State of Florida

# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** June 13, 2005

**TO:** Sam Merta, Division of Economic Regulation

**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing DV
Division of Regulatory Compliance and Consumer Assistance

**RE:** **Docket No.** 050045-EI; **Company Name:** Florida Power and Light Company; **Audit Purpose:** Rate Case ; **Audit Control No.:**05-094-4-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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# FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE*
*BUREAU OF AUDITING*

*Miami District Office*

FLORIDA POWER AND LIGHT COMPANY
RATE CASE

YEAR ENDED DECEMBER 31, 2004

DOCKET NO. 050045-EI
AUDIT CONTROL NO. 05-094-4-1

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## TABLE OF CONTENTS

**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE**
**AUDITOR'S REPORT**
**JUNE 10, 2005**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described in this report to audit the rate base, net operating income, and cost of capital schedules for the historical 12-month period ended December 31, 2004 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for rate relief in docket 050045-ELI.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use. There is confidential information associated with this report.

## SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Scanned** - The documents or accounts were read quickly looking for obvious errors.

**Compiled-** The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Reviewed-** The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**Examined-** The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

**Confirmed-** Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

**Verified-** The item was tested for accuracy, and substantiating documentation was examined.

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**GENERAL:** Reconciled filing with ledger. Reviewed internal and external audits. Reviewed Board of Directors minutes and interrogatories.

**RATE BASE:**

**Plant and Construction Work In Process-**Selected major additions and construction projects and traced to contracts, change orders, payments, and bidding procedures. Reviewed a sample of retirements and overhead calculations. Examined entries for Allowance for Funds Used During Construction (AUDI).

**Accumulated Depreciation-**Examined accumulated depