FPL

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November 23, 2010

VIA HAND DELIVERY

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard, Room 110
Tallahassee, Fl 32399-0850

RE: Docket No. 100410-EI

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are the original and five (5) copies of its responses to Staff's Data Request No. 1, dated November 16, 2010. FPL is enclosing copies of the affidavit of Kim Ousdahl, Vice President, Controller and Chief Accounting Officer of FPL, which is Attachment 1 to its response to Question 3 in Data Request No. 1. The original of Ms. Ousdahl's affidavit will be filed under separate cover tomorrow.

Please contact me if you or your Staff has any questions regarding this filing.

Sincerely,

Nanci Nesmith

for John T. Butler

Enclosure

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an FPL Group company

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FPSC-COMMISSION CLERK

Q1. Per FPL's Earnings Surveillance Reports (ESR), the reported annual FPSC Adjusted *Depreciation & Amortization* Expense *was $767.8 million* and $851.7 million for August and September 2010, respectively, an increase of $83.9 million. Please explain the reason(s) for the increase.

A. The increase of $83.9 million is due to the following: 1) $79.4 million is related to the reversal of the depreciation surplus amortization that had been previously recorded pursuant to the provisions of the Stipulation and Settlement and consistent with Generally Accepted Accounting Principles (GAAP) as discussed more fully in response to Question 4 below; and 2) the remaining $ 4.5 million is related to an increase in plant in service.

Q2. For each month for the period March through September 2010, please provide the monthly and cumulative amount of the depreciation expense credit related to the amortization of the depreciation reserve surplus included in the ESRs.

A. The following table provides the response requested:

Month	Total Depreciation Flowback (Monthly Amount)	Depreciation Flowback Reserve (Cumulative Amount)
3/2010	$ 2.2 million	$ 35.1 million
4/2010	$ (11.7) million	$ 46.8 million
5/2010	$ (32.6) million	$ 79.4 million
6/2010	$ 0.0	$ 79.4 million
7/2010	$ 0.0	$ 79.4 million
8/2010	$ 0.0	$ 79.4 million
9/2020	$ 79.4 million	$ 0.0

Q3. Per pages 30 and 35 of the Company's Form 10-Q for the quarter ended September 30, 2010, the condensed consolidated financial statements reflect the effects of the proposed, but not yet approved, stipulation and settlement in Docket No. 080677-EI. Has FPL included the effects of the proposed stipulation and settlement in any of its filed ESRs for 2010? If so, please identify which month(s) and refile the ESRs excluding the effects of the proposed stipulation and settlement.

A. FPL appreciates the guidance that Staff has provided as to its intent for Question 3 and believes that the following response will be useful to address Staff's intent.

In January through February 2010, FPL recorded amortization of depreciation reserve surplus credits consistent with Order No. PSC-10-0153-FOF-EI ("Order 0153"). In March through May 2010, FPL recorded amortization of depreciation reserve surplus credits consistent with its motion for reconsideration of Order 0153. As discussed in the response to Question 4 below and as shown in the response to Question 2 above, FPL stopped amortizing depreciation reserve surplus credits in June 2010, and in September 2010, FPL reversed the previously recorded credits totaling approximately $79.4 million consistent with the provisions of the settlement agreement.[1] FPL understands Staff's request for FPL to restate the monthly ESRs to be seeking information on what FPL's earnings would have been if the monthly amortization of depreciation reserve surplus credits had been as contemplated in Order 0153. For the reasons just described, that level of amortization is not reflected in the monthly ESRs for March through September 2010. Therefore, Staff's request would affect all seven of those monthly ESRs.

For reasons more fully discussed below, FPL believes that Question 3 seeks information that is not relevant or required by Rule 25-6.1352. Nevertheless, without waiving any of FPL's rights with respect to the interpretation of that rule, FPL provides the following information in response.

