# 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

## REBUTTAL TESTIMONY & EXHIBITS OF:

## KIM OUSDAHL

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**FLORIDA POWER & LIGHT COMPANY**

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**JULY 31, 2012**

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## I. INTRODUCTION

**Q. Please state your name and business address.**

A. My name is Kim Ousdahl, and my business address is Florida Power & Light Company ("FPL or "the Company"), 700 Universe Boulevard, Juno Beach, Florida 33408.

**Q. Did you previously submit direct testimony in this proceeding?**

A. Yes.

**Q. Are you sponsoring any rebuttal exhibits in this case?**

A. Yes. I am sponsoring the following exhibits:

- KO-14 – Summary of ARO Accounts in Rate Base
- KO-15 – FPL Responses to Discovery Served by Intervenors
- KO-16 – Identified Adjustments Summary
- KO-17 – Affiliates – Sole Source Arrangements
- KO-18 – Identified Adjustment – Cost of Removal
- KO-19 – Identified Adjustment – DOE & AMI
- KO-20 – Identified Adjustment – Change in Customer Deposit Rule

**Q. What is the purpose of your rebuttal testimony?**

A. The purpose of my rebuttal testimony is to demonstrate that certain recommendations in the testimonies of the Office of Public Counsel's ("OPC") witnesses Vondle, Schultz and Ramas, South Florida Hospital and Healthcare Association's ("SFHHA") witness Kollen, and Florida Executive Agencies' ("FEA") witness Gorman are incorrect, not based on evidence and should be rejected. I also address adjustments to FPL's Test Year revenue requirements calculations that FPL has identified as being necessary subsequent to filing its petition, direct testimony and MFRs. Specifically, I will address the following topics:

1. Working Capital
    a. Unbilled Revenues
    b. Asset Retirement Obligations ("ARO")
    c. Other Accounts Receivable
    d. Other Regulatory Assets
    e. Miscellaneous Deferred Debits
2. Cost of Capital
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5. Nuclear Maintenance Reserve Accrual Methodology
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8. Certain Identified Adjustments
    a. Cost of Removal
    b. Department of Energy ("DOE") – Automated Meter Infrastructure ("AMI")
    c. Seminole Transmission Service Bill Credits
    d. Change in Customer Deposit Interest Rates

**Q. Please summarize your rebuttal testimony.**

A. My rebuttal testimony will demonstrate that the Company's request is reasonable and that the intervenor's recommendations are unsupported and should be rejected by the Commission. I will address the need for consistent ratemaking treatment for the nuclear maintenance reserve accrual. I will demonstrate that, contrary to intervenor assertions, the Company's calculations of cost of capital, inclusion of certain items in working capital and the Canaveral Step Increase were properly treated and calculated. For affiliate transactions, I will demonstrate that the intervenor witness is simply unfamiliar with FPL, the Federal Energy Regulatory Commission ("FERC") and Florida Public Service Commission ("FPSC") rules and practices and that the controls and current Company practices in place continue to be reasonable and fully compliant with Rule 25-6.1351 F.A.C. (the "Florida Affiliate Rule") and that affiliates are accordingly paying their fair share of FPL expenses. I will discuss the audit report issued by Commission Staff, and lastly, present and discuss the revenue requirement impact of certain recently identified adjustments.

## II. WORKING CAPITAL

### <u>Unbilled Revenues</u>

**Q. Should the Commission adopt SFHHA witness Kollen's recommendation to remove unbilled revenues from working capital?**

A. No. Unbilled revenues, as witness Kollen describes on page 16, lines 1 through 2 of his testimony, are "estimated revenues that will be billed for service that was provided during the month, but that were not yet billed at the end of the month." I agree with witness Kollen that the Company has provided service. Therefore, FPL has incurred costs all of which have been accrued or paid to deliver the energy that gave rise to both customer accounts receivables and the receivable for unbilled revenues. As such, the Company must finance the costs of providing that service and earn a return on the promise of payment whether invoiced or not. For this reason, the Commission has a long standing practice of including unbilled revenues in working capital. The Commission has previously included unbilled revenues in FPL's working capital calculation in the following rate cases: Docket No. 820097-EU, Order No. 11437; Docket No. 830465-EI, Order No. 13537; and Docket No. 080677-EI, Order No. PSC-10-0153-FOF-EI.

**Q. On page 16, lines 18 through 21, witness Kollen states that "If the Company does not accrue unbilled revenues for fuel clause recovery revenues, then it also does not accrue accounts payable for the related fuel expense and there is no incremental amount in the accounts payable account to offset the nonfuel unbilled revenues." Do you agree?**

A. No, I do not. FPL records payables in full at the end of each calendar period as required under Generally Accepted Accounting Principles ("GAAP"). It reflects a calendar month of revenue and expense, and likewise records the balance of receivables and payables.

It is not necessary to record unbilled revenues associated with clause recoveries for GAAP or ratemaking purposes. Accounting for clause activity renders the recording of clause unbilled revenues unnecessary. Accounting Standard Codification ("ASC") 980 (former FAS 71) allows FPL to defer to the balance sheet the over/under recoveries resulting from differences between recorded clause revenues and recorded clause expenses. Therefore, accrual of additional revenues (unbilled revenues) would also require a posting of an additional entry equal to the clause revenue. The entry would be as follows:

1) Debit Receivable for clause unbilled revenue

  Credit Unbilled clause revenue

To record the unbilled clause revenue; and

2) Debit Unbilled clause revenue

  Credit Regulatory Liability-Overrecovery or

  Credit Regulatory Asset-Underrecovery

To record the deferral of additional clause revenue to the balance sheet.

For GAAP and ratemaking purposes, the effect of the unbilled clause revenues is offset and therefore, unnecessary.

## Asset Retirement Obligations ("ARO")

**Q. On page 43, lines 13 through 16 of OPC witness Schultz's testimony, he states that the ARO related adjustments are not revenue neutral. Is this correct?**

A. No, it is not. The ARO liability adjustment on MFR B-2, adjustment No. 33, represents the sum of two ARO accounts: FERC account 230 - Other Non Current Liability - ARO (Test Year MFR B-6, page 11, line 11) and FERC account 254 - Other Regulatory Liability - ARO (MFR B-6, Page 12, line 28). The ARO account balances in the 2013 Test Year rate base and their corresponding rate base adjustments are equal and net to zero. Refer to Exhibit KO-14. Therefore, in compliance with Rule No. 25-14.014 F.A.C., the AROs included in FPL's 2013 Test Year are revenue neutral for ratemaking purposes.

**Q. Witness Schultz states on page 42 of his testimony, that the Company in the response to OPC Twelfth Set of Interrogatories, Question No. 252, did not provide explanations for any balances in FERC account 254 - Other Regulatory Liabilities which resulted in a debit balance after adjustments. Please explain why the Company did not provide an explanation for any debit balances in FERC account 254 as requested in subpart E of the interrogatory.**

A. As can be seen on Attachment 2 of the Company's response to subpart D, which requested the FERC account 254 - Other Regulatory Liability balances, before and after adjustments, there were no debit balances in the account for either FPL's Prior Year or Test Year after adjustments. Therefore, no explanations were required in the response to subpart E of the interrogatory. Also, the response clearly shows that the net balance after adjustments to FERC account 254 ARO liability is zero. This response is attached as part of Exhibit KO-15, pages 1 through 6.

**Q. OPC witness Schultz on page 43, lines 10 and 11, of his testimony includes a listing of ARO adjustments and concludes from this table that ARO related adjustments were not revenue neutral (page 43, lines 14 through 16). Is witness Schultz's conclusion correct?**

A. No, it is not correct. Witness Schultz includes in his table the adjustment for the Accumulated Provision for Nuclear Decommissioning, which is removed from rate base since it is a funded reserve and earns its own return per Order No. 10987, Docket No. 810100-EU(CI). As shown on witness Schultz's schedule, page 43, line 10, the ARO adjustments net to zero and are revenue neutral since all of the ARO account balances included in the unadjusted rate base are removed from rate base through Commission adjustments. This is more clearly illustrated on Exhibit KO-14.

## Other Accounts Receivables

**Q. Pages 44 and 45 of OPC witness Schultz's testimony address the appropriate amount of Other Accounts Receivables (FERC account 143)**

**to be included in FPL's working capital for the 2013 Test Year. Should an adjustment be made to remove a portion of accounts receivables from working capital in the 2013 Test Year?**

A. No. Witness Schultz's adjustment is based solely on account descriptions for actual 2011 account balances and the contention that they are unrelated to providing service to customers. In fact, all of the accounts listed in his Exhibit HWS-11 relate to the provision of electric service by FPL to its customers. Moreover, all amounts recorded to FERC account 143 are in accordance with the accounting treatment prescribed by FERC in the Uniform System of Accounts for account 143, which in part reads,

> *"this account shall include amounts due to the utility upon open accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing and contract work."*

The audit conducted by the Commission Staff in connection with this rate case docket determined that FPL's other accounts receivable accounts included in FPL's 2011 Historical Year all relate to utility activities and were properly included in working capital. See FPSC Staff witness Welch's Exhibit KLW-2 for copy of the audit report, which shows the results of Staff's review and testing of FPL's other accounts receivable balances. Therefore, there is no justification for removal of FERC account 143 amounts from FPL's 2013 calculation of working capital.

## Other Regulatory Assets

**Q. Pages 46 and 47 of OPC witness Schultz's direct testimony address the inclusion of FERC 182.3 - Other Regulatory Assets subaccounts in FPL's 2013 working capital calculation. Do you agree with his assertion that the Company did not address the purpose for inclusion of these subaccounts in working capital in detail and, therefore, they should be excluded?**

A. No, I do not. As noted in FPL's response to OPC's Twelfth Set of Interrogatories, Question No. 249, the balance sheet approach defines working capital as current assets and deferred debits that are utility related and do not already earn a return, less current liabilities, deferred credits and operating reserves that are utility related and upon which the Company does not already pay a return. Refer to Exhibit KO-15, pages 7 through 8. FERC account 182.3 – Other Regulatory Assets represents assets that do not already earn a return. Accordingly, FERC account 182.3 is properly included in working capital in the Test Year.

**Q. Please provide FPL's business purpose of each of the Other Regulatory Asset subaccounts OPC witness Schultz lists on page 47 of testimony that he recommends should be removed from working capital.**

A. First of all, I should note that OPC witness Schultz's position that certain Other Regulatory Asset subaccounts should be disallowed in the working capital calculation because their utility-related purpose was not fully described is illogical. By definition, action of the regulator gives rise to a regulatory asset. Therefore, it must be related to the utility. If an asset were not utility-related, it simply could not be recorded as a regulatory asset. With that being said, detailed explanations of the subaccounts questioned by OPC witness Schultz are provided below:

- Other Regulatory Assets – Other: Primarily includes the balance associated with ASC 740 Accounting for Income Taxes. This amount reflects the gross-up of the equity component of the AFUDC to the revenue requirement level which provides full recovery through rates. The offset of this account is reflected in accumulated deferred income taxes.
- Other Regulatory Assets – Under Recovered Conservation Costs: Reflects under recoveries associated with FPL's Conservation Cost Recovery Clause ("ECCR"). This account balance, when netted against FPL's ECCR over recoveries reflected in FERC account 254, result in a net over recovery position in FPL's 2013 Test Year. Pursuant to Commission precedent and as ordered in our last rate base proceeding, FPL is required to exclude net under recoveries from rate base and include net over recoveries.
- Other Regulatory Assets – Under Recovered ECRC Costs: Reflects under recoveries associated with the Environmental Cost Recovery Clause ("ECRC"). This account balance, when netted against the FPL's ECRC over recoveries reflected in FERC account 254, result in a net over recovery position in FPL's 2013 Test Year. Pursuant to Commission precedent and as ordered in our last rate base proceeding, FPL is required

to exclude net under recoveries from rate base and include net over recoveries.

- <u>Other Regulatory Assets – Convertible Investment Tax Credits ("CITC") Depreciation Loss</u>: This amount reflects the reduction in the tax basis of the solar projects for which CITC was received. The Company is required to reduce the tax basis of the assets for 50% of the amount of the CITC received. Since the CITC is flowed back to the customer through the ECRC over the life of the assets, the reduction in the tax basis is reflected as a regulatory asset and is recovered over the life of asset so as to include all the effects applicable to the CITC in the clause. The offset to this account is accumulated deferred income taxes.

Thus, each of the above accounts that OPC witness Schultz recommends be removed from working capital clearly captures activities related to FPL's business purpose of providing electric service to customers and therefore are properly included in the Company's working capital for the 2013 Test Year.

**<u>Miscellaneous Deferred Debits</u>**

**Q. On pages 47 through 49 of OPC witness Schultz's testimony, he recommends an adjustment to remove certain Miscellaneous Deferred Debits from FPL's 2013 Test Year. Do you agree with his recommendation?**

A. No, I do not. As noted in the prior discussion, the balance sheet approach defines working capital as current assets and deferred debits that are utility related and do not already earn a return, less current liabilities, deferred credits and operating reserves that are utility related and upon which the Company does not already pay a return. Account 186 – Miscellaneous Deferred Debits represent assets that do not already earn a return. Accordingly, FERC account 186 is properly included in working capital in the test year.

**Q. Do you agree with his recommendation that an adjustment should be made to FPL's 2013 Test Year working capital based on account descriptions for actual 2011 miscellaneous deferred debit account balances that in his opinion are unrelated to providing service to customers?**

A. No. All of the miscellaneous deferred debit accounts listed on page 48 of witness Schultz's testimony, lines 16 through 22, relate solely to FPL's business purpose of providing and delivering electric service to customers. In fact, all amounts recorded to FERC account 186 are in accordance with the accounting treatment prescribed by FERC in the Uniform System of Accounts. In addition, the audit conducted by the Commission Staff in connection with this rate case docket determined that FPL's deferred debit amounts for the 2011 Historical Year all relate to utility activities and were properly included in working capital. See FPSC Staff witness Welch, Exhibit KLW-2. Therefore, there is no justification for removal of any amounts reflected in FERC account 186 from FPL's 2013 calculation of working capital.

**Q. Did OPC witness Schultz rely on data from the proper period in calculating the amount of deferred debits to be excluded?**

A. No. Not only has witness Schultz failed to provide any valid reason to adjust the deferred debit balances, but the calculation he proposes to implement his adjustment is incorrect. OPC witness Schultz utilized data included in FPL's response to OPC's Twelfth Set of Interrogatories, Question No. 251, subpart C, which contained the 13-month average balance of *actual* data ending March 31, 2012. This response is included in Exhibit KO-15, page 9 through 11. This rate case is setting rates using a *forecasted* 2013 Test Year. As such, witness Schultz's adjustment is taking into account historical 13-month average balances to calculate a proposed disallowance in a completely different time period.

## III. COST OF CAPITAL

**Q. On page 22 of his testimony, FEA witness Gorman questions the determination of the cost rate used for the investment tax credits ("ITC") in the capital structure. Do you agree with his recommendation to include short-term debt in the weighted cost for ITC?**

A. No. The requirements for the determination of the weighted cost rate for ITC, as set forth in the Code of Federal Regulations, Title 26, IRS Treasury

Regulations are to use the permanent sources of capital. Specifically, Regulation Section 1.46-6(b)(3) of the regulations defines rate base as follows:

> *(i) For purposes of this section, "rate base" is the monetary amount that is multiplied by a rate of return to determine the permitted return on investment.*
>
> *(ii) (A) In determining whether, or to what extent, a credit has been used to reduce rate base, reference shall be made to any accounting treatment that affects rate base. In addition, in those cases in which the rate of return is based on the taxpayer's cost of capital, reference shall be made to any accounting treatment that reduces the permitted return on investment by treating the credit less favorably than the capital that would have been provided if the credit were unavailable. Thus, the credit may not be assigned a "cost of capital" rate that is less than the overall cost of capital rate, determined on the basis of a weighted average, for the capital that would have been provided if the credit were unavailable.*
>
> > *(B) For purposes of determining the cost of capital rate assigned to the credit and the amount of additional interest that the taxpayer would pay or accrue, the composition of the capital that would have been provided if the credit were unavailable may be determined—*

*(1) On the basis of all the relevant facts and circumstances; or*

*(2) By assuming for both such purposes that such capital would be provided solely by common shareholders, preferred shareholders, and long-term creditors in the same proportions and at the same rates of return as the capital actually provided to the taxpayer by such shareholders and creditors.*

*For purposes of this section, capital provided by long-term creditors does not include deferred taxes as described in section 167(e)(3)(G) or 168(e)(3)(B)(ii)."* (Emphasis added).

Therefore, the determination of the cost rate should only include the long-term sources of capital; common and preferred stock and long-term debt. To include short-term debt would violate the normalization rules applicable to ITC.

In addition, this methodology is consistent with the Commission's decision in FPL's last base rate proceeding, Docket No. 080677-EI, Order No. PSC-10-0153-FOF-EI, when OPC tried unsuccessfully to make this same adjustment. The order noted that, "We find that the investments that qualify for ITCs are those that are financed with long-term investor sources of capital. Accordingly we find that FPL's methodology for calculating the balance of and the cost rate for ITCs is appropriate and in accordance with IRS requirements."

**Q. On page 19, lines 16 through 21, of FEA witness Gorman's testimony, he proposes a method for the allocation of deferred taxes in the capital structure based on a ratio of rate base retail plant-in-service to system total utility plant-in-service. Is this method appropriate for the reconciliation of rate base to capital structure?**

A. No, it is not. Witness Gorman's method assumes that all deferred taxes are related to plant-in-service, which is not the case. In addition, witness Gorman's method proposes to reconcile the rate base and capital structure based on how deferred taxes originate rather than its use as a source of funds. The Commission has been consistent in its method to reconcile FPL rate base to capital structure on a pro rata basis over all sources of capital. This remains the right approach.

**Q. What is the proper method for the reconciliation of rate base to capital structure?**

A. Rate base adjustments should be reconciled to capital structure pro rata over all sources of capital. This is consistent with how FPL pays its bills and funds its assets, from a pool of funds that is generated from all sources of capital. While ***sources*** of funds are readily calculated from their capital structure components on the balance sheet, ***uses*** of the funds are generally not traceable to specific capital structure components. This approach of reconciling rate base pro rata over all sources of capital is consistent with how allowed rates of return for base rates, cost recovery clauses and AFUDC are calculated in Florida. Witness Gorman's allocation method for base rates would allocate less deferred taxes to rate base adjustments such as CWIP and clause plant-in-service; leaving more deferred taxes in the base rate capital structure, thereby lowering FPL's overall rate of return. Thus, witness Gorman's method is clearly inconsistent with how returns are calculated per Commission practices for clause recoverable investment and the application of AFUDC.

**Q. In your opinion, could witness Gorman's method result in a potential tax normalization violation?**

A. Yes, I believe that the method proposed by witness Gorman might cause a tax normalization violation. Tax normalization rules require that any ratemaking adjustments with respect to the utility's tax expense, depreciation expense, or reserve for deferred taxes be consistently applied with respect to the other two items and with respect to rate base. When rate base adjustments are removed from capital structure using the same proportion of capital structure on which they earn a return, generally there is no inconsistency in the treatment of the rate base adjustments. Inconsistent treatment of capital sources for rate base adjustment and rate of return purposes would increase the risk of tax normalization violations. The consequence of violating normalization requirements is the loss of the ability to claim accelerated depreciation for income tax purposes and the resulting loss of this cost free capital to customers. Consistent with past FPSC orders and tax normalization rules, FPL has properly allocated pro rata adjustments to all sources of capital.

## IV. CANAVERAL STEP INCREASE REVENUE REQUIREMENTS CALCULATION

**Q. Do you agree with OPC witness Ramas that the cost of capital methodology used to calculate revenue requirements for the Canaveral Step Increase should be the same methodology that was used for the January 2013 Base Rate Increase?**

A. No. FPL removed all rate base components of the Cape Canaveral Modernization Project from its 2013 Test Year using an incremental methodology as reflected on MFR D-1b, and then utilized the same methodology to calculate the Canaveral Step Increase. Witness Ramas's recommendation would result in using inconsistent methodologies for removing rate base components from the Test Year and then including rate base components in the Canaveral Step Increase.

**Q. What do you believe is the appropriate capital structure to use for FPL's requested Cape Canaveral Step Increase?**

A. As reflected on MFR D-1a for the Canaveral Step Increase, the capital structure should reflect incremental sources of capital only. The purpose of the Canaveral Step Increase is to recover the incremental costs associated with the first year operation of the Cape Canaveral Modernization Project. Since generation plants are long-lived assets, which typically are financed incrementally, only common equity and long-term debt should be included in the incremental capital structure. In addition, all forecasted deferred taxes related to the construction of the Cape Canaveral Modernization Project and generated during its first year of operations are appropriately included as a reduction to rate base. This approach was used to develop the revenue requirements in FPL's need determination hearings and was also consistently used to develop the incremental base rate increases associated with cost recovery for FPL's Turkey Point Unit 5, West County Unit 1, West County Unit 2 and West County Unit 3 generation plants under FPL's 2005 and 2011 Settlement Agreements, Order No. PSC-05-0902-S-EI, Docket No. 050188-EI and Order No. PSC-11-0089-S-EI, Docket No. 080677-EI, respectively.

**Q. Page 69 of FEA witness Gorman's testimony states that the Canaveral Step Increase of $174 million excludes the return on equity ("ROE") performance adder. Is that statement correct?**

A. No, the statement is incorrect. The Company calculated the revenue requirement associated with the Canaveral Step Increase taking into account the ROE performance adder. Refer to MFR D-1a for the Canaveral Step Increase, line 7, column 9.

**Q. On page 50 of SFHHA witness Kollen's testimony, he states that the accumulated deferred income taxes ("ADIT") included in the Canaveral Step Increase in rate base is understated since only the tax depreciation shown on Schedule C-22 should be used to calculate ADIT. Do you agree with witness Kollen?**

A. No. Witness Kollen is identifying only one temporary difference shown on MFR C-22 for the calculation of ADIT and is ignoring the other temporary differences listed on the same MFR. The other differences include: (1) the book depreciation recorded for the period; (2) temporary differences related to the debt component of AFUDC; and (3) the capitalization of construction period interest for tax. During the construction period, the Company accrues debt AFUDC for book purposes and capitalizes construction period interest for tax purposes, which are recognized as temporary differences between the book basis and tax basis of the assets. ADITs are provided for these temporary differences which will turn around over the life of the asset. In FPL's adjustment to remove the Cape Canaveral Modernization Project assets from the 2013 Test Year rate base, the ADIT balances identified with each of these temporary differences were removed in total from the capital structure. The net ADIT amounts related to these timing differences were also included in the $121.936 million (13-month average) ADIT amounts used to reduce rate base calculated for the Canaveral Step Increase. The system $121.936 million amount also included the turn around of these temporary differences during the 12-month period ending May 31, 2014. The amounts included in the ADIT related to the various temporary differences were included in OPC's Second Request for Production of Documents Question No. 12; refer to Exhibit KO-15, pages 12 through 13. The ADIT was recalculated to be $121.529 million (system) based on the revised plant-in-service amounts and was provided in response to OPC's Sixth Request for Production of Documents Question No. 62, refer to Exhibit KO-15, pages 14 through 15.

