BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 120015-EI
FLORIDA POWER & LIGHT COMPANY

IN RE: PETITION FOR RATE INCREASE BY FLORIDA POWER & LIGHT COMPANY

TESTIMONY & EXHIBITS OF:

KATHLEEN SLATTERY

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF KATHLEEN SLATTERY

DOCKET NO. 120015-EI

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kathleen Slattery. My business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420.

Q. By whom are you employed and what is your position?

A. I am employed by Florida Power & Light Company ("FPL" or "Company") as the Senior Director of Executive Services and Compensation.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for the Company's total rewards programs, including the overall design and administration of all compensation programs and management of executive benefits and services.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Science degree from Florida State University and am a graduate of the Florida State University College of Law. I have been a member of the Florida Bar since 1992. Before joining FPL, I worked in labor relations and served as a trustee of two outside electrical worker unions' pension and health and welfare funds. I began working at FPL in September 1996 as a benefit plan administrator and have held various positions of increasing responsibility in Human Resources since that time. My experience at FPL has included qualified and non-qualified benefit plan design and administration, salary and incentive compensation plan design and administration, and legal compliance of such plans and programs. I have extensive knowledge of FPL's compensation and benefits philosophy, plans and practices, and of its payroll system.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- Exhibit KS-1, MFRs Sponsored and Co-Sponsored by Kathleen Slattery
- Exhibit KS-2, Position to Market (2011 Base Pay)
- Exhibit KS-3, FERC Total Salaries & Wages 2010
- Exhibit KS-4, Merit Pay Program Awards, 2009 to 2011
- Exhibit KS-5, Relative Value Comparison—2011 Total Benefit Program
- Exhibit KS-6, Relative Value Comparison—2011 Active Employee Medical Plan
- Exhibit KS-7, Average Medical Cost Per Employee, 2007 – 2012
- Exhibit KS-8, Relative Value Comparison—2011 Pension & 401(k) Employee Savings Plan

Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements ("MFRs") in this case?

A. Yes. Exhibit KS-1 contains a listing of the MFR schedules that I am sponsoring or co-sponsoring.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present an overview of the gross payroll and benefit expenses as shown in MFR C-35, demonstrating the reasonableness of FPL's forecasted payroll and benefit expenses.

Q. Please summarize your testimony.

A. FPL designs and manages its compensation and benefits programs as parts of a total rewards package. In order to address changing workforce dynamics, to control costs, and to attract, retain, and engage the required workforce, FPL places more focus on flexible, performance-based variable compensation than on less flexible fixed-cost compensation and benefit programs. This focus has allowed the Company to react to market conditions and drive the superior performance documented by other FPL witnesses, while remaining focused on managing total program costs. The total rewards package, emphasizing pay for performance, has served the Company and its customers well. FPL has successfully provided value to its employees and its customers through efficient use of compensation and benefits to drive a culture that provides improved efficiency, reliability, and service. As FPL moves forward, it must continue to provide a competitive total rewards package to its employees in order to attract and retain the necessary talent. The 2013 projected level of total compensation and benefits expense is reasonable and necessary to serve FPL's customers and to attract and retain the caliber of employees that create a high-performance organization; indeed, it is beneficial to FPL's customers, and it should be used to establish FPL's rates.

II. TOTAL COMPENSATION AND BENEFITS

Q. What is FPL's projected total compensation and benefits cost for 2013?

A. FPL's gross total compensation and benefits cost is projected to be $1.261 billion for 2013.

Q. What are the objectives of FPL's total compensation and benefits programs?

A. There are several key objectives of FPL's total compensation and benefits approach. The Company designs its compensation and benefits program to attract, retain and engage and competitively reward its employees based on national and local comparative markets. FPL's compensation program also reflects a pay-for-performance philosophy, linking total compensation to attainment of corporate, business unit, and individual goals such as excellent reliability and customer service. In addition, FPL's total compensation and benefits approach is designed to control fixed costs by placing greater emphasis on variable cash compensation rather than on the traditional programs that are not performance-based, such as long-term retirement benefits. Finally, the Company strives to manage its various compensation and benefits programs holistically in order to keep its total program expenses at a reasonable level. To that end, FPL continuously monitors and benchmarks the compensation and benefits components of the total rewards package individually, since no composite benchmarks are available for the combined programs, to ensure that the total program is in line with the median of the combined compensation and benefits programs of the appropriate comparator groups.

Q. How has FPL designed and managed its compensation and benefits programs to achieve these objectives?

A. FPL's approach to the design and management of compensation and benefits is to consider them as parts of one total rewards package. About 15 years ago, FPL made a strategic decision to realign its pay and benefits programs, implementing changes that shifted value from the fixed-cost benefit programs to more flexible pay programs, while simultaneously controlling total program costs. Specifically, in 1997 the Company converted its pension plan to a cash balance plan and also eliminated post-retirement medical coverage for all new hires. At the same time, the Company increased its focus on performance-based variable cash compensation. FPL's strategic decision in 1997 to develop and emphasize a pay-for-performance compensation program has been an important tool in the Company's ability to achieve efficiency, reliability, and customer service improvements over the past fifteen years, all of which contribute to FPL's ability to deliver superior value for its customers and the state of Florida. Moreover, the flexibility provided by these strategic changes has been an essential part of the Company's success in dealing with the workforce challenges confronting the utility industry.

Q. Please describe the challenges faced by the utility industry and FPL in attracting, retaining, and engaging a workforce with the required skills.

A. At a time when the industry continues to face growing demand for electricity, it is challenged by a severe shortage of skilled workers. There are several key factors creating the shortage of skilled workers:

(1) Aging Workforce: The aging of the electric utility industry workforce has been a growing concern of government and industry leaders. The Task Force on America's Future Energy Jobs, experts from industry, labor, and academia convened by the National Commission on Energy Policy, projected that 40 percent of the electric utility industry's 400,000 workers will retire or leave by 2013, taking their skills and experience with them. In addition, the Center for Energy Workforce Development ("CEWD"), a nonprofit industry consortium, specifically projects that 46 percent of skilled technicians and 51 percent of power engineers will need to be replaced by 2015. Similarly, the Bureau of Labor Statistics ("BLS") has predicted that half of the electric utility workforce will retire or leave by 2020, impacting all workforce and skill types.

(2) Skill Gaps in Talent Pool: A second factor is a shortage of available workers with the requisite qualifications and skills. A long-term trend of declining enrollment in technical disciplines relevant to the industry as well as a substantial reduction of relevant curricula at educational institutions is a key factor in the shortage of available skilled workers. The American Society for Engineering Education ("ASEE") reported in 2009 that enrollment in electrical/computer engineering disciplines dropped by 29 percent over the prior ten years.

(3) Demands of Emerging Technologies: The growing demand for renewable generation solutions and the upgrade to a smart grid are creating additional demand for skilled workers and will further impact the skill shortage. The Electrical Worker, which is the official publication of the International Brotherhood of Electrical Workers ("IBEW"), suggests that advanced power

technologies, including new nuclear plants, could create a demand for as many as 300,000 new jobs by 2030, many of which will require special skills.

Q. Will these workforce challenges disproportionately impact utilities with nuclear operations?

A. Yes. The same workforce issues are likely to be more critical for nuclear utilities based on the decline in the number of nuclear engineers trained in the United States and industry plans to build a considerable number of new nuclear plants in the coming years. This increased demand for talent will come at a time when companies are already challenged to maintain existing levels of skilled nuclear operators and maintenance workers.

One key challenge has been the decline in nuclear training programs and the resulting shrinking of the available supply of workers. In July of 2011, BusinessWeek, a business magazine published by Bloomberg, summarized the impact of the decreased emphasis on nuclear training over the past few decades:

- The number of educational institutions offering nuclear engineering degrees declined from 77 in 1975 to 32 in 2010;
- Bachelor degrees awarded in nuclear engineering decreased from 863 in 1978 to 120 in 2010.

In addition, the challenge for nuclear utilities to attract and retain the required workforce for both current plants and potential new nuclear plants will be significant. Carol Berrigan, a Senior Director at the Nuclear Energy Institute, testifying before a Congressional Blue Ribbon Commission on America's Energy Future in late 2010, outlined some of the workforce challenges facing the industry:

- About 38 percent of the current nuclear utility employees, approximately 21,600 workers, will be eligible to retire by 2014;
- Non-retirement attrition of the current nuclear utility workforce is expected to create the demand for an additional 6,000 workers;
- Construction of new nuclear plants is projected to create the need for between 8,000 and 17,500 new workers by 2030 to operate the plants.