Creating seven restated hypothetical monthly ESRs would be a very complex and time-consuming exercise. The Commission Staff previously asked FPL to restate the monthly ESRs for March and April 2010 to reflect the impact of Commission

[1] To avoid further complicating the description of FPL's treatment of depreciation reserve surplus credits in the monthly ESRs, FPL has referred to accounting changes for those credits as having been made in the ESRs. Of course, the more precise description is that accounting changes were made for the credits in FPL's books and records, which changes were then reflected in the ESRs. In all instances, the accounting for the credits in the ESRs reflects the accounting that FPL recorded in its books and records.

adjustments to incentive compensation and aviation costs, and FPL asked for and received an extension of approximately three months to do so. Restating seven monthly ESRs to reflect the monthly amortization of depreciation reserve surplus credits contemplated by Order 0153 would be an even more arduous and lengthy undertaking. Attachment 1 hereto is an affidavit of Kim Ousdahl, FPL's Vice President, Controller and Chief Accounting Officer, explaining in greater detail the complexity entailed and estimated time required in restating the monthly ESRs.

What FPL *has* been able to do in the short time allotted to respond to this data request, however, is to prepare a high-level, close approximation of the impact of reflecting the Order 0153 level of amortization on the ESRs for March 2010 through September 2010. Those results are reported on Attachment 2 hereto. Attachment 2 shows the rate base, net operating income, overall rate of return, non-equity cost rates, the net return to equity holders, the equity ratio and, ultimately, the return on equity, both on an FPSC-adjusted and pro forma (weather-normalized) basis. FPL believes that the information contained in Attachment 2 is fully sufficient for the purpose of illustrating what FPL's earnings would have been if the depreciation reserve surplus credits had been amortized as contemplated in Order 0153.

As noted above, FPL does not believe that restating the monthly ESRs as requested by Staff would be either appropriate or consistent with Rule 25-6.1352. All of FPL's filed monthly ESRs reflect the level of amortization for depreciation reserve surplus credits that is recorded in FPL's books and records, and that treatment is consistent with Generally Accepted Accounting Principles ("GAAP"). Rule 25-6.1352 provides that ESRs are to reflect FPSC adjustments, but the Commission has made no final determination of the appropriate amortization of depreciation reserve surplus credits because (1) FPL timely moved for reconsideration of Order 0153, raising issues whose resolution would directly affect the amortization of those credits; and (2) FPL and all of the major intervenors in FPL's rate case have entered into a Stipulation and Settlement that is pending before the Commission and that, if approved, will substantially alter the basis for FPL to amortize the credits. Under those circumstances, there is no defined or final "FPSC adjustment" for the amortization of depreciation reserve surplus credits as contemplated by Rule 25-6.1352. FPL has properly evaluated available information about the reconsideration issues and the status of the Stipulation and Settlement, in order to determine the appropriate amortization of credits consistent with GAAP. That determination is reflected in FPL's 2010 monthly ESRs as filed.

FPL also does not believe that hypothetical, restated ESRs would be relevant or representative of reality: (1) Staff's recommendation for this docket is to evaluate FPL's earnings based on the March 2011 ESR, not on the basis of prior ESRs such as the ones Staff is asking FPL to restate; (2) if the Stipulation and Settlement is approved, then the restated ESRs would be irrelevant; and (3) if the Stipulation and Settlement were not approved, (a) the Commission would need to make decisions on FPL's motion for reconsideration that very well could change the amount of the monthly amortization of depreciation reserve surplus credits from what is contemplated in Order 0153, and (b) whatever adjustment FPL would make for the ultimate outcome on reconsideration would be in the form of a single, lump-sum change to the depreciation reserve at that time and a prospective change to the monthly ESRs from that point forward to reflect the approved amortization of depreciation reserve surplus credits, rather than through a restatement of prior months' ESRs.

Q4. Has FPL included the effects of the proposed stipulation and settlement in its actual results of operations in its books and records? Is so, please identify which months and provide the justification for recording the effects of the proposed stipulation and settlement as actual results of operations.