The original amount filed and the revised amounts are as follows:

| ($000) | Original as filed | Revised |
|---|---|---|
| Book/Tax Depreciation | ($140,469) | ($138,967) |
| Debt Component of AFUDC | ( 9,283) | ( 9,172) |
| Construction Period Interest | 27,816 | 26,610 |
| Total ADIT | ($121,936) | ($121,529) |

The effect of this change in the revenue requirements related to the change in Cape Canaveral Modernization plant-in-service has been included in Exhibit KO-16, Item 18.

## V. AFFILIATE TRANSACTIONS

**Q. On page 5 of witness Vondle's testimony, he alleges that there is a strong financial incentive to misallocate or shift costs to regulated companies, so that unregulated affiliates can reap the benefits. Please comment on his allegation.**

A. FPL is subject to the close oversight and scrutiny of this Commission, FERC, and numerous other governmental and regulatory bodies. FPL must ensure full compliance with applicable laws, regulations, and Commission policies, which include those dealing with affiliate transactions and cost allocation. Not only is compliance required; it is good business practice.

FPL is a registrant subject to the Security Exchange Commission ("SEC") reporting requirements and as a result, must provide audited financial statements and undergo a separate detailed review of its internal control over financial reporting as required under the Public Company Accounting Oversight Board ("PCAOB") standards. Affiliate billings are subject to review for these separate company financial statements just as any other transaction which gives rise to audited results. FPL has clear requirements to report its costs accurately in these audited financial statements.

FPL has worked hard to earn the trust of its customers and regulators. Maintaining good affiliate cost allocation practices is vital to continuing to earn and maintain that trust. In order to achieve good affiliate cost allocation practices, FPL commits the necessary time and resources to ensure that customers of FPL do not bear any of the costs associated with affiliates.

Q. **Does the budget and variance reporting process at FPL also mitigate witness Vondle's perceived risk of shifting costs to the regulated companies?**

A. Yes. One of FPL's primary management tools for controlling costs is the development and management of the departmental budget. Managers are charged with developing budgets and managing spending levels to budgeted amounts. The budget threshold for FPL is net of all affiliate billings. All variances to budget are analyzed and reported in detail to executive management. Managing costs is a key component of performance-based variable compensation plans. To the extent an FPL manager ignored the proper billing of affiliate support costs, he/she would risk a budget overrun. Any overrun would result in management review of that overrun and could jeopardize performance evaluation results and commensurate performance-based variable compensation reward. Affiliates similarly use budgets as a management and performance tool, and their managers closely monitor charges coming in from FPL for the same reason. This positive tension works to produce accurate financial reporting that complies with company procedures and Commission rules.

**Q. Please describe the Company's policies concerning integrity, compliance with laws and regulations, record keeping, and information provided to regulators.**

A. All employees of FPL and its affiliates are subject to the NextEra Energy, Inc. ("NEE") Code of Business Conduct and Ethics (the "NEE Code"). The NEE Code in relevant part requires all representatives of the Company and its affiliates to: (1) act in accordance with the highest standards of personal and professional integrity and to comply with all applicable laws, regulations and Company policies; (2) maintain all records accurately and completely; and (3) ensure that the information provided to regulators is accurate and not misleading. All employees of FPL and its affiliates are required to review and commit to abide by the NEE Code.

**Q. Is FPL subject to reporting requirements with respect to its affiliate transactions?**

A. Yes. FPL's affiliate reporting provides a high degree of transparency concerning all of its dealings with its affiliates, as evidenced in MFR C-31, FPL's Diversification Report. FPL complies with strict affiliate accounting and reporting requirements mandated by the Commission.

**Q. On page 13 of OPC witness Vondle's testimony, he alleges that affiliates have an incentive to charge a disproportionate amount of their costs to FPL for services they provide. Do you agree there is a risk of excessive affiliate costs borne by FPL customers for those services?**

A. No. The controls previously discussed are symmetric and apply to all intercompany charges. Both the transactional controls which require both the providing manager and the receiving manager to approve an internal order for intercompany transactions and the budgetary controls discussed above protect the customers from excessive charges from affiliates.

**Q. On page 33 of his testimony, witness Vondle makes the following observation: "Asymmetric pricing is not used by FPL for all affiliate transactions for goods and services as required by the affiliate transaction rule. Asymmetric pricing is only adhered to for assets transfers." Do you agree with this statement?**

A. No. Pricing for goods and services provided to and from affiliates is in accordance with FERC and FPSC rules and orders. When market prices can be objectively determined, they are used. Examples of market-referenced charges include office space, furniture rental, purchase of network services from FiberNet, sale and purchase of goods. We are not in the business of providing engineering, human resources, treasury, accounting and legal functions to third parties and in competition with others, so there are no existing market references for the integrated, enterprise services we provide. At the same time, our services are distinct and individualized, such that there are typically no third parties that would be in a position to provide truly comparable services to FPL and our affiliates. Therefore, we are not able to determine the market value of those services either by reference to what others pay for our services or what third parties charge for truly comparable services. This topic is discussed by FPL witness Flaherty in greater detail.

**Q. Has FERC directed companies operating within a single-state holding company structure that do not have a centralized service company, to provide general administrative and management services at cost?**

A. Yes. FERC specifically ruled that FPL and similarly situated companies within a single-state holding company system that do not have a centralized service company be allowed to provide general administrative and management services at fully loaded cost. (FERC Order 707A, issued July 17, 2008, paragraphs 23 thru 31)

**Q. Can you describe the key findings in the referenced FERC order which led them to their conclusion?**

A. Yes. First, FERC observes that defining a market price for general and administrative services in these circumstances is subjective. Second, where a utility is not making sales of a service to a non-affiliate, it is not foregoing any profit for customers by providing the services to affiliates at fully loaded cost. Third, efficiencies and economies of scale associated with providing these types of services and the goods to support those services between members within the single-state holding company system can benefit captive customers because the goods and services often can be provided less expensively, at cost, than if they were purchased from outside the system by individual system members.

**Q. On page 33, witness Vondle states that "the preferred allocation methodologies of direct charges and rates for affiliate cost allocations are used too little, and the use of the less preferred general allocator is used too much." Do you agree with witness Vondle's assertion?**

A. No, I do not. Whenever possible, FPL utilizes the direct charge method. As witness Vondle indicates in his testimony, FPL forecasts charges to affiliates in 2013 will be 41% by direct charges, 9% by service fees and 50% by the AMF. Of the 50% charged via the AMF, 40% of those charges were determined using specific drivers, not the Massachusetts Formula that he characterizes as a "less preferred general allocator". Combining direct charges, service fees and charges using specific drivers within the AMF means that FPL is only using the Massachusetts Formula for about 30% of its affiliate charges. Witness Vondle's assertion that direct charges are underutilized is without any factual basis for his claim, and ignores the fact that a substantial majority of FPL's affiliate charges are based on specific identification or drivers. This topic is discussed by FPL witness Flaherty in greater detail.

**Q. In his findings, witness Vondle states that positive time reporting for all service company type functions is underutilized making cost accounting less accurate. Is witness Vondle correct?**

A. No. Witness Vondle's conclusion is based on a misunderstanding of exception time reporting, which FPL uses when positive time reporting is not well suited to the nature of the work being charged. Positive time reporting is useful and appropriate when personnel are paid directly on the basis of the hours that they work and/or when that work varies across many activity types. However, for much of the workforce supporting affiliate transactions, that is not the case. FPL either uses exception time reporting, which utilizes default internal orders to charge 2,080 hours a year to the appropriate entities, or in limited cases, specially established internal orders that are themselves charged to FPL and the appropriate affiliates. Each time period, the employee reports all time exceptions. Every hour spent in direct support of an affiliate is accounted for as an exception and charged appropriately. Exception reporting allows the employee to minimize administrative time and focus on reporting the exceptions. The transactional oversight associated with the payroll Sarbanes Oxley ("SOX") control process is another control intended to ensure that exception reporting is used accurately for direct charging of affiliate services.

**Q. Witness Vondle claims that FPL does not document the benefit of**

**purchases of goods and services from affiliates to FPL customers. Do you agree?**

A. No, I do not. Each new purchase of services from affiliates must comply with FPL's procurement SOX processes just as a purchase from a third party vendor, which includes demonstration and documentation of the reasonableness and appropriateness of the vendor selection and price paid. These controls ensure that the Company and the customers get the most favorable terms.

The services routinely purchased from affiliates can be categorized into four major categories:

- Insurance costs for coverage provided by Palms Insurance Company, Limited ("Palms Insurance") – The insurance products are incurred as FPL's share of the overall enterprise risk management program which is managed and executed by Palms Insurance. Prices for coverage provided by Palms are periodically market tested to ensure reasonableness.
- Telecommunications services provided by FiberNet – The prices for these services are benchmarked against market prices on a periodic basis to insure that customers are benefiting from the transactions. In addition as additional services are required, each new installation is measured against market alternatives. This results in the customer receiving the best possible price for the service required whether from FiberNet or a third party provider.

- Services for shared information technology ("IT") systems – Nuclear IT applications are managed at Seabrook for the entire fleet. These services can only be uniquely provided within the family of companies due to their nuclear expertise and familiarity with the company's information systems.
- Legal services where the combined resources of both the NextEra Energy Resources, Inc ("NEER") and FPL departments are managed to share expertise across the organization. These activities serve the enterprise with employees from FPL and NEER. The fully loaded costs of the support are billed appropriately as these services are not and cannot be provided externally in the same manner.

**Q. Witness Vondle indicates that the use of sole source contracts with affiliates is inappropriate. Do you agree?**

A. No. As indicated above, FPL adheres to its procurement SOX processes with respect to all purchases. In his testimony, witness Vondle references nine transactions reported in MFR C-31, 2010 Diversification Report, that he claims FPL did not adequately justify. I address the details of those transactions in my Exhibit KO-17 and show for each transaction that sole source contracting was appropriate and justified.

**Q. Witness Vondle also claims that FPL does not assure that affiliates' bills to FPL of fully loaded cost are accurate. How do you respond to that claim?**

A. Once again, witness Vondle has either ignored or misunderstood the facts. As described previously, enterprise-wide internal controls are used to ensure the accuracy of billings from the affiliates. Additionally, as I explained to witness Vondle in the informal June 2012 conference call that he references in his testimony, FPL relies on the same SAP system configuration and internal controls for affiliate payroll charges it uses to record all transactions including those used in billing affiliates. The configuration in SAP that captures and records payroll and overhead costs between entities is the same as that used to settle payroll and overheads to projects and/or to the balance sheet. The system configuration settles actual payroll and applied overheads across all activities in the same way. There is little opportunity for an affiliate to intentionally or unintentionally record its payroll costs and loaders for work performed to FPL any differently than it records costs for work performed in projects across its own business.

**Q. On page 24 of his testimony, witness Vondle questions the relationship between FPL and FPL Energy Services ("FPLES") arguing that the services are not being charged at the higher of cost or market. What is your position on his claims?**

A. The relationship between FPL and FPLES for the services described by witness Vondle was the subject of a separate investigation and audit by the Commission in 2010 under Docket No. 100077-EI. The result of that extensive review did not indicate any noncompliance with affiliate billing requirements of the FPSC rule.

**Q. Witness Vondle claims on pages 24 and 25 of his testimony that FPL has**

**not received adequate compensation for its establishment of vendor relationships. Do you agree with that assessment?**

A. No, I do not. The unregulated business of NEER is a mature operation and there continue to be vendor relationships first established by the unregulated affiliates that subsequently benefit FPL. As an example, in June 2010, NEER executed a Materials & Services Agreement ("MSA") with Westinghouse for the NEER nuclear sites. Incorporated in that agreement were discounts applicable to spare parts for its entire nuclear fleet. The following year, all terms and conditions of this NEER MSA were incorporated into an MSA covering the entire nuclear fleet, including FPL. The more favorable negotiated terms and conditions from the initial NEER MSA (i.e. favorable warranty, limitations of liability provisions) were incorporated in the fleet MSA used by FPL.

**Q. On pages 26 and 27 of his testimony witness Vondle claims that FPL's A&G expenses are increasing faster than inflation which is the basis for his conclusion that FPL is not receiving the expected benefits from economies of scale. Do you agree with his assessment?**

A. No, I do not. The testimony of FPL witness Reed demonstrates the performance of FPL in terms of A&G growth relative to its peers which rebuts witness Vondle's unsubstantiated claims. In addition, a review of the growth of the cost pools which include the functions billed under the AMF compared to the growth of the affiliate billings shows the economic benefits delivered to customers through FPL's enterprise shared services approach.

The compound rate of growth for a 10 year period (2004 to 2013) is as follows:

| | |
|---|---|
| Total Cost Pool | 6.24% |
| AMF billed to Affiliates | 14.78% |
| FPL A&G | 4.18% |

Clearly FPL customers are benefiting from the reduction in revenue requirements over and above the growth in A&G.

**Q. On page 25 witness Vondle asserts that "FPL should be compensated for the value of the relationships and contracts utilized by affiliates". Do you agree?**

A. No. The relationship between the utility and affiliates results in benefits to both entities. The following are some examples of benefits passed on to FPL's customers as a result of its affiliate relationship for which NEER does not receive any compensation:

- To address new Nuclear Regulatory Commission ("NRC") requirements for fire protection equipment, a program was developed at NEER's Duane Arnold Energy Center ("DAEC") that is being used subsequently across all locations in the NEE fleet. The knowledge gained from the program is being used in the development of the upcoming submittals for the Turkey Point ("PTN") and St. Lucie ("PSL") power plants. As a result, FPL will be more efficient in upcoming submittals for its nuclear power plants. This experience and the resulting efficiencies gained are cost free to FPL's customers who benefit from them.

- The Company has an extensive Quality Program which is commonly referred to as Six Sigma. The Power Generation Division ("PGD") Technical Services group initiated a Six Sigma Project that investigated and developed countermeasures for a damage mechanism that occurs in the components that control final steam temperature in the Heat Recovery Steam Generators at Lamar, a NEER site. The knowledge gained from this project has reduced maintenance of these components throughout both entities. The project also spurred a subsequent project that developed a novel method to control final steam temperature control using model based control algorithms. In this example, the customers of the utility benefit from the knowledge, experience and cost savings of the project at our plants in NEER. FPL's customers receive that benefit for free.

Q. **Witness Vondle asserts that the non-regulated business at NextEra benefits from FPL name recognition and an assessment should be imputed to FPL so that FPL customers are made whole for the benefit they provide. Do you agree?**

A. No, I do not. FPL is compensated for all goods and services it provides to affiliates consistent with Rule 25-6.1351 F.A.C., *Cost Allocations and Affiliate Transactions.* Witness Vondle's suggestion of royalties for use of the FPL abbreviation shows that he has little understanding of our company and our long history. All affiliated companies with names that currently contain "FPL" were founded during the decades when the corporate parent company's name was FPL Group and the competitive affiliate's name was FPL Energy;

both have now been changed to contain the term "NextEra Energy". It can be very expensive to change the name of a company due to the legal requirements and related costs so some of NextEra Energy's smaller companies have not changed their names because there is no compelling reason to do so. Furthermore, asserting that there is enterprise-wide value to the FPL name seems inconsistent with our decision to effect a name change for our parent and largest affiliate in 2010.

**Q. Please summarize the basis for the affiliate adjustments to the 2013 Test Year as presented by witness Vondle.**

A. There is no logic or evidence to support the recommendations of witness Vondle. His recommendation to increase charges to affiliates by 20% and decrease charges from affiliates by 20% is arbitrary and not based on any evidence despite the massive amount of discovery information provided, and is not supported by the results of the recent Commission audit. He has not used analysis or fact-based assessment to demonstrate problems in the Company's affiliate transactions methodologies that would justify *any* adjustment to FPL's 2013 Test Year affiliate charges.

**Q. Do you agree with witness Vondle's recommendation that the Commission should open an investigation into FPL's affiliate relationships and transactions to address the deficiencies he addressed in his testimony?**

A. No. FPL provided responses to numerous affiliate interrogatories, production of documents and audit requests totaling thousands of pages. In addition, I held an informal call at OPC's request in June 2012 to specifically answer OPC witness Vondle's telephonic questions. The Commission Staff completed their audit in connection with this docket and found no major affiliate transaction deficiencies. The Company's organizational structure along with its billing methodologies for support and fleet services are consistently applied over many years, well understood by regulators, and have been fully explored, analyzed, questioned and vetted in both the 2009 base rate proceeding and again in this filing. In 2010, the Commission initiated a docket to review the affiliate billing relationship between FPLES and FPL and no deficiency or non compliance with the Commission order was observed. FPL witnesses Reed and Flaherty demonstrate the FPL cost performance results for A&G which are positively impacted by the affiliate cost sharing which reduces cost to customers. Witness Vondle was unable to determine any single instance of noncompliance with evidentiary support and analysis and therefore appears to be trying to cast suspicion over FPL's rigorous billing practices in one final effort to taint the Commission's perception.

## VI. NUCLEAR MAINTENANCE RESERVE ACCRUAL

**Q. On Page 32, line 13 of SFHHA witness Kollen's testimony, he states that FPL's "nuclear outage maintenance expense accrual methodology is flawed". Do you agree with this statement?**

A. No, I do not. FPL accounts for its nuclear outage maintenance expense accruals in accordance with Commission Order No. PSC-96-1421-FOF-EI, Docket No. 961164-EI, which authorized FPL to establish accruals for nuclear refueling outage maintenance reserve in order to levelize the amount of expense for both financial and ratemaking purposes. It was the Commission's determination in the referenced order that the accrue in advance method was appropriate in order to avoid distortion of expenses in the utility's test year.

**Q. Are you aware of any other IOU within the FPSC jurisdiction that follows the accrue in advance method?**

A. Yes, I am. Progress Energy follows the same methodology as FPL. In Order No. 11628, Docket No. 820100-EU, dated February 17, 1983, the FPSC allowed Progress to use the accrue in advance method for these expenses.

**Q. Is there a difference between the accrue in advance, and defer and amortize methods?**

A. The methods create a difference only in the timing of recognition of the expense. This one time rate reduction results solely from the cumulative effect of a change in accounting principle. Implementation of this change results in costs being deferred and paid for by future customers.

**Q. Do you agree with witness Kollen's nuclear maintenance expense transition adjustment calculation for switching from the accrue in advance method to defer and amortize method?**

A. No, I do not agree. First, witness Kollen starts his calculation with two incorrect assumptions. As reflected on his Exhibit LK-9, he derived a number for the December 31, 2012 Nuclear Maintenance Reserve balance of $42.964 million rather than utilizing the forecasted 2013 beginning balance of the reserve provided on MFR B-21 of $34.804 million. He also declines to use the proper forecasted Test Year expense of $105.463 million. Second, he is incorrect in his calculation of 2013 expense from amortization of the regulatory asset, as he erred in the calculation of the amortization for PTN 4-27 on page 7 of 7, of his Exhibit LK-9. He used the wrong ending date for the outage amortization period (September 2014 vs. June 2014) which serves to extend and reduce the amortization amount. Finally, witness Kollen selects a three year amortization period for the transition regulatory liability which is not supported and is not consistent with the five year amortization period of gains and losses used consistently by the Commission.

**Q. On pages 36 and 37 of SFHHA witness Kollen's testimony, he argues that there will be a stranded liability under the accrue in advance method. Do you agree with this observation?**

A. No. Witness Kollen states that at the end of the last outage for each of FPL's nuclear units, the Company would continue accruing for the next outage. The end of life of a nuclear unit is a significant event that the Company and the Commission anticipate and plan for well in advance. At the point when retirement is probable and the last outage is evident, the Company would suspend any outage accruals. Therefore, there would be no stranded liability at the end of life at the nuclear plant as he claims.

**Q. If the Commission were to reconsider its order and direct FPL and Progress to change its accounting to the defer and amortize method, how should that change be effected?**

A. This would not be an insignificant matter from a financial reporting, forecasting or rate making perspective, and therefore would have to be carefully analyzed and considered. The change would result in a one time reduction in rates, but the longer term impacts would need to be carefully calculated and fully understood as well.

## VII. RATE CASE AUDIT - HISTORICAL PERIOD

**Q. Did you review the audit report issued by Commission Staff witness Welch in connection with the current rate case?**

A. Yes, I have. There were three items that relate to the historic period. One issue relates to earnings surveillance reporting and the other two were transactions associated with actual books and records. For those findings that affected books and records, FPL agreed to record two adjusting entries, both of which were immaterial. They were recorded during the months of June and July 2012. For the audit findings related to non-recurring expenses in the forecasted period, please see FPL witness Barrett's rebuttal testimony for details.

## VIII. EMPLOYEE BENEFITS ADJUSTMENT

**Q. Do you agree with the adjustment that OPC witness Schultz proposed on page 27 of his testimony related to employee benefits?**

A. No, I do not. Witness Shultz is suggesting that we arbitrarily change the accounting for employee benefits expense to move a portion of these costs from expense to the balance sheet. Interestingly, he reduces O&M but does not pick up the other side of the adjustment which must be made to increase rate base and depreciation expense for the corresponding reduction in benefits charged to operating expense. Besides the one sided erroneous expense reduction, he suggests that we have consistently overstated the amount of benefits to be charged to expense. This suggestion is incorrect, as explained by Witness Slattery in her rebuttal testimony.

## IX. ADJUSTMENTS IDENTIFIED BY FPL

**Q. Has FPL identified adjustments that it believes should be made to the revenue requirements for the January 2013 Base Rate Increase and the Canaveral Step Increase?**

A. Yes. The adjustments that FPL has identified as appropriate during the course of this proceeding are shown on Exhibit KO-16. These adjustments include those that were filed in this docket in April of this year as well as additional adjustments that have been identified since that time.

**Q. How does FPL propose that the Commission use the Exhibit KO-16 adjustments in this proceeding?**

A. The Commission should include the effect of the Exhibit KO-16 adjustments in determining FPL's revenue requirements for the January 2013 Base Rate Increase and the Canaveral Step Increase. Some of those adjustments will result in increases to revenue requirements while others will result in decreases, but the adjustments are appropriate to reflect in setting FPL's rates regardless of whether they result in increases or decreases. I should note that the net impact of the Exhibit KO-16 adjustments on the 2013 Base Rate Increase would be an increase in revenue requirements. FPL is not proposing that the adjustments be used by the Commission to determine a 2013 Base Rate Increase that is greater than FPL's rate request of $516.5 million that is reflected in the March 19, 2012 petition.

**Q. What are the main adjustments shown on Exhibit KO-16?**

A. Each of the main adjustments shown on Exhibit KO-16 is described below:

**Cost of Removal**

**<u>(Exhibit KO-16, Items 1 & 13)</u>**

**Q. To which projects does the Company's 2013 Test Year cost of removal adjustment relate?**

A. As reflected in FPL's Notice of Identified Adjustments filed with the Commission on April 27, 2012 as part of this docket, FPL identified adjustments to cost of removal associated with its Extended Power Uprates ("EPU") Project and smart meter project in the 2013 Test Year. Refer to Exhibit KO-16, items number 1 and 13 for overall revenue requirement impact.

**Q. Please explain the cost of removal adjustment associated with the EPU project.**

A. As reflected on MFR B-2 and C-3 for the 2013 Test Year, FPL excluded EPU costs from the calculation of its 2013 revenue requirements for this proceeding because they are recovered through the Nuclear Cost Recovery ("NCR") process. In doing so, the removal cost charges related to nuclear property that was retired early in connection with the EPU project were inadvertently excluded as well. As these removal costs are properly base rate costs and not part of the EPU NCR recoveries, the charges should have remained in the calculation of base rates. Because they were inadvertently excluded, FPL's rate base for the 2013 Test Year was understated by approximately $72 million. See Exhibit KO-18, page 1, for the supporting calculation. Correcting this exclusion would increase FPL's 2013 Test Year revenue requirements by $7.4 million.

**Q. Please explain the cost of removal adjustment associated with the smart meter project.**

A. During the course of this proceeding, FPL determined that $9.9 million of smart meter-related removal costs were inadvertently reflected as an increase to plant-in-service instead of a decrease to depreciation reserve in FPL's forecast. This adjustment to the forecast, results in an overstatement of depreciation expense in the 2013 Test Year of $0.6 million. See Exhibit KO-18, page 2 for the calculation of these amounts.

**Q. What is the total impact to FPL's 2013 Test Year revenue requirements associated with FPL's proposed cost of removal adjustments related to EPU Project and AMI?**

A. The total impact of FPL's cost of removal adjustments increases FPL's 2013 Test Year revenue requirements by $6.8 million.

## DOE Grant and AMI Meters

## (Exhibit KO-16, Item 7)

**Q. Please explain the 2013 Test Year forecast issues for the DOE grant and AMI Meters.**

A. As discussed in FPL's response provided in OPC's Twelfth Set of Interrogatories, Question No. 254, refer to Exhibit KO-15, pages 16 through 25, FPL identified three forecast issues surrounding the DOE grant and AMI Meters in the 2013 Test Year:

1) FPL incorrectly included a total credit of $123 million for a breakdown of this amount in the AMI Meters amount reflected on line 14, page 4 of 6, on MFR B-7. Only a portion of this amount, approximately $91 million, actually relates to capital expenditure

reimbursement received from the DOE for Energy Smart Florida ("ESF") projects;

2) FPL's forecast did not include any capital expenditures for the projects expected to be reimbursed by the DOE. This would have resulted in an offset to the $91 million of capital DOE reimbursement that was included in the forecast. Therefore, FPL has understated plant-in-service in the 2013 Test Year by this amount; and

3) FPL included a $3.8 million credit in working capital that should have been classified as a reduction to O&M expenses over the period of October 1, 2011 through December 31, 2012. Therefore, working capital is understated by this amount in the 2013 Test Year.

**Q. Would you please provide more detail of the $123 million credit included in the AMI Meters plant-in-service amount reflected on line 14, page 4 of 6, on MFR B-7?**

A. Yes. The $123 million credit is comprised of the following three items:

1) $91 million related to DOE reimbursements received but not yet applied as Contributions in Aid of Construction against capital expenditures associated with the ESF projects, none of which relate to AMI;

2) $24 million for capital projects not relating to DOE reimbursement. These projects are identifiable at the functional level but have not yet been classified to a specific plant account, supporting the correct application of the $24 million credit; and

3) $8 million for the overstatement of capital expenditure reimbursements from the DOE in October 2011. This amount should not have been included in the filing as all DOE reimbursements were reflected on FPL's books as of September 2011.

**Q. What adjustments are required to FPL's 2013 Test Year for these forecast issues?**

A. The 2013 Test Year needs to reflect the removal of the $123 million credit to the AMI Meter plant-in-service balance and the reclassification of the $24 million credit to plant-in-service to the proper functions. These adjustments result in a net increase to plant-in-service of $99 million. In addition, accumulated depreciation and depreciation expense for the 2013 Test Year will increase $10.6 million and $7.6 million, respectively. Refer to Exhibit KO-19 which contains the support for each of these adjustments.

**Q. What is the total impact to FPL's 2013 Test Year revenue requirements associated with proper treatment of the $123 million credit?**

A. The resulting impact from applying the proper treatment to all of the amounts related to the $123 million credit incorrectly included in the AMI Meters plant-in-service amount (reflected on MFR B-7, page 4 of 6, on line 14) increases FPL's 2013 Test Year revenue requirements by $16.8 million.

**Q. Would you please explain further the $3.8 million balance associated with O&M projects reimbursed by the DOE that should not have been included in the 2013 Test Year?**

A. Yes. As discussed in subparts j. and k. of FPL's response to OPC's Twelfth Set of Interrogatories, Question No. 254, the $3.8 million is reflected in working capital in Account 253, Deferred Credits, on line 23, page 3 of 5, on MFR B-17 for the 2013 Test Year, and represents the actual deferral as of September 30, 2011 of DOE reimbursements pending offset to incremental O&M expenses incurred for ESF projects. The deferred credit remained in the forecast from September 30, 2011 through December 31, 2013; when it should have been reduced over the forecasted period from October 2011 through December 2012 as the related O&M is expected to be spent. Therefore, FPL's 2013 Test Year working capital needs to be increased to remove this deferred credit. FPL did not include in the forecast the incremental O&M expenses for related projects that are expected to be incurred over the period October 2011 through December 2013. Therefore, since neither the O&M expenditures nor the offsetting DOE credit to O&M were included in the forecast there is no adjustment required for O&M expense for either the 2012 Prior or 2013 Test Years.

**Q. What is the total impact to FPL's 2013 Test Year revenue requirements associated with the removal of the $3.8 million from working capital?**

A. The total impact resulting from the removal of the $3.8 million from working capital increases FPL's 2013 Test Year revenue requirements by approximately $0.4 million, which is included in the total adjustment for DOE Grant and AMI Meters of $17.2 million shown on Exhibit KO-16, page 1, item 7.

**Seminole Transmission Service Bill Credits**

**<u>(Exhibit KO-16, Item 10)</u>**

**Q. Can you please provide an explanation of the Seminole Transmission Service Bill Credits and how they are reflected on FPL's books and records?**

A. Yes. FPL provides Seminole Electric Cooperative, Inc. ("Seminole"), wholesale transmission service under a Network Service Agreement. As a reduction to the tariffed cost of this service, FPL provides transmission credits to Seminole pursuant to Section 30.9 of FPL's Open Access Transmission Tariff ("OATT"). Calculation of the transmission credits are addressed in a letter agreement executed by FPL and Seminole in 2004, which was approved by FERC and incorporated into Seminole's Network Service Agreement. Pursuant to the terms of the letter agreement, FPL applies a $0.6 million credit offset to Seminole's monthly transmission service bill, which equates to $6.8 million on an annual basis. The net amount of the bill, *i.e.*, the total network transmission service charges billed minus application of the credit offset, has previously been recorded on FPL's books and records as firm transmission revenue to FERC Account 456, Other Electric Revenues.

**Q. How should these credits have been recorded for financial reporting purposes?**

A. The gross amount of revenue from Seminole should have been recorded monthly to FERC Account No. 456 and the network credit should have been recorded to Transmission expense in FERC Account No. 566.

**Q. What gave rise to the need to provide these credits to Seminole?**

A. The transmission credits are provided to Seminole pursuant to OATT Section 30.9 (Network Customer Owner Transmission Facilities), which directs Transmission Providers to provide such credits when one of its network customers demonstrate that its transmission facilities are integrated into the plans or operations of the Transmission Provider to serve its power and transmission customers. FERC recognizes through the use of these credits that network facilities provided by customers deliver benefits to the overall transmission network including improved reliability and reduced congestion. In 2004, it was determined that certain transmission facilities owned by Seminole were sufficiently integrated into FPL's plans and operations that Seminole was entitled to receive a credit offset to its network service transmission charges.

**Q. Please explain the issue regarding the inclusion of Seminole Transmission Service Bill Credits in the 2013 Test Year.**

A. For the 2013 Test Year, FPL included the net amount forecasted for the Seminole bill in FERC Account 456 – Other Electric Revenues – Transmission Service Demand (Long-Term) - as 0% retail jurisdictional, which is incorrect. The forecasted amount of total transmission service charge revenues excluding the Seminole bill credits should have been reflected as 0% retail jurisdictional. The Seminole bill credits, however, should have been reflected as 89.4724% retail jurisdictional as these credits represent FPL payments to Seminole for the use of network assets that are integrated into FPL's transmission operations and which benefit all of FPL's retail and wholesale transmission customers. See MFR C-4, page 2 of 13, line 11.

**Q. What is the total impact to FPL's 2013 Test Year revenue requirements associated with the proper treatment of the Seminole Transmission Service Bill Credits?**

A. The total retail impact resulting from the proper accounting and ratemaking treatment of the Seminole transmission credits increases FPL's 2013 revenue requirements by $6.1 million ($6.8 million annual credit times 89.4724%). Refer to Exhibit KO-16, page 1, item 10.

## Change in Customer Deposit Interest Rates

## (Exhibit KO-16, Item 12)

**Q. Why has FPL calculated an adjustment related to changes in customer deposit interest rates?**

A. In connection to Docket No. 120125-PU, and approved in Order No. PSC-12-0358-FOF-PU, the Commission implemented a change to Rule No. 25-6.097

F.A.C. related to Customer Deposits. This rule change decreases customer deposit interest as follows:

- For residential customers from 6% to 2% and;
- For business customers from 7% to 3%.

The change became effective on July 26, 2012. As such, FPL has calculated the revenue requirement impact of the ordered change in interest rates on its 2013 Test Year and included it along with all other identified adjustments on Exhibit KO-16.

**Q. What is the impact to FPL's 2013 revenue requirements as a result of this change?**

A. The change in the customer deposit cost rate reflected on MFR D-1a of 5.99% decreases 4.00% to 1.99%, which results in a decrease to FPL's 2013 revenue requirements by $17.2 million. Exhibit KO-20 contains details of the calculation.

**Q. Does this conclude your rebuttal testimony?**

A. Yes.

TEST YEAR - ASSET RETIREMENT OBLIGATIONS (ARO)
RATE BASE ACCOUNTS AND ADJUSTMENTS

Docket NO. 120015 - EI
Summary of ARO Accounts - Rate Base
Exhibit KO - 14, Page 1 of 1

| LINE No. | MFR B-6 - TEST YEAR ASSET RETIREMENT ACCOUNTS | ACCT NO. | PAGE / LINE NO. | AMOUNT ($000) |
|---|---|---|---|---|
| 1 | PLANT IN SERVICE - INTANGIBLE ARO | 101 | Page 1, line 8 | $ 8,562 |
| 2 | ACC PROV DEPR & AMORT - INTANGIBLE ARO | 108 | Page 4, line 27 | 42,650 |
| 3 | ACC PROV DEPR - DECOMMISSIONING - ARO CONTRA | 108 | Page 7, line 25 | 2,808,939 |
| 4 | OTHER REG ASSETS - ARO ASSETS | 182 | Page 9, line 30 | - |
| 5 | OTHER NON CURRENT LIABILITY - ARO LIABILITY | 230 | Page 11, line 11 | (1,234,720) |
| 6 | OTHER REG LIABILITY - ARO LIABILITY | 254 | Page 12, line 28 | (1,625,431) |
| 7 | **TOTAL ARO RATE BASE BALANCE** | | | $ (0) |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |
| 11 | **MFR B-2 TEST YEAR ASSET RETIREMENT ADJUSTMENTS** | **ACCT NO.** | **PAGE / LINE NO.** | **AMOUNT ($000)** |
| 12 | | | | |
| 13 | PLANT IN SERVICE - ARO | 101 | Page 1, line 6 | $ (8,562) |
| 14 | ACC PROV DEPR- ARO - OTHER | 108 | Page 1, line 22 | (42,650) |
| 15 | ACC PROV DEPR - ARO DECOMMISSIONING CONTRA | 108 | Page 1, line 21 | (2,808,939) |
| 16 | WORKING CAPITAL - ASSETS - ARO | 182 | Page 3, line 4 | - |
| 17 | WORKING CAPITAL - LIABILITIES - ARO | 230, 254 | Page 3, line 18 | 2,860,151 |
| 18 | **TOTAL ARO RATE BASE ADJUSTMENTS** | | | $ 0 |
| 19 | | | | |
| 20 | | | | |

**Florida Power & Light Company**
**Docket No. 120015-EI**
**OPC's Twelfth Set of Interrogatories**
**Interrogatory No. 252**
**Page 1 of 1**

**Q.**

Other Regulatory Liabilities – Account 254. Please refer MFR B-17 page 3 of 5, line 24.

a. Provide the detail of each amount in Account 254 -Other Regulatory Liabilities for the 2012 prior year and the 2013 test year. Provide a description of each projected amount and include when the liability originated, the purpose and circumstances of why the liability is projected to be recorded, the length of time the liability is expected to exist, and the accounting or regulatory basis requiring that this liability be recorded on the company's books and records.
b. Provide the 13-month average balance for each regulatory liability included in Account 254 for the years ended 12/31/2008, 12/31/2009, 12/31/2010, 12/31/2011, and year to date 2012.
c. State the basis on which each adjustment to this account was made and provide a reference to the Commission order, (including page number and specific language) that resulted from the removal of other deferred liabilities from working capital.
d. For each of the 13-month periods requested in subpart b, identify the balance of this account before and after adjustments for the test year.
e. If any of those adjusted balances results in a debit (or a negative balance for a liability) please explain why a negative liability amount should be included as a working capital addition.

**A.**

a., b., & d. See Attachment No. 1 for a breakdown of Account 254 - Other Regulatory Liabilities for all requested time periods. FPL has provided the requested information as of March 31, 2012 as FPL's financial information for the second quarter of 2012 is not expected to be publicly released until late July. See Attachment No. 2 for additional details requested

c. & e. The Commission has consistently approved FPL's use of a balance sheet approach in determining the amount of working capital to include in rate base. See Order No. 10306 in Docket No. 810002-EU; Order No. 11437 in Docket No. 820097-EU; Order No. 13537 in Docket No. 830465-EI; and Order No. PSC-10-0153-FOF-EI in Docket No.080677-EI. The balance sheet approach defines working capital as current assets and deferred debits that are utility related and do not already earn a return, less current liabilities, deferred credits and operating reserves that are utility related and upon which the Company does not already pay a return. Except for net overrecoveries associated with FPL's cost recovery clauses, Account 254 – Other Regulatory Liabilities represents current liabilities that do not already pay a return. The Commission has required that FPL include net clause overrecoveries in working capital consistent with Commission policy, which was confirmed on page 95 of FPL's last base rate order (Order No. PSC-10-0153 -FOF-EI in Docket No.080677-EI). Accordingly, the balance in Account 254 is eligible for inclusion in the working capital calculation as reflected on MFR B-2.

OPC INTERROGATORY NO. 252 - PRIOR TEST YEAR
OTHER REGULATORY LIABILITIES

Response to Subpart A

| AMOUNT. | | ACCT_DESC | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| YEAR | MONTH | 254000 OTHER REGULATORY LIAB-FAS109-FEDERAL | 254143 OTHER REGULATORY LIABILITY-ARO | 254300 OTH REG LIAB-OVERRCV FRANCHISE FEE | 254304 OTH REG LIAB-TAX AUDIT REFUND INTEREST | 254306 OTH REG LIAB-DF GAIN LAND SALES PL N SVC | 254314 OTH REG LIAB - INTEREST INC FIN 48 | 254328 Oth Reg Liab - Nuc Cost Recov Credits | 254328 Oth Reg Liab - Nuc prior vs proj vs act costs | 254401 OTH REG LIAB-REG CR ACCUM NUCLEAR AMORT | 254404 OTH REG LIAB-CONVERTIBLE ITC G/U | 254600 OTH REG LIAB-OVERRCV ECCR REVENUES | 254610 OTH REG LIAB-OVERRCV FUEL REVENUES-FPSC | 254640 OTH REG LIAB-OVERRCV ECRC REVENUES | 254700 OTH REG LIAB-OVERRCV FUEL REVENUES-FERC | 254900 OTH REG LIAB-GAIN ON SALE EMISSION ALLOW | Grand Total |
| 2012 | | | | | | | | | | | | | | | | | |
| | 1 | (36,056,830) | (1,548,630,733) | (5,456,030) | (17,159,640) | (9,776,051) | (1,325,350) | (28,217,619) | (139,004,739) | (31,589,062) | (111,174,740) | | | (16,830,895) | 5,519,227 | (1,744,542) | (1,941,447,003) |
| | 2 | (36,056,830) | (1,553,071,457) | (5,456,030) | (16,829,650) | (9,351,934) | (1,325,350) | (28,217,619) | (136,199,244) | (31,009,445) | (110,850,040) | | (7,169,075) | (14,641,835) | 5,519,227 | (1,694,753) | (1,946,353,834) |
| | 3 | (36,056,830) | (1,557,521,294) | (5,456,030) | (16,499,660) | (8,927,817) | (1,325,350) | (28,217,619) | (134,982,156) | (30,429,828) | (110,525,340) | | | (11,690,848) | 5,519,227 | (1,644,963) | (1,937,758,508) |
| | 4 | (36,056,830) | (1,561,980,251) | (5,456,030) | (16,169,670) | (8,508,032) | (1,325,350) | (28,217,619) | (135,985,754) | (29,850,211) | (110,200,640) | | | (9,261,277) | 5,519,227 | (1,595,174) | (1,939,087,610) |
| | 5 | (36,056,830) | (1,566,448,334) | (5,456,030) | (15,839,680) | (8,089,622) | (1,325,350) | (30,768,635) | (133,721,349) | (29,270,594) | (109,875,940) | | | (8,543,660) | 5,519,227 | (1,562,824) | (1,941,439,621) |
| | 6 | (36,056,830) | (1,570,925,550) | (5,456,030) | (15,509,690) | (7,671,211) | (1,325,350) | (35,985,526) | (131,495,027) | (28,690,977) | (109,551,240) | | | (8,925,152) | 5,519,227 | (1,511,662) | (1,947,585,018) |
| | 7 | (36,056,830) | (1,575,411,905) | (5,456,030) | (15,179,700) | (7,252,800) | (1,325,350) | (43,203,889) | (130,925,818) | (28,111,360) | (109,226,540) | | | (10,425,490) | 5,519,227 | (1,460,500) | (1,958,516,984) |
| | 8 | (36,056,830) | (1,579,907,405) | (5,456,030) | (14,849,710) | (6,834,389) | (1,325,350) | (52,488,627) | (129,775,972) | (27,531,743) | (108,901,840) | | | (11,702,644) | 5,519,227 | (1,409,338) | (1,970,720,651) |
| | 9 | (36,056,830) | (1,584,412,056) | (5,456,030) | (14,519,720) | (6,415,978) | (1,325,350) | (62,032,343) | (128,272,700) | (26,952,126) | (108,577,140) | | | (12,828,830) | 5,519,227 | (1,358,176) | (1,982,688,051) |
| | 10 | (36,056,830) | (1,588,925,863) | (5,456,030) | (14,189,730) | (6,009,849) | (1,325,350) | (71,835,308) | (128,992,604) | (26,372,509) | (108,252,440) | | | (12,639,698) | 5,519,227 | (1,307,014) | (1,995,843,998) |
| | 11 | (36,056,830) | (1,593,448,832) | (5,456,030) | (13,859,740) | (5,603,720) | (1,325,350) | (81,821,047) | (129,438,986) | (25,792,892) | (107,927,740) | | | (10,585,157) | 5,519,227 | (1,255,852) | (2,007,052,949) |
| | 12 | (36,056,830) | (1,597,980,968) | (5,456,030) | (13,529,750) | (5,197,591) | (1,325,350) | (92,020,586) | (130,558,705) | (25,213,275) | (107,603,040) | (1,283,812) | | (7,304,208) | 5,519,227 | (1,204,690) | (2,019,215,607) |
| 2013 | | | | | | | | | | | | | | | | | |
| | 1 | (36,056,830) | (1,602,522,272) | (5,456,030) | (13,199,760) | (4,791,462) | (1,325,350) | (98,810,798) | (130,731,272) | (24,633,658) | (107,278,340) | (2,273,064) | | (6,227,143) | 5,196,164 | (1,158,642) | (2,029,268,456) |
| | 2 | (36,056,830) | (1,607,072,757) | (5,456,030) | (12,869,770) | (4,401,644) | (1,325,350) | (103,465,512) | (130,509,862) | (24,054,041) | (106,953,640) | (1,713,265) | | (3,278,092) | 4,951,176 | (1,112,594) | (2,033,318,212) |
| | 3 | (36,056,830) | (1,611,632,424) | (5,456,030) | (12,539,780) | (4,011,827) | (1,325,350) | (108,159,167) | (136,532,981) | (23,474,424) | (106,628,940) | (730,443) | | (236,767) | 5,197,148 | (1,066,545) | (2,042,654,361) |
| | 4 | (36,056,830) | (1,616,201,277) | (5,456,030) | (12,209,790) | (3,640,340) | (1,325,350) | (112,863,298) | (141,430,342) | (22,894,807) | (106,304,240) | | | 3 | 5,519,227 | (1,020,497) | (2,053,883,572) |
| | 5 | (36,056,830) | (1,620,779,320) | (5,456,030) | (11,879,800) | (3,268,854) | (1,325,350) | (117,572,010) | (145,124,673) | (22,315,190) | (105,979,540) | | | 3 | 5,519,227 | (988,492) | (2,065,226,859) |
| | 6 | (36,056,830) | (1,625,366,559) | (5,456,030) | (11,549,810) | (2,897,792) | (1,325,350) | (122,276,960) | (149,049,699) | (21,735,573) | (105,654,840) | | | 3 | 5,519,227 | (941,556) | (2,076,791,769) |
| | 7 | (36,056,830) | (1,629,962,996) | (5,456,030) | (11,219,820) | (2,527,596) | (1,325,350) | (126,975,677) | (152,583,116) | (21,155,956) | (105,330,140) | (47,042) | | (229,896) | 5,519,227 | (894,621) | (2,088,245,844) |
| | 8 | (36,056,830) | (1,634,568,636) | (5,456,030) | (10,889,830) | (2,157,400) | (1,325,350) | (131,668,163) | (156,059,201) | (20,576,339) | (105,005,440) | (2,077,120) | | (2,669,196) | 5,519,227 | (847,686) | (2,103,837,995) |
| | 9 | (36,056,830) | (1,639,183,481) | (5,456,030) | (10,559,840) | (1,787,361) | (1,325,350) | (136,354,417) | (159,441,940) | (19,996,722) | (104,680,740) | (3,031,903) | | (4,266,136) | 5,519,227 | (800,750) | (2,117,422,274) |
| | 10 | (36,056,830) | (1,643,807,536) | (5,456,030) | (10,229,850) | (1,417,323) | (1,325,350) | (141,034,439) | (163,052,789) | (19,417,105) | (104,356,040) | (2,365,779) | | (4,778,972) | 5,519,227 | (753,815) | (2,128,532,632) |
| | 11 | (36,056,830) | (1,648,440,803) | (5,456,030) | (9,899,860) | (1,047,284) | (1,325,350) | (145,708,230) | (167,166,374) | (18,837,488) | (104,031,340) | (607,393) | | (3,322,249) | 5,519,227 | (706,880) | (2,137,086,883) |
| | 12 | (36,056,830) | (1,653,083,285) | (5,456,030) | (9,569,870) | (678,981) | (1,325,350) | (150,375,789) | (173,523,898) | (18,257,871) | (103,706,640) | (62,228) | | 3 | 5,519,227 | (659,944) | (2,147,237,486) |