Clearly, there are a number of factors driving the skill shortage in the utility industry and challenging FPL's and other companies' ability to attract and retain the required workforce. Although the industry and educational institutions have recognized the challenges and started to address future demands, in the short term, the factors discussed above are creating competition for skilled resources and applying pressure on compensation levels.

Q. To what extent have these industry challenges impacted FPL's efforts to attract and retain the necessary workforce?

A. FPL is clearly facing the same workforce challenges as the other electric utilities, particularly those with nuclear facilities. As reported in the June 2011 "Review of the Aging Workforce of the Florida Electric Industry" conducted by the Florida Public Service Commission's ("FPSC" or the "Commission") Office of Auditing and Performance Analysis, about 20 percent of FPL's workforce is currently eligible to retire, and nearly 40 percent of the workforce will be eligible to retire within five years. Within the nuclear division specifically, the number of workers over 55 has doubled since 2003, while the number between the ages of 35 and 44 decreased by about 40 percent. In addition, retention continues to be a challenge among FPL's nuclear workforce. The limited pool of available experienced workers has led to an industry-wide practice of "poaching" talent from peer organizations. FPL has had to implement retention programs to prevent turnover of critical talent, and the market value of a number of utility industry positions, particularly in the nuclear business unit, has increased at a faster rate than non-industry positions and had a direct impact on the Company's total compensation and benefits cost.

Q. How has the redesign of the compensation and benefit programs allowed FPL to respond to current and future workforce challenges and meet the program objectives?

A. As a result of the total compensation and benefit design changes, FPL and its customers are in a better position than many other utilities because FPL is not nearly as burdened with the considerable cost of pension and post-retirement medical obligations and is therefore better able to address the changing workforce dynamics. The changes have allowed the Company to better focus on the elements of the total rewards package that have more value for attraction, retention, and engagement of the required workforce. The Company is able to provide a core level of compensation and benefits to all positions based on market analysis and performance, but has the flexibility to respond to the dynamics of an ever-changing workforce. The redesign has been part of FPL's efforts to keep its expenses down in the face of ever-rising costs, thus saving our customers money without sacrificing service.

III. TOTAL COMPENSATION

Q. What is FPL's total compensation philosophy?

A. As discussed previously, FPL considers compensation and benefits as components of a total rewards program. FPL's philosophy has been, and continues to be, to provide competitive, market-based salaries with consideration of an individual's performance and contribution to the Company's key goals. The performance-based pay programs have enabled FPL to develop a culture of employee commitment and ownership in the performance of the Company. Each exempt employee's compensation has a portion of pay that is variable. The variable pay is linked to individual, business unit and corporate objectives which benefit our customers, including budget goals and operating efficiency milestones such as plant availability, service reliability, and quality of customer service. The strategic emphasis on the variable pay program, rather than fixed salary and benefits costs, encourages performance at an individual employee level and adds flexibility in recognizing that performance.

Q. What resources does FPL use to evaluate its compensation program?

A. FPL uses a variety of compensation survey resources to evaluate its program, because the Company's recruiting department searches nationally for personnel to fill managerial, professional, and technical positions. Most of the key nuclear energy and engineering positions cannot be filled from the local labor pool, so FPL must remain competitive in national as well as local markets. FPL utilizes nationally recognized third party compensation survey sources to aggregate and provide comparative data from other national and regional employers, both in general industry and the utility industry. It is important to utilize both general and utility comparative market information since FPL's workforce encompasses multi-industry talents. FPL relies on the following primary information sources for compensation survey data:

- Towers Watson, an international human resources consulting firm;
- William M. Mercer Incorporated, an international human resources consulting firm;
- Aon Hewitt, an international human resources consulting firm;
- WorldatWork, a global human resources association of more than 30,000 compensation, benefits and human resources professionals;
- Bureau of Labor Statistics (the Consumer Price Index or CPI).

Q. How does FPL's cash compensation program compare to the market?

A. FPL's base pay levels are comparable to the rates paid by its competitors for employees performing similar jobs and with similar skill sets. FPL performs a detailed annual benchmarking analysis of its base pay rates to determine "position to market." The most recent market analysis completed in 2011 included market survey data from approximately 50 sources, including Towers Watson, Aon Hewitt, and Mercer. Exhibit KS-2 demonstrates that, as of the date of this latest study, FPL has maintained its average base pay, in the aggregate, for exempt and non-exempt jobs below market, i.e. below the median or 50th percentile.

Q. What are FPL's total compensation costs for the projected 2013 Test Year?

A. FPL's gross total compensation cost, represented as Gross Payroll on MFR C-35, is projected to be $1.049 billion for the Test Year.

Q. Is FPL seeking recovery for all of its projected total compensation expense in 2013?

A. No. FPL has excluded from its expense request the portions of executive and non-executive incentive compensation that were excluded from the 2010 rate order, Order No. PSC-10-0153-FOF. FPL has chosen to forego recovery of these expenses in this rate case in an effort to narrow the items at issue. However, FPL continues to believe these expenses are necessary and reasonable, are effective tools in attracting, retaining and engaging our workforce, and therefore are properly recoverable in rates.

Q. How has FPL's total compensation cost changed since the last rate case and is the cost reasonable?

A. For the period from 2009 to 2013 represented on MFR C-35, FPL's total compensation or gross payroll expense is forecasted to increase from about $973 million to about $1.049 billion. Gross payroll as represented on MFR C-35 includes all wages and salaries, overtime pay, premium pay and miscellaneous other earnings. It also includes those costs that are ultimately allocated to other subsidiaries as well as the aforementioned incentive compensation costs that FPL is not seeking to recover. The 2009 to 2013 increase in gross payroll is approximately 7.8 percent as compared to the projected CPI growth of 8.3 percent and a projected compensation increase of 11.2 percent by the WorldatWork Index for the same period. The FPSC has previously recognized WorldatWork's market projections as an appropriate basis for compensation comparisons. A contributing factor in managing the gross payroll expense is the reduction in staffing over the period. The Company's culture of continuous improvement and an ongoing focus on efficiency have enabled it to maintain high levels of performance with less staffing.

Q. How does FPL's gross payroll cost compare with that of other utilities?

A. FPL's total compensation cost compares favorably to that of other utilities as demonstrated by review of Federal Energy Regulatory Commission Form No. 1 report data. FPL has reviewed its total compensation cost and compared it to that of other comparable utilities. The companies in the comparison included other regional utilities as well as other vertically integrated utilities of similar size. As shown on Exhibit KS-3, FPL continues to be one of the more efficient utilities from a total compensation standpoint. This efficiency is particularly evident when one looks at total compensation -- whether on a per-customer, operating revenue, or operating expense basis.

Q. Please describe FPL's annual performance-based merit program.

A. There are two components to FPL's annual performance-based merit program. The first component is a merit award determined by an individual's performance level and salary position relative to market. The second component is a variable pay program that provides a payment based on each individual's contribution as well as Company and business unit results in comparison to pre-established objectives. FPL's variable compensation is awarded based on an individual's contribution to corporate, business unit, and individual performance indicators. These performance indicators include controlling customer-related costs and operating efficiency milestones such as plant availability, service reliability, and quality of customer service.

Q. How does FPL's annual pay increase program compare to market?

A. FPL regularly benchmarks its annual pay increase program and variable pay awards against relevant market data. As shown in Exhibit KS-4, the annual merit base and variable incentive pay awards have been at or below market for the period from 2009 through 2011.

IV. BENEFITS

Q. Please describe FPL's benefits package.

A. Again, FPL's benefits program is designed and managed as part of the total rewards package. The benefits package includes a full complement of benefits, comprised of three primary components: health and welfare benefits, retirement plans, and various benefits required by law.