A. Yes. Beginning with the financial close of its June 2010 results in October 2010, the Company concluded that approval of the Stipulation and Settlement is probable.[2] In light of FPL's conclusion, it appropriately adjusted the amortization amount of the theoretical reserve surplus to reflect the amortization that would be appropriate under the Stipulation and Settlement in accordance with GAAP. This approach is reflected in the financial statements that FPL recently released for the period ending September 30, 2010.

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[2] Given the Staff's October 4, 2010 recommendation that the Stipulation and Settlement be approved; the Commission's recent approval of settlement agreements related to other major investor-owned electric utilities; the endorsement of and support for the Stipulation and Settlement by the Office of Public Counsel, the Attorney General and other key intervenors in FPL's last rate case; and the general benefits to FPL's customers and the Company that would result from approval of the Stipulation and Settlement, FPL concluded that approval of the Stipulation and Settlement is probable.

ATTACHMENT 1
(Question 3)

BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION

In re: Review of Florida Power & Light Company's earnings Generating Performance Incentive Factor Factor	))))	Docket No: 100410-EI
STATE OF FLORIDA COUNTY OF PALM BEACH	))	AFFIDAVIT OF KIM OUSDAHL

BEFORE ME, the undersigned authority, personally appeared Kim Ousdahl, who, being first duly sworn deposes and says:

1. My name is Kim Ousdahl. I am the Vice President, Controller and Chief Accounting Officer for Florida Power & Light Company ("FPL"). I have knowledge of the matters stated in this affidavit. My affidavit addresses the time that would be required to restate seven months of surveillance report information using FPSC staff-directed inputs in lieu of data from FPL's books and records concerning the amortization of depreciation reserve credits.

2. The Company utilizes its legacy Regulatory Interface System to produce its monthly earnings surveillance reports. This system was developed to operate in an Oracle database environment. It is designed to pull thousands of lines of transactional information at the cost of service-specific level, from multiple other mainframe interface programs in order to produce monthly regulatory financial statements. These statements are based on actual results, as adjusted to reflect the proper regulatory retail rate base, net operating income and earnings along with various financial indicators.

3. Contrasting this RIS system design with that of a standard general ledger system may be helpful. General ledger systems are generally designed with a recognition that financial closings and consolidations may actually occur more than once in a month due to identified errors or updated information. In rare occasions, restatements of prior financial results may be required. So, standard general ledger systems will typically allow "topside adjusting" journal entries. In contrast, the RIS system was never built with the intent that ESRs be reproduced under another set of assumptions. It was designed to do the following: (1) feed actual results, (2) run specifically sequenced interfaces to pull data from the plant, GL and revenue systems, (3) calculate and overlay required manual adjustments,(4) produce, and (5) validate the reports. This process is performed once for each reporting month; the following month, this process begins again. The typical time frame to complete an ESR from start to finish is 4-5 weeks.

4. Given this design, the first thing we must do to restate an ESR is to eliminate controls which have been built into the RIS code to prohibit changes being made after the fact to the system's historical data files. To make changes to the historical results, we must copy the RIS database to a test environment, reload all required interfaces in their specific required sequence, reenter all manual adjustments to the inputs to reflect whatever parameters are being restated, and produce and validate new, hypothetical ESR results. This is a very complex and technical exercise requiring coordination our Information Management department (which is knowledgeable about the programming of RIS) with our Accounting and Finance personnel (who know the data that is processed). We will need to maintain the test environment to continue to produce future, restated ESRs if directed to do so by the Commission.

5. FPL has estimated that it would take approximately three months (90 days) to generate restated ESRs for the seven months from March to September 2010. This estimate is conservative because it assumes that FPL can generate each restated ESR in a little less than two weeks, notwithstanding that the ESRs initially require 4-5 weeks each to generate and much of the work required to generate a new ESR also would be required to generate a restated ESR.