| | |
|---|---|
| 2013 - 13 MONTH AVERAGE | (2,080,209,381) |

OPC INTERROGATORY NO. 252 - HISTORY
OTHER REGULATORY LIABILITIES

**Response to subpart B**
**13 MONTH AVERAGE**

| AMOUNT. | LEDGER_MONTH | | | | |
|---|---|---|---|---|---|
| GL_ACCT_DESC | 200812 | 200912 | 201012 | 201112 | 201203 |
| 254100-SAP-Oth Reg Liab-FAS 109 | | | | (29,166,053) | (37,929,501) |
| 254143-SAP-Oth Reg Liab-Asset Retirement Obligation | (770,652,606) | (541,103,962) | (749,384,340) | (1,615,453,245) | (1,635,643,401) |
| 254150-SAP-Oth Reg Liab-Miscellaneous | (305,647) | (183,388) | (61,129) | | |
| 254302-SAP-Oth Reg Liab-Retail Refunds | 0 | | | | |
| 254304-SAP-Oth Reg Liab-Tax Audit Refund Interest | (4,287,565) | (1,901,801) | (9,678) | (6,981,363) | (10,864,456) |
| 254306-SAP-Oth Reg Liab-Deferred Gain Land Sale | (4,449,179) | (3,260,244) | (2,023,992) | (23,978,975) | (24,481,917) |
| 254307-SAP-Oth Reg Liab-Reg Asst Fee & Franchise | (4,687,829) | (2,225,906) | 8,333 | (2,668,446) | (5,382,743) |
| 254311-SAP-Oth Reg Liab-Gain Aviation | | | (543,877) | (4,905,038) | (5,431,221) |
| 254313-OTH REG LIAB-UNDERRCVRD FRANCH FEE-DADE | (1,659,204) | (5,977,930) | (4,125,015) | (748,546) | (355,641) |
| 254314-SAP-Oth Reg Liab-Interest Income-FIN48 | (28,890,009) | (20,674,525) | (25,121,994) | (12,571,611) | (8,646,047) |
| 254321-SAP-Oth Reg Liab-Derivatives | (250,611,600) | | | | |
| 254322-SAP-Oth Reg Liab-Derivatives LongTerm | (2,108,698) | (11,412,260) | (326,808) | (3,645,242) | (3,610,833) |
| *254325-SAP-Oth Reg Liab-Nuclear Cost Recov* | *(64,168)* | *(778,049)* | *(6,900,726)* | *(12,717,167)* | *(15,855,593)* |
| 254326-OTH REG LIAB-NUCLR COST RECOVERY CREDITS | (4,560,066) | (81,624,080) | (108,252,745) | (142,998,441) | (148,829,607) |
| 254327-OT REG LIAB-NCR (PROJ VS A/E) COSTS & CC | | | (26,736,773) | (16,212,430) | (9,536,723) |
| 254328-OT REG LIAB-NUC PRIOR YR PROJ VS ACT COS | (1,900,601) | (24,962,564) | (12,758,329) | (4,758,838) | (2,799,317) |
| 254329-OTH REG IAB-NUCLR_CURENT YR PROJ VS ACT | | (14,831,941) | (43,785,412) | (6,041,402) | (520,405) |
| 254330-OT REG LIAB-NCR (PROJ VS A/E) GU/DTA CC | | | (377,705) | (5,980,203) | (3,517,767) |
| 254331-OT_REG_LIAB-NCR_(A/E_VS_TU)_COSTS_&_CC | | | (10,965,542) | (9,129,628) | (5,469,743) |
| 254332-OT_REG_LIAB-NCR_(A/E_V_TU)_G/U_&_DTA_CC | | | (2,467,957) | (1,379,513) | (790,188) |
| 254333-Oth Reg Liab-Avoided AFUDC-FPSC | | | | (15,198,118) | (43,192,092) |
| 254401-SAP-Oth Reg Liab-Accum Nuclear Amort | (56,512,589) | (49,557,185) | (42,601,781) | (35,646,377) | (33,907,526) |
| 254404-SAP-Oth Reg Liab-Conv ITC Gross Up | | (2,116,881) | (26,989,400) | (26,063,662) | (25,833,688) |
| 254405-SAP-Oth Reg Liab-Space Coast | | | (7,022,782) | (11,106,625) | (11,010,184) |
| 254406-SAP-Oth Reg Liab-Martin ITC Gross Up | | | (5,967,140) | (76,277,388) | (75,629,670) |
| 254600-SAP-Oth Reg Liab-OverRecov Energy Consv | (3,250,993) | | | | |
| 254610-SAP-Oth Reg Liab-Over Recov FPSC Fuel Rev | | (89,628,734) | (27,390,138) | | |
| 254640-SAP-Oth Reg Liab-Over Recov Envionm Recov | (3,545,387) | (8,952,165) | (29,776,929) | (30,706,118) | (22,831,793) |
| 254645-Oth Reg Liab-Fuel FERC-City of Wachula | | | | (1,092) | (3,329) |
| 254700-SAP-Oth Reg Liab-Over Recov FERC Fuel Rev | (57) | (284) | (95,778) | (128,709) | (192,392) |
| 254710-OTH REG LIAB-OVERRCV FUEL REV-FERC/FKEC | (57,854) | (315,683) | (104,667) | (21,970) | (3,318) |
| 254720-OTH REG LIAB-OVERRCV FUEL REV-FERC/CKW | (20,894) | (102,772) | (36,642) | (9,769) | (2,489) |
| 254800-OTH REG LIAB-DF REG ASSESSMNT FEE, FUEL | | (64,533) | (19,721) | | |
| 254820-OTH REG LIAB-DF REG ASSESSMNT FEE, ECCR | (2,333) | | | | |
| 254840-OTH REG LIAB-DF REG ASSESSMENT FEE-ECRC | (2,558) | (6,451) | (21,445) | (14,912) | (7,481) |
| 254900-SAP-Oth Reg Liab-Gain Sale Emisson Allow | (2,517,027) | (2,332,078) | (2,156,487) | (1,927,101) | (1,849,810) |
| Grand Total | (1,140,086,863) | (862,013,416) | (1,136,016,599) | (2,096,437,983) | (2,134,128,874) |

OPC INTERROGATORY 252 - FORECAST
REGULATORY LIABILITIES AFTER ADJUSTMENT

**Response to subpart D**
**13 MONTH AVERAGE**
**In Thousands**

| AMOUNT. | | JUR_TYPE_DESC | | | |
|---|---|---|---|---|---|
| YEAR | COS_ID_DESC | COMPANY_PER_BOOK | COMM_ADJ_PER_BOOK | ADJ_UTILITY_PER_BOOK | JURIS_ADJ_UTILITY |
| 2012 | | | | | |
| | BAL854143 - OTHER REG LIAB - ARO LIABILITY | (1,570,990) | 1,570,990 | - | - |
| | BAL854301 - OTHER REG LIAB - WHOLESALE REFUNDS | - | - | - | - |
| | BAL854302 - OTHER REG LIAB - RETAIL REFUNDS | - | - | - | - |
| | BAL854303 - OTHER REG LIAB - OTHER | (41,513) | | (41,513) | (41,513) |
| | BAL854304 - OTHER REG LIAB - TAX AUDIT REFUND INTEREST | (15,510) | | (15,510) | (15,258) |
| | BAL854305 - OTHER REG LIAB - DEFERRED PENSION CREDIT | 0 | | - | - |
| | BAL854306 - OTHER REG LIAB - DEFRD GAIN LAND SALES - PIS | (7,680) | - | (7,680) | (7,555) |
| | BAL854311 - OTHER REG LIAB - DF GAIN AVIAT TRF-FPL GROUP | 0 | | - | - |
| | BAL854314 - OTHER REG LIAB - INTEREST INCOME - FIN 48 | (1,325) | | (1,325) | (1,304) |
| | BAL854321 - OTHER REG LIAB - DERIVATIVES | 0 | | - | - |
| | BAL854325 - OTHER REG LIAB - NUCLEAR COST RECOVERY | (180,062) | 180,062 | - | - |
| | BAL854333 - OTHER REG LIAB - NCRC AVOIDED AFUDC | 0 | | - | - |
| | BAL854401 - OTHER REG LIAB - NUCLEAR AMORT | (28,691) | | (28,691) | (28,691) |
| | BAL854402 - OTHER REG LIAB - UNALLOC PROD RESERVE | 0 | | - | - |
| | BAL854404 - OTHER REG LIAB - CONVERTIBLE ITC GROSS-UP | (109,551) | | (109,551) | (107,375) |
| | BAL854600 - OTHER REG LIAB - OVERRECOVERED ECCR REVENUES | (99) | 99 | - | - |
| | BAL854610 - OTHER REG LIAB - OVERRECOVERED FUEL REVNUS FPSC | (551) | 551 | - | - |
| | BAL854620 - OTHER REG LIAB - OVERRECOVERED CAPACITY REVENUES | 0 | - | - | - |
| | BAL854640 - OTHER REG LIAB - OVERRECOVERED ENVIRONMENTL REVNUS | (11,757) | - | (11,757) | (11,757) |
| | BAL854700 - OTHER REG LIAB - OVERRECOVERED FUEL REVNUS FERC | 5,519 | (5,519) | - | - |
| | BAL854900 - OTHER REG LIAB - GAINS ON SALE EMISSION ALLOW | (1,503) | 1,503 | - | - |
| 2012 Total | | (1,963,713) | 1,747,686 | (216,027) | (213,454) |
| 2013 | | | | | |
| | BAL854143 - OTHER REG LIAB - ARO LIABILITY | (1,625,431) | 1,625,431 | - | - |
| | BAL854301 - OTHER REG LIAB - WHOLESALE REFUNDS | - | - | - | - |
| | BAL854302 - OTHER REG LIAB - RETAIL REFUNDS | - | - | - | - |
| | BAL854303 - OTHER REG LIAB - OTHER | (41,513) | | (41,513) | (41,513) |
| | BAL854304 - OTHER REG LIAB - TAX AUDIT REFUND INTEREST | (11,550) | | (11,550) | (11,366) |
| | BAL854305 - OTHER REG LIAB - DEFERRED PENSION CREDIT | 0 | | - | - |
| | BAL854306 - OTHER REG LIAB - DEFRD GAIN LAND SALES - PIS | (2,910) | 0 | (2,910) | (2,863) |
| | BAL854311 - OTHER REG LIAB - DF GAIN AVIAT TRF-FPL GROUP | 0 | | - | - |
| | BAL854314 - OTHER REG LIAB - INTEREST INCOME - FIN 48 | (1,325) | | (1,325) | (1,304) |
| | BAL854321 - OTHER REG LIAB - DERIVATIVES | 0 | | - | - |
| | BAL854325 - OTHER REG LIAB - NUCLEAR COST RECOVERY | (271,004) | 271,004 | - | - |
| | BAL854333 - OTHER REG LIAB - NCRC AVOIDED AFUDC | 0 | | - | - |
| | BAL854401 - OTHER REG LIAB - NUCLEAR AMORT | (21,736) | | (21,736) | (21,736) |
| | BAL854402 - OTHER REG LIAB - UNALLOC PROD RESERVE | 0 | | - | - |
| | BAL854404 - OTHER REG LIAB - CONVERTIBLE ITC GROSS-UP | (105,655) | | (105,655) | (103,556) |
| | BAL854600 - OTHER REG LIAB - OVERRECOVERED ECCR REVENUES | (1,092) | - | (1,092) | (1,092) |
| | BAL854610 - OTHER REG LIAB - OVERRECOVERED FUEL REVNUS FPSC | 0 | - | - | - |
| | BAL854620 - OTHER REG LIAB - OVERRECOVERED CAPACITY REVENUES | 0 | - | - | - |
| | BAL854640 - OTHER REG LIAB - OVERRECOVERED ENVIRONMENTL REVNUS | (2,486) | - | (2,486) | (2,486) |
| | BAL854700 - OTHER REG LIAB - OVERRECOVERED FUEL REVNUS FERC | 5,426 | (5,426) | - | - |
| | BAL854900 - OTHER REG LIAB - GAINS ON SALE EMISSION ALLOW | (935) | 935 | - | - |
| 2013 Total | | (2,080,209) | 1,891,944 | (188,265) | (185,915) |

| Year | Description | 13 month Average In Thousands | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Company Per Book | Commission Adj. Per Book | Adjusted Utility Per Book | Jurisdictional Adj Utility | Origination of Liability | Purpose/ Circumstance | Length of Time | Accounting or Regulatory Basis |
| 2012 | Other Regulatory Liabilities | | | | | | | | |
| | ARO Liability | (1,570,990) | 1,570,990 | - | - | Legal requirement | In accordance with FAS 143 | Various | Rule 25-14.014 |
| | Overrecovered Franchise Revenues | (5,456) | | (5,456) | (5,456) | FPSC Directive | Defer Revenues in excess of Expense | 1 year (1) | Deferred of over / under recoveries |
| | FAS 109 | (36,057) | | (36,057) | (36,057) | FPSC Directive | In accordance with FAS 109 | Various | Rule 25-14.013 |
| | Tax Audit Refund Interest | (15,510) | | (15,510) | (15,258) | FPSC Directive | Amortization over 5 years | Various | FPSC Orders 13537 & 13948, Docket No. 830465-EI |
| | Deferred Gain Land Sales PIS | (7,680) | - | (7,680) | (7,555) | FPSC Directive | Amort of gains over 5 years | Various | FPSC treatment of gains/ losses |
| | Interest Income -Fin 48 | (1,325) | | (1,325) | (1,304) | FPSC Directive | Amortization over 5 years | Various | FPSC 13537 & 13948, Docket No. 830465-EI |
| | Nuclear Cost Recovery | (180,062) | 180,062 | - | - | FPSC Directive | In accordance with FPSC rule | Various | Rule 25-6.0423 |
| | Nuclear Amortization | (28,691) | | (28,691) | (28,691) | Liability Established by FPSC | Amortization over 14 years | Ends 8/2016 | Order PSC-02-0055-PAA-EI, page 27 |
| | Convertible ITC - Gross-Up | (109,551) | | (109,551) | (107,375) | FPSC Directive | In accordance with FAS109. Gross Up of CITC to be returned to customers through the ECRC during the asset life of 30 years | 30 years | FPSC treatment in ECRC |
| | Overrecovered ECCR Revenues | (99) | 99 | - | - | FPSC Directive | Overrecovered revenues are included in following years factor | 1-3 years | FPSC treatment of over / under recoveries |
| | Overrecovered Fuel Revenues FPSC | (551) | 551 | - | - | Same for all clauses | | | |
| | Overrecovered Environ. Revenues | (11,757) | | (11,757) | (11,757) | Same for all clauses | | | |
| | *Overrecovered Fuel Revenues FERC* | 5,519 | (5,519) | - | - | FERC Directive | Wholesale fuel over recoveries | 1 month (2) | FERC Treatment |
| | Gains on Sale of Emission Allow | (1,503) | 1,503 | - | - | FPSC Directive | Provide Amort of gains and a return on unamortized bal. | Various | Order No. PSC-84-0393-FOF-EI Page 5 |
| **2012 Total** | | **(1,963,713)** | **1,747,686** | **(216,027)** | **(213,453)** | | | | |
| | | **Note (1):** Billing factor adjusted annually to include over/under recovered balance | | | | **Note (2):** The overrecovered /underecovered wholesale fuel amounts are included in the following month's recovery. | | | |
| **2013** | **Other Regulatory Liabilities** | | | | | | | | |
| | ARO Liability | (1,625,431) | 1,625,431 | - | - | See above | | | |
| | *Overrecovered Franchise Revenues* | (5,456) | | (5,456) | (5,456) | See above | | | |
| | FAS 109 | (36,057) | | (36,057) | (36,057) | See above | | | |
| | Tax Audit Refund Interest | (11,550) | | (11,550) | (11,366) | See above | | | |
| | Deferred Gain Land Sales PIS | (2,910) | - | (2,910) | (2,863) | See above | | | |
| | Interest Income -Fin 48 | (1,325) | | (1,325) | (1,304) | See above | | | |
| | Nuclear Cost Recovery | (271,004) | 271,004 | - | - | See above | | | |
| | Nuclear Amortization | (21,736) | | (21,736) | (21,736) | See above | | | |
| | Convertible ITC - Gross-Up | (105,655) | | (105,655) | (103,556) | See above | | | |
| | Overrecovered ECCR Revenues | (1,092) | - | (1,092) | (1,092) | See above | | | |
| | Overrecovered Fuel Revenues FPSC | - | - | - | - | See above | | | |
| | Overrecovered Environ. Revenues | (2,486) | - | (2,486) | (2,486) | See above | | | |
| | *Overrecovered Fuel Revenues FERC* | *5,426* | *(5,426)* | - | - | *See above* | | | |
| | Gains on Sale of Emission Allow | (935) | 935 | - | - | See above | | | |
| **2013 Total** | | **(2,080,211)** | **1,891,944** | **(188,267)** | **(185,916)** | | | | |

**Florida Power & Light Company**
**Docket No. 120015-EI**
***OPC's Twelfth Set of Interrogatories***
**Interrogatory No. 249**
**Page 1 of 1**

**Q.**
Other Regulatory Assets - Account 182.3. Please refer MFR B-17 page 2 of 5, line 2.

a. Provide a detailed breakdown and explanation of each amount included in Account 182.3 - Other Regulatory Assets for the 2012 prior year and the 2013 test year.

b. Provide the same breakdown of actual data for each of the years ended 12/31/2008, 12/31/2009, 12/31/2010, 12/31/2011 and year-to-date 2012.

c. Identify which of the amounts have been included by the Company in working capital in the 2012 prior year and the 2013 test year.

d. Provide references to or an explanation of where the Commission allowed such amounts to be included in working capital for ratemaking purposes, with specific references to Commission orders including the order number, date of order, docket number, line numbers and page numbers as well as the specific language which allows such amounts to be included for ratemaking purposes.

**A.**
a. See Attachment No. 1 for a breakdown of Account 182.3 - Other Regulatory Assets for the 2012 Prior and 2013 Test Years.

b. & c. See Attachment No. 2. FPL has provided the requested information as of March 31, 2012 as FPL's financial information for the second quarter of 2012 is not expected to be publicly released until late July.

d. The Commission has consistently approved FPL's use of a balance sheet approach in determining the amount of working capital to include in rate base. See Order No. 10306 in Docket No. 810002-EU; Order No. 11437 in Docket No. 820097-EU; Order No. 13537 in Docket No. 830465-EI; and Order No. PSC-10-0153-FOF-EI in Docket No.080677-EI. The balance sheet approach defines working capital as current assets and deferred debits that are utility related and do not already earn a return, less current liabilities, deferred credits and operating reserves that are utility related and upon which the Company does not already pay a return. Account 182.3 – Other Regulatory Assets represents current assets that do not already earn a return. Accordingly, Account 182.3 is eligible for inclusion in the working capital calculation as reflected on MFR B-2.

