers should not be required to continue to provide FPL with a rate base return, including shareholder profits, on these projects when FPL has failed to show why these properties are needed or why a 40- to 50-year planning horizon is reasonable for identifying assets to be included in rate base as used and useful plant. Sites with a projected in-service date of 2026 or later (more than ten years beyond the test year), in the PHFFU, should be removed from rate base. As such, PHFFU for the 2017 test year should be reduced by $14.681 million total ($14.228 million jurisdictional). (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has made no showing why the PHFFU projects that have been in rate base for more than 10 years, and some for more than 40 years, which are not expected to provide service for more than 10 years after the test year, are reasonably needed to provide reliable service to existing and future customers. Customers should not be required to continue to provide FPL with a rate base return, including shareholder profits, on these projects when FPL has failed to show why these properties were needed or why a 40 to 50-year planning horizon is reasonable for identifying assets to be included in rate base as used and useful plant. For the 2018 future test year, the jurisdictional adjustment decreases average 2018 jurisdictional rate base by $14.234 million.

ISSUE 68: What is the appropriate level of fossil fuel inventories

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its proposed level of fossil fuel inventories are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its proposed level of fossil fuel inventories are reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

ISSUE 69: Should the unamortized balance of Rate Case Expense be included in Working Capital and, if so, what is the appropriate amount to include

A. For the 2017 projected test year?

OPC: No. The Commission should follow its long-standing policy in electric cases of not allowing inclusion of the unamortized rate case expense in rate base. Consistent with the Commission's findings in the most recent Progress Energy Florida base rate cases, the Gulf Power Company base rate case cited above, and FPL's 2010 rate case, it would be unfair for customers to pay a return on the costs incurred by the Company in this case when these are being used to increase customer rates. Working capital should be reduced by the full amount of the unamortized balance of rate case expense of $4.309 million. (Smith)

B. If applicable, for the 2018 subsequent projected test year

OPC: No. The Commission should follow its long-standing policy in electric cases of not allowing inclusion of the unamortized rate case expense in rate base. Consistent with the Commission's findings in the most recent Progress Energy Florida base rate cases, the Gulf Power Company base rate case cited above, and FPL's 2010 rate case, it would be unfair for customers to pay a return on the costs incurred by the Company in this case when these are being used to increase customer rates. Working capital should be reduced by the full amount of the unamortized balance of rate case expense of $3.078 million. (Smith)

<u>ISSUE 70</u>: What is the appropriate amount of injuries and damages (I&D) reserve to include in rate base?

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its proposed level of injuries and damages (I&D) reserve is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

B. If applicable, for the 2018 subsequent projected test year

OPC: FPL has the burden of demonstrating that its proposed level of injuries and damages (I&D) reserve is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

<u>ISSUE 71</u>: What is the appropriate amount of deferred pension debit in working capital for FPL to include in rate base

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its proposed level deferred pension debit in working capital is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its proposed level deferred pension debit in working capital is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

ISSUE 72: Should the unbilled revenues be included in working capital

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its proposed level unbilled revenues in working capital is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its proposed level unbilled revenues in working capital is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

ISSUE 73: What is the appropriate methodology for calculating FPL's Working Capital

A. For the 2017 projected test year?

OPC: The appropriate method of calculating working capital is the balance sheet method.

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate method of calculating working capital is the balance sheet method.

ISSUE 74: 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

A. For the 2017 projected test year?

OPC: Based on OPC witness Smith's testimony, 2017 working capital should be reduced by the full amount of the unamortized balance of rate case expense of $4.309 million. (Smith) Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing.

B. If applicable, for the 2018 subsequent projected test year?

OPC: Based on OPC witness Smith's testimony, 2018 working capital should be reduced by the full amount of the unamortized balance of rate case expense of $3.078 million. (Smith) Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing.

ISSUE 75: Should FPL's requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize be approved? If so, are any adjustments necessary?

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its requested change in methodology for recovering nuclear maintenance outage costs from accrue-in-advance to defer-and-amortize is reasonable and prudent and that the costs are properly recorded on its books and records and reflected in the MFRs.

<u>ISSUE 76</u>: What is the appropriate level of Working Capital (Fallout Issue)

A. For the 2017 projected test year?

OPC: Based on OPC witness Smith's testimony, 2017 working capital should be $867.037 million. (Smith) Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Based on OPC witness Smith's testimony, 2018 working capital should be $912.686 million. (Smith) Other adjustments to working capital may also be appropriate, based on the evidence adduced at hearing. (Smith)

<u>ISSUE 77</u>: What is the appropriate level of rate base

A. For the 2017 projected test year?

OPC: Based on the testimony of OPC witnesses, 2017 rate base should be $32,725.587 million. (Schultz, Pous and Smith) Other adjustments to rate base may also be appropriate, based on the evidence adduced at hearing.

B. If applicable, for the 2018 subsequent projected test year?

OPC: Based on the testimony of OPC witnesses, 2018 rate base should be $34,269.536 million. Other adjustments to rate base may also be appropriate, based on the evidence adduced at hearing. (Schultz, Pous and Smith)

COST OF CAPITAL

ISSUE 78: What is the appropriate amount of accumulated deferred taxes to include in the capital structure and should a proration adjustment to deferred taxes be included in capital structure

A. For the 2017 projected test year?

OPC: Based on the testimony of OPC witness Smith, 2017 ADIT should be decreased by $1.9 million related to OPC's removal of deferred rate case expense from working capital. The appropriate amount of ADIT included in the capital structure should be $7,368.582 million. After a reconciliation adjustment to increase ADIT by $42.910 million based on OPC's increase to rate base, results in a total ADIT balance of $7,411.492 million. Other adjustments to ADITs may also be appropriate, based on the evidence adduced at hearing. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Based on the testimony of OPC witness Smith, 2018 ADITs should be decreased by $1.9 million related to OPC's removal of deferred rate case expense from working capital. The appropriate amount of ADIT included in the capital structure should be $7,753.738 million. After a reconciliation adjustment to increase ADIT by $91.257 million, results in a total ADIT balance of $7,844.995 million. (Smith)

Other adjustments to ADITs may also be appropriate, based on the evidence adduced at hearing.