6. Affiant says nothing further.

Kim Ousdahl

Kim Ousdahl

SWORN TO AND SUBSCRIBED before me this 23 day of November, 2010, by Kim Ousdahl, who is personally known to me or who has produced personally known (type of identification) as identification and who did take an oath.

Janet L. Ervin

Notary Public, State of Florida

My Commission Expires: April 25, 2011

NOTARY PUBLIC - STATE OF FLORIDA
Janet L. Ervin
Commission #DD651458
Expires: APR. 25, 2011
BONDED THRU ATLANTIC BONDING CO., INC.

ATTACHMENT 2
(Question 3)

March 2010 ESR ROE With Hypothetical Flowback Adjustment
($000)

	ESR SCHED	FPSC ROE CALCULATION	HYPOTHETICAL FLOWBACK ADJUSTMENT	HYPOTHETICAL FPSC ROE ADJUSTED	PROFORMA* ADJUSTMENTS	HYPOTHETICAL PROFORMA ROE CALCULATION
RATE BASE	1.1, 2.1	15,748,783	1,572	15,750,355		15,750,355
NET OPERATING INCOME	1.1, 2.2	1,081,821	12,552	1,094,373	(90,065)	1,004,308
RATE OF RETURN	1.1	6.87%		6.95%		6.38%
NON EQUITY COST RATES	4.1, 5.1	1.74%		1.74%		1.74%
NET	5.1	5.13%		5.21%		4.64%
EQUITY RATIO	4.1	46.61%		46.61%		46.61%
RETURN ON EQUITY	1.1	**11.00%**		**11.17%**		**9.95%**

*Note: Weather normalization adjustment of $146.7 million before taxes

April 2010 ESR ROE With Hypothetical Flowback Adjustment
($000)

	ESR SCHED	FPSC ROE CALCULATION	HYPOTHETICAL FLOWBACK ADJUSTMENT	HYPOTHETICAL FPSC ROE ADJUSTED	PROFORMA* ADJUSTMENTS	HYPOTHETICAL PROFORMA ROE CALCULATION
RATE BASE	1.1, 2.1	16,084,575	3,667	16,088,242		16,088,242
NET OPERATING INCOME	1.1, 2.2	1,083,212	16,733	1,099,945	(77,766)	1,022,179
RATE OF RETURN	1.1	6.73%		6.84%		6.35%
NON EQUITY COST RATES	4.1, 5.1	1.74%		1.74%		1.74%
NET	5.1	5.00%		5.10%		4.61%
EQUITY RATIO	4.1	46.39%		46.39%		46.39%
RETURN ON EQUITY	1.1	**10.77%**		**10.99%**		**9.95%**

*Note: Weather normalization adjustment of $126.7 million before taxes

May 2010 ESR ROE With Hypothetical Flowback Adjustment
($000)

	ESR SCHED	FPSC ROE CALCULATION	HYPOTHETICAL FLOWBACK ADJUSTMENT	HYPOTHETICAL FPSC ROE ADJUSTED	PROFORMA* ADJUSTMENTS	HYPOTHETICAL PROFORMA ROE CALCULATION
RATE BASE	1.1, 2.1	16,229,172	4,708	16,233,879		16,233,879
NET OPERATING INCOME	1.1, 2.2	1,127,490	8,307	1,135,797	(89,323)	1,046,474
RATE OF RETURN	1.1	6.95%		7.00%		6.45%
NON EQUITY COST RATES	4.1, 5.1	1.73%		1.73%		1.73%
NET	5.1	5.21%		5.26%		4.71%
EQUITY RATIO	4.1	46.23%		46.23%		46.23%
RETURN ON EQUITY	1.1	**11.28%**		**11.38%**		**10.19%**

*Note: Weather normalization adjustment of $145.5 million before taxes

June 2010 ESR ROE With Hypothetical Flowback Adjustment
($000)