Q. What are FPL's projected benefits costs for the Test Year?

A. Total benefits costs are projected to be about $212 million in 2013, the major components of which are as follows:

	2013	
Health and welfare benefits		$120,057,000
Retirement benefits		
Pension plan	($38,641,000)	
Post-employment benefits	$22,325,000	
Employee savings plan	$32,200,000	
Total Retirement Benefits		$15,884,000
Benefits required by law		$76,172,000
Total Benefits Cost		$212,113,000

Benefits required by law include social security tax, federal and state unemployment taxes, and workers' compensation. I will discuss in more detail the major benefit plans, specifically the medical and retirement plans.

Q. How has FPL's total benefits cost changed since 2009?

A. Total benefits cost is projected to increase from a total of $175 million in 2009 to $212 million in the 2013 Test Year.

Q. What is driving the increase in the benefits cost?

A. The primary driver of the increased benefits cost is an increase to the pension plan expense. The Company experienced slight increases in health and welfare benefits ($4.2 million or 3.6 percent) and benefits required by law ($2.2 million or 3 percent), in addition to an increase in retirement benefits expense of $30.6 million, primarily driven by the increase in pension expense. The pension increase is typical of that experienced by companies across the utility and general industry and is the result of the stock market crash of 2008 and subsequent instability in the markets.

Q. How does FPL evaluate the design and cost of its benefit plans and how do the plans compare to those of other companies?

A. FPL uses the Aon Hewitt Benefit Index, an actuarial tool that compares the value of benefit plans. Aon Hewitt is an internationally recognized benefits consulting firm that provides analysis and consultation on the competitiveness of participating companies' benefit programs and produces the Aon Hewitt Benefit Index. The study methodology first analyzes the value of each benefit plan for each individual in the plan and then converts the individual values to a composite value for the entire employee population by applying a standard set of actuarial and employee participation assumptions. The index base point of 100.0 is set as the average of the values of the base companies selected for the comparison. FPL has used the Aon Hewitt study to compare its benefits programs to those of companies in the general industry and utility industry sectors, and to those of Fortune 500 companies participating in the study.

Exhibit KS-5 displays the relative value of FPL's total benefits program for 2011 compared to a base utility comparator group composed of 14 electric utilities that are most similar to FPL in terms of revenue and workforce composition or that are Florida-based. The graph also displays relative value comparisons to a broader utility group (composed of the 22 utilities that participate in the survey), to a general industry grouping, and to Fortune 500 companies that participated in the study. The graph shows that FPL's Benefit Index for the total benefit program is below average compared to the base utility comparator group and each of the other industry groupings. FPL's total benefits program rated 89.9 as compared to a 100.0 average for the base utility comparator group and to a 100.2 average for the broader utility group. These results are consistent with the Company's objective to emphasize cash compensation over traditional long-term benefits, which helps keep costs low for the benefit of customers.

Q. What is FPL's projected medical cost for the 2013 Test Year?

A. FPL's projected medical cost is $97.3 million for active employees in the 2013 Test Year. As shown on MFR C-35, this represents an increase of about two million dollars or 2.2 percent for the 2009 to 2013 period. It is below the 8.3 percent increase in CPI and significantly below the utility industry health care trend of 27.1 percent.

Q. How does FPL determine the plan design of medical benefits for each year?

A. FPL's benefits department reviews trends in health care claims as well as plan designs and programs available across various industries, to determine the optimal plan design and pricing structure that will provide competitive, cost-effective benefits for all employees.

Q. How does FPL's medical plan compare to industry standards?

A. The relative value of FPL's medical plan for active employees is slightly below average when compared to other utility and general industry companies participating in the 2011 Aon Hewitt Benefits Index. As illustrated by Exhibit KS-6, FPL's plan had a relative value of 84.7 as compared to the average of 100.0

for the 14 utilities in the base utility comparator group and the average of 100.9 for the broader utility group. FPL's relative value for active medical is also below both the general industry and Fortune 500 company averages.

Q. How do FPL's projected medical costs for 2012 and 2013, as represented on MFR C-35, compare to those of other utilities and the national average?

A. Although the various factors driving health care costs higher both nationally and specifically at FPL are projected to result in medical cost increases in 2012 and 2013, FPL's average medical cost per employee has remained at or below the utility industry average from 2007 to 2011 and is projected to remain below the industry average in 2012, as illustrated in Exhibit KS-7. The increases in FPL's health care costs for 2012 and 2013 are consistent with national and utility industry trends provided by Aon Hewitt. In fact, Aon Hewitt's forecasted utility industry benchmark for 2012 is still approximately 8.7 percent above FPL's projected cost per employee of $12,049 in 2012.

Q. What has been FPL's experience in managing health care costs?

A. FPL's ability to keep per employee health care costs below the utility industry benchmarks and to project that costs remain below the utility industry benchmarks in 2012 and beyond has been the direct result of aggressive management of the drivers of health care costs. Exhibit KS-7 illustrates FPL's medical costs per employee for 2007 to 2011 and the projected costs for 2012 as compared to Fortune 500 and utility industry benchmarks. FPL has and will continue to look for ways to provide employees with a choice of quality medical plans at the most cost competitive level. However, health care cost inflation is a national concern in both the public and private sectors. Thus, while FPL has been successful in managing per-employee medical costs below the utility industry average, the Company expects total annual health care costs to increase in 2013 and beyond at a rate comparable to the forecasted national trend of approximately eight percent per year. Rising health care costs continues to be one of the largest concerns for companies and their employees.

Q. What specific initiatives has FPL pursued to control health care costs?

A. FPL has made health care cost control a key strategic initiative, applying continuous improvement process to develop an integrated health strategy that will optimize value and control costs for both the Company and employees. The Company's successful cost control strategy has included a variety of initiatives, including:

- Price incentives to encourage cost effective plan selections, including spousal surcharges;
- Dependent eligibility audits;
- Subrogation;
- Emphasis on employee/consumer responsibility;
- Per child pricing to align cost of coverage with benefit received;
- Comprehensive health promotion and care management programs;
- Incentives to drive behavior changes, including migration to outcome-based incentives for 2012;
- Aggressive vendor management;

- Value-based pharmacy design to promote therapeutic compliance, especially for employees with chronic health conditions; and
- Cost transparency with pharmacy benefit manager.

Q. How has FPL's successful management of its health care program and costs been a benefit to customers?

A. As I mentioned previously, FPL's medical costs increased only 2.2 percent from 2009 to 2013 compared to the utility industry health care trend of 27.1 percent for the same period. This success in controlling medical costs reduces the Company's revenue requirements, which is a direct benefit to customers.

Q. Are there other initiatives FPL has taken to control health care costs?

A. Yes. A key long-term cost control initiative has been the aggressive promotion of the employee's responsibility for health and the creation of a healthy work environment, as evidenced by the Company's comprehensive health and well-being programs. FPL's comprehensive health and well-being programs, developed over the past 20 years, have led to reductions in health risk factors for the employees who have participated in them, which will benefit our employees through better health and our customers through lower plan cost in the Test Year and beyond.

Q. Has FPL received recognition for successful management of its health care programs and costs?

A. Yes. The effectiveness of the programs has been acknowledged through frequent national recognition, including:

- "Best Employers for Healthy Lifestyles" Platinum Award from the National Business Group on Health—2005, 2006, 2007, 2009, 2010, 2011;
- 2007 Leadership Award in Health from the Florida Health Care Coalition;
- 2008 "Innovations in Prevention" Gold Award from the Department of Health and Human Services;
- 2007 feature on FPL-WELL program on ABC World News Tonight for impact on managing health and well-being; and
- 2011 "Corporate Health & Productivity Award" from the Institute for Health and Productivity Management.

Q. What factors are driving the substantial increases in health care costs projected to occur over the next few years in the U.S.?

A. There are a number of factors impacting recent increases in national health care costs that will continue to cause costs to climb:

- Growing number of uninsureds putting pressure on the health care system, most recently due to increased unemployment;
- Technological enhancements in medical treatments and services driving greater utilization and cost;
- Continued focus on direct consumer advertising by pharmaceutical companies;
- Increased utilization and pricing of prescription drugs;
- Impact of specialty pharmacy;
- Threat of malpractice leading physicians to practice defensive medicine;

- Efforts by hospitals and other large medical providers to consolidate and leverage insurance companies in contract negotiations;
- Collective physician groups leveraging size in negotiations with health plans;
- Increase in obesity over the last 20 years (overall poorer health of the American population);
- Fee-for-service payment model; and
- Federal and state mandates, i.e., mental health parity and mandated coverage for dependents up to age 26.