OTHER REGULATORY ASSETS ($000's)

| COS ID | UI Account | Description | Dec 2011 | Jan 2012 | Feb 2012 | Mar 2012 | Apr 2012 | May 2012 | Jun 2012 | Jul 2012 | Aug 2012 | Sep 2012 | Oct 2012 | Nov 2012 | Dec 2012 | 13 Month Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BAL382361 | 182397 | 182397 Other Reg Asset - Def Fuel | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 |
| BAL382360 | 182360 | 182360 Other Reg Asset - Underrcv ECCR Costs | 48,503 | 43,543 | 40,662 | 38,278 | 36,596 | 32,602 | 27,871 | 21,008 | 14,165 | 8,512 | 4,571 | 2,290 | 0 | 24,508 |
| BAL382361 | 182361 | 182361 Other Reg Asset - Underrcv FUEL - FPSC | 40,425 | 2,492 | (11,375) | (731) | 19,067 | 39,324 | 46,494 | 66,431 | 104,341 | 100,727 | 89,231 | 49,649 | 28,568 | 44,203 |
| BAL382362 | 182362 | 182362 Other Reg Asset - Underrcv Capacity | 13,347 | 7,859 | 8,755 | 12,538 | 20,791 | 22,851 | 26,351 | 25,891 | 29,661 | 38,124 | 49,396 | 72,119 | 97,306 | 32,537 |
| BAL382370 | 182370 | 182370 Other Reg Asset - Underrcv FUEL - FERC | 8,300 | 6,691 | 5,213 | 4,689 | 4,133 | 3,489 | 2,435 | 1,611 | 1,153 | (311) | (1,624) | (4,027) | (5,361) | 2,015 |
| BAL382301 | 182300 | 182300 Other Reg Assets - Other | 24,737 | 24,268 | 23,800 | 23,332 | 22,863 | 22,395 | 21,927 | 21,459 | 20,990 | 20,522 | 20,054 | 19,585 | 19,117 | 21,927 |
| BAL382303 | 182306 | 182306 Other Reg Assets - Franchise Fees | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 |
| BAL382315 | 182315 | 182315 Other Reg Assets - NUCL G/U carrying costs | 7,961 | 7,476 | 6,990 | 6,505 | 6,019 | 5,534 | 5,048 | 4,563 | 4,077 | 3,592 | 3,106 | 2,621 | 2,135 | 5,048 |
| BAL382321 | 182321 | 182321 Other Reg Assets - Derivatives - Cur | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 |
| BAL382321 | 182322 | 182322 Other Reg Assets - Derivatives - LT | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 |
| BAL382326 | 182326 | 182326 Other Reg Assets - Surplus Flowback | 178,014 | 244,731 | 272,693 | 346,380 | 380,698 | 461,631 | 533,474 | 579,365 | 643,715 | 625,864 | 646,039 | 709,267 | 703,543 | 486,601 |
| BAL382340 | 182340 | 182340 Other Reg Assets - Glades Power Park | 20,454 | 19,886 | 19,317 | 18,749 | 18,181 | 17,613 | 17,045 | 16,477 | 15,908 | 15,340 | 14,772 | 14,204 | 13,636 | 17,045 |
| BAL382351 | 182351 | 182351 Other Reg Assets - Storm Securitization | 462,131 | 458,981 | 456,007 | 453,249 | 450,417 | 446,553 | 441,918 | 436,423 | 430,716 | 425,554 | 421,006 | 417,393 | 413,939 | 439,560 |
| BAL382351 | 182353 | 182353 Other Reg Assets - Storm Secur - current | 49,238 | 49,519 | 49,800 | 50,081 | 50,362 | 50,643 | 50,924 | 51,204 | 51,485 | 51,766 | 52,047 | 52,328 | 52,609 | 50,924 |
| BAL382352 | 182352 | 182352 Other Reg Assets - Def Taxes Storm Securitization | 289,797 | 287,299 | 284,801 | 282,304 | 279,806 | 277,308 | 274,810 | 272,313 | 269,815 | 267,317 | 264,820 | 262,322 | 259,824 | 274,810 |
| BAL382351 | 182354 | 182354 Other Reg Assets - Def Tax Storm - current | (49,238) | (49,519) | (49,800) | (50,081) | (50,362) | (50,643) | (50,924) | (51,204) | (51,485) | (51,766) | (52,047) | (52,328) | (52,609) | (50,924) |
| BAL382355 | 182355 | 182355 Storm Recov - O/U Tax charge | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) |
| BAL382356 | 182356 | 182356 Other Reg Assets - O/U Recov Bond Charge | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) |
| BAL382373 | 182373 | 182373 Other Reg Assets - Convert ITC Depr Loss | 55,750 | 55,588 | 55,425 | 55,263 | 55,101 | 54,938 | 54,776 | 54,614 | 54,451 | 54,289 | 54,127 | 53,964 | 53,802 | 54,776 |
| BAL382301 | 182310 | 182310 Other Reg Assets-FAS109 Federal | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 |
| | | **Total Other Regulatory Assets** | 1,643,621 | 1,653,017 | 1,656,693 | 1,734,758 | 1,788,075 | 1,878,442 | 1,946,351 | 1,994,358 | 2,083,196 | 2,051,734 | 2,059,499 | 2,093,590 | 2,080,712 | 1,897,234 |

**Ties to MFR B-17, Page 2 of 5, Line 2, Column 3.**

| COS ID | UI Account | Description | Dec 2012 | Jan 2013 | Feb 2013 | Mar 2013 | Apr 2013 | May 2013 | Jun 2013 | Jul 2013 | Aug 2013 | Sep 2013 | Oct 2013 | Nov 2013 | Dec 2013 | 13 Month Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BAL382361 | 182397 | 182397 Other Reg Asset - Def Fuel | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 | 11,375 |
| BAL382360 | 182360 | 182360 Other Reg Asset - Underrcv ECCR Costs | 0 | 0 | 0 | 0 | 1,617 | 2,364 | 1,809 | 0 | 0 | 0 | 0 | 0 | 0 | 461 |
| BAL382361 | 182361 | 182361 Other Reg Asset - Underrcv FUEL - FPSC | 28,568 | 8,596 | (4,279) | 5,443 | 30,864 | 45,611 | 33,701 | 25,372 | 28,793 | 39,035 | 35,219 | 8,609 | (11,375) | 21,104 |
| BAL382362 | 182362 | 182362 Other Reg Asset - Underrcv Capacity | 97,306 | 92,455 | 89,525 | 94,140 | 95,741 | 88,116 | 75,824 | 55,310 | 34,745 | 18,734 | 6,003 | 991 | 0 | 57,607 |
| BAL382364 | 182364 | 182364 Other Reg Asset - Underrcv ECRC Costs | | | | | 2,474 | 3,102 | 2,179 | | | | | | | 596 |
| BAL382370 | 182370 | 182370 Other Reg Asset - Underrcv FUEL - FERC | (5,361) | (5,361) | (5,361) | (5,361) | (5,018) | (4,626) | (4,830) | (4,928) | (4,789) | (4,492) | (4,511) | (5,054) | (5,361) | (5,004) |
| BAL382301 | 182300 | 182300 Other Reg Assets - Other | 19,117 | 18,649 | 18,180 | 17,712 | 17,244 | 16,776 | 16,307 | 15,839 | 15,371 | 14,902 | 14,434 | 13,966 | 13,497 | 16,307 |
| BAL382303 | 182306 | 182306 Other Reg Assets - Franchise Fees | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 | 2,545 |
| BAL382315 | 182315 | 182315 Other Reg Assets - NUCL G/U carrying costs | 2,135 | 1,650 | 1,164 | 679 | 193 | (292) | (778) | (778) | (778) | (778) | (778) | (778) | (778) | 7 |
| BAL382321 | 182321 | 182321 Other Reg Assets - Derivatives - Cur | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 | 262,992 |
| BAL382321 | 182322 | 182322 Other Reg Assets - Derivatives - LT | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 | 24,611 |
| BAL382326 | 182326 | 182326 Other Reg Assets - Surplus Flowback | 703,543 | 719,453 | 735,362 | 751,272 | 767,182 | 783,092 | 799,002 | 814,912 | 830,821 | 846,731 | 862,641 | 878,551 | 894,461 | 799,002 |
| BAL382340 | 182340 | 182340 Other Reg Assets - Glades Power Park | 13,636 | 13,068 | 12,499 | 11,931 | 11,363 | 10,795 | 10,227 | 9,659 | 9,090 | 8,522 | 7,954 | 7,386 | 6,818 | 10,227 |
| BAL382351 | 182351 | 182351 Other Reg Assets - Storm Securitization | 413,939 | 409,854 | 406,641 | 403,646 | 400,596 | 396,511 | 391,665 | 385,942 | 379,912 | 374,486 | 369,659 | 365,746 | 361,958 | 389,273 |
| BAL382351 | 182353 | 182353 Other Reg Assets - Storm Secur - current | 52,609 | 52,890 | 53,170 | 53,451 | 53,732 | 54,013 | 54,294 | 54,575 | 54,856 | 55,136 | 55,417 | 55,698 | 55,979 | 54,294 |
| BAL382352 | 182352 | 182352 Other Reg Assets - Def Taxes Storm Securitization | 259,824 | 257,158 | 254,491 | 251,825 | 249,159 | 246,492 | 243,826 | 241,160 | 238,493 | 235,827 | 233,160 | 230,494 | 227,828 | 243,826 |
| BAL382351 | 182354 | 182354 Other Reg Assets - Def Tax Storm - current | (52,609) | (52,890) | (53,170) | (53,451) | (53,732) | (54,013) | (54,294) | (54,575) | (54,856) | (55,136) | (55,417) | (55,698) | (55,979) | (54,294) |
| BAL382355 | 182355 | 182355 Storm Recov - O/U Tax charge | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) | (2,070) |
| BAL382356 | 182356 | 182356 Other Reg Assets - O/U Recov Bond Charge | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) | (6,423) |
| BAL382373 | 182373 | 182373 Other Reg Assets - Convert ITC Depr Loss | 53,802 | 53,640 | 53,477 | 53,315 | 53,153 | 52,990 | 52,828 | 52,666 | 52,503 | 52,341 | 52,179 | 52,016 | 51,854 | 52,828 |
| BAL382301 | 182310 | 182310 Other Reg Assets-FAS109 Federal | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 | 201,173 |
| | | **Total Other Regulatory Assets** | 2,080,712 | 2,063,364 | 2,055,904 | 2,078,805 | 2,118,972 | 2,135,134 | 2,115,963 | 2,089,356 | 2,078,366 | 2,079,511 | 2,070,163 | 2,046,332 | 2,033,106 | 2,080,437 |

**Ties to MFR B-17, Page 2 of 5, Line 2, Column 4.**

**Florida Power & Light Company**
**Docket No. 120015-EI**
**OPC's Twelfth Set of Interrogatories**
**Interrogatory No. 251**
**Page 1 of 1**

**Q.**
Miscellaneous Deferred Debits – Account 186. Please refer MFR B-17 page 2 of 5, line 6.

a. Provide a detailed breakdown of each deferred debit included within the amount the company has included in the test year working capital calculation for the 2012 prior year and the 2013 test year.
b. Provide an explanation of what each deferred debit represents and why it should be included in working capital for ratemaking purposes.
c. Provide a 13-month average balance for each of the years ended 12/31/2008, 12/31/2009, 12/31/2010, 12/31/2011 and year to date 2012, for each type of deferred debit which the Company has included in working capital.
d. Provide a reference to Commission orders which allowed each of the deferred debit balances which the company seeks to include in working capital with references to the specific language which allows such an amount to be included in working capital.

**A.**

a. & c. See Attachment No. 1. FPL has provided the requested information as of March 31, 2012 as FPL's financial information for the second quarter of 2012 is not expected to be publicly released until late July. Note, the amounts reflected in the attached document in the column titled "186928 MISC DEF Deb - RATE CASE EXPENSES" have been removed from FPL's 2013 rate base as a Commission adjustment as reflected on MFR B-2, page 3 of 9, line 12. In addition, FPL has requested a Company adjustment to include the unamortized balance of FPL's rate case expenses for this proceeding in its 2013 rate base as reflected on MFR B-2, page 4 of 9, line 27. All other miscellaneous deferred debits in Account 186 are included in rate base for the 2013 Test Year.

b. & d. The Commission has consistently approved FPL's use of a balance sheet approach in determining the amount of working capital to include in rate base. See Order No. 10306 in Docket No. 810002-EU; Order No. 11437 in Docket No. 820097-EU; Order No. 13537 in Docket No. 830465-EI; and Order No. PSC-10-0153-FOF-EI in Docket No.080677-EI. The balance sheet approach defines working capital as current assets and deferred debits that are utility related and do not already earn a return, less current liabilities, deferred credits and operating reserves that are utility related and upon which the Company does not already pay a return. Account 186 – Miscellaneous Deferred Debits represents current assets that do not already earn a return. Accordingly, Account 186 is eligible for inclusion in the working capital calculation as reflected on MFR B-2.

OPC INTERROGATORY NO. 251 - HISTORY
MISCELLANEOUS DEFERRED DEBITS

PART C

## 13 MONTH AVERAGE

| AMOUNT. | LEDGER_MONTH | | | | |
|---|---|---|---|---|---|
| GL_ACCT_DESC | 200812 | 200912 | 201012 | 201112 | 201203 |
| 186100-SAP-Miscellaneous Deferred Debits | 6,138,568 | 1,561,423 | 807,531 | 1,140,223 | 1,417,111 |
| 186102-SAP-Misc Deferred Debits-FIN48 L/T Int Rec | 28,890,009 | 20,674,525 | 15,585,364 | 1,813,939 | 1,620,056 |
| 186103-SAP-Misc Deferred Debits-LT Receivables | 332,455 | 545,897 | 531,456 | 488,630 | 477,991 |
| 186104-SAP-Misc Deferred Debtts-NASA Solar | 369,231 | 1,200,000 | 369,231 | | |
| 186106-SAP-Misc Deferred Debits-Ctrl Element Assemb | 1,340,104 | 507,741 | | 342,467 | 577,242 |
| 186130-SAP-Misc Deferred Debits-Gross Receipts Tax | (467) | (467) | (72) | | |
| 186140-SAP-Misc Deferred Debits-Tax Audit Defic Int | | 10,004,058 | 12,862,360 | | |
| 186176-SAP-Misc Deferred Debits- Storm Recovery | 537,919,822 | 537,323,621 | 537,296,248 | 996,344,008 | 1,225,975,453 |
| 186177-MISC DEF DEB-2005 STORM RITA | 5,874,255 | 5,873,039 | 5,873,039 | 3,162,406 | 1,807,089 |
| 186178-MISC DEF DEB-2005 STORM DENNIS | 9,456,141 | 9,456,141 | 9,456,141 | 5,091,768 | 2,909,582 |
| 186179-MISC DEF DEB-2005 STORM KATRINA | 137,360,918 | 137,360,433 | 137,360,433 | 73,963,310 | 42,264,749 |
| 186180-MISC DEF DEB-2004 STORMS MAINTENANCE | 781,701,253 | 778,869,612 | 778,977,444 | 419,449,393 | 239,685,367 |
| 186181-SAP-Misc Deferred Debits-Storm Offset | (781,701,253) | (778,869,612) | (778,977,444) | (1,126,482,209) | (1,300,339,855) |
| 186182-MISC DEF DEB-NUC_INS_RECOV_2004_STORMS | 6,946,154 | | | 4,071 | 11 |
| 186186-MISC DEF DEB-2005 STORMS-OFFSET | (690,611,136) | (690,013,234) | (689,985,861) | (371,528,015) | (212,301,723) |
| 186190-SAP-Misc Deferred Debits-Defer Pension Debit | 947,756,399 | 1,003,529,940 | 1,036,441,151 | 1,061,671,774 | 1,074,741,313 |
| 186216-Miscellaneous Deferred Debits:GO Gain | | | | 12,737 | 59,089 |
| 186225-MISC DEF DEB-CONTRACT SERVICES | | | 115,360 | 301,973 | 195,663 |
| 186230-MSC DEF DEB-MITIGATION BANKING CR SALES | 51,032 | 99 | 7,853 | 118,068 | 77,665 |
| 186240-MSC DEF DEB-MITGN BNKNG CR SALE-PHAS II | 2,000,614 | 1,409,305 | 561,625 | 83,716 | 48,596 |
| 186415-SAP-Misc Deferred Debits-SJRPP R&R Fund | 33,732,507 | 33,732,507 | 33,732,507 | 34,140,410 | 34,140,410 |
| 186427-SAP-Misc Deferred Debits-Scherer 4 | 7,625,811 | 15,271,229 | 10,978,331 | 7,532,608 | 7,259,001 |
| 186500-SAP-Misc Deferred Debits-Right of Way & Land | 1,580,033 | 102,200 | 208,376 | 1,064,246 | 1,101,565 |
| 186799-MISC DEF DEB-NUTP 05 INS REC-CURR | 1,261,393 | | | | |
| 186800-MISC DEF DEB-WILMA-INS RECV-OTHER | 122,270 | | | | |
| 186802-MISC DEF DEB-NUSL 05 INS REC-CURR | 307,692 | | | | |
| 186803-MISC DEF DEB-2006 STORM ALBERTO | 4,649,261 | 4,647,048 | 4,647,048 | 2,502,257 | 1,429,861 |
| 186804-MISC DEF DEB-2006 STORM USE-ERNESTO | 13,830,046 | 13,830,046 | 13,830,046 | 7,446,948 | 4,255,399 |
| 186805-MISC DEF DEB-2006 STORM-OFFSET | (18,479,307) | (18,477,094) | (18,477,094) | (9,949,204) | (5,685,260) |
| 186806-MISC DEF DEB-2007 STORM BARRY | 1,424,001 | 1,424,001 | 1,424,001 | 766,770 | 438,154 |
| 186807-MISC DEF DEB-2008 BREVARD FIRES | 934,589 | 1,504,042 | 1,502,993 | 809,304 | 462,459 |
| 186808-MISC DEF DEB-2008 TS FAY | 15,317,416 | 36,500,622 | 35,735,150 | 18,850,131 | 10,771,503 |

OPC INTERROGATORY NO. 251 - HISTORY

PART C

MISCELLANEOUS DEFERRED DEBITS

| AMOUNT. | LEDGER_MONTH | | | | |
|---|---|---|---|---|---|
| GL_ACCT_DESC | 200812 | 200912 | 201012 | 201112 | 201203 |
| 186810-MISC DEF DEB-2008 STORMS OFFSET | (16,251,725) | (38,004,664) | (37,238,143) | (19,659,435) | (11,233,963) |
| 186812-MISC DEF DEB-2007 STORM-OFFSET | (1,424,001) | (1,424,001) | (1,424,001) | (766,770) | (438,154) |
| 186928-SAP-Misc Deferred Debits-Rate Case Expense | 45,790 | 2,065,411 | 2,958,947 | 2,158,197 | 2,061,703 |
| 186999-DEFERRED DEBIT-ERROR LIST DIVERT TRANS | 73,709 | 163,352 | 36,933 | 4,622 | 761 |
| Grand Total | 1,038,573,584 | 1,090,767,218 | 1,115,196,955 | 1,110,878,341 | 1,123,778,839 |

**Florida Power & Light Company**
**Docket No. 120015-EI**
**OPC's Second Request for Production of Documents**
**Interrogatory No. 12**
**Page 1 of 1**

**Q.**
MFR Workpapers. Please provide any and all workpapers FPL used to produce the schedules in the Company's March 19, 2012 Minimum Filing Requirements (MFR) filing and please provide such workpapers electronically in Excel, with all formulas and calculations intact.

**A.**

FOR THE PURPOSE OF THIS EXHIBIT ONLY THE RELEVANT PAGE FROM THIS PRODUCTION OF DOCUMENTS IS INCLUDED:
BATE STAMP PAGE NUMBER OPC 297655 - CAPE CANAVERAL DEFERRED TAXES

**OPC 297655**

*FPL RC-12*

**OPC 2nd Set POD No. 12**

Deferred Tax Balance

| | **CPI** | | | **AFUDC Debt** | | | **Accel. Depr.** | | |
|---|---|---|---|---|---|---|---|---|---|
| | ***Generaton*** | ***Transmission*** | ***Total*** | **Generation** | **Transmission** | **Total** | **Generation** | **Transm** | **Total** |
| Balance begin of period | | | | | | | | | |
| Balance begin of period | 27,282,237 | 1,170,387 | 28,452,624 | (9,395,099) | (32,066) | (9,427,165) | (136,986,765) | (1,493,054) | (138,479,819) |
| Annual Deferred Adjustment | 0 | 0 | | 0 | 0 | | | | |
| Deferred Tax Amount-Annual | 1,844,279 | 79,118 | | (375,804) | (802) | | | | |
| *June* | *27,196,980* | *1,165,510* | *28,362,490* | *(9,382,180)* | *(32,033)* | *(9,414,213)* | (137,057,990) | (1,507,217) | (138,565,207) |
| July | 27,111,723 | 1,160,633 | 28,272,356 | (9,356,344) | (31,966) | (9,388,310) | (137,421,965) | (1,520,066) | (138,942,031) |
| Aug | 27,026,466 | 1,155,757 | 28,182,223 | (9,330,507) | (31,899) | (9,362,406) | (137,784,033) | (1,532,915) | (139,316,948) |
| Sept | 26,941,209 | 1,150,880 | 28,092,089 | (9,304,671) | (31,832) | (9,336,503) | (138,145,687) | (1,545,764) | (139,691,451) |
| Oct | 26,855,952 | 1,146,004 | 28,001,956 | (9,278,834) | (31,766) | (9,310,600) | (138,507,215) | (1,558,614) | (140,065,829) |
| Nov | 26,770,695 | 1,141,127 | 27,911,822 | (9,252,998) | (31,699) | (9,284,697) | (138,868,632) | (1,571,463) | (140,440,095) |
| Dec | 26,685,438 | 1,136,250 | 27,821,688 | (9,227,161) | (31,632) | (9,258,793) | (139,229,950) | (1,584,312) | (140,814,262) |
| Jan | 26,521,972 | 1,126,985 | 27,648,957 | (9,201,325) | (31,565) | (9,232,890) | (139,597,068) | (1,597,880) | (141,194,948) |
| Feb | 26,358,506 | 1,117,719 | 27,476,225 | (9,175,488) | (31,498) | (9,206,986) | (139,964,162) | (1,611,448) | (141,575,610) |
| Mar | 26,195,040 | 1,108,454 | 27,303,494 | (9,149,652) | (31,432) | (9,181,084) | (140,331,155) | (1,625,016) | (141,956,171) |
| Apr | *26,031,573* | *1,099,188* | *27,130,761* | *(9,123,815)* | *(31,365)* | *(9,155,180)* | (140,698,051) | (1,638,584) | (142,336,635) |
| May | 25,868,107 | 1,089,923 | 26,958,030 | (9,097,979) | (31,298) | (9,129,277) | (141,064,933) | (1,652,152) | (142,717,085) |
| | 346,845,898 | 14,768,817 | 361,614,715 | (120,276,053) | (412,051) | (120,688,104) | (1,805,657,606) | (20,438,485) | (1,826,096,091) |
| | | | 27,816,517 | | | (9,283,700) | | | (140,468,930) |
| **Average Deferred Tax Balance** | | | | | | | | | (121,936,114) |
| | | | 0.98092500 | | | 0.98092500 | | | 0.98092500 |
| | | | 27,285,916 | | | (9,106,614) | | | (137,789,485) |
| | | | | | | | | | (119,610,182) |

**Florida Power & Light Company**
**Docket No. 120015-EI**
**OPC's Sixth Request for Production of Documents**
**Interrogatory No. 62**
**Page 1 of 1**

**Q.**
Canaveral Modernization Project. Refer to the testimony of Company witness Robert Barrett, Jr. at page 31 (lines 15-19). Please provide a complete copy of the current forecast for the construction and other costs associated with the Canaveral Modernization Project that are included in FPL's revenue requirement calculations.