	ESR SCHED	FPSC ROE CALCULATION	HYPOTHETICAL FLOWBACK ADJUSTMENT	HYPOTHETICAL FPSC ROE ADJUSTED	PROFORMA* ADJUSTMENTS	HYPOTHETICAL PROFORMA ROE CALCULATION
RATE BASE	1.1, 2.1	16,362,315	7,156	16,369,471		16,369,471
NET OPERATING INCOME	1.1, 2.2	1,146,702	19,553	1,166,255	(110,217)	1,056,038
RATE OF RETURN	1.1	7.01%		7.12%		6.45%
NON EQUITY COST RATES	4.1, 5.1	1.74%		1.74%		1.74%
NET	5.1	5.27%		5.39%		4.71%
EQUITY RATIO	4.1	46.12%		46.12%		46.12%
RETURN ON EQUITY	1.1	**11.43%**		**11.68%**		**10.22%**

*Note: Weather normalization adjustment of $179.6 million before taxes

July 2010 ESR ROE With Hypothetical Flowback Adjustment
($000)

	ESR SCHED	FPSC ROE CALCULATION	HYPOTHETICAL FLOWBACK ADJUSTMENT	HYPOTHETICAL FPSC ROE ADJUSTED	PROFORMA* ADJUSTMENTS	HYPOTHETICAL PROFORMA ROE CALCULATION
RATE BASE	1.1, 2.1	16,493,454	11,013	16,504,467		16,504,467
NET OPERATING INCOME	1.1, 2.2	1,171,075	30,800	1,201,875	(120,482)	1,081,393
RATE OF RETURN	1.1	7.10%		7.28%		6.55%
NON EQUITY COST RATES	4.1, 5.1	1.76%		1.76%		1.76%
NET	5.1	5.34%		5.53%		4.80%
EQUITY RATIO	4.1	45.76%		45.76%		45.76%
RETURN ON EQUITY	1.1	**11.68%**		**12.08%**		**10.48%**

*Note: Weather normalization adjustment of $196.3 million before taxes

August 2010 ESR ROE With Hypothetical Flowback Adjustment
($000)

	ESR SCHED	FPSC ROE CALCULATION	HYPOTHETICAL FLOWBACK ADJUSTMENT	HYPOTHETICAL FPSC ROE ADJUSTED	PROFORMA* ADJUSTMENTS	HYPOTHETICAL PROFORMA ROE CALCULATION
RATE BASE	1.1, 2.1	16,611,581	16,279	16,627,860		16,627,860
NET OPERATING INCOME	1.1, 2.2	1,191,424	42,047	1,233,471	(122,984)	1,110,487
RATE OF RETURN	1.1	7.17%		7.42%		6.68%
NON EQUITY COST RATES	4.1, 5.1	1.75%		1.75%		1.75%
NET	5.1	5.42%		5.67%		4.93%
EQUITY RATIO	4.1	45.97%		45.97%		45.97%
RETURN ON EQUITY	1.1	**11.79%**		**12.33%**		**10.72%**

*Note: Weather normalization adjustment of $200.4 million before taxes

September 2010 ESR ROE With Hypothetical Flowback Adjustment
($000)

	ESR SCHED	FPSC ROE CALCULATION	HYPOTHETICAL FLOWBACK ADJUSTMENT	HYPOTHETICAL FPSC ROE ADJUSTED	PROFORMA* ADJUSTMENTS	HYPOTHETICAL PROFORMA ROE CALCULATION
RATE BASE	1.1, 2.1	16,678,315	28,955	16,707,270		16,707,270
NET OPERATING INCOME	1.1, 2.2	1,165,109	101,220	1,266,329	(129,422)	1,136,907
RATE OF RETURN	1.1	6.99%		7.58%		6.80%
NON EQUITY COST RATES	4.1, 5.1	1.75%		1.75%		1.75%
NET	5.1	5.23%		5.83%		5.05%
EQUITY RATIO	4.1	46.13%		46.13%		46.13%
RETURN ON EQUITY	1.1	**11.34%**		**12.63%**		**10.95%**

*Note: Weather normalization adjustment of $210.9 million before taxes