Q. Does FPL offer retirement plans to employees and is that consistent with industry practices?

A. Yes, FPL offers its employees retirement plans consisting of a pension plan and a 401(k) employee savings plan, as do approximately 75 percent of utility industry companies included in the Aon Hewitt Benefits Index. The Company also provides post-employment medical, life, and disability benefits; however, as discussed previously, the post-employment medical and life benefits were discontinued for employees hired on or after April 1, 1997.

Q. What is FPL's projected retirement expense in the Test Year?

A. The projected expense for the 2013 Test Year is $15.8 million. This is the net expense of the pension plan credit of $38.6 million together with the 401(k) employee savings plan expense of $32.2 million and the post-employment medical, life, and disability benefits expense of $22.3 million.

Q. Why is the employee pension benefit reflected as a credit?

A. The assets of the pension plan have been beneficially invested such that the fair value of the assets exceeds the actuarially determined projected obligation.

FPL's pension benefit is calculated based on Financial Accounting Standards Board ("FASB") Codification, ASC 715 which covers retirement benefits. Whereas many utilities must recover a pension cost associated with providing a retirement plan to its employees from customers, FPL has, through prudent investment over time, been able to grow its pension assets at a faster rate than the costs of its plan obligations. Even after the major market correction, the pension trust still exceeds its obligations, and therefore, creates a negative expense (a credit) to the benefit of customers.

Q. How do FPL's retirement plans compare to the industry?

A. As shown in the Aon Hewitt Benefit Index's comparison chart (Exhibit KS-8), FPL's retirement plans are valued well below the averages of the comparator companies and the utility industry (100.0 for the comparator and 100.8 for the utility companies).

Q. How does this evaluation demonstrate the reasonableness of FPL's qualified retirement plans?

A. FPL provides both a pension and 401(k) employee savings plan to its employees in order to attract and retain high quality employees. FPL has been able to do this despite the fact that the relative value of these plans is considerably less than average in the utility industry as demonstrated by the Aon Hewitt Benefits Index.

Q. Does this conclude your direct testimony?

A. Yes.

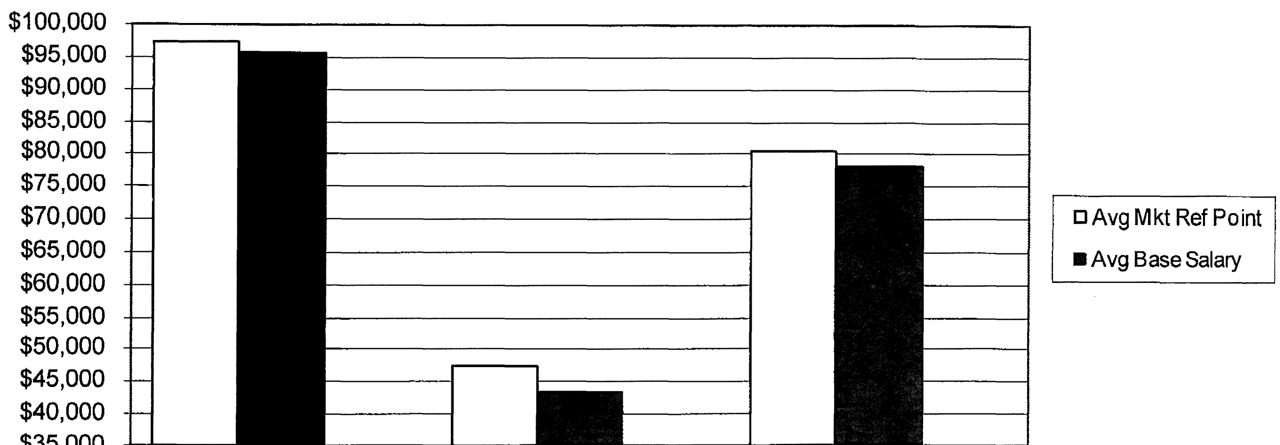
SUMMARY OF SPONSORED AND CO-SPONSORED MFRS BY KATHLEEN SLATTERY

MFR	Period	Title
SPONSOR		
C-35	Test/Prior/Historic	Payroll and Fringe Benefit Increases Compared to CPI
F-3	Test & Historic	Business Contracts with Officers or Directors
CO-SPONSOR		
C-8	Test & Prior	Detail of Changes in Expenses
C-15	Test	Industry Association Dues
C-15	Historic	Industry Association Dues
C-41	Test/Prior/Historic	O&M Benchmark Variance by Function

Docket No. 120015-EI
Position to Market (2011 Base Pay)
Exhibit KS-2, Page 1 of 1

FPL

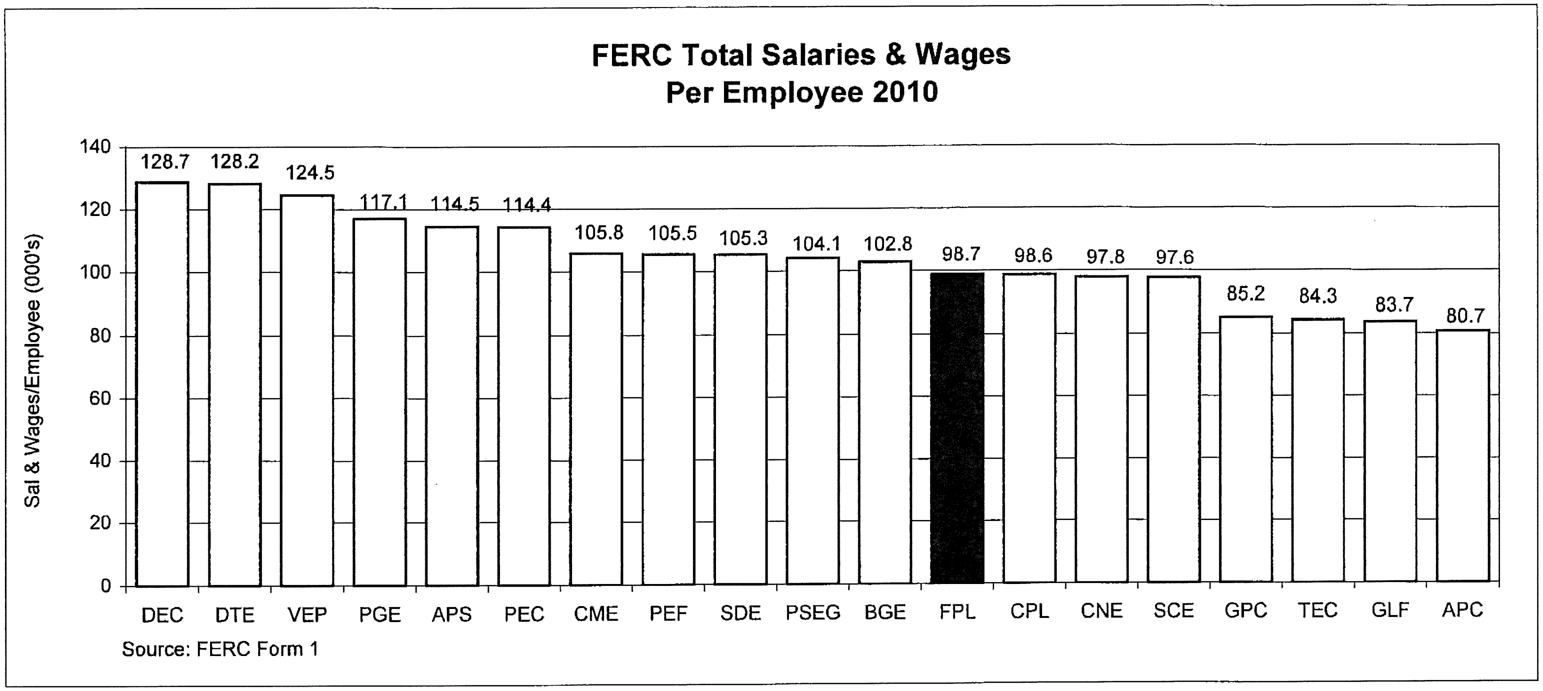
Position to Market (FPL 2011 Base Pay)
All Non-Bargaining Employees



	Exempt	Non Exempt	Org Wide
Avg Mkt Ref Point	$97,212	$47,304	$80,504
Avg Base Salary	$95,701	$43,528	$78,235
Pos to Mkt	-1.6%	-8.0%	-2.8%

Market reference points are determined via benchmarking conducted internally utilizing current industry survey sources including Towers Watson, Mercer and Aon Hewitt.