**A.**

In addition to the provided documents, see following files provided in FPL's response to OPC's Second Request for Production of Documents No. 12:

MFR B-8 CC Adj - Backup.pdf
MFR B-8, B-10, C-4, C-20 (Canaveral) - UI report - Cape Canaveral Modernization Plant and CWIP to 2014 1-17-12.xls
MFR B-10 CC Adj - Backup.pdf
MFR C-4 CC Adj - Backup.pdf
MFR C-4, C-20 (Canaveral) - PCC first year of op Base OM exp (2).xls
MFR C-20 CC Adj - Backup.pdf
MFR C-22 (Canaveral) - '13 Adj for Cape Canaveral (with backup) Final 2-15.xls
MFR C-22 (Canaveral) - Cape canaveral adjustmentv2 .xls
MFR C-22 (Canaveral) - Depr calc. for Canaveral - TAX.xls
MFR C-22 CC Adj - Backup.pdf
MFR C-23 CC Adj - Backup.pdf
MFR D-1a CC Adj - Backup.pdf

Additionally, please see FPL's response to SFHHA First Request for Production of Documents No. 58.

FOR THE PURPOSE OF THIS EXHIBIT ONLY THE RELEVANT PAGE FROM THIS PRODUCTION OF DOCUMENTS IS INCLUDED:
BATE STAMP PAGE NUMBER OPC 300785 - REVISED CAPE CANAVERAL DEFERRED TAXES

RESPONSE PROVIDED IN OPC 6th Set POD No. 62

Deferred Tax Balance

| | CPI | | | AFUDC Debt | | | Accel. Depr. | | |
|---|---|---|---|---|---|---|---|---|---|
| | Generaton | Transmission | Total | Generation | Transmission | Total | Generation | Transm | Total |
| Balance begin of period | | | | | | | | | |
| Balance begin of period | 26,937,285 | 275,444 | 27,212,729 | (9,294,870) | (32,066) | (9,326,936) | (135,426,492) | (1,493,054) | (136,919,546) |
| *Annual Deferred Adjustment* | 0 | 0 | | 0 | 0 | | | | |
| Deferred Tax Amount-Annual | | | | | | | | | |
| June | 26,853,106 | 274,297 | 27,127,403 | (9,269,051) | (32,033) | (9,301,084) | (135,497,509) | (1,507,217) | (137,004,726) |
| July | 26,768,927 | 273,149 | 27,042,076 | (9,243,490) | (31,966) | (9,275,456) | (135,857,930) | (1,520,066) | (137,377,996) |
| Aug | 26,684,748 | 272,001 | 26,956,749 | (9,217,929) | (31,899) | (9,249,828) | (136,216,444) | (1,532,915) | (137,749,359) |
| Sept | 26,600,569 | 270,854 | 26,871,423 | (9,192,369) | (31,832) | (9,224,201) | (136,574,545) | (1,545,765) | (138,120,310) |
| Oct | 26,516,390 | 269,706 | 26,786,096 | (9,166,808) | (31,766) | (9,198,574) | (136,932,519) | (1,558,614) | (138,491,133) |
| Nov | 26,432,211 | 268,558 | 26,700,769 | (9,141,247) | (31,699) | (9,172,946) | (137,290,382) | (1,571,463) | (138,861,845) |
| Dec | 26,348,032 | 267,411 | 26,615,443 | (9,115,686) | (31,632) | (9,147,318) | (137,648,146) | (1,584,312) | (139,232,458) |
| Jan | 26,186,632 | 265,230 | 26,451,862 | (9,090,125) | (31,565) | (9,121,690) | (138,011,793) | (1,597,880) | (139,609,673) |
| Feb | 26,025,233 | 263,049 | 26,288,282 | (9,064,564) | (31,498) | (9,096,062) | (138,375,414) | (1,611,448) | (139,986,862) |
| Mar | 25,863,834 | 260,869 | 26,124,703 | (9,039,003) | (31,432) | (9,070,435) | (139,070,079) | (1,625,016) | (140,695,095) |
| Apr | 25,702,435 | 258,688 | 25,961,123 | (9,013,442) | (31,365) | (9,044,807) | (139,433,504) | (1,638,584) | (141,072,088) |
| May | 25,541,035 | 256,508 | 25,797,543 | (8,987,881) | (31,298) | (9,019,179) | (139,796,914) | (1,652,152) | (141,449,066) |
| | 342,460,437 | 3,475,764 | 345,936,201 | (118,836,465) | (412,051) | (119,248,516) | (1,786,131,671) | (20,438,486) | (1,806,570,157) |
| | | | 26,610,477 | | | (9,172,963) | | | (138,966,935) |
| **Average Deferred Tax Balance** | | | | | | | | | (121,529,421) |
| | | | 0.98102200 | | | 0.98102200 | | | 0.98102200 |
| | | | 26,105,463 | | | (8,998,878) | | | (136,329,621) |
| | | | | | | | | | (119,223,036) |

Docket No. 120015-EI
Responses to Discovery Served by Intervenors
Exhibit KO-15, Page 15 of 25

**Florida Power & Light Company**
**Docket No. 120015-EI**
**OPC's Twelfth Set of Interrogatories**
**Interrogatory No. 254**
**Page 1 of 1**

**Q.**
Smart Grid Technologies. Refer to FPL's response to OPC Interrogatory No. 128 and MFR Schedule B-7.

a. Referring to MFR Schedule B-7 and using column 4 (beginning plant balance) as the starting point, please provide a breakout of the various plant accounts in which the $192.3 million capital portion of the Department of Energy (DOE) reimbursement is reflected in the 2013 test year.
b. Please explain why the distribution of the $192.3 million reimbursement among the various plant accounts is not reflected in column 7 - Adjustments and Transfers of MFR Schedule B-7.
c. Please clarify whether the $7.7 million O&M reimbursement is reflected in the revenue requirements for the 2012 prior year. If so, identify exactly where the breakout of the $7.7 million is reflected in the Company's filing. If not, explain fully why not.
d. Referring to FPL's response to subparts b. and c., please explain fully and in detail why only $35 million of the $453 million spent to install the 3 million meters was reimbursed as part of the $200 million DOE grant. Explain fully why the entire $200 million reimbursement was not applied to offset the $453 million cost of installing the 3 million meters.
e. Please explain fully and in detail whether the remaining $165 million DOE grant has been applied (or will be applied) to offset the $229 million estimated cost of installing the remaining 1.5 million meters by the end of 2013. If so, provide detailed calculations which show how the $165 million is applied. If not, explain fully why not.
f. Please provide detailed calculations which quantify how the forecasted amount of plant in service related to the installation of the 4.5 million meters (net of DOE reimbursement) was derived. In addition, reconcile the result of these calculations to the amounts shown on MFR Schedule B-7, page 4, line 14 (AMI Meters).
g. Referring to subpart f. above, please identify and provide similar detailed calculations which quantify how any capital costs associated with the meter installations are reflected in the 2012 prior year revenue requirements.
h. Refer to FPL's response to OPC Interrogatory No. 128, page 3 of 3, Note 1). Please quantify the Company's statement that a credit of $115 million is reflected on MFR Schedule B-7, page 4, line 14. Show detailed calculations. In addition, please explain fully and in detail to what the remaining credit of $24 million ($115 million - $91 million) relates.
i. Refer to FPL's response to OPC Interrogatory No. 128, page 3 of 3, Note 2). Please provide a specific explanation of the Company's statement that "FPL did not forecast the associated plant-in-service additions associated with the forecasted $91 million capital reimbursement from the DOE. Therefore, plant-in-service is understated by this amount for the 2013 Test Year". Provide calculations that show how plant was understated and explain in detail why and how this would result in an understatement of plant.

j. Refer to FPL's response to OPC Interrogatory No. 128, page 3 of 3, Note 3). Please quantify and explain fully and in detail the nature of the $3.8 million credit to working capital from October 1, 2011 through December 31, 2012, and identify exactly where it is reflected in the Company's filing and in which account. In addition, specify by month whether any portion of the $3.8 million credit is reflected in the 2012 prior year or the 2013 test year.
k. Refer to FPL's response to OPC Interrogatory No. 128, page 3 of 3, Note 3). Referring to subpart j. above, please explain fully and in detail why October 2011 through December 2012 O&M expense should have been reduced by the $3.8 million. In addition, provide a breakout of the O&M accounts in which the $3.8 million reduction should have been reflected. Explain why this reduction to O&M expenses should not be carried forward to the 2013 projected test year.

**A.**

a. See Attachment No. 1 for the application of the $192.3 million capital portion of the DOE reimbursement by plant account, which is embedded in various plant-in-service beginning balances in column 4 on MFR B-7 for the 2013 Test Year. As reflected on page 1 of Attachment No. 1 and discussed in parts h. and i. below, $91 million of the $192.3 million was forecasted incorrectly as a credit to the plant-in-service balance, account 370 – AMI Meters, reflected on MFR B-7, page 4, Line 14, column 4. As reflected on page 2 of Attachment No. 1, approximately $68.6 million was recorded to intangible, production, transmission, distribution and general plant accounts as a credit offset to a like amount of actual expenditures incurred as of September 30, 2011. Additionally, approximately $33.1 million was recorded as an offset to actual expenditures classified as CWIP at September 30, 2011. Both the $68.6 million and the $33.1 million were recorded as a reduction of actual expenditures resulting in a net zero plant-in-service value brought forward in the forecast period.

b. The distribution of the $192.3 million reimbursement among the various plant accounts is not reflected in column 7 - Adjustments and Transfers of MFR Schedule B-7 because the reimbursement of the $192.3 million was projected to be completed by December 2012. Therefore, because the reimbursement offsets the costs incurred, it would not be reflected as 2013 Test Year projection activity shown on MFR Schedule B-7.

c. FPL has reflected $3.8 million of the $7.7 million O&M reimbursement as a deferred credit in the 2012 Prior Year (see response to parts j. & k. below for an explanation of the $3.8 million). The remaining $3.9 million was reflected as a reduction to O&M expenses actually incurred prior to September 31, 2011, therefore, it is not reflected in the 2012 Prior Year.

d. The terms of FPL's original grant application and the subsequent terms of the Department of Energy (DOE) Smart Grid Investment Grant award specify that $35 million of the grant was to be applied to accelerated deployment of smart meters. These documents further specify that the remaining $165 million was to be applied to fully fund the proposed grant incremental projects. The grant incremental projects were smart grid related projects FPL had not planned in the areas of transmission, distribution, industrial class smart meters, home area networks, web portal, and the aforementioned $35 million acceleration of the residential smart meter deployment. This is consistent with Marlene Santos' testimony and Staff's recommendation in Order No. PSC-10-0153-FOF-EI, page 169.

e. The remaining $165 million DOE grant will not be applied to offset the $229 million estimated cost of installing the remaining 1.5 million meters by the end of 2013. As described above in response to d, FPL will apply the $165 million DOE grant funds to the grant incremental projects.

f. See Attachment No. 2. As reflected in FPL's response to OPC's Sixth Set of Interrogatories No. 128, FPL did not forecast the associated plant in service additions associated with the forecasted $91 million capital reimbursement from the DOE. Therefore, plant in service is understated by $91 million for the 2013 Test Year. In addition, in preparation of this response, it was determined that FPL overstated reimbursement from the DOE of $8 million in October 2011 and reflected this amount, along with the $115 million discussed in parts h. and i. below totaling $123 million, as a reduction to the plant-in-service balance for AMI Meters. See line titled "ESF AMI Meter Reimbursable" in the Attachment 2 that totals the $123 million. The $8 million should not have been included in the filing as all DOE reimbursements were reflected on FPL's books as of September 2011, therefore, plant in service is also understated by $8 million for the 2013 Test Year.

g. See Attachment No. 3. Note, this calculation utilizes a pre-tax cost of capital based on the after-tax weighted average cost of capital reflected on MFR D-1a for the 2012 Prior Year, which includes an ROE of 11.0%.

h. & i. See Attachment No. 4. As of September 30, 2011, Account 107.050 has a $115 million credit balance of which $91 million related to DOE reimbursements not yet applied as Contribution in Aid of Construction against capital expenditures associated with Energy Smart Florida (ESF) projects. The approximate remaining amount of $24 million does not relate to the DOE reimbursement and is mainly related to capital projects that have not yet been classified to specific plant accounts, but are identifiable at the functional level. See Attachment No. 4. In FPL's forecast for this proceeding, the $115 million, plus the $8 million described in part f above, was closed to plant in service to AMI Meters (MFR B-7, page 4 of 6, Line 14) over the period October 2011 through December 2012 and has a zero balance as of December 2012 (see Attachment No. 2 that shows how the total $123 million was applied). The proper treatment of the $115 million in the forecast would have been to close out the $24 million of CWIP credits to the appropriate plant in service functions, unrelated to ESF, and apply the $91 million of DOE reimbursements to the proper plant accounts. However, as indicated in part f, FPL did not forecast any capital expenditures for projects that are expected to be reimbursed by the DOE to offset the $91 million of DOE reimbursements included in the forecast, therefore, FPL has understated plant in service by this amount. FPL will reforecast the proper treatment of the $115 million credit, including all associated depreciation and other related impacts, and produce a revised MFR B-7 for the 2013 Test Year, which it will include as part of FPL's filed rebuttal testimony.

j. & k. The $3.8 million amount is reflected in working capital in Account 253, Deferred Credits, on line 23, page 3 of 5, on MFR B-17 for the 2013 Test Year, represents the deferral of DOE reimbursements awaiting to be applied as an offset to the incremental O&M expense incurred on ESF projects as of September 30, 2011. The forecasted deferred credit remained in the forecast from September 30, 2011 through December 31, 2013. It should have been reduced over the period of October 2011 through December 2012 as O&M is spent. Therefore, working capital needs be increased to remove this deferred credit. In addition, FPL did not forecast any incremental O&M expenses for projects that are expected to be reimbursed by the DOE for the period October 2011 through December 2013, therefore, there is no adjustment required for O&M expense for either the 2012 Prior or 2013 Test Years.

**Application of DOE Grant to Capital Projects**

| Projects | Actuals as of 9/30/2011 | Forecasted for 10/2011 - 12/2012 | Total |
|---|---|---|---|
| Transmission Systems | $ 38,503,218 | - | $ 38,503,218 |
| Distribution Systems | 21,677,230 | - | 21,677,230 |
| Accelerated Smart Meter Deployment | 34,249,398 | 90,576,799 | 124,826,197 |
| Customer Portal | 1,224,886 | - | 1,224,886 |
| Commercial and Industrial Smart Meter Pilot | 725,026 | - | 725,026 |
| Enhanced Performance and Diagnostic Centers | 4,526,500 | - | 4,526,500 |
| In Home Technology Pilot | 836,101 | - | 836,101 |
| Distributed Generation Pilot | 410 | - | 410 |
| **Total Credits to Capital** | **$ 101,742,770** | **$ 90,576,799** | **$ 192,319,569** |
| | (A) | (B) | |

**Notes:**

(A) See page 2 for the application of the DOE reimbursement by plant account.

(B) Entire amount was incorrectly reflected as an offset to Line 14 - AMI Meters on MFR B-7, page 4 of 6, for the 2013 Test Year, which was reflected in plant account 370.

**Application of DOE Grant to Capital Projects by Plant Account**
**as of September 30, 2011**



| | Intangible | Int Plant Cap Software | Steam | Other Production | Transmission | Distribution Substation | | Distribution Mass Property | | | | | | General Plant | Totals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **MFR B-7 Reference** | **Pg 1, Ln 3** | **Pg 1, Ln 3** | **Pg 2, Ln 3** | **Pg 3, Ln 21** | **Pg 3, Ln 29** | **Pg 4, Ln 2** | **Pg 4, Ln 3** | **Pg 4, Ln 4** | **Pg 4, Ln 5** | **Pg 4, Ln 6** | **Pg 4, Ln 7** | **Pg 4, Ln 8** | **Pg 4, Ln 14** | **Pg 5, Ln 2** | |
| **Projects** | | | | | | | | | | | | | | | |
| Transmission Systems | $ - | $ - | $ 141,725 | $ 237,723 | $ 4,530,310 | $ 132,870 | $ 13,291,339 | $ - | $ - | $ - | $ - | $ - | $ - | $ 771,588 | $ 19,105,555 |
| Distribution Systems | - | - | - | - | - | 16 | 541,701 | 1,189,633 | 10,746,778 | 2,646 | 147,653 | 995,782 | - | 64,580 | 13,688,789 |
| Accelerated Smart Meter Deployment | | | | | | | | | | | | | | | |
| Customer Portal | - | 790,559 | | | | | | | | | | | 34,279,273 | - | 35,069,832 |
| Commercial and Industrial Smart Meter Pilot | | | - | - | - | - | - | - | - | - | - | - | | | |
| Enhanced Performance and Diagnostic Centers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| In Home Technology Pilot | 607,328 | 172,653 | - | - | - | - | - | - | - | - | - | - | - | - | 779,981 |
| Distributed Generation Pilot | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Plant Account Totals** | **$ 607,328** | **$ 963,212** | **$ 141,725** | **$ 237,723** | **$ 4,530,310** | **$ 132,886** | **$ 13,833,040** | **$ 1,189,633** | **$ 10,746,778** | **$ 2,646** | **$ 147,653** | **$ 995,782** | **$ 34,279,273** | **$ 836,168** | **$ 68,644,156** |

| | |
|---|---|
| Amounts Reflected in CWIP | 33,098,614 |
| **Total as of 9/30/2011** | **$ 101,742,770** |

| | Actual Sep 2011 | Forecast Oct 2011 | Forecast Nov 2011 | Forecast Dec 2011 | Forecast Jan 2012 | Forecast Feb 2012 | Forecast Mar 2012 | Forecast Apr 2012 | Forecast May 2012 | Forecast Jun 2012 | Forecast Jul 2012 | Forecast Aug 2012 | Forecast Sep 2012 | Forecast Oct 2012 | Forecast Nov 2012 | Forecast Dec 2012 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Beginning Plant in Service | | | | | | | | | | | | | | | | | |
| AMI METERS | | 291,289 | 302,537 | 298.628 | 295,279 | 290,864 | 292,311 | 292,814 | 297,749 | 303,963 | 314,267 | 326,772 | 339,166 | 353,531 | 364,140 | 379,199 | |
| Plant Additions | | | | | | | | | | | | | | | | | |
| AMI DEPLOYMENT CAPITAL METERS | | 22,831 | 13,907 | 14,711 | 14,644 | 15,742 | 13,369 | 13,940 | 13,569 | 15,767 | 14,554 | 13,930 | 15,748 | 11,738 | 16,108 | 14,910 | |
| ESF AMI Meter Reimbursable [1] | | (11,583) | (16,817) | (19,060) | (19,060) | (14,295) | (12,865) | (9,006) | (7,355) | (5,463) | (2,049) | (1,537) | (1,383) | (1,129) | (1,049) | (1,049) | (123,699) |
| Total Plant additions to AMI Meters | | 11,248 | (2,910) | (4,348) | (4,416) | 1,447 | 504 | 4,935 | 6,214 | 10,303 | 12,505 | 12,394 | 14,365 | 10,609 | 15,059 | 13,862 | |
| Plant Retirements | | | | | | | | | | | | | | | | | |
| AMI METERS | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Plant retirements | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Ending Plant in Service | | | | | | | | | | | | | | | | | |
| AMI METERS | 291,289 | 302,537 | 299,628 | 295,279 | 290,864 | 292,311 | 292,814 | 297,749 | 303,963 | 314,267 | 326,772 | 339,166 | 353,531 | 364,140 | 379,199 | 393,061 | |

| | Forecast Jan 2013 | Forecast Feb 2013 | Forecast Mar 2013 | Forecast Apr 2013 | Forecast May 2013 | Forecast Jun 2013 | Forecast Jul 2013 | Forecast Aug 2013 | Forecast Sep 2013 | Forecast Oct 2013 | Forecast Nov 2013 | Forecast Dec 2013 | Year Dec 2013 | 13 Month Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Beginning Plant in Service | | | | | | | | | | | | | | |
| AMI METERS | 393,061 | 409,312 | 424,392 | 437,487 | 446,881 | 451,438 | 450,686 | 450,461 | 450,351 | 450,235 | 450,137 | 450,001 | 393,061 | |
| Plant Additions | | | | | | | | | | | | | | |
| AMI DEPLOYMENT CAPITAL METERS | 16,251 | 15,081 | 13,094 | 9,394 | 4,557 | (752) | (225) | (110) | (116) | (98) | (137) | 185 | 57,125 | |
| ESF AMI Meter Reimbursable [1] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Plant additions to AMI Meters | 16,251 | 15,081 | 13,094 | 9,394 | 4,557 | (752) | (225) | (110) | (116) | (98) | (137) | 185 | 57,125 | |
| Plant Retirements | | | | | | | | | | | | | | |
| AMI METERS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Plant retirements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Ending Plant in Service | | | | | | | | | | | | | | |
| AMI METERS | 409,312 | 424,392 | 437,487 | 446,881 | 451,438 | 450,686 | 450,461 | 450,351 | 450,235 | 450,137 | 450,001 | 450,186 | 450,186 | 439,567 |

Note:
[1] See breakdown below for forecasted details for ESF AMI Meter Reimbursables:

| | | | | | | | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Expected DOE Reimbursements | (7,870) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (7,870) |
| Energy Smart Florida | (2,903) | (13,151) | (14,904) | (14,904) | (11,178) | (10,061) | (7,042) | (5,751) | (4,272) | (1,602) | (1,202) | (1,081) | (883) | (820) | (820) | (90,577) |
| *Non-Energy Smart Florida Activity* | *(809)* | *(3,666)* | *(4,155)* | *(4,155)* | *(3,116)* | *(2,805)* | *(1,963)* | *(1,603)* | *(1,191)* | *(447)* | *(335)* | *(301)* | *(246)* | *(229)* | *(229)* | *(25,252)* |
| Total | (11,583) | (16,817) | (19,060) | (19,060) | (14,295) | (12,865) | (9,006) | (7,355) | (5,463) | (2,049) | (1,537) | (1,383) | (1,129) | (1,049) | (1,049) | (123,699) |

