BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	Docket No. 160021-EI
In re: Petition for approval of 2016-2018 storm hardening plan, by Florida Power & Light Company	Docket No. 160061-EI
In re: 2016 depreciation and dismantlement study by Florida Power & Light Company	Docket No. 160062-EI
In re: Petition for limited proceeding to modify and continue incentive mechanism by Florida Power & Light Company	Docket No. 160088-EI Filed: June 30, 2016

FLORIDA POWER & LIGHT COMPANY'S
THIRD NOTICE OF IDENTIFIED ADJUSTMENTS

Florida Power & Light Company ("FPL") hereby files this Third Notice of Identified Adjustments, to advise the Florida Public Service Commission, its Staff and intervenors of adjustments to information contained in its rate case filing that implement the Florida Supreme Court's May 19, 2016 *Citizens v. Graham* decision reversing the Commission's orders approving cost recovery for the Woodford gas reserves project.

In January 2015, the Commission issued Order No. PSC-15-0038-FOF-EI approving Fuel Clause recovery for the costs associated with FPL's owning and operating the Woodford gas reserves project. In July 2015, the Commission issued Order No. PSC-15-0284-FOF-EI approving guidelines for FPL investments in future gas reserves projects. Based on those orders, FPL included both the Woodford project and estimates of additional gas reserves projects in developing its Total Company financial forecast underlying the rate case filing in this docket. Because the costs for gas reserves projects were to be recovered through the Fuel Clause, FPL then made Commission adjustments to remove the costs of those projects from the test period base rate revenue requirements calculations, consistent with the Commission's Earnings Surveillance Report ("ESR") and MFR practice for clause-recoverable activities.

On May 19, 2016, the Florida Supreme Court reversed Order No. PSC-15-0038-FOF-EI and two companion orders, finding that the Commission does not have authority to allow FPL to recover costs associated with the Woodford gas reserves project from customers. While the Court's May 19 order directly addressed only the Woodford project, its rationale would apply to future gas reserves projects as well. On June 15, 2016, the Commission and all parties to the appeal of Order No. PSC-15-0284-FOF-EI filed a joint motion for the Court to relinquish jurisdiction over that order so that the Commission may vacate it. The Court granted the joint motion on June 28, 2016.

In light of the May 19 order, Staff held an informal meeting with FPL and parties to discuss removing the impact of gas reserves projects from the Fuel Clause and rate case filings. Following that meeting, FPL has rerun its financial forecasts for the 2017 Test Year, 2018 Subsequent Year and the 2019 Okeechobee LSA as if (1) there had been no Woodford investments historically and thus no sale of Woodford gas production to FPL and (2) no additional gas reserves investments would be made in the rate effective years.[1] As noted above, FPL had already made a Commission adjustment to remove gas reserves costs from base rate revenue requirements consistent with the Commission's ESR and MFR practice for clause-recoverable activities. However, for the reasons discussed in Attachment 1 to this Notice, there are some minor differences in the revenue requirements calculation when the financial forecasts assume no gas reserves projects rather than assuming that there will be gas reserves projects with

[1] In its actual/estimated true-up filing in Docket No. 160001-EI on August 4, 2016, FPL will include a refund calculation for the difference between the amounts it is collecting for the Woodford project in the Fuel Clause, versus the market price of the gas produced from that project.

a Commission adjustment to treat them as clause-recoverable. The net effect of those differences is a modest reduction in revenue requirements for the 2017 Test Year and 2018 Subsequent Year, with a negligible impact on the 2019 Okeechobee LSA.

FPL will include the adjustments identified on Attachment 1 in an exhibit of adjustments that it will file with rebuttal testimony, along with any other adjustments that may be identified between now and then. Final rates determined by the Commission would include such adjustments as may be determined appropriate through this proceeding. FPL included similar exhibits with the rebuttal testimony of FPL witnesses in its 2009 and 2012 rate cases.

Respectfully submitted,

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By: *s/ John T. Butler*
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CERTIFICATE OF SERVICE
Docket No. 160021-EI
(Consolidated)

I HEREBY CERTIFY that a true and correct copy of the foregoing Notice has been furnished by electronic mail this 30th day of June 2016 to the following parties:

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ATTACHMENT 1

DOCKET NO. 160021-EI
FLORIDA POWER & LIGHT COMPANY'S
SUMMARY OF IDENTIFIED ADJUSTMENTS
REMOVAL OF THE WOODFORD PROJECT AND FORECASTED FUTURE GAS RESERVES INVESTMENTS

The Company has rerun its financial forecast for the 2017 Test Year, 2018 Subsequent Year and the 2019 Okeechobee LSA as if there had been no Woodford investments historically and thus no sale of Woodford gas production to FPL but that the MCF of gas that would have been provided by Woodford was provided instead through market purchases. FPL's rerun financial forecasts also assume no additional gas reserves investments (i.e., beyond Woodford) in any of the test periods. Attached are the detailed schedules for each period supporting the change in revenue requirements.

As filed in March 2016, FPL's MFRs already reflected clause recovery rather than base rate recovery for Woodford and projected future gas reserves investments. The process of developing base rate revenue requirements for the MFRs began with a consolidated FPL forecast including Woodford and future gas reserves investments, and then removed those investments and calculated the resulting NOI using the Commission's ESR and MFR practice for clause-recoverable activities. The process of creating new financial forecasts and recalculating the Company's proposed revenue requirements for those periods has resulted in a further reduction in base rate revenue requirements. This further reduction is due to the fundamental reasons described below.

First, and foremost, the FPSC base ratemaking approach reflects all permanent tax differences in the base ratemaking process. In clause ratemaking, current taxes are reflected at the statutory rate, whereas all permanent tax differences due to clause investments are flowed through the base ratemaking process. In the new forecasts with all gas reserves investments removed, there are no longer permanent tax differences related to gas reserves to reflect in base rates. This item has created the primary reduction in revenue requirements.

Secondly, when FPL recreated the financial forecasts without gas reserves, the resulting capital structure had less deferred taxes than the original forecasts with gas reserves. This is because the gas reserves investments had a higher proportion of deferred taxes than the company's overall ratio of deferred taxes to total capitalization. The pro forma capital structure resulting from the new forecasts increases base rate revenue requirements.

Third, some accounts on the Company's consolidated books and records do not distinguish between clause and base recovery and therefore, the entire balance of the account remains for base ratemaking. This is true for accrued taxes payable, which can only be accounted for on a consolidated basis. When FPL recreated its forecasts without future gas reserves investments, the taxable loss associated with gas reserves was eliminated. In 2017, this increased the taxes payable account, decreased rate base, and ultimately decreased revenue requirements under the new forecasts. In 2018, the forecasted taxable income for FPL consolidated resulted in higher estimated tax payments throughout the year, which on a 13-month average basis, resulted in a decrease in taxes payable and an increase in rate base.

Finally, FPL has removed from its test period forecasts the small amount of payroll costs that FPL projects to provide general support of its gas reserves investments. Removing these costs has minimally reduced revenue requirements in the 2017 and 2018 test periods.

The net effect of these items is a reduction in 2017 Test Year revenue requirements of approximately $7.3 million, a decrease in 2018 Subsequent Year revenue requirements of $5.7 million, and a negligible increase of about $65 thousand in the 2019 Okeechobee LSA.

DOCKET NO. 160021-EI
FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
SUMMARY OF IDENTIFIED ADJUSTMENTS
REMOVAL OF THE WOODFORD PROJECT AND FORECASTED FUTURE GAS RESERVES INVESTMENTS
2017 TEST YEAR
($000's)

Line No.	DESCRIPTION	MFR REFERENCE	2017 FILED REVENUE REQUIREMENTS	2017 REVISED REVENUE REQUIREMENTS	INCREASE/ (DECREASE)	Notes
1						
2	JURISDICTIONAL ADJUSTED RATE BASE	B-1	$ 32,536,116	$ 32,457,144	$ (78,973)	(1)
3						
4	RATE OF RETURN ON RATE BASE REQUESTED	D-1A	6.607%	6.632%	0.025%	(2)
5						
6	JURISDICTIONAL NET OPERATING INCOME REQUESTED	LINE 2 X LINE 4	$ 2,149,618	$ 2,152,437	$ 2,819	
7						
8	JURISDICTIONAL ADJUSTED NET OPERATING INCOME	C-1	$ 1,618,192	$ 1,625,491	$ 7,299	(3)
9						
10	NET OPERATING INCOME DEFICIENCY (EXCESS)	LINE 6 - LINE 8	$ 531,427	$ 526,946	$ (4,480)	
11						
12	EARNED RATE OF RETURN	LINE 8 / LINE 2	4.974%	5.008%	0.034%	
13						
14	NET OPERATING INCOME MULTIPLIER	C-44	1.63024	1.63024	-	
15						
16	REVENUE REQUIREMENT	LINE 10 X LINE 14	$ 866,354	$ 859,050	$ (7,304)	(4)
17						
18						
19						
20						
21						
22						
23						
24						

25 **Notes:**

26 (1) Decrease in jurisdictional adjusted rate base is mainly due to an increase of $76.9M in accrued income tax payable. The total amount of accrued income taxes at year-end represents the total consolidated company accrued income taxes, including the income tax obligation related to gas reserves activity. FPL's taxable income has increased due to the elimination of the forecasted taxable losses associated with the gas reserves investments.