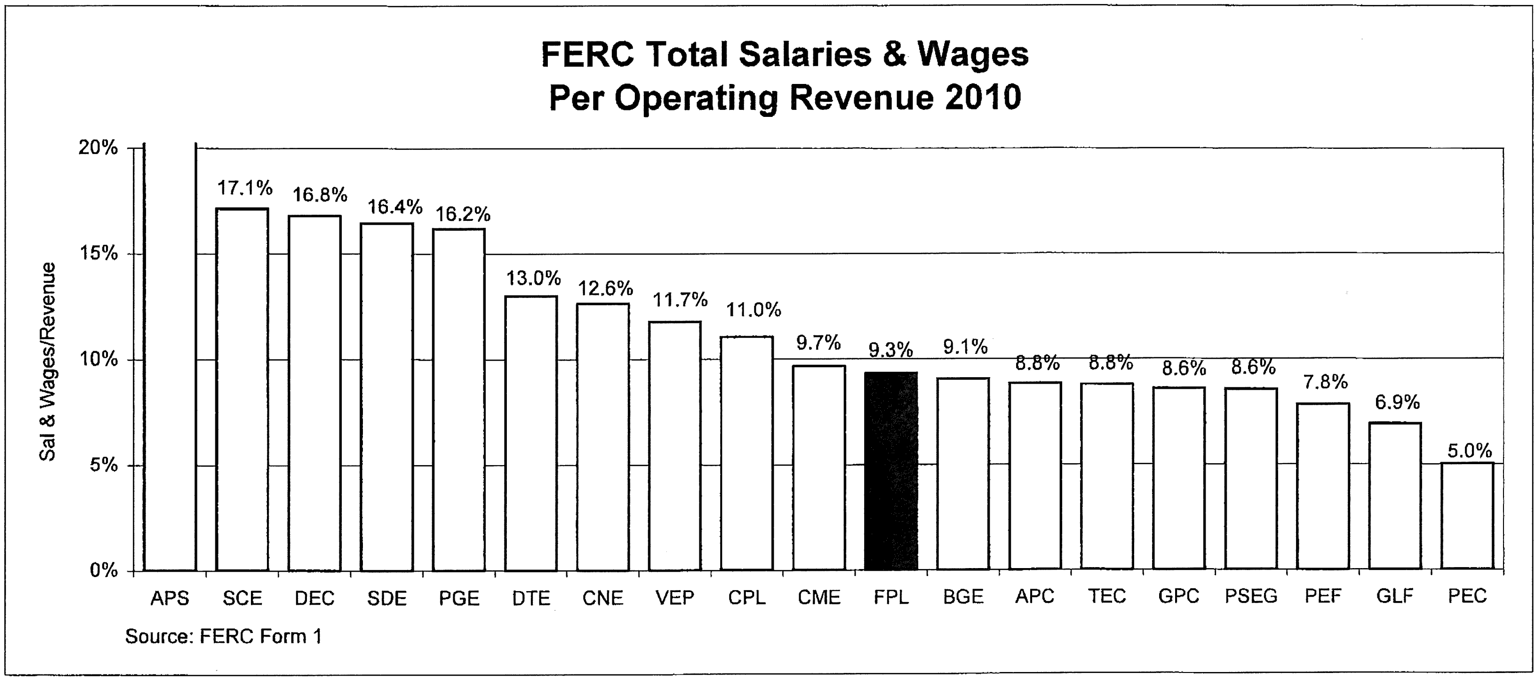
FLORIDA POWER & LIGHT COMPANY



APC	Alabama Power
APS	Arizona Public Service
BGE	Baltimore Gas & Electric
CPL	Progress Energy Carolinas
CME	Commonwealth Edison
CNE	Consolidated Edison
DTE	Detroit Edison
DEC	Duke Energy Corp
FPL	Florida Power & Light
GPC	Georgia Power
GLF	Gulf Power
PGE	Pacific Gas & Electric
PEC	PECO Energy
PEF	Progress Energy Florida
PSEG	Public Service Electric & Gas
SDE	San Diego Gas & Electric
SCE	Southern California Edison
TEC	Tampa Electric
VEP	Virginia Electric & Power

Docket No. 120015-EI
FERC Total Salaries & Wages 2010
Exhibit KS-3, Page 1 of 4

FLORIDA POWER & LIGHT COMPANY

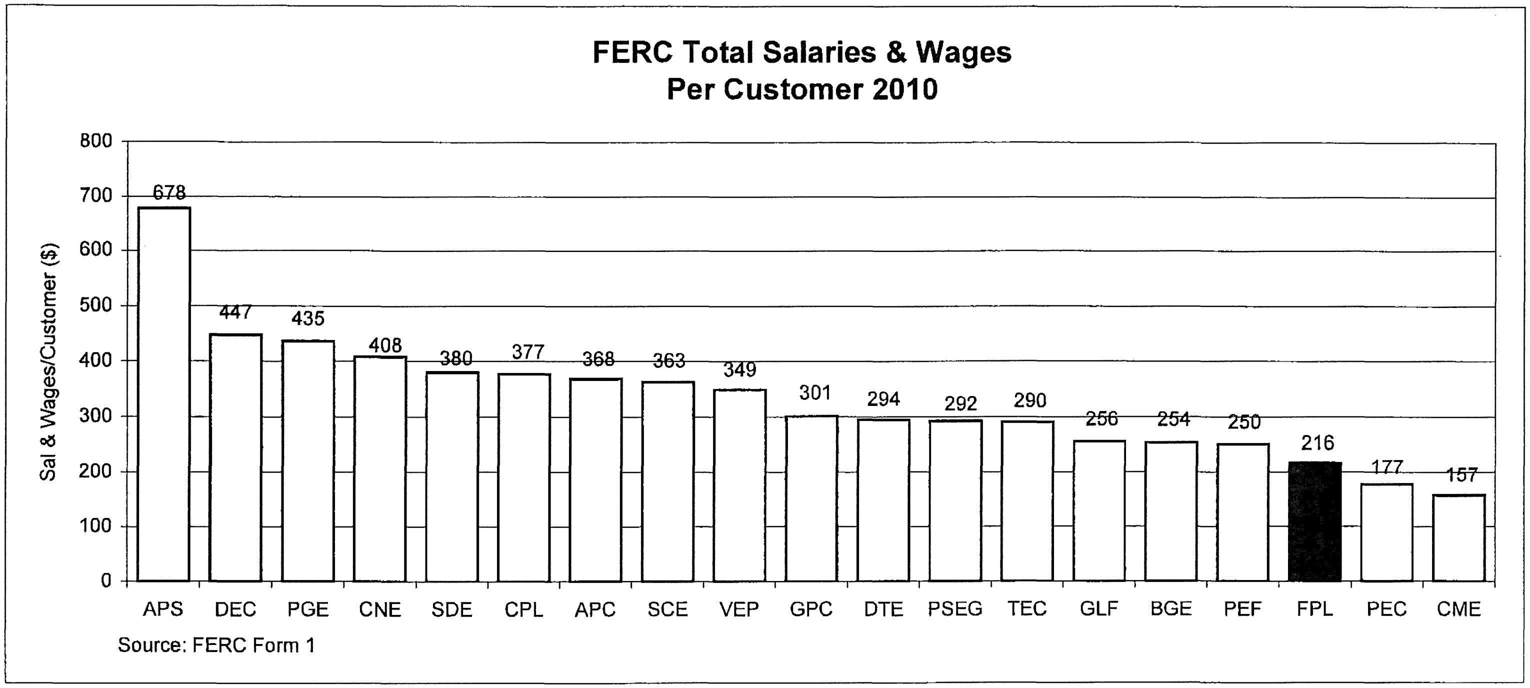


APC Alabama Power
APS Arizona Public Service
BGE Baltimore Gas & Electric
CPL Carolina Power & Light
CME Commonwealth Edison
CNE Consolidated Edison
DTE Detroit Edison
DEC Duke Energy Corp
FPL Florida Power & Light
GPC Georgia Power