<u>ISSUE 79</u>: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure

A. For the 2017 projected test year?

OPC: The appropriate 2017 amount of unamortized ITCs included in the capital structure is $106.275 million with a reconciliation adjustment to increase ITCs by $.619 million, resulting in a total ITC balance of $106.894 million. (Smith) Other adjustments to ITCs may also be appropriate, based on the evidence adduced at hearing. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate 2018 amount of unamortized ITCs included in the capital structure is $100.559 million with a reconciliation adjustment to increase ITCs by $1.184 million, resulting in a total ITC balance of $101.743 million. (Smith) Other adjustments to ITCs may also be appropriate, based on the evidence adduced at hearing. (Smith)

<u>ISSUE 80</u>: What is the appropriate amount and cost rate for short-term debt to include in the capital structure

A. For the 2017 projected test year?

OPC: Short term debt should be increased by $144.799 million to correct the test year equity ratio for a total adjusted test year amount of $757.738 million. After reconciliation to rate base, the appropriate short term amount for the 2017 projected test year is $762.151 million. The appropriate cost rate for short-term debt is 1.85%. (Smith, O'Donnell)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Short term debt should be increased by $76.765 million to correct the test year equity ratio for a total adjusted test year amount of $398.376 million. After reconciliation to rate base, the appropriate short term debt for the 2018 projected test year is $403.064 million. The appropriate cost rate for short-term debt is 2.68%. (Smith, O'Donnell)

ISSUE 81: What is the appropriate amount and cost rate for long-term debt to include in the capital structure?

A. For the 2017 projected test year?

OPC: Long term debt should be increased by $2,210.810 million to correct the test year equity ratio for a total adjusted test year amount of $ 11,569.227 million. After reconciliation to rate base, the appropriate long term amount for the 2017 projected test year is $11,636.598 million. The appropriate cost rate for long term debt is 4.62%. (Smith, O'Donnell)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Long term debt should be increased by $2,392.637 million to correct the test year equity ratio for a total adjusted test year amount of $12,416.744 million. After reconciliation to rate base, the appropriate long term amount for the 2018 projected test year is $12,562.882 million. The appropriate cost rate for long term debt is 4.87%. (Smith, O'Donnell)

<u>ISSUE 82</u>: What is the appropriate amount and cost rate for customer deposits to include in the capital structure

A. For the 2017 projected test year?

OPC: Per OPC adjustments, the appropriate amount of 2017 customer deposits is $409.700 million, after adjustments to reconcile the capital structure to rate base. The appropriate cost rate for customer deposit is 2.05%. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Per OPC adjustments, the appropriate amount of 2018 customer deposits is $390.907 million, after adjustments to reconcile the capital structure to rate base. The appropriate cost rate for customer deposit is 2.04%. (Smith)

<u>ISSUE 83</u>: What is the appropriate equity ratio to use in the capital structure for ratemaking purposes?

A. For the 2017 projected test year?

OPC: The appropriate equity ratio is 50% for the 2017 projected test year. The equity component of jurisdictional capital structure should be reduced by $2,355.609 million with corresponding increases to the long and short term debt components. The amount of common equity is $12,326.965 million for the 2017 projected test year prior to reconciliation to rate base. FPL's bloated 59.6% equity ratio request in this case puts an unnecessary cost burden on FPL's ratepayer - an extra $40.97 per year to typical residential customers - and should be rejected. The FPL proxy group average equity ratio is 49.3% and the national average for allowed equity ratios is 49%. Rather than utilizing FPL's proposed hypothetical capital structure of 59.6% equity, OPC recommends using a more rationale, hypothetical capital structure of 50% equity. Applying a 50% equity ratio, which is in-line with industry averages (and still more than the equity ratios of both NextEra's consolidated group and the FPL proxy group average), results in an approximately $360 million reduction to FPL's 2017 request. (O'Donnell)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate equity ratio is 50% for the 2018 subsequent projected test year. Equity should be reduced by $2,469.402 million with corresponding increases to long and short term debt. The amount of common equity is $12,815.120 million for the 2018 subsequent projected test year, prior to reconciliation to rate base. FPL's bloated 59.6% equity ratio request in this case puts an unnecessary costly burden on FPL's ratepayer and should not be allowed. The FPL proxy group average equity ratio is 49.3% and the national average for allowed equity ratios is 49%. Rather than utilizing FPL's proposed equity-fattened capital structure of 59.6% equity, OPC recommends using a more rationale, hypothetical capital structure of 50% equity. (O'Donnell)

ISSUE 84: Should FPL's request for a 50 basis point performance adder to the authorized return on equity be approved?

OPC: No, the outlandish surplus ROE inflator should be rejected. FPL claims that its "superior performance" justifies a 50 basis point ROE "booster." FPL's is not providing service beyond the "superior performance" that FPL ratepayers have already paid for in base rates and which FPL is obligated to provide under the regulatory compact. Further, FPL has been issued a Notice of Violation by the Florida Department of Environmental Protection due to the hypersaline water infiltrating the Biscayne Aquifer drinking water supply as a discharge from its Turkey Point Nuclear Units cooling canal system. FPL has stated that it expects to ask customers to pay $50 million in just the first year for remediation of this problem it has caused and to which it has contributed. The cumulative four-year revenue requirement to customers of FPL's 50 basis point surplus equity inflator, if this unnecessary expense is allowed, would be an additional $502 million. (Lawton)

ISSUE 85: What is the appropriate authorized return on equity (ROE) to use in establishing FPL's revenue requirement?

A. For the 2017 projected test year?

OPC: The appropriate ROE is 8.75%. FPL's requested 11% ROE with a .5% surplus ROE inflator and a 59.6% equity ratio is extravagant and excessive under current market conditions. Both interest rates and awarded ROEs have decreased since 2012. Applying the Discount Cash Flow (DCF) method checked by the Capital

Asset Pricing Model (CAPM) method with a proposed capital structure of 50% and also applying the electric proxy groups, the appropriate ROE for FPL is 8.75%. Utilizing an 8.75% ROE would result in an approximately $480 million reduction from FPL's 2017 request. (Woolridge)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate ROE is 8.75%. FPL's requested 11% ROE with a .5% surplus ROE inflator and a 59.6% equity ratio is extravagant and excessive under current market conditions. Both interest rates and awarded ROEs have decreased since 2012. Applying the Discount Cash Flow (DCF) method checked by the Capital Asset Pricing Model (CAPM) method with a proposed capital structure of 50% and also applying the electric proxy groups, the appropriate ROE for FPL is 8.75%. (Woolridge)

ISSUE 86: What is the appropriate weighted average cost of capital to use in establishing FPL's revenue requirement?

A. For the 2017 projected test year?

OPC: The weighted cost rates for the 2017 project test year are as follows: Long-term debt – 1.64%; Short-term debt – 0.04%; Common Equity – 3.32%; Customer deposits – 0.03%; Deferred taxes – 0.00%; and Investment tax credits – 0.02%. Pursuant to the standards set forth in Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923) ("Bluefield') and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944)

("Hope") that financial integrity should be sufficient to attract capital on reasonable terms under a variety of market and economic conditions, FPL will maintain its financial integrity under OPC's recommended capital structure of 8.75% equity return with a 50% debt/50% equity capital structure with a 5.05% overall rate of return. (O'Donnell, Woolridge, Lawton, Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The weighted cost rates for the 2017 project test year are as follows: Long-term debt – 1.79%; Short-term debt – 0.03%; Common Equity – 3.31%; Customer deposits – 0.02%; Deferred taxes – 0.00%; and Investment tax credits – 0.02%. Pursuant to the standards set forth in Bluefield and Hope that financial integrity should be sufficient to attract capital on reasonable terms under a variety of market and economic conditions, FPL will maintain its financial integrity under OPC's recommended capital structure of 8.75% equity return with a 50% debt/50% equity capital structure with a 5.05% overall rate of return. (O'Donnell, Woolridge, Lawton, Smith)

NET OPERATING INCOME

ISSUE 87: What are the appropriate projected amounts of other operating revenues

A. For the 2017 projected test year?

OPC: The appropriate projected amounts of other operating revenues per OPC adjustments for the 2017 projected test year is $192.897 million. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate projected amounts of other operating revenues per OPC adjustments for the 2018 projected test year is $194.137 million. (Smith)

ISSUE 88: What is the appropriate level of Total Operating Revenues

A. For the 2017 projected test year?

OPC: Test year revenues should be increased by $201.596 million to reflect OPC witness Dismukes' adjustment to correct the sales forecast, for a total of $6,128.441 million for 2017. (Dismukes, Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Test year revenues should be increased by $254.008 million to reflect OPC witness Dismukes' adjustment to correct the sales forecast, for a total of $6,221.118 million for 2018. (Dismukes, Smith)

ISSUE 89: Has FPL made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause for the 2018 test year.

<u>ISSUE 90</u>: Has FPL made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause for the 2018 test year.

<u>ISSUE 91</u>: Has FPL made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause for the 2018 test year.

<u>ISSUE 92</u>: Has FPL made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause for the 2018 test year.

ISSUE 93: Has FPL made the appropriate adjustments to remove all non-utility activities from operating revenues and operating expenses

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove all non-utility activities from operating revenues and operating expenses for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to remove all non-utility activities from operating revenues and operating expenses for the 2018 test year.

ISSUE 94: What is the appropriate percentage value (or other assignment value or methodology basis) to allocate FPL shared corporate services costs and/or expenses to its affiliates

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to reflect the appropriate percentage value (or other assignment value or methodology basis) to allocate FPL shared corporate services costs and/or expenses to its affiliates for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to reflect the appropriate percentage value (or other assignment value or methodology basis) to allocate FPL shared corporate services costs and/or expenses to its affiliates for the 2018 test year.

<u>ISSUE 95</u>: What is the appropriate amount of FPL shared corporate services costs and/or expenses (including executive compensation and benefits) to be allocated to affiliates

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to reflect the appropriate amount of FPL shared corporate services costs and/or expenses (including executive compensation and benefits) to be allocated to affiliates for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to reflect the appropriate amount of FPL shared corporate services costs and/or expenses (including executive compensation and benefits) to be allocated to affiliates for the 2018 test year.

<u>ISSUE 96</u>: Should any adjustments be made to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that it has made the appropriate test year adjustments to FPL's operating revenues or operating expenses for the effects of transactions with affiliated companies for the 2018 test year.

<u>ISSUE 97</u>: What is the appropriate amount of FPL's vegetation management expense?

A. For the 2017 projected test year?

OPC: Vegetation management expenses should be reduced by $4.647 million (total and jurisdictional) for a total of $60.953 million, a reduction to the Company's projected 2017 spending. This adjustment was determined by multiplying FPL's 2015 budgeted spending of $63.100 million by the budget-to-actual variance of 96.6% for the years 2013 through 2015. Over the past three years the Company spent less that its budget for tree trimming, despite exceeding the miles actually trimmed over its budgeted miles. Thus, it is appropriate to make an adjustment to reflect the expected and normal level of vegetation management hardening expense. (Schultz)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Vegetation management expenses should be reduced by $7.428 million (total and jurisdictional) for a total of $62.172 million, a reduction to the Company's projected 2018 spending. This adjustment was determined by escalating witness Schultz'

2017 vegetation management expense by witness Dismukes' recommended inflation factor of 2%. Over the past three years the Company spent less that its budget for tree trimming, despite exceeding the miles actually trimmed over its budgeted miles. Thus, it is appropriate to make an adjustment to reflect the expected and normal level of vegetation management hardening expense. (Schultz, Dismukes)

<u>ISSUE 98</u>: What is the appropriate level of generation overhaul expense

A. For the 2017 projected test year?

OPC: FPL's projected 2017 projected generation overhaul expenses are significantly higher than a normalized cost level. Since generation overhaul types and work vary annually, any base rate effect should be normalized. Witness Smith took a 4-year average based on the actual 2014 and 2015 and projected 2016 and 2017 generation overhaul expenses. The 2017 levels were escalated using the 2.06% inflation rate recommended by OPC witness Dismukes. Normalizing generational overhaul expense results in a reduction of $3.803 million ($3.603 million jurisdictional) to the 2017 projected test year. (Smith, Dismukes)

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL's projected 2018 projected generation overhaul expenses are significantly higher than a normalized cost level. Since generation overhaul types and work vary annually, any base rate effect should be normalized. Witness Smith took a 5-year average based on the actual 2014 and 2015 and the projected 2016, 2017 and 2018 generation overhaul expenses. The 2017 and 2018 levels were escalated using the 2.06% inflation rate recommended by OPC witness Dismukes. Normalizing generational overhaul expense results in a reduction of $9.037 million ($8.562 million jurisdictional) to the 2018 projected test year. (Smith, Dismukes)

<u>ISSUE 99</u>: What is the appropriate amount of FPL's production plant O&M expense?

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its production plant O&M expenses are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its production plant O&M expenses are reasonable for the 2018 test year.

<u>ISSUE 100</u>: What is the appropriate amount of FPL's transmission O&M expense

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its transmission O&M expenses are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its transmission O&M expenses are reasonable for the 2018 test year.

<u>ISSUE 101</u>: What is the appropriate amount of FPL's distribution O&M expense

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its distribution O&M expenses are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its distribution O&M expenses are reasonable for the 2018 test year.

<u>ISSUE 102</u>: Should the Commission approve FPL's proposal to continue the interim storm cost recovery mechanism that was part of the settlement agreements approved in Order Nos. PSC-11-0089-S-EI and PSC-13-0023-S-EI?

OPC: Yes, but with clarifications for the customers' benefit. The current framework prescribed by the 2010 Rate Settlement and continued by the 2012 Rate Settlement generally is sufficient, however, it should be modified to add safeguards. The Company should have the recovery subject to a level that is limited to major, named storms as defined by the National Hurricane Center, not just any storm. Further, the language "that any proceeding to recover costs associated with any storm shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previous or current base rate earnings or level of theoretical depreciation reserve" should be clarified. The intent of including this language in the settlements was not and should not be memorialized by the language in the proposal to limit legitimate inquiry into the reasonableness and prudence of the costs that the

Company claims to have incurred in storm damage repair and restoration activities. The Commission should ensure in any order approving the mechanism outside of a settlement that a full opportunity to test and challenge costs will be provided in the time that is needed since the company will be allowed to receive expedited interim recovery of costs. (Schultz)

<u>ISSUE 103</u>: What is the appropriate annual storm damage accrual and storm damage reserve?

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its storm damage reserve is reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its storm damage reserve is reasonable for the 2018 test year.

<u>ISSUE 104</u>: What is the appropriate amount of Other Post Employment Benefits expense

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its Other Post Employment Benefits expenses are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its Other Post Employment Benefits expenses are reasonable for the 2018 test year.

<u>ISSUE 105</u>: What is the appropriate amount of FPL's requested level of Salaries and Employee Benefits

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its salaries and employee benefits expenses are reasonable for the 2017 test year. The Commission should adjust salaries and employee benefits in the following areas:

1. For excessive projected employee complement, jurisdictional O&M should be reduced by $17.743 million ($17.166 million jurisdictional);

2. Consistent with prior Commission decisions, employee incentive compensation should be reduced in the amount of $28.216 million ($27.298 million jurisdictional); and

3. Corresponding adjustments should be made to reduce employee benefits by $2.681 million ($2.595 million jurisdictional). (Schultz)

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its salaries and employee benefits expenses are reasonable for the 2018 test year. The Commission should adjust salaries and employee benefits in the following areas:

1. For excessive projected employee complement, jurisdictional O&M should be reduced by $16.530 million ($15.938 million jurisdictional);

2. Consistent with prior Commission decisions, employee incentive compensation should be reduced in the amount of $28.216 million ($27.298 million jurisdictional); and

3. Corresponding adjustments should be made to reduce employee benefits by $2.513 million ($2.435 million jurisdictional). (Schultz)

<u>ISSUE 106</u>: What is the appropriate amount of Pension Expense

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its pension expenses are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its pension expenses are reasonable for the 2018 test year.

<u>NEW PROPOSED ISSUE 106A:</u> 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?