Florida Power Light Company
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OPC's 12th Set of Interrogatories
Question No. 254 part (g)
Page 1

| ($000) | Forecast Dec 2011 | Forecast Jan 2012 | Forecast Feb 2012 | Forecast Mar 2012 | Forecast Apr 2012 | Forecast May 2012 | Forecast Jun 2012 | Forecast Jul 2012 | Forecast Aug 2012 | Forecast Sep 2012 | Forecast Oct 2012 | Forecast Nov 2012 | Forecast Dec 2012 | 2012 13 Month Avg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ending Plant in Service | | | | | | | | | | | | | | |
| AMI METERS | 295,279 | 290,864 | 292,311 | 292,814 | 297,749 | 303,963 | 314,267 | 326,772 | 339,166 | 353,531 | 364,140 | 379,199 | 393,061 | 326,394 |
| Plant Additions | | (4,416) | 1,447 | 504 | 4,935 | 6,214 | 10,303 | 12,505 | 12,394 | 14,365 | 10,609 | 15,059 | 13,862 | |
| Ending Accumulated Depreciation | | | | | | | | | | | | | | |
| AMI METERS | 41,854 | 43,441 | 45,021 | 46,606 | 48,205 | 49,835 | 51,509 | 53,245 | 55,049 | 56,925 | 58,868 | 60,882 | 62,973 | 51,878 |
| Monthly Depreciation Expense | | 1,587 | 1,579 | 1,585 | 1,599 | 1,630 | 1,674 | 1,736 | 1,804 | 1,876 | 1,944 | 2,013 | 2,092 | |
| Net Plant in Service | | | | | | | | | | | | | | |
| AMI METERS | 253,425 | 247,422 | 247,290 | 246,209 | 249,544 | 254,129 | 262,758 | 273,527 | 284,117 | 296,606 | 305,271 | 318,317 | 330,088 | 274,516 |
| Rate Base | | | | | | | | | | | | | | 274,516 |
| x Pre Tax Rate of Return on Rate Base % | | | | | | | | | | | | | | 10.04% |
| NOI Required on Rate Base | | | | | | | | | | | | | | 27,570 |
| x Bad Debt and Reg Assess Fee Factor | | | | | | | | | | | | | | 1.00238 |
| Revenue Requirements on Rate Base | | | | | | | | | | | | | | 27,635 |
| Plus: Book Depreciation Expense | | 1,587 | 1,579 | 1,585 | 1,599 | 1,630 | 1,674 | 1,736 | 1,804 | 1,876 | 1,944 | 2,013 | 2,092 | 21,119 |
| x Bad Debt and Reg Assess Fee Factor | | | | | | | | | | | | | | 1.00238 |
| Revenue Requirements on Depreciation Exp | | | | | | | | | | | | | | 21,170 |
| 2012 Capital Revenue Requirements | | | | | | | | | | | | | | **48,805** |

**OPC 12th Set Int No 254, Subpart H**
**Attachment No 4**

**FERC 107.050 & 107.150 Segmentation by Function**
**Sep-11**

| | | | Balance @ 9/30/11 |
|---|---|---|---|
| Nuclear Production | | $ | (10,972,269) |
| Transmission Plant | | | (618,751) |
| Distribution | | | |
| Energy Smart Florida - DOE [1] | (91,673,198) | | |
| Other | (14,436,055) | | |
| | | $ | (106,109,253) |
| General Plant | | | 1,871,732 |
| Balance @ 9/30/11 | | | (115,828,541) |
| Less: DOE related [1] | | | 91,673,198 |
| Amounts incorrectly inlcuded in revenue requirements | | $ | (24,155,343) |

[1] Note the majority of dollars in each function is related to work orders that failed to unitize and are pending research.

Docket No. 120015-EI
Responses to Discovery Served by Intervenors
Exhibit KO-15, Page 25 of 25

**FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES**
**SUMMARY OF 2013 TEST YEAR IDENTIFIED ADJUSTMENTS**

| Category Affected | Item No. | Item | Adjustments/Corrections Affecting Company Per Book Amounts | Impact on 2013 Retail Revenue Requirements Increase/(Decrease) ($ millions) |
|---|---|---|---|---|
| NOI & RB | 1 | Cost of Removal - Smart Meters | Cost of removal of approximately $9.9M for smart meters was included as an addition to plant-in-service instead of a debit to accumulated depreciation reserve, resulting in an overstatement of depreciation expense by approximately $0.7M in the 2013 Test Year. | ($0.6) |
| NOI | 2 | Pension Expense Credit | Adjustment to pension expense credit in order to remove impact related to Section 420 transfers. Based on history, FPL does not plan on Section 420 transfers for at least the next few years. The forecasted pension asset balance assumed no transfers, therefore, no adjustment to rate base is required. | ($2.9) |
| RB | 3 | Water Reclamation Capital Lease | Adjustment to reflect the appropriate amount used to eliminate accumulated amortization associated with the water reclamation capital lease on MFR D-1b. | $0.6 |
| NOI & RB | 4 | Separation Factors | FPL under-allocated coincident peak responsibility to retail rate classes in its calculation of the jurisdictional separation factors. As a result, FPL understated the retail jurisdiction's share of total Company revenue requirements. | $0.4 |
| NOI & RB | 5 | Amortization of Gains | Gain amortization related to the sale of FPL's General Office and aviation assets was double counted, resulting in an overstatement of the credit to FERC Account 411 by approximately $2M and understating the associated regulatory liability by approximately the same amount. | $1.9 |
| RB | 6 | Demolition Costs - Port Everglades | Demolition costs associated with the Port Everglades Modernization project was incorrectly forecasted in CWIP earning AFUDC. This amount should have been reflected as a debit to the dismantlement reserve, decreasing the 13-month average accumulated provision for depreciation reserve projected for 2013. 13-Month Average for rate base was understated $6M | $0.6 |
| NOI & RB | 7 | DOE Grant and AMI Meters | a) Capital expenditures associated with DOE grant was not forecasted, plant-in-service is understated $91M<br>b) $3.7M associated with O&M projects to be reimbursed by the DOE was included in working capital, which should have been zero by 12/31/2012<br>c) Depreciation expense was understated by $7.6M due to plant-in-service understatement<br>d) Overstated reimbursement from the DOE causing plant-in-service to be understated by $8M. | $17.2 |
| RB | 8 | Long-Term Disability and Post Retirement Liabilities | Long Term Disability and Post Retirement Liability for the 2013 Test Year was forecasted incorrectly. Expense related to the LTD income replacement portion of Long Term Disability is now insured and paid through premiums and was improperly credited to the monthly Long Term Disability balance. The Post Retirement liability does not reflect a change in retiree life benefits approved by management before completion of the forecast. Rate base is understated by approximately $10.6M. | $1.1 |
| NOI | 9 | Unbilled Revenues | Total unbilled sales amount is correct but the split between wholesale and retail was incorrect. Understated unbilled retail revenues and overstated our retail revenue requirements in the test year. | ($1.7) |
| NOI | 10 | Separation Factor - Seminole Transmission Network Service Credit | It was determined that FPL incorrectly assigned a separation factor of 100% wholesale related to $6.8M of bill credits which are applied to Seminole's Transmission Service Bill. Since these credits represent FPL payments to Seminole for network assets that benefit all transmission users, these payments should have been charged to expense and allocated to both retail and wholesale customers. The correct separation factor to be applied to these payments in the 2013 test year is 89.4724%. | $6.1 |
| NOI & RB | 11 | Ft. Lauderdale CC Forecast Adjustments | FPL classified $1.5M of forecasted rotor expenditures associated with Ft. Lauderdale CC's as Sanford Unit 3, and then immediately retired it. This understated plant-in-service, accumulated depreciation and depreciation expense. | $0.1 |
| Cost of Capital | 12 | Change in Interest Rates for Customer Deposits | Changed in the customer deposit rule was approved by Commission in May 2012, lowering customer interest rates from 6 and 7% to 2 and 3%. | ($17.2) |

**FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES**
**SUMMARY OF 2013 TEST YEAR IDENTIFIED ADJUSTMENTS**

| Category Affected | Item No. | Item | Adjustments/Corrections Affecting Commission Adjustments | Impact on 2013 Retail Revenue Requirements Increase/(Decrease) ($ millions) |
|---|---|---|---|---|
| RB | 13 | Cost of Removal - Nuclear Uprates | Cost of removal of approximately $72M for nuclear uprates was removed as part of nuclear uprate Commission adjustments on MFR B-2 that should not have been removed as they are base rate items. | $7.4 |
| NOI | 14 | Executive Compensation Adj - Affiliate Allocation | It was determined that the Affiliate Allocation rates relied upon to develop the 2013 Test Year Executive Compensation adjustment were not the final rates. This caused the Executive Compensation adjustment to be overstated by $0.9M. | $1.0 |
| NOI | 15 | Executive Commission Adj. - Non-Exec Comp Exp | While calculating the Commission adjustment to remove executive incentive compensation from the 2013 test year, FPL inadvertently failed to remove the non-executive performance shares portion of the adjustment thus overstating compensation expense. | ($0.7) |
| RB | 16 | CWIP - Riviera Modernization Project | Commission adjustment for CWIP eligible for AFUDC on MFR B-2, page 1, line 30, column 3 is understated, therefore the 13 month-average rate base is overstated - $4.6M | ($0.5) |

| Category Affected | Item No. | Item | Adjustments/Corrections Affecting Company Adjustments | Impact on 2013 Retail Revenue Requirements Increase/(Decrease) ($ millions) |
|---|---|---|---|---|
| NOI & RB | 17 | Capital Recovery Schedules | FPL inappropriately included land, plant account 310, as part of its calculation of unrecovered investment in its request for a capital recovery schedule for Cutler Common and Port Everglades Unit 1 of $71k and $.3M, respectively. These amounts need to be removed from FPL's capital recovery schedule calculations. Also, remove the depreciation expense associated with the adjustment; revenue requirement impact of $5k. | ($0.1) |

**TOTAL ADJUSTMENT IMPACTS - NET INCREASE IN FPL'S 2013 REVENUE REQUIREMENTS** **$12.6**

| Category Affected | Item No. | Item | Adjustments/Corrections Affecting Canaveral Step Increase | Impact on June 1, 2013 Canaveral Step Increase Revenue Requirements Increase/(Decrease) ($ millions) |
|---|---|---|---|---|
| NOI & RB | 18 | Cape Canaveral Plant-in-Service | Starting plant-in-service balance in Canaveral Step Increase Schedules is $9.5M higher than forecast, which also impacted depreciation expense and the amount of ADIT included as a component of rate base. | ($1.8) |

**TOTAL ADJUSTMENT IMPACTS - NET DECREASE IN FPL'S CANAVERAL STEP INCREASE** **($1.8)**

**Note:**
FPL incorrectly classified $3.5M for a certain CWIP project as General plant instead of Distribution plant in the 2013 Test Year. The jurisdictional factor for General Plant is 0.984797 and Distribution plant is 1.0000. The impact to FPL's 2013 13-month average rate base is an increase of $53k. Due to immateriality, the effect on FPL's 2013 revenue requirements was not included in the total change reflected above.

Analysis Based on Diversification Activity

| Vondle # | Name of Affiliated Company | Synopsis of Contract | Explanation of need for sole source documentation |
|---|---|---|---|
| 1 | KPB Financial Corp. | On December 1, 2010, FPL and KPB Financial Corp. ("KPB") entered into a Purchase and Sale Agreement effective December 31, 2010. Pursuant to the agreement, for a sale price of $900,000,000 FPL agreed to sell and KPB agreed to purchase certain receivables for an $900,000,000 promissory note. | This is a transaction that occurs each year and is transacted to minimize intangibles taxes. It cannot be performed as readily by a third party without sacrificing economic value. |
| 2 | KPB Financial Corp. | FPL & KPB entered into a Purchase and Sale Agreement effective January 4, 2010. Pursuant to the agreement, for a sale price of $900,020,000, KPB agreed to sell and FPL agreed to purchase the above items in exchange for the cancellation of KPB's indebtedness (as evidenced by KPB's December 31, 2009, $900,000,000 Purchase Money Note), and a cash payment of $20,000. | This is a transaction that occurs each year and is transacted to minimize intangibles taxes. It cannot be performed as readily by a third party without sacrificing economic value.. |
| 3 | NextEra Energy, Inc. | This is the NextEra Tax Allocation Agreement. It is amended each time there is a change in corporate structure. | Not a sole source agreement. |
| 4 | FPL Readi Power, LLC | In July 2010, FPL entered in to an agreement with FPL Readi Power, LLC to purchase (2) generators with liquid propane tanks and fuel for the hurricane shelters at FPL's Turkey Point Plant. | The documentation of the sole source decision was provided in FPL's response to OPC First Request for Production of Documents, Question No. 5. |
| 5,6 | FPL Fibernet, LLC | FPL started a project called Future Enterprise Network Architecture ("FENA"). The objective of this project is to modernize FPL's telecom network and eventually remove manufactured discontinued legacy equipment on which service presently rides. | FPL provided sufficient information on the use of competitive bids and market comparisons which form the support of all of FPL's transactions with Fibernet. The documentation of the sole source decision was provided in FPL's response to OPC First Request for Production of Documents, Question No. 5. |
| 7 | NextEra Energy Capital Holdings, Inc. | A $36 million Line of Credit ("LOC") was obtained from NextEra Energy Capital Holdings, Inc. on December 12, 2008 to ensure adequate funding was available to FPL NED to fund their share of the improvements needed at the switchyard. On June 1, 2011, NED was transferred to New Hampshire Transmission, LLC a subsidiary of NextEra Energy, Inc. As such, FPL no longer has any direct interest in NED. | This is a financing arrangement not a sole source contract. |
| 8 | NextEra Energy Power Marketing, LLC | (1) On March 11th, 2010, FPL and NextEra Energy Marketing, LLC entered into a "Renewable Energy" agreement. 1,818 Green-e Energy Certifiable Renewable Energy Credits (RECs) were sold to Florida Power & Light (FPL) at $0.00. The RECs were from the Vintage Year of 2010. The donated RECs were used to reduce the carbon emissions associated to the Honda Classic event, held on February 28th through March 6th, 2011. | This is a no cost transfer of energy credits to FPL from NEER. |
| 8 | NextEra Energy Power Marketing, LLC | (2) On October 10th, 2010, FPL and NextEra Energy Marketing, LLC entered into a "Renewable Energy" agreement. 12,000 Green-e Energy Certifiable Renewable Energy Credits (RECs) were sold to Florida Power & Light (FPL) at $0.00 for the Vintage Years of 2011 & 2012. The donated RECs were used for LEED Certification for JB Headquarters. Specifically, they are intended to partially offset electrical consumption (from fossil generation) for two years. | This is a no cost transfer of energy credits to FPL from NEER. |
| 8 | NextEra Energy Power Marketing, LLC | (3) On November 10th, 2010, FPL and NextEra Energy Marketing, LLC entered into a "Renewable Energy" agreement. 3,150 Green-e Energy Certifiable Renewable Energy Credits (RECs) were sold to Florida Power & Light (FPL) at $0.00 for the Vintage Years of 2011 & 2012. The donated RECs were used for LEED Certification for JB Headquarters. Specifically, they are intended to partially offset electrical consumption (from fossil generation) for two years. | This is a no cost transfer of energy credits to FPL from NEER. |
| 9 | Palms Insurance Company, Limited | Palms Insurance Company, Limited provides various lines of insurance coverage to FPL. | The Palms Insurance entity is used on an enterprise wide basis to manage risks across the entire NextEra organization. Palms Insurance is used to set individual Company self insurance amounts, to pool a portion of self insurance risk across the affiliates and to acquire insurance and manage the remainder of risks through various third party insurance providers. |

## FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

## SUMMARY OF COST OF REMOVAL ADJUSTMENTS
## FOR THE 2013 TEST YEAR
## ($000's)

### NUCLEAR UPRATES

| Line No. | Forecasted Month | St. Lucie Unit 1 | St. Lucie Unit 2 | Turkey Point Unit 3 | Turkey Point Unit 4 | Total Plant-in-Service |
|---|---|---|---|---|---|---|
| 1 | Dec-11 | $ 2,458 | $ - | $ - | $ - | $ 2,458 |
| 2 | Jan-12 | 7,374 | - | - | - | 7,374 |
| 3 | Feb-12 | 9,832 | - | 6,580 | - | 16,412 |
| 4 | Mar-12 | 9,832 | - | 13,160 | - | 22,992 |
| 5 | Apr-12 | 9,832 | - | 19,740 | - | 29,572 |
| 6 | May-12 | 9,832 | - | 27,620 | - | 37,452 |
| 7 | Jun-12 | 9,832 | - | 27,620 | - | 37,452 |
| 8 | Jul-12 | 9,832 | 4,541 | 27,620 | - | 41,993 |
| 9 | Aug-12 | 9,832 | 9,083 | 27,620 | - | 46,535 |
| 10 | Sep-12 | 9,832 | 9,083 | 27,620 | - | 46,535 |
| 11 | Oct-12 | 9,832 | 9,083 | 27,620 | 5,227 | 51,762 |
| 12 | Nov-12 | 9,832 | 9,083 | 27,620 | 10,454 | 56,989 |
| 13 | Dec-12 | 9,832 | 9,083 | 27,620 | 18,981 | 65,516 |
| 14 | Jan-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 15 | Feb-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 16 | Mar-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 17 | Apr-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 18 | May-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 19 | Jun-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 20 | Jul-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 21 | Aug-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 22 | Sep-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 23 | Oct-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 24 | Nov-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 25 | Dec-13 | 9,832 | 9,083 | 27,620 | 27,074 | 73,609 |
| 28 | | | | | | |
| 29 | 2013 - 13-Month Average | $ 9,832 | $ 9,083 | $ 27,620 | $ 26,451 | $ 72,986 |
| 33 | Retail Juris Factor | 0.98194 | 0.98194 | 0.98194 | 0.98194 | 0.98194 |
| 34 | 2013 Retail Juris Amounts | $ 9,655 | $ 8,919 | $ 27,121 | $ 25,974 | $ 71,668 |
| 35 | | | | | | |
| 36 | **2013 Test Year Adjustments** | **$ 9,655** | **$ 8,919** | **$ 27,121** | **$ 25,974** | **$ 71,668** |
| 37 | | | | | | **(A)** |

**Notes:**

(A) Adjustment to add back cost of removal associated with nuclear uprates as they are a base rate related item. Amount was incorrectly removed from the 2013 Test Year as part of the nuclear uprate Commission adjustment reflected on MFR B-2, page 1, line 11.

# FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

## SUMMARY OF COST OF REMOVAL ADJUSTMENTS
## FOR THE 2013 TEST YEAR
## ($000's)

## SMART METERS

| Line No. | Forecasted Month | Plant-in-Service | Accumulated Depreciation | Net Book Value | Depreciation Expense |
|---|---|---|---|---|---|
| 1 | Dec-11 | $ 1,809 | $ (5) | $ 1,804 | $ 5 |
| 2 | Jan-12 | 2,348 | (16) | 2,331 | 11 |
| 3 | Feb-12 | 2,899 | (30) | 2,869 | 14 |
| 4 | Mar-12 | 3,348 | (47) | 3,301 | 17 |
| 5 | Apr-12 | 3,795 | (67) | 3,728 | 19 |
| 6 | May-12 | 4,253 | (88) | 4,165 | 22 |
| 7 | Jun-12 | 4,805 | (113) | 4,692 | 25 |
| 8 | Jul-12 | 5,358 | (140) | 5,217 | 28 |
| 9 | Aug-12 | 5,839 | (171) | 5,668 | 30 |
| 10 | Sep-12 | 6,391 | (204) | 6,187 | 33 |
| 11 | Oct-12 | 6,835 | (240) | 6,595 | 36 |
| 12 | Nov-12 | 7,419 | (278) | 7,141 | 39 |
| 13 | Dec-12 | 8,006 | (320) | 7,686 | 42 |
| 14 | Jan-13 | 8,602 | (365) | 8,237 | 45 |
| 15 | Feb-13 | 9,176 | (413) | 8,763 | 48 |
| 16 | Mar-13 | 9,665 | (464) | 9,200 | 51 |
| 17 | Apr-13 | 10,018 | (518) | 9,500 | 53 |
| 18 | May-13 | 10,363 | (573) | 9,790 | 55 |
| 19 | Jun-13 | 10,396 | (629) | 9,767 | 56 |
| 20 | Jul-13 | 10,396 | (685) | 9,711 | 56 |
| 21 | Aug-13 | 10,396 | (742) | 9,655 | 56 |
| 22 | Sep-13 | 10,396 | (798) | 9,598 | 56 |
| 23 | Oct-13 | 10,396 | (854) | 9,542 | 56 |
| 24 | Nov-13 | 10,396 | (911) | 9,486 | 56 |
| 25 | Dec-13 | 10,396 | (967) | 9,429 | 56 |
| 28 | | | | | |
| 29 | 2013 - 13-Month Average | $ 9,893 | $ (634) | $ 9,259 | |
| 32 | 2013 Depr Expense | | | | $ 647 |
| 33 | Retail Juris Factor | 0.99748 | 0.99748 | 0.99748 | 0.99748 |
| 34 | 2013 Retail Juris Amounts | $ 9,868 | $ (632) | $ 9,235 | $ 645 |
| 35 | | | | | |
| 36 | **2013 Test Year Adjustments** | **$ (9,868)** | **$ 10,500** | | **$ (645)** |
| 37 | | **(A)** | **(B)** | | **(C)** |
| 38 | | | | | |
| 39 | | | | | |
| 40 | | | | | |
| 41 | | | | | |

42 **Notes:**

43 (A) Adjustment represents the removal of cost of removal incorrectly forecasted as plant-in-service.

44

45 (B) Adjustment represents the sum of $9,868 for the proper treatment of the cost of removal as a debit to
46 accumulated depreciation reserve and $632 for the removal of depreciation expense amounts associated
47 with the improper treatment of cost of removal as plant-in-service.

48 (C) Adjustment to remove depreciation expense associated with the improper treatment of cost of
49 removal as plant-in-service.