GLF Gulf Power
PGE Pacific Gas & Electric
PEC PECO Energy
PEF Progress Energy Florida
PSEG Public Service Electric & Gas
SDE San Diego Gas & Electric
SCE Southern California Edison
TEC Tampa Electric
VEP Virginia Electric & Power

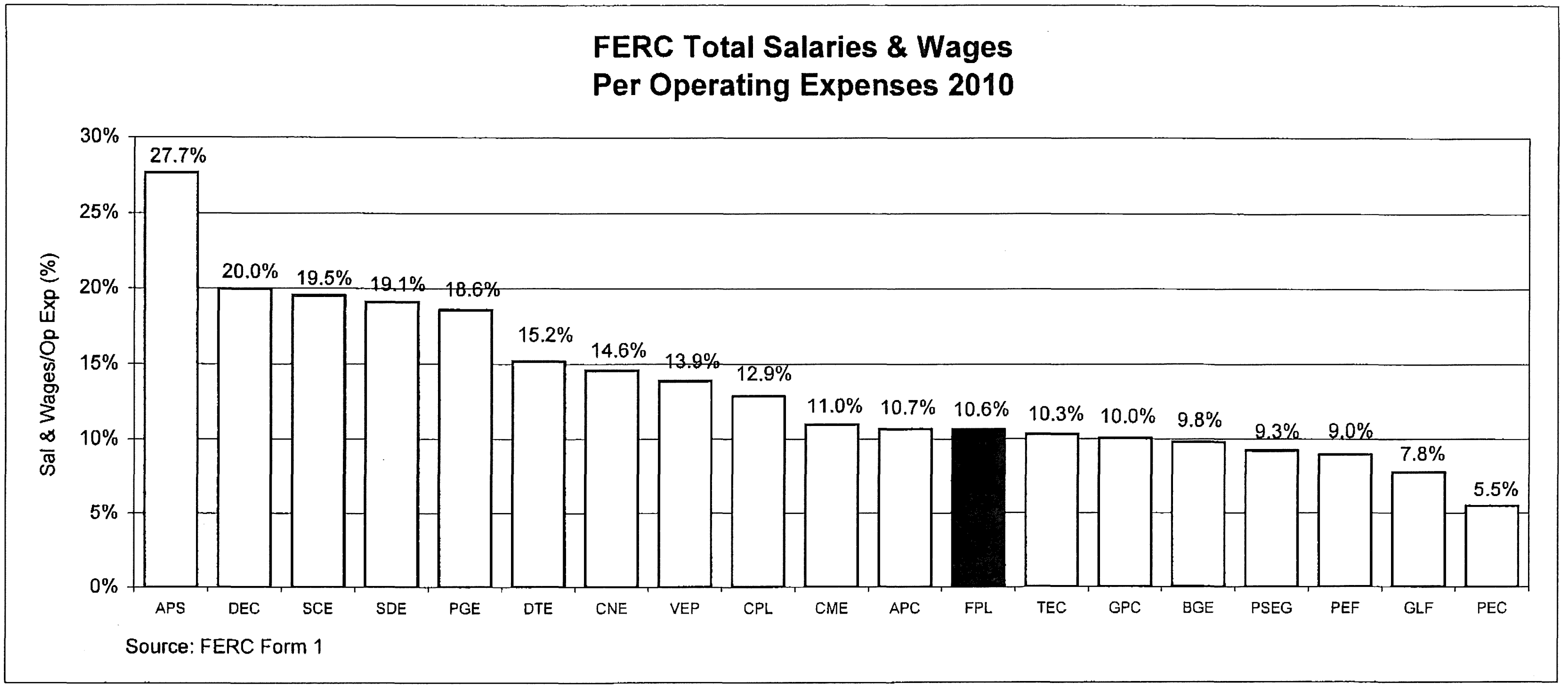
Docket No. 120015-EI
FERC Total Salaries & Wages 2010
Exhibit KS-3, Page 2 of 4

FLORIDA POWER & LIGHT COMPANY



APC	Alabama Power
APS	Arizona Public Service
BGE	Baltimore Gas & Electric
CPL	Progress Energy Carolinas
CME	Commonwealth Edison
CNE	Consolidated Edison
DTE	Detroit Edison
DEC	Duke Energy Corp
FPL	Florida Power & Light
GPC	Georgia Power
GLF	Gulf Power
PGE	Pacific Gas & Electric
PEC	PECO Energy
PEF	Progress Energy Florida
PSEG	Public Service Electric & Gas
SDE	San Diego Gas & Electric
SCE	Southern California Edison
TEC	Tampa Electric
VEP	Virginia Electric & Power