OPC: Yes. The Commission should reduce Directors and Officers Liability Insurance expense by $1,369,000 ($1,391,000 system) consistent with Commission precedent that allocates the cost evenly between shareholders and ratepayers. (Schultz)

<u>ISSUE 107</u>: What is the appropriate amount and amortization period for Rate Case Expense

A. For the 2017 projected test year?

OPC: FPL's projected rate case expense appears significantly overstated and should be reduced. The requested costs for employee travel (especially with respect to the number of FPL employees attending the Customer Hearings) and professional services are excessive. Inclusion of FPL overtime labor cost is inappropriate. The complexity of the rate case with two forecasted test years and an additional 2019 step increase has also increased rate case expense, and is unreasonable to be borne by ratepayers. Rate case expense should be limited to 2008 rate case levels escalated to 2017 levels which results in overall rate case expense of $3.620 million, or $1.305 million less than FPL's requested amount of $4.925 million. A 4-year amortization period results in $905,000 in annual rate case expense, which is a reduction of $326,000 to FPL's requested expense. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: See OPC's response to Issue 107A. (Smith)

ISSUE 108: What is the appropriate amount of uncollectible expense and bad debt rate

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its uncollectible expense and bad debt rate are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its uncollectible expense and bad debt rate are reasonable for the 2018 test year.

ISSUE 109: Has FPL included the appropriate amount of costs and savings associated with the AMI smart meters

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its costs and savings associated with the AMI smart meters are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its costs and savings associated with the AMI smart meters are reasonable for the 2018 test year.

<u>ISSUE 110</u>: If the proposed change in accounting to defer and amortize the nuclear maintenance reserve is approved, is the company's proposed adjustment to nuclear maintenance expense appropriate?

OPC: FPL has the burden of demonstrating that its proposed adjustment to nuclear maintenance expense is appropriate for the 2017 test year, if the proposed change in accounting to defer and amortize the nuclear maintenance reserve is approved.

<u>ISSUE 111</u>: What are the appropriate expense accruals for: (1) end of life materials and supplies and 2) last core nuclear fuel?

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its expense accruals for: (1) end of life materials and supplies and (2) last core nuclear fuel are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its expense accruals for: (1) end of life materials and supplies and (2) last core nuclear fuel are reasonable for the 2018 test year.

<u>ISSUE 112</u>: What are the appropriate projected amounts of injuries and damages (I&D) expense accruals

A. For the 2017 projected test year?

OPC: FPL has the burden of demonstrating that its accruals for injuries and damages (I&D) expense are reasonable for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden of demonstrating that its accruals for injuries and damages (I&D) expense are reasonable for the 2018 test year.

<u>ISSUE 113</u>: What is the appropriate level of O&M Expense (Fallout Issue)

A. For the 2017 projected test year?

OPC: Based on the testimony of OPC witnesses, the appropriate level of O&M expenses is $1,267.955 million for the 2017 test year. (Schultz, Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Based on the testimony of OPC witnesses, the appropriate level of O&M expenses is $1,310.440 million for the 2018 test year. (Schultz, Smith)

<u>ISSUE 114:</u> What is the appropriate amount of depreciation, amortization, and fossil dismantlement expense (Fallout Issue)

A. For the 2017 projected test year?

OPC: Based on the testimony of OPC witnesses, the appropriate level of depreciation, amortization, and fossil dismantlement expenses is $ 1,140.564 million for the 2017 test year. Further, any surplus reserve amortization balance from the 2012 Settlement Agreement remaining on December 31, 2016, should be credited to customers evenly in 2017 and 2018. (Pous, Schultz, Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Based on the testimony of OPC witnesses, the appropriate level of depreciation, amortization, and fossil dismantlement expenses is $1,216.914 million for the 2018 test year. Further, any surplus reserve amortization balance from the 2012 Settlement Agreement remaining on December 31, 2016, should be credited to customers evenly in 2017 and 2018. (Pous, Schultz, Smith)

ISSUE 115: What is the appropriate level of Taxes Other Than Income (Fallout Issue)

A. For the 2017 projected test year?

OPC: Payroll taxes should be reduced by $1.152 million ($1.136 million jurisdictional) for the excessive projected employee complement, and by $1.775 million ($1.751 million jurisdictional) for the incentive compensation adjustments recommended by OPC witness Schultz in Issue 105. The appropriate level of taxes other than income is $575.304 million for the 2017 test year. (Schultz, Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Payroll taxes should be reduced by $1.073 million ($1.058 million jurisdictional) for the excessive projected employee complement, and by $1.775 million ($1.751 million jurisdictional) for the incentive compensation adjustments recommended by OPC witness Schultz in Issue 105. The appropriate level of taxes other than income is $612.664 million for the 2018 test year. (Schultz, Smith)

<u>ISSUE 116</u>: What is the appropriate level of Income Taxes?

A. For the 2017 projected test year?

OPC: Based on the testimony of OPC witnesses, the appropriate level of income taxes is $978.542 million for the 2017 test year. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: Based on the testimony of OPC witnesses, the appropriate level of income taxes is $925.124 million for the 2018 test year. (Smith)

<u>ISSUE 117</u>: What is the appropriate level of (Gain)/Loss on Disposal of utility property

A. For the 2017 projected test year?

OPC: The appropriate level of gain on disposal of utility property is $5.759 million for the 2017 test year. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate level of gain on disposal of utility property is $10.759 million for the 2018 test year. (Smith)

ISSUE 118: What is the appropriate level of Total Operating Expenses? (Fallout Issue)

A. For the 2017 projected test year?

OPC: The appropriate level of total operating expenses is $3,981.071 million for the 2017 test year. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate level of total operating expenses is $4,078.645 million for the 2018 test year. (Smith)

ISSUE 119: Is the company's proposed net operating income adjustment to remove Fukushima-related O&M expenses from base rates and recover all Fukushima-related expenses in the capacity cost recovery clause appropriate?