27 (2) In FPL's original base rate filing, all gas reserves rate base amounts were removed from capital structure on a pro rata basis. As part of this notice of identified adjustments, FPL has removed the actual historical capitalization resulting from investment in the Woodford Project subsidiary and the projected Woodford Project subsidiary capitalization supporting the projected Woodford investment. For future forecasted gas reserves investments, FPL created a new financial forecast which does not contemplate gas reserves investments and in doing so, balanced its capital structure by adjusting long term debt, short term debt, and common equity. The impact of these changes results in a higher weighted average cost of capital due to higher common equity and long term debt ratios due to the exclusion of proportionally higher deferred income taxes enabled by gas reserves investments.

28 (3) Increase in jurisdictional net operating income is mainly due to a $6.9M reduction in total income tax expense, resulting from the removal of permanent differences (Section 199 manufacturer's deduction) associated with gas reserves investments. Section 199 is calculated on a consolidated basis and reflected in FPL's current jurisdictional adjusted net operating income. In FPL's base rate filing, the total company Section 199 manufacturer's deduction was lower due to inclusion of gas reserves investments' taxable loss. By removing all gas reserves investments, FPL's Section 199 deduction increases which results in lower taxable income at FPL. In addition, FPL has also removed approximately $419,000 of forecasted O&M expense for general support of gas reserves investments, which was originally included in the 2017 Test Year filing.

29 (4) Does not include any impacts associated with the first or second notice of identified adjustments filed on May 3, 2016 and June 16, 2016, respectively.

DOCKET NO. 160021-EI
FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
SUMMARY OF IDENTIFIED ADJUSTMENTS
REMOVAL OF THE WOODFORD PROJECT AND FORECASTED FUTURE GAS RESERVES INVESTMENTS
2018 SUBSEQUENT YEAR
($000's)

Line No.	DESCRIPTION	MFR REFERENCE	2018 FILED REVENUE REQUIREMENTS	2018 REVISED REVENUE REQUIREMENTS	INCREASE/ (DECREASE)	Notes
1						
2	JURISDICTIONAL ADJUSTED RATE BASE	B-1	$ 33,870,897	$ 33,876,633	$ 5,736	(1)
3						
4	RATE OF RETURN ON RATE BASE REQUESTED	D-1A	6.705%	6.701%	(0.004%)	(2)
5						
6	JURISDICTIONAL NET OPERATING INCOME REQUESTED	LINE 2 X LINE 4	$ 2,271,063	$ 2,269,987	$ (1,076)	
7						
8	JURISDICTIONAL ADJUSTED NET OPERATING INCOME	C-1	$ 1,575,711	$ 1,578,145	$ 2,434	(3)
9						
10	NET OPERATING INCOME DEFICIENCY (EXCESS)	LINE 6 - LINE 8	$ 695,352	$ 691,842	$ (3,510)	
11						
12	EARNED RATE OF RETURN	LINE 8 / LINE 2	4.652%	4.659%	0.007%	
13						
14	NET OPERATING INCOME MULTIPLIER	C-44	1.63024	1.63024	-	
15						
16	REVENUE REQUIREMENT	LINE 10 X LINE 14	$ 1,133,593	$ 1,127,871	$ (5,722)	(4)
17						
18	2017 REVENUE INCREASE REQUESTED		$ 871,301	$ 863,955	$ (7,346)	
19						
20	RATE INCREASE REQUESTED (AFTER FULL 2017 RATE INCREASE)	LINE 16 - LINE 18	$ 262,292	$ 263,915	$ 1,624	
21						
22						
23						
24						

25 **Notes:**

26 (1) Increase in jurisdictional adjusted rate base is due to the following:

27	Rate Base Category	13-mo Avg Rate Base Impact (MM)	Reason for Change
28	Decrease in Accrued Taxes	$10.4	Due to higher tax payments forecasted in 2018 associated with the removal of gas reserves tax losses from future investments. The higher tax payments reduce the tax payable.
29	Decrease in Accounts Receivable	(21.3)	Due to lower forecasted fuel revenues associated with the removal of future gas reserves investments
30	Decrease in Accounts Payable	5.5	Due to the removal of gas reserves CWIP construction payments
31	Decrease in Accrued Revenue Taxes	2.0	Due to lower fuel revenues associated with the removal of future gas reserves investments
32	Decrease in Accrued Interest	6.8	Due to a reduction in long term debt issuances in the rebalancing of total company capital structure associated with the reforecast
33	Decrease in Fuel Clause Net Over Recovery	2.3	FPL's forecast assumes perfect ratemaking for clause recovery in the forecasted years. On a 13-month average basis, the clauses might be in either an over or under recovered position; however by year end, it is zero. The decrease in fuel clause net over recovery is driven by lower fuel revenues associated with the removal of future gas reserves investments.
34	Total increase in jurisdictional adjusted rate base:	$5.7	
35			

36 (2) In FPL's original base rate filing, all gas reserves rate base amounts were removed from capital structure on a pro rata basis. As part of this notice of identified adjustments, FPL has removed the actual historical capitalization resulting from investment in the Woodford Project subsidiary and the projected Woodford Project subsidiary capitalization supporting the projected Woodford investment. For future forecasted gas reserves investments, FPL created a new financial forecast which does not contemplate gas reserves investments and in doing so, balanced its capital structure by adjusting long term debt, short term debt, and common equity. The impact of these changes results in a lower weighted average cost of capital mainly due to the reduction of long term debt issuances.

37 (3) Increase in jurisdictional net operating income is mainly due to a $2M reduction in total income tax expense, resulting from the removal of permanent differences (Section 199 manufacturer's deduction) associated with gas reserves investments. Section 199 is calculated on a consolidated basis and reflected in FPL's current jurisdictional adjusted net operating income. In FPL's base rate filing, the total company Section 199 manufacturer's deduction was lower due to inclusion of gas reserves investments' taxable loss. By removing all gas reserves investments, FPL's Section 199 deduction increases which results in lower taxable income at FPL. In addition, FPL has also removed approximately $432,000 of forecasted O&M expense for general support of gas reserves investments, which was originally included in the 2018 Subsequent Year Adjustment.

38 (4) Does not include any impacts associated with the first or second notice of identified adjustments filed on May 3, 2016 and June 16, 2016, respectively.

DOCKET NO. 160021-EI
FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES
SUMMARY OF IDENTIFIED ADJUSTMENTS
REMOVAL OF THE WOODFORD PROJECT AND FORECASTED FUTURE GAS RESERVES INVESTMENTS
2019 OKEECHOBEE LIMITED SCOPE ADJUSTMENT
($000's)

Line No.	DESCRIPTION	SCHEDULE REFERENCE	2019 OCEC LSA FILED REVENUE REQUIREMENTS	2019 OCEC LSA REVISED REVENUE REQUIREMENTS	INCREASE/ (DECREASE)	Notes
2	JURISDICTIONAL ADJUSTED RATE BASE	B-1	$ 1,063,315	$ 1,063,315	$ -	
4	RATE OF RETURN ON RATE BASE REQUESTED	D-1A	8.873%	8.877%	0.004%	(1)
6	JURISDICTIONAL NET OPERATING INCOME REQUESTED	LINE 2 X LINE 4	$ 94,348	$ 94,388	$ 40	
8	JURISDICTIONAL ADJUSTED NET OPERATING INCOME	C-1	$ (33,868)	$ (33,868)	$ -	
10	NET OPERATING INCOME DEFICIENCY (EXCESS)	LINE 6 - LINE 8	$ 128,217	$ 128,256	$ 40	
12	EARNED RATE OF RETURN	LINE 8 / LINE 2	(3.19%)	(3.19%)	-	
14	NET OPERATING INCOME MULTIPLIER	C-44	1.63024	1.63024	-	
16	REVENUE REQUIREMENT	LINE 10 X LINE 14	$ 209,024	$ 209,089	$ 65	(2)

Notes:

(1) Change is due to an increase in common equity ratio of 0.44% and decrease in long term debt ratio of 0.44%, which is based on the revised capital structure for the 2018 Subsequent Year. In addition, the long term debt cost rate decreased by 0.07% due to decrease in forecasted balances of long term debt.

(2) Does not include any impacts associated with the first or second notice of identified adjustments filed on May 3, 2016 and June 16, 2016, respectively.