FLORIDA POWER & LIGHT COMPANY



APC	Alabama Power
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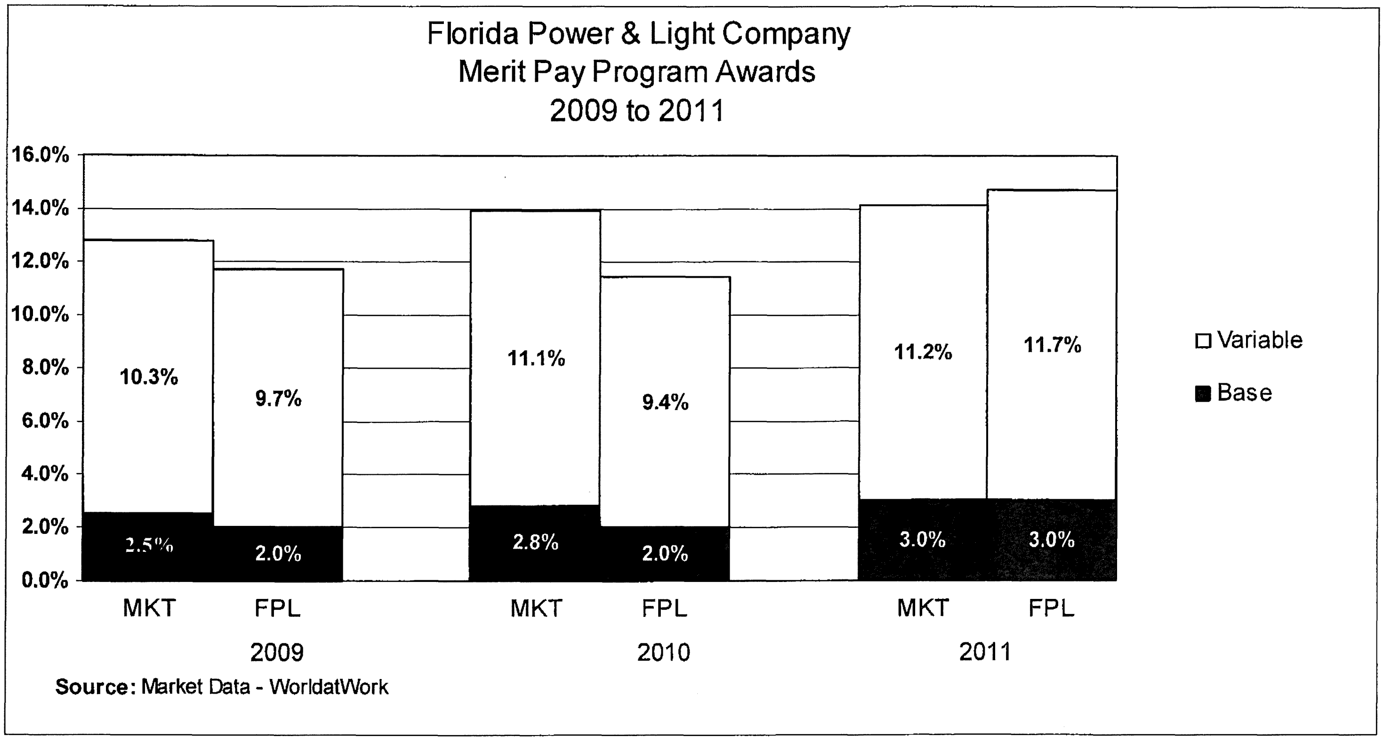
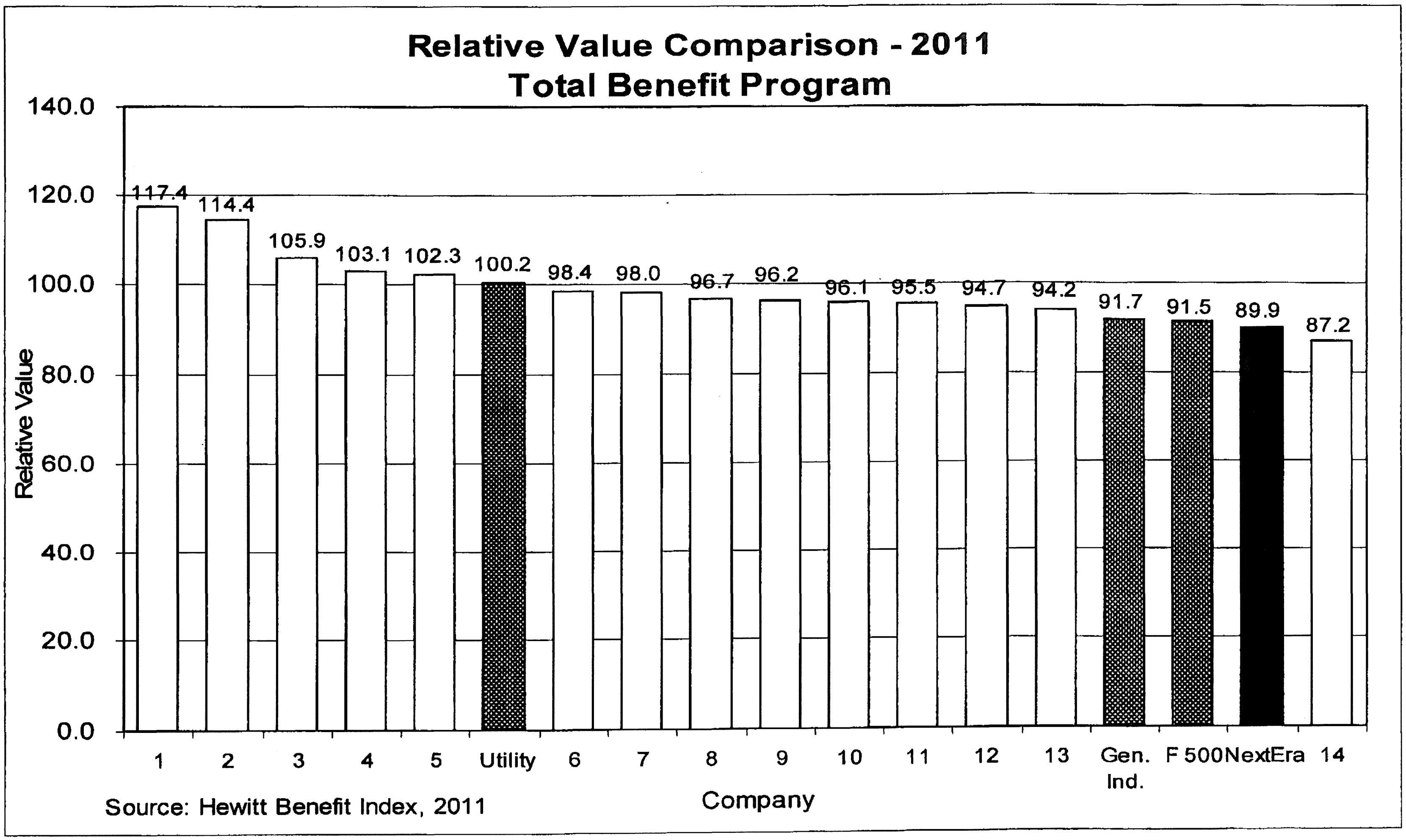
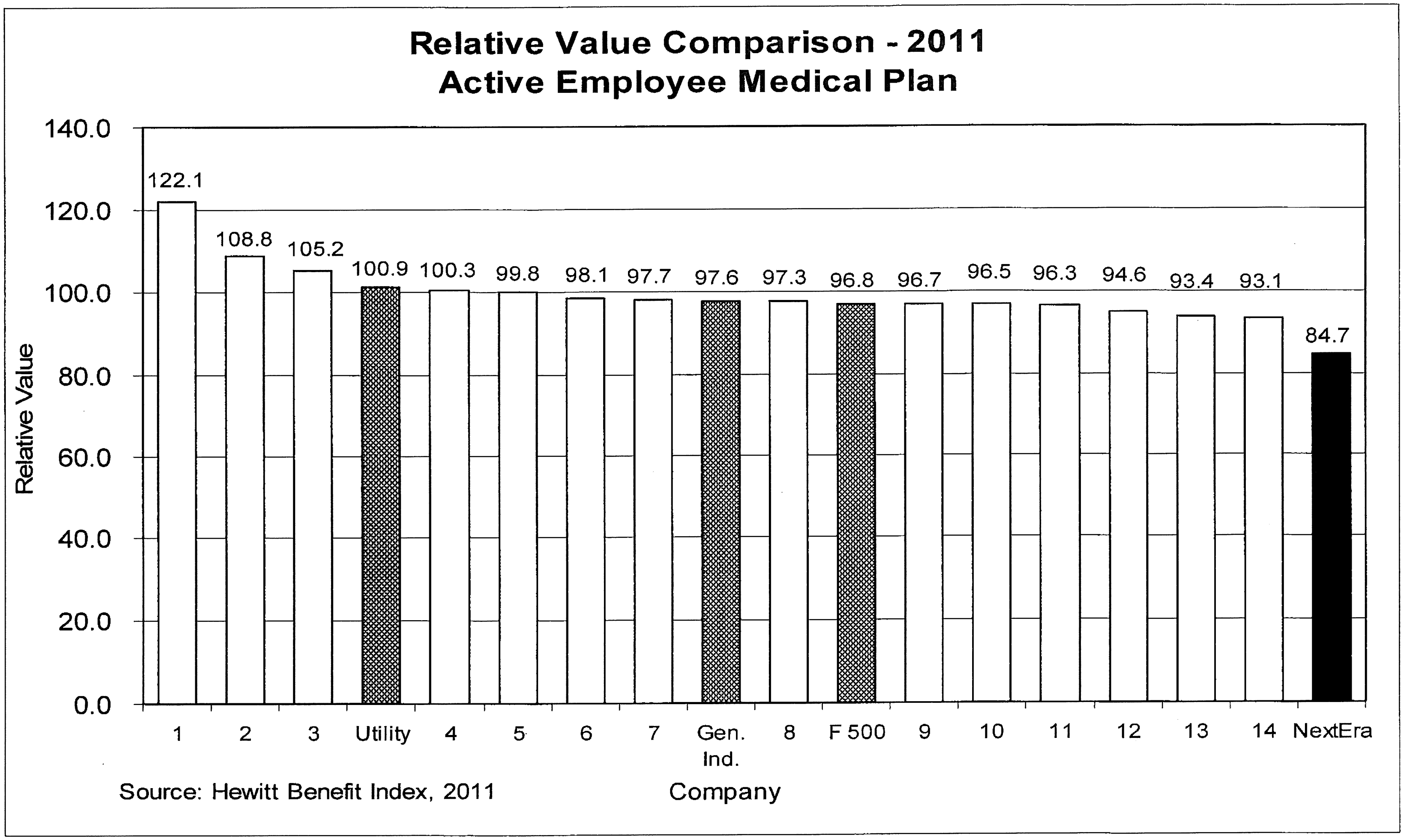


Docket No. 120015-EI
Merit Pay Program Awards, 2009 to 2011
Exhibit KS-4, Page 1 of 1



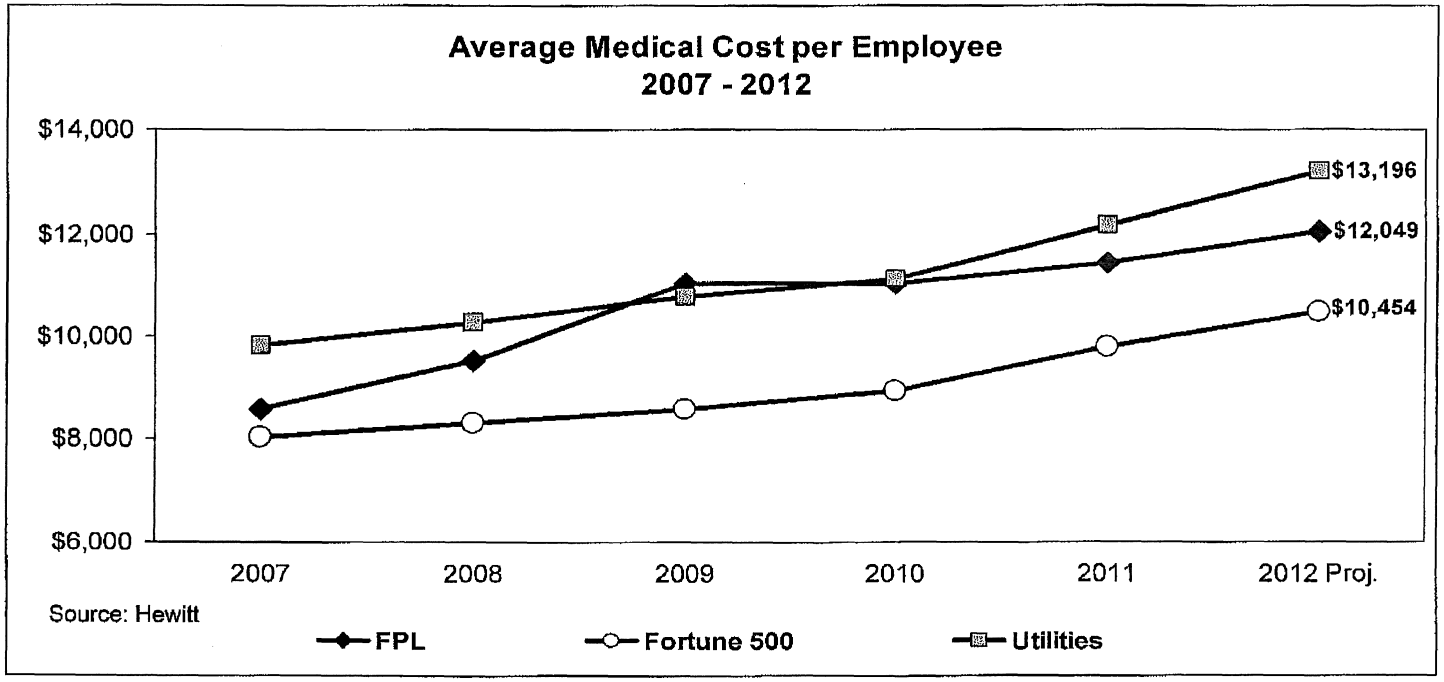
- Comparison includes Company Contributions to determine "value" within the Benefit Index Methodology.
- Comparator Group Average = 100. Companies Included in Comparator Group: CenterPoint Energy, Consolidated Edison, Dominion Resources, Duke Energy, Edison International, Energy Future Holdings, Entergy, Exelon, FirstEnergy, PG&E, Progress Energy, Public Service Ent,. Southern Company, Tampa Electric.

The relative value of NextEra Energy's benefit programs is below those of comparable utility, general industry, and Fortune 500 companies.



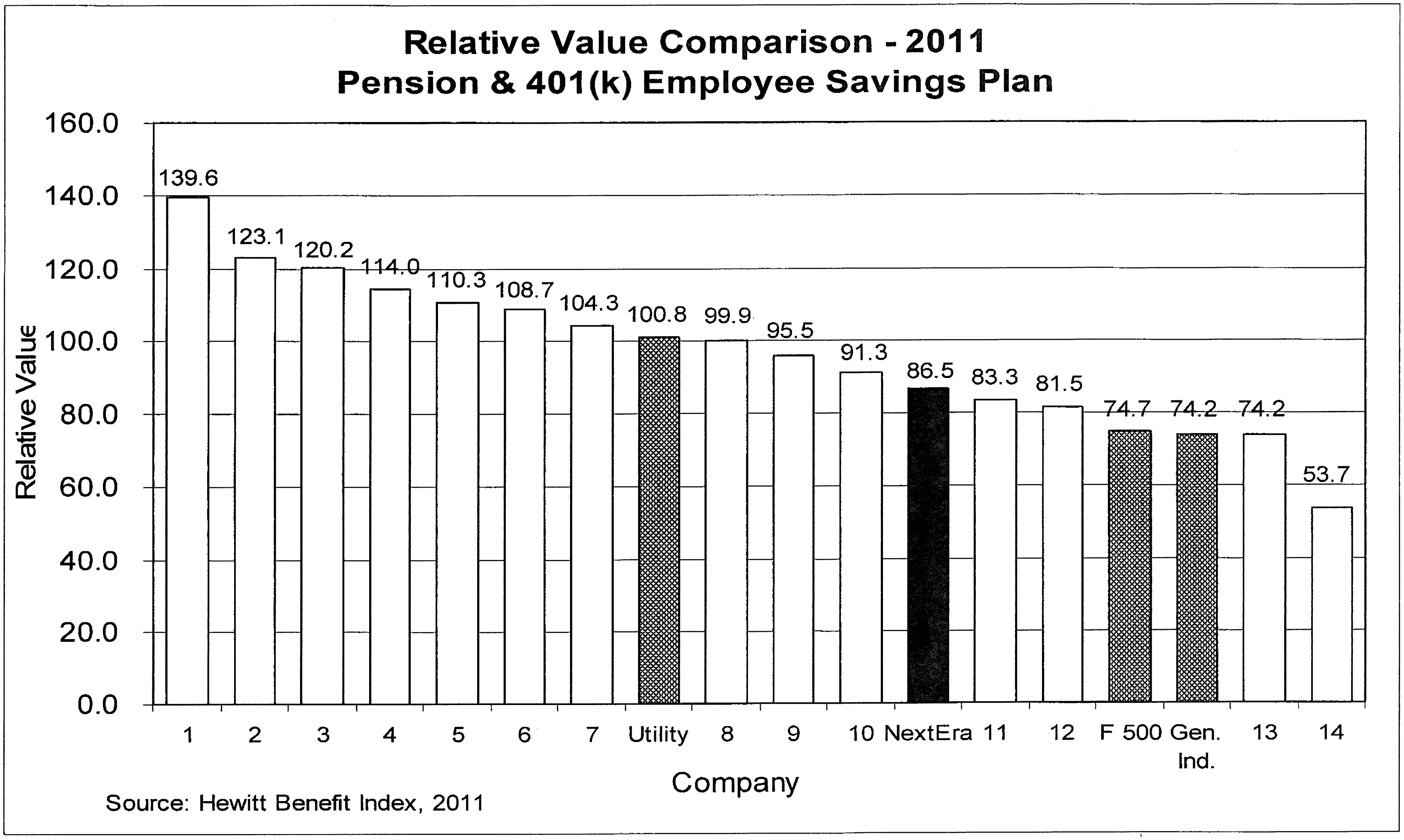
- Comparison includes Company Contributions to determine "value" within the Benefit Index Methodology.
- Comparator Group Average = 100. Companies Included in Comparator Group: CenterPoint Energy, Consolidated Edison, Dominion Resources, Duke Energy, Edison International, Energy Future Holdings, Entergy, Exelon, FirstEnergy, PG&E, Progress Energy, Public Service Ent,. Southern Company, Tampa Electric.

The relative value of NextEra Energy's medical plan is below those of comparable utility, general industry, and Fortune 500 companies.



NextEra Energy's total medical plan cost per employee has been consistently below utility industry benchmarks.

Docket No. 120015-EI
Relative Value Comparison – 2011
Pension & 401(K) Employee Savings Plan
Exhibit KS-8, Page 1 of 1



- Comparison includes Company Contributions to determine "value" within the Benefit Index Methodology.
- Comparator Group Average = 100. Companies Included in Comparator Group: CenterPoint Energy, Consolidated Edison, Dominion Resources, Duke Energy, Edison International, Energy Future Holdings, Entergy, Exelon, FirstEnergy, PG&E, Progress Energy, Public Service Ent,. Southern Company, Tampa Electric.

The relative value of NextEra Energy's retirement plans is well below those of other utilities and comparable to those of general industry and Fortune 500 companies.