OPC: FPL has the burden of demonstrating that its proposed net operating income adjustment to remove Fukushima-related O&M expenses from base rates and recover all Fukushima-related expenses in the capacity cost recovery clause is reasonable.

ISSUE 120: What is the appropriate level of Net Operating Income (Fallout Issue)

A. For the 2017 projected test year?

OPC: The appropriate level of net operating income is $2,147.370 million for the 2017 test year. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate level of net operating income is $2,142.473 million for the 2018 test year. (Smith)

REVENUE REQUIREMENTS

ISSUE 121: Is the Section 199 Manufacturer's deduction properly reflected in the revenue expansion factor?

A. For the 2017 projected test year?

OPC: FPL has the burden to show that the Section 199 Manufacturer's deduction is properly reflected in the revenue expansion factor for the 2017 test year.

B. If applicable, for the 2018 subsequent projected test year?

OPC: FPL has the burden to show that the Section 199 Manufacturer's deduction is properly reflected in the revenue expansion factor for the 2018 test year.

ISSUE 122: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPL?

A. For the 2017 projected test year?

OPC: The appropriate revenue expansion factor is 1.63025 for the 2017 test year. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate revenue expansion factor is 1.63025 for the 2018 test year. (Smith)

ISSUE 123: What is the appropriate annual operating revenue increase or decrease (Fallout Issue)?

A. For the 2017 projected test year?

OPC: The appropriate annual revenue decrease is $807.225 million for the 2017 test year. (Smith)

B. If applicable, for the 2018 subsequent projected test year?

OPC: The appropriate annual revenue decrease should be $603.852 million for the 2018 test year. (Smith)

OKEECHOBEE LIMITED SCOPE ADJUSTMENT

ISSUE 124: Should the Commission approve or deny a limited scope adjustment for the new Okeechobee Energy Center? And if approved, what conditions/adjustments, if any should be included?

OPC: The proposed Okeechobee June 1, 2019 limited scope adjustment (LSA) increase requested by FPL should not be approved at this time due to FPL's revenue excesses for both 2017 and 2018. Further, the reasonableness and accuracy of FPL's 2019-2020 projections is highly suspect. However, if the Commission considers the Okeechobee LSA, then OPC'S 2018 ROR should be used; operating costs associated with the project should be updated based on a more recent forecast; and start-up costs included in FPL's projects should be removed to normalize costs and exclude one-time, non-recurring costs. (Smith)

ISSUE 125: Has FPL proven any financial need for single-issue rate relief in 2019, based upon only the additional costs associated with the Okeechobee generating unit, and with no offset for anticipated load and revenue growth forecasted to occur in 2019?

OPC: No, due to FPL's revenue excesses for both 2017 and 2018, the reasonableness and accuracy of FPL's 2019-2020 projections is highly suspect. (Smith)

<u>ISSUE 126</u>: What are the appropriate depreciation rates for the Okeechobee Energy Center?

OPC: FPL has the burden to show that the appropriate depreciation rates for the Okeechobee Energy Center are reasonable and appropriate. As stated on pages 195-196 of his testimony, to the extent Mr. Pous did not address an issue, method, procedure, or other matters relevant to FPL's proposals in its filed depreciation case, it should not be construed that Mr. Pous is in agreement with the Company's proposed issues, methods, or procedures. (Pous)

<u>ISSUE 127</u>: What is the appropriate treatment for deferred income taxes associated with the Okeechobee Energy Center?

OPC: Total company accumulated deferred income taxes, as well as all other sources of capital included in the 2018 OPC recommended overall rate of return should be used to establish rates whether in a full test year or limited scope adjustment. This is consistent with prior Commission practice regarding step increases. FPL's incremental approach could also violate IRS normalization requirements. If the Commission were to accept FPL's argument that its adjusted rate base and cost of capital would not violate normalization requirements, FPL should be required to provide detailed supporting calculations showing that no violation will occur and that its incremental cost of capital results in a revenue neutral method of calculating the revenue requirement compared to the long standing practice of the Commission of using the overall rate of return when setting rates. (Smith)

ISSUE 128: Is FPL's requested rate base of $1,063,315,000 for the new Okeechobee Energy Center appropriate?

OPC: No mid-2019 step increase is warranted nor should it be granted. If the Commission does consider any LSA, OPC recommends that the projected amount of rate base and operating costs associated with the project be updated based on more recent forecasts, which should be presented by FPL in 2019 prior to approval of the project. (Smith)

ISSUE 129: 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 limited scope adjustment for the new Okeechobee Energy Center?

OPC: No mid-2019 step increase is warranted nor should it be granted. However, if one is considered, it is appropriate to use the OPC's adjusted 2018 cost of capital as a proxy rate of return. The resultant overall cost of capital is 5.17%. (Smith)

ISSUE 130: Is FPL's requested net operating loss of $33.868 million for the new Okeechobee Energy Center appropriate?

OPC: No. A mid-2019 step increase is not warranted nor should it be granted. However, if the Okeechobee LSA is considered, then OPC's 2018 ROR should be used; the operating costs associated with the project should be updated based on more recent forecasts; and start-up costs included in FPL's projects should be removed to normalize costs and exclude one-time, non-recurring costs. Applying OPC's recommended adjustments results in a June 2019 Okeechobee LSA of $145 million, which is $64 million less than the $209 million June 2019 Okeechobee LSA FPL request. (Smith)

<u>ISSUE 131</u>: What is the appropriate Net Operating Income Multiplier for the new Okeechobee Energy Center? (Fallout)

OPC: A mid-2019 step increase is not warranted nor should it be granted. However, if the Okeechobee LSA is considered, then the appropriate Net Operating Income Multiplier should be 1.63024. (Smith)

<u>ISSUE 132</u>: Is FPL's requested limited scope adjustment of $209 million for the new Okeechobee Energy Center appropriate?

OPC: A mid-2019 step increase is not warranted nor should it be granted. However, if the Okeechobee LSA is considered, then OPC's 2018 ROR should be used; the operating costs associated with the project should be updated based on more recent forecasts; and start-up costs included in FPL's projects should be removed to normalize costs and exclude one-time, non-recurring costs. Applying OPC's recommended adjustments results in a June 2019 Okeechobee LSA of $145 million, which is $64 million less than the $209 million June 2019 Okeechobee LSA FPL request. (Smith)

<u>ISSUE 133</u>: What is the appropriate effective date for implementing FPL's limited scope adjustment for the new Okeechobee Energy Center?

OPC: No 2019 Okeechobee LSA should be implemented. However, if the Okeechobee

LSA is considered, then the effective date should be no sooner than the in-service date, and subject to verification by the Commission as to the reasonableness of the costs and projections used. (Smith)

ASSET OPTIMIZATION INCENTIVE MECHANISM

ISSUE 134: Should the asset optimization incentive mechanism as proposed by FPL be approved?

OPC: No. The Commission should reject FPL's request to extend and recalibrate its modified incentive mechanism (IM) program. Aside from any potential legal prohibitions, FPL has not demonstrated the proposed IM is in the public interest or has led to verifiable and positive changes in the Company's actions or how, if at all, those changes result in net public interest benefits above and beyond the Commission's long-standing off-system sales incentive policies. Further, due to the policy implications well beyond simple ratemaking, changes to the Commission's off-system sales incentive policy should be considered in a separate proceeding. (Dismukes)

COST OF SERVICE AND RATE DESIGN ISSUES

ISSUE 135: Is FPL's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

OPC: No position.

ISSUE 136: What is the appropriate methodology to allocate production costs to the rate classes?

OPC: No position.

ISSUE 137: What is the appropriate methodology to allocate transmission costs to the rate classes?

OPC: No position.

ISSUE 138: What is the appropriate methodology to allocate distribution costs to the rate classes?

OPC: No position.

ISSUE 139: Is FPL's proposal to recover a portion of fixed distribution costs through the customer charge instead of energy charge appropriate for residential and general service non-demand rate classes?

OPC: No, FPL's proposal to shift $2.00 from energy charge to fixed distribution costs is not appropriate and should not be approved.

ISSUE 140: How should the change in revenue requirement be allocated to the customer classes?

OPC: The revenue requirement approved by the Commission should be applied in accordance with the Commission's long-standing practice that in designing new rates: (1) to the extent possible, consistent with other parameters, the revenue increase should be allocated so as to bring all rate classes as close to parity as practicable; (2) no class should receive an increase greater than 1.5 times the system average increase in total; and (3) no class should receive a decrease. See, Order No. PSC-0283-FO-EI at pp. 86-87.

ISSUE 141: What are the appropriate service charges (initial connection, reconnect for nonpayment, connection of existing account, field collection)?

A. Effective January 1, 2017?

OPC: No position at this time.

B. Effective January 1, 2018?

OPC: No position at this time.

ISSUE 142: Is FPL's proposed new meter tampering penalty charge, effective on January 1, 2017, appropriate?

OPC: No position at this time.

ISSUE 143: What are the appropriate temporary construction service charges?

A. Effective January 1, 2017?

OPC: No position.

B. Effective January 1, 2018?

OPC: No position.

ISSUE 144: What is the appropriate monthly kilowatt credit for customers who own their own transformers pursuant to the Transformation Rider?

A. Effective January 1, 2017?

OPC: No position.

B. Effective January 1, 2018?

OPC: No position.

ISSUE 145: What is the appropriate monthly credit for Commercial/Industrial Demand Reduction (CDR) Rider customers effective January 1, 2017?

OPC: No position.

ISSUE 146: What are the appropriate customer charges?

A. Effective January 1, 2017?

OPC: The appropriate customer charge should be based on OPC's recommend revenue requirement and rates that implement the Commission's long-standing practice for establishing new rates as stated in Issue 140.

B. Effective January 1, 2018?

OPC: No change is appropriate for 2018.

ISSUE 147: What are the appropriate demand charges?

A. Effective January 1, 2017?

OPC: The appropriate demand charge should be based on OPC's recommend revenue requirement and rates that implement the Commission's long-standing practice for establishing new rates as stated in Issue 140.

B. Effective January 1, 2018?

OPC: No change is appropriate for 2018.

<u>ISSUE 148</u>: What are the appropriate energy charges?

A. Effective January 1, 2017?

OPC: The appropriate energy charge should be based on OPC's recommend revenue requirement and rates that implement the Commission's long-standing practice for establishing new rates as stated in Issue 140.

B. Effective January 1, 2018?

OPC: No change is appropriate for 2018.

<u>ISSUE 149</u>: What are the appropriate charges for the Standby and Supplemental Services (SST-1, ISST-1) rate schedules?

A. Effective January 1, 2017?

OPC: No position.

B. Effective January 1, 2018?

OPC: No position.

<u>ISSUE 150</u>: What are the appropriate charges for the Commercial Industrial Load Control (CILC) rate schedule?

A. Effective January 1, 2017?

OPC: No position.

B. Effective January 1, 2018?

OPC: No position.

ISSUE 151: What are the appropriate lighting rate charges?

A. Effective January 1, 2017?

OPC: No position.

B. Effective January 1, 2018?

OPC: No position.

ISSUE 152: Is FPL's proposal to close the customer-owned street lighting service option of the Street Lighting (SL-1) rate schedule to new customers appropriate?

OPC: No position.

ISSUE 153: Is FPL's proposal to close the current Traffic Signal (SL-2) rate schedule to new customers appropriate?

OPC: No position.

ISSUE 154: Is FPL's proposed new metered Street Lighting (SL-1M) rate schedule appropriate and what are the appropriate charges?

A. Effective January 1, 2017?

OPC: No position.

B. Effective January 1, 2018?

OPC: No position.

ISSUE 155: Is FPL's proposed new metered Traffic Signal (SL-2M) rate schedule appropriate and what are the appropriate charges?

A. Effective January 1, 2017?

OPC: No position.

B. Effective January 1, 2018?

OPC: No position.

<u>ISSUE 156</u>: Is FPL's proposed allocation and rate design for the new Okeechobee Energy Center limited scope adjustment, currently scheduled for June 1, 2019, reasonable?

OPC: No, for the reasons stated in Issues 124-133.

<u>ISSUE 157</u>: **S**hould FPL's proposal to file updated base rates in the 2018 Capacity Clause proceeding to recover the Okeechobee Energy Center limited scope adjustment be approved?

OPC: No, for the reasons stated in Issues 124-133.

<u>ISSUE 158</u>: Should the Commission approve the following modifications to tariff terms and conditions that have been proposed by FPL:

a. Close relamping option for customer-owned lights for Street Lighting (SL-1) and Outdoor Lighting (OL-1) customers;

OPC: No position.

b. Add a willful damage clause, require an active house account and clarify where outdoor lights can be installed for the Outdoor Lighting (OL-1) tariff;

OPC: No position.

c. Clarify the tariff application to pre-1992 parking lot customers and eliminate the word "patrol" from the services provided on the Street Lighting (SL-1) tariff;

OPC: No position.

d. Remove the minimum 2,000 Kw demand from transmission–level tariffs;

OPC: No position.

e. Standardize the language in the Service section of the distribution level tariffs to include three phase service and clarify that standard service is distribution level; and

OPC: No position.

f. Add language to provide that surety bonds must remain in effect to ensure payments for electric service in the event of bankruptcy or other insolvency.

OPC: No position.

ISSUE 159: Should the Commission require FPL to develop a tariff for a distribution substation level of service for qualifying customers?

OPC: No position.

ISSUE 160: Should the Commission give staff administrative authority to approve tariffs reflecting Commission approved rates and charges effective January 1, 2017, January 1, 2018, and tariffs reflecting the commercial operation of the new

Okeechobee Energy Center (June 1, 2019)?

OPC: Yes for 2017. No, for 2018 (See Issue 27) and no for the Okeechobee Energy Center for the reasons stated in Issues 124-133.

<u>ISSUE 161</u>: What are the effective dates of FPL's proposed rates and charges?

OPC: The effective date for the 2017 rate change should be January 2, 2017.

<u>OTHER ISSUES</u>

<u>ISSUE 162</u>: Should the Commission approve FPL's proposal to transfer the Martin-Riviera pipeline lateral to Florida Southeast Connection (FSC)?

OPC: If the Commission approves the proposed transfer of the Martin-Riviera pipeline lateral to Florida Southeast Connection, the impact to FPL ratepayers should be revenue neutral.

<u>ISSUE 163</u>: What requirements, if any, should the Commission impose on FPL if it approves FPL's proposed transfer of the Martin-Riviera pipeline lateral to Florida Southeast Connection?

OPC: If the Commission approves the proposed transfer of the Martin-Riviera pipeline lateral to Florida Southeast Connection, the Commission should impose requirements that make the impact to FPL ratepayers revenue neutral.

<u>ISSUE 164</u>: Did FPL's Third Notice of Identified Adjustments remove the appropriate amount associated with the Woodford project and other gas reserve costs?

OPC: FPL has the burden to show that it made the adjustments to remove the appropriate amounts associated with the Woodford project and other gas reserve costs.

ISSUE 165: 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?

OPC: No position.

ISSUE 166: Should this docket be closed?

OPC: No position.

CONTESTED ISSUES

OPC ISSUE: Does the Commission have the authority to approve rate base adjustments based upon a test year subsequent to the period ending December 31, 2017?

OPC: OPC has not contested the authority of the Commission to approve a limited scope adjustment pursuant to Section 366.076, Florida Statutes, Limited proceeding; rules on subsequent adjustments. However, OPC does not believe that a limited scope adjustment is reasonable or necessary based on OPC's recommended revenue requirements for 2017 and 2018.

FIPUG ISSUE: Has FPL appropriately managed the cooling canal system at its Turkey

Point Power Plant?

OPC: No. However, since the Company is not seeking to recover costs related to the cooling canal system in the base rate proceeding, the recovery of any such costs should be addressed in another docket.

SFHHA ISSUE: Should a mechanism be established to capture for the benefit of ratepayers savings, if any, that result from any mergers, acquisitions or reorganizations by NextEra Energy?

OPC: Yes, a mechanism should be established, if it does not already exist, to allocate benefits of any mergers, acquisitions or reorganization by NextEra Energy.

SFHHA ISSUE: What requirements, if any, should the Commission impose on FPL as a result of its affiliation with Sabal Trail Transmission, LLC (Sabal Trail)?

OPC: 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 the Office of Public Counsel cannot comply.

10. A REQUEST FOR SEQUESTRATION OF WITNESSES:

OPC takes no position on the sequestration of witnesses.

Dated this 5th day of August, 2016

Respectfully submitted,

J.R. Kelly
Public Counsel

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of the State of Florida

CERTIFICATE OF SERVICE
Docket No. 160021-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement of the Office of Public Counsel has been furnished by electronic mail on this 5th day of August, 2016, to the following:

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