50

# FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

## SUMMARY OF DOE AND SMART METER ADJUSTMENTS
## FOR THE 2013 TEST YEAR
## ($000's)

| Line No. | | Adjustments to AMI Meters (A) | Adjustments to Other Functions (B) | Changes to 2013 Test Year |
|---|---|---|---|---|
| 1 | Plant-in-Service - 13-Mo Avg | $ 123,699 | $ (24,978) | $ 98,721 |
| 2 | | | | |
| 3 | Accumulated Depreciation - 13-Mo Avg | (11,170) | 549 | (10,621) |
| 4 | | | | |
| 5 | Net Book Value - 13-Mo Avg | $ 112,529 | $ (24,429) | $ 88,100 |
| 6 | | | | |
| 7 | | | | |
| 8 | 2013 Depreciation Expense | $ 8,040 | $ (402) | $ 7,639 |
| 9 | | | | |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | **Notes:** | | | |
| 14 | (A) Details for adjustments related to AMI Meters are reflected on page 2. | | | |
| 15 | (B) Details for adjustments related to proper treatment of amounts incorrectly included in AMI Meters | | | |
| 16 | are reflected on page 3. | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |

## FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

### SUMMARY OF DOE AND SMART METER ADJUSTMENTS FOR THE 2013 TEST YEAR ($000's)

| Line No. | Forecasted Month | Capital DOE Credit | Non-DOE CWIP Credit | Additional Proceeds from DOE | Total Credit to AMI | Accumulated Depreciation on Total Credit | Net Book Value of Total Credit | Depreciation Expense |
|---|---|---|---|---|---|---|---|---|
| 1 | Oct-11 | $ (2,903) | $ (809) | $ (7,870) | $ (11,583) | $ 31 | $ (11,551) | $ (31) |
| 2 | Nov-11 | (16,054) | (4,476) | (7,870) | (28,400) | 140 | (28,261) | (108) |
| 3 | Dec-11 | (30,959) | (8,631) | (7,870) | (47,460) | 345 | (47,115) | (205) |
| 4 | Jan-12 | (45,863) | (12,786) | (7,870) | (66,520) | 654 | (65,866) | (309) |
| 5 | Feb-12 | (57,042) | (15,903) | (7,870) | (80,814) | 1,053 | (79,761) | (399) |
| 6 | Mar-12 | (67,102) | (18,707) | (7,870) | (93,680) | 1,525 | (92,154) | (473) |
| 7 | Apr-12 | (74,145) | (20,671) | (7,870) | (102,685) | 2,057 | (100,628) | (532) |
| 8 | May-12 | (79,896) | (22,274) | (7,870) | (110,040) | 2,633 | (107,407) | (576) |
| 9 | Jun-12 | (84,168) | (23,465) | (7,870) | (115,503) | 3,244 | (112,259) | (611) |
| 10 | Jul-12 | (85,770) | (23,912) | (7,870) | (117,552) | 3,875 | (113,677) | (631) |
| 11 | Aug-12 | (86,972) | (24,247) | (7,870) | (119,089) | 4,516 | (114,572) | (641) |
| 12 | Sep-12 | (88,053) | (24,548) | (7,870) | (120,472) | 5,165 | (115,307) | (649) |
| 13 | Oct-12 | (88,937) | (24,794) | (7,870) | (121,601) | 5,821 | (115,780) | (656) |
| 14 | Nov-12 | (89,757) | (25,023) | (7,870) | (122,650) | 6,482 | (116,168) | (662) |
| 15 | Dec-12 | (90,577) | (25,252) | (7,870) | (123,699) | 7,149 | (116,549) | (667) |
| 16 | Jan-13 | (90,577) | (25,252) | (7,870) | (123,699) | 7,819 | (115,879) | (670) |
| 17 | Feb-13 | (90,577) | (25,252) | (7,870) | (123,699) | 8,490 | (115,209) | (670) |
| 18 | Mar-13 | (90,577) | (25,252) | (7,870) | (123,699) | 9,160 | (114,539) | (670) |
| 19 | Apr-13 | (90,577) | (25,252) | (7,870) | (123,699) | 9,830 | (113,869) | (670) |
| 20 | May-13 | (90,577) | (25,252) | (7,870) | (123,699) | 10,500 | (113,199) | (670) |
| 21 | Jun-13 | (90,577) | (25,252) | (7,870) | (123,699) | 11,170 | (112,529) | (670) |
| 22 | Jul-13 | (90,577) | (25,252) | (7,870) | (123,699) | 11,840 | (111,859) | (670) |
| 23 | Aug-13 | (90,577) | (25,252) | (7,870) | (123,699) | 12,510 | (111,189) | (670) |
| 24 | Sep-13 | (90,577) | (25,252) | (7,870) | (123,699) | 13,180 | (110,519) | (670) |
| 25 | Oct-13 | (90,577) | (25,252) | (7,870) | (123,699) | 13,850 | (109,849) | (670) |
| 26 | Nov-13 | (90,577) | (25,252) | (7,870) | (123,699) | 14,520 | (109,179) | (670) |
| 27 | Dec-13 | (90,577) | (25,252) | (7,870) | (123,699) | 15,190 | (108,509) | (670) |
| 28 | | | | | | | | |
| 29 | 2013 - 13-Month Average | $ (90,577) | $ (25,252) | $ (7,870) | $ (123,699) | $ 11,170 | $ (112,529) | |
| 30 | | (A) | (B) | (C) | (D) | | | |
| 31 | | | | | | | | |
| 32 | 2013 Depr Expense | | | | | | | $ (8,040) |
| 33 | Retail Juris Factor | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 |
| 34 | 2013 Retail Juris Amounts | $ (90,577) | $ (25,252) | $ (7,870) | $ (123,699) | $ 11,170 | $ (112,529) | $ (8,040) |
| 35 | | | | | | | | |
| 36 | **2013 Test Year Adj** | **$ 90,577** | **$ 25,252** | **$ 7,870** | **$ 123,699** | **$ (11,170)** | **$ 112,529** | **$ 8,040** |
| 37 | | | | | (E) | (F) | | (G) |

42 **Notes:**

43 (A) Amount represents the capital portion of DOE grant monies received awaiting to offset various capital projects that qualify for
44 reimbursement.

45 (B) Amount represents CWIP activity that is not related to the DOE grant.

46 (C) Amount represents additional DOE grant monies expected to be received.

47 (D) Represents total credit incorrectly included in AMI Meters plant-in-service balance on MFR B-7, page 4, line 14.

48 (E) Adjustment to remove total credit incorrectly forecasted as AMI Meters.

49 (F) Adjustment to remove accumulated depreciation associated with incorrectly forecasting the total credit as AMI Meters.

50 (G) Adjustment to remove depreciation expense associated with incorrectly forecasting the total credit as AMI Meters.

FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

SUMMARY OF DOE AND SMART METER ADJUSTMENTS
FOR THE 2013 TEST YEAR
($000's)

**Plant-In-Service**

| Line No. | Forecasted Month | Nuclear | Trans | Distrib | General Plant | Total Non-DOE CWIP Credit |
|---|---|---|---|---|---|---|
| 1 | Oct-11 | $ (352) | $ (20) | $ (498) | $ 60 | $ (809) |
| 2 | Nov-11 | (1,945) | (110) | (2,753) | 332 | (4,476) |
| 3 | Dec-11 | (3,750) | (211) | (5,309) | 640 | (8,631) |
| 4 | Jan-12 | (5,556) | (313) | (7,865) | 948 | (12,786) |
| 5 | Feb-12 | (6,910) | (390) | (9,782) | 1,179 | (15,903) |
| 6 | Mar-12 | (8,129) | (458) | (11,507) | 1,387 | (18,707) |
| 7 | Apr-12 | (8,982) | (506) | (12,715) | 1,532 | (20,671) |
| 8 | May-12 | (9,678) | (546) | (13,701) | 1,651 | (22,274) |
| 9 | Jun-12 | (10,196) | (575) | (14,433) | 1,739 | (23,465) |
| 10 | Jul-12 | (10,390) | (586) | (14,708) | 1,772 | (23,912) |
| 11 | Aug-12 | (10,536) | (594) | (14,914) | 1,797 | (24,247) |
| 12 | Sep-12 | (10,667) | (602) | (15,100) | 1,820 | (24,548) |
| 13 | Oct-12 | (10,774) | (608) | (15,251) | 1,838 | (24,794) |
| 14 | Nov-12 | (10,873) | (613) | (15,392) | 1,855 | (25,023) |
| 15 | Dec-12 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 16 | Jan-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 17 | Feb-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 18 | Mar-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 19 | Apr-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 20 | May-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 21 | Jun-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 22 | Jul-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 23 | Aug-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 24 | Sep-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 25 | Oct-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 26 | Nov-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 27 | Dec-13 | (10,972) | (619) | (15,532) | 1,872 | (25,252) |
| 28 | | | | | | |
| 29 | 2013 - 13-Month Average | $ (10,972) | $ (619) | $ (15,532) | $ 1,872 | $ (25,252) |
| 30 | 2013 Depr Expense | | | | | |
| 31 | Retail Juris Factor | 0.981940 | 0.894724 | 0.997475 | 0.984797 | 0.989147 |
| 32 | 2013 Retail Juris Amounts | $ (10,774) | $ (554) | $ (15,493) | $ 1,843 | $ (24,978) |
| 33 | | | | | | |
| 34 | 2013 Test Year Adj | $ (10,774) | $ (554) | $ (15,493) | $ 1,843 | $ (24,978) |
| 36 | | | | (A) | | |

**Accumulated Depreciation**

| Line No. | Forecasted Month | Nuclear | Trans | Distrib | General Plant | Total Non-DOE CWIP Credit |
|---|---|---|---|---|---|---|
| 1 | Oct-11 | $ 0 | $ 0 | $ 1 | $ (0) | $ 1 |
| 2 | Nov-11 | 2 | 0 | 5 | (3) | 4 |
| 3 | Dec-11 | 7 | 0 | 15 | (10) | 13 |
| 4 | Jan-12 | 15 | 1 | 32 | (22) | 27 |
| 5 | Feb-12 | 26 | 2 | 55 | (37) | 46 |
| 6 | Mar-12 | 40 | 3 | 83 | (56) | 69 |
| 7 | Apr-12 | 54 | 4 | 114 | (77) | 95 |
| 8 | May-12 | 71 | 5 | 148 | (100) | 124 |
| 9 | Jun-12 | 88 | 6 | 184 | (124) | 154 |
| 10 | Jul-12 | 106 | 7 | 222 | (149) | 186 |
| 11 | Aug-12 | 125 | 8 | 260 | (175) | 218 |
| 12 | Sep-12 | 143 | 10 | 299 | (201) | 251 |
| 13 | Oct-12 | 162 | 11 | 338 | (227) | 283 |
| 14 | Nov-12 | 181 | 12 | 378 | (254) | 317 |
| 15 | Dec-12 | 200 | 13 | 418 | (281) | 350 |
| 16 | Jan-13 | 219 | 15 | 458 | (308) | 384 |
| 17 | Feb-13 | 238 | 16 | 498 | (335) | 417 |
| 18 | Mar-13 | 257 | 17 | 538 | (362) | 451 |
| 19 | Apr-13 | 277 | 19 | 578 | (389) | 485 |
| 20 | May-13 | 296 | 20 | 618 | (416) | 518 |
| 21 | Jun-13 | 315 | 21 | 658 | (443) | 552 |
| 22 | Jul-13 | 334 | 22 | 699 | (470) | 586 |
| 23 | Aug-13 | 354 | 24 | 739 | (497) | 619 |
| 24 | Sep-13 | 373 | 25 | 779 | (524) | 653 |
| 25 | Oct-13 | 392 | 26 | 819 | (551) | 686 |
| 26 | Nov-13 | 411 | 28 | 859 | (578) | 720 |
| 27 | Dec-13 | 430 | 29 | 899 | (605) | 754 |
| 28 | | | | | | |
| 29 | 2013 - 13-Month Average | $ 315 | $ 21 | $ 658 | $ (443) | $ 552 |
| 30 | 2013 Depr Expense | | | | | |
| 31 | Retail Juris Factor | 0.981940 | 0.894724 | 0.997475 | 0.984797 | 0.994840 |
| 32 | 2013 Retail Juris Amounts | $ 309 | $ 19 | $ 657 | $ (436) | $ 549 |
| 33 | | | | | | |
| 34 | 2013 Test Year Adj | $ 309 | $ 19 | $ 657 | $ (436) | $ 549 |
| 36 | | | | (B) | | |

**Net Book Value**

| Line No. | Forecasted Month | Nuclear | Trans | Distrib | General Plant | Total Non-DOE CWIP Credit |
|---|---|---|---|---|---|---|
| 1 | Oct-11 | $ (351) | $ (20) | $ (497) | $ 60 | $ (809) |
| 2 | Nov-11 | (1,942) | (110) | (2,748) | 329 | (4,472) |
| 3 | Dec-11 | (3,743) | (211) | (5,294) | 629 | (8,618) |
| 4 | Jan-12 | (5,540) | (312) | (7,833) | 926 | (12,759) |
| 5 | Feb-12 | (6,884) | (388) | (9,727) | 1,142 | (15,856) |
| 6 | Mar-12 | (8,089) | (456) | (11,424) | 1,331 | (18,638) |
| 7 | Apr-12 | (8,927) | (503) | (12,601) | 1,456 | (20,575) |
| 8 | May-12 | (9,608) | (541) | (13,553) | 1,552 | (22,150) |
| 9 | Jun-12 | (10,108) | (569) | (14,249) | 1,615 | (23,311) |
| 10 | Jul-12 | (10,284) | (579) | (14,486) | 1,623 | (23,726) |
| 11 | Aug-12 | (10,411) | (586) | (14,654) | 1,622 | (24,029) |
| 12 | Sep-12 | (10,524) | (592) | (14,801) | 1,619 | (24,298) |
| 13 | Oct-12 | (10,612) | (597) | (14,913) | 1,610 | (24,511) |
| 14 | Nov-12 | (10,692) | (601) | (15,014) | 1,601 | (24,706) |
| 15 | Dec-12 | (10,772) | (605) | (15,115) | 1,591 | (24,902) |
| 16 | Jan-13 | (10,753) | (604) | (15,075) | 1,564 | (24,868) |
| 17 | Feb-13 | (10,734) | (603) | (15,034) | 1,537 | (24,834) |
| 18 | Mar-13 | (10,715) | (601) | (14,994) | 1,510 | (24,801) |
| 19 | Apr-13 | (10,696) | (600) | (14,954) | 1,483 | (24,767) |
| 20 | May-13 | (10,676) | (599) | (14,914) | 1,456 | (24,733) |
| 21 | Jun-13 | (10,657) | (598) | (14,874) | 1,429 | (24,700) |
| 22 | Jul-13 | (10,638) | (596) | (14,834) | 1,402 | (24,666) |
| 23 | Aug-13 | (10,619) | (595) | (14,794) | 1,375 | (24,633) |
| 24 | Sep-13 | (10,600) | (594) | (14,754) | 1,348 | (24,599) |
| 25 | Oct-13 | (10,580) | (592) | (14,713) | 1,321 | (24,565) |
| 26 | Nov-13 | (10,561) | (591) | (14,673) | 1,294 | (24,532) |
| 27 | Dec-13 | (10,542) | (590) | (14,633) | 1,267 | (24,498) |
| 28 | | | | | | |
| 29 | 2013 - 13-Month Average | $ (10,657) | $ (598) | $ (14,874) | $ 1,429 | $ (24,700) |
| 30 | 2013 Depr Expense | | | | | |
| 31 | Retail Juris Factor | 0.981940 | 0.894724 | 0.997475 | 0.984797 | 0.989020 |
| 32 | 2013 Retail Juris Amounts | $ (10,465) | $ (535) | $ (14,836) | $ 1,407 | $ (24,429) |
| 33 | | | | | | |
| 34 | 2013 Test Year Adj | $ (10,465) | $ (535) | $ (14,836) | $ 1,407 | $ (24,429) |

**Depreciation Expense**

| Line No. | Forecasted Month | Nuclear | Trans | Distrib | General Plant | Total Non-DOE CWIP Credit |
|---|---|---|---|---|---|---|
| 1 | Oct-11 | $ (0) | $ (0) | $ (1) | $ 0 | $ (1) |
| 2 | Nov-11 | (2) | (0) | (4) | 3 | (4) |
| 3 | Dec-11 | (5) | (0) | (10) | 7 | (9) |
| 4 | Jan-12 | (8) | (1) | (17) | 11 | (14) |
| 5 | Feb-12 | (11) | (1) | (23) | 15 | (19) |
| 6 | Mar-12 | (13) | (1) | (27) | 18 | (23) |
| 7 | Apr-12 | (15) | (1) | (31) | 21 | (26) |
| 8 | May-12 | (16) | (1) | (34) | 23 | (29) |
| 9 | Jun-12 | (17) | (1) | (36) | 24 | (30) |
| 10 | Jul-12 | (18) | (1) | (38) | 25 | (32) |
| 11 | Aug-12 | (18) | (1) | (38) | 26 | (32) |
| 12 | Sep-12 | (19) | (1) | (39) | 26 | (32) |
| 13 | Oct-12 | (19) | (1) | (39) | 26 | (33) |
| 14 | Nov-12 | (19) | (1) | (40) | 27 | (33) |
| 15 | Dec-12 | (19) | (1) | (40) | 27 | (33) |
| 16 | Jan-13 | (19) | (1) | (40) | 27 | (34) |
| 17 | Feb-13 | (19) | (1) | (40) | 27 | (34) |
| 18 | Mar-13 | (19) | (1) | (40) | 27 | (34) |
| 19 | Apr-13 | (19) | (1) | (40) | 27 | (34) |
| 20 | May-13 | (19) | (1) | (40) | 27 | (34) |
| 21 | Jun-13 | (19) | (1) | (40) | 27 | (34) |
| 22 | Jul-13 | (19) | (1) | (40) | 27 | (34) |
| 23 | Aug-13 | (19) | (1) | (40) | 27 | (34) |
| 24 | Sep-13 | (19) | (1) | (40) | 27 | (34) |
| 25 | Oct-13 | (19) | (1) | (40) | 27 | (34) |
| 26 | Nov-13 | (19) | (1) | (40) | 27 | (34) |
| 27 | Dec-13 | (19) | (1) | (40) | 27 | (34) |
| 28 | | | | | | |
| 29 | 2013 - 13-Month Average | | | | | |
| 30 | 2013 Depr Expense | $ (230) | $ (15) | $ (482) | $ 324 | $ (404) |
| 31 | Retail Juris Factor | 0.981940 | 0.894724 | 0.997475 | 0.984797 | 0.984797 |
| 32 | 2013 Retail Juris Amounts | $ (226) | $ (14) | $ (480) | $ 319 | $ (402) |
| 33 | | | | | | |
| 34 | 2013 Test Year Adj | $ (226) | $ (14) | $ (480) | $ 319 | $ (402) |
| 36 | | | | (C) | | |

37
38
39
40 **Notes:**
41 (A) Adjustments to reflect the proper functional treatment of the non-DOE CWIP credit to be included in plant-in-service that was incorrectly included in AMI meters on MFR B-7.
42 (B) Adjustments to reflect proper amount of accumulated depreciation associated with correctly forecasting the non-DOE credit in the appropriate plant-in-service functions.
43 (C) Adjustments to reflect the proper treatment of depreciation expenses associated with correctly forecasting the non-DOE credit in the appropriate plant-in-service functions
44
45

Docket No. 120015-EI
Identified Adjustments - DOE & AMI
Exhibit KO-19, Page 3 of 3

# FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

## SUMMARY OF CUSTOMER DEPOSIT INTEREST CHANGE FOR THE 2013 TEST YEAR

## ($000's)

| Line No. | Class of Capital | 2013 Retail Juris 13-Month Average | Ratio | Cost Rate | Weighted Cost of Capital |
|---|---|---|---|---|---|
| 1 | *LONG TERM DEBT* | $ *6,199,550* | *29.47%* | *5.26%* | *1.55%* |
| 2 | PREFERRED STOCK | - | 0.00% | 0.00% | 0.00% |
| 3 | COMMON EQUITY | 9,684,101 | 46.03% | 11.50% | 5.29% |
| 4 | SHORT TERM DEBT | 360,542 | 1.71% | 2.11% | 0.04% |
| 5 | CUSTOMER DEPOSITS | 426,531 | 2.03% | 5.99% | 0.12% |
| 6 | INVESTMENT TAX CREDITS | 923 | 0.00% | 9.06% | 0.00% |
| 7 | DEFERRED INCOME TAX | 4,365,176 | 20.75% | 0.00% | 0.00% |
| 8 | Totals | $ 21,036,823 | 100.00% | 33.92% | 7.00% |
| 9 | | | | | |
| 10 | | | | | |

| Line No. | | | |
|---|---|---|---|
| 11 | *As Filed Customer Deposit Ratio to Total Capital Structure (Line 5)* | | 2.03% |
| 12 | | | |
| 13 | As Filed 2013 Customer Deposit Total Interest on MFR D-6, line 17 | $ | 30,846 |
| 14 | Revised 2013 Customer Deposit Total Interest | | 10,262 |
| 15 | Change in Customer Deposit Interest | $ | 20,584 |
| 16 | | | |
| 17 | 2013 Per Book 13-Month Average - Customer Deposits on MFR D-6, line 15 | $ | 515,139 |
| 18 | Revised Effective Customer Deposit Interest Rate (Line 14 / Line 17) | | 1.99% |
| 19 | | | |
| 20 | Revised Effective Customer Deposit Interest Rate (Line 18) | | 1.99% |
| 21 | As Filed Effective Customer Deposit Interest Rate on MFR D-6, line 23 | | 5.99% |
| 22 | Change in Customer Deposit Cost Rate (Line 20 - Line 21) | | -4.00% |
| 23 | | | |
| 24 | 2013 Retail Jurisdictional 13-Month Average - Customer Deposits (Line 5) | $ | 426,531 |
| 25 | Change in 2013 NOI Deficiency (Line 22 x Line 24) | $ | (17,043) |
| 26 | | | |
| 27 | Increase in 2013 Retail Jurisdictional Resulting from Rate Base Identified Adj | $ | 183,741 |
| 28 | Interest Change Impact on 2013 Identified Adj (Line 11 x Line 22 x Line 27) | $ | (149) (A) |
| 29 | | | |
| 30 | Total Decrease in 2013 NOI Deficiency (Line 25 + Line 28) | $ | (17,192) |
| 31 | Gross-up for 2013 Regulatory Asessment Fee and Bad Dedt | | 1.00238 |
| 32 | **Total Interest Change Impact on 2013 Revenue Requirements (Line 30 x Line 31)** | **$** | **(17,233)** |
| 33 | | | |
| 34 | **Notes:** | | |
| 35 | (A) Identified adjustments for the 2013 Test Year reflected on KO-16 are calculated using FPL's 2013 weighted | | |
| 36 | average cost of capital of 7.00%. This adjustment reflects the 4.00% decrease due to the change in customer | | |
| 37 | deposit interest rates approved by the Commission in May 2012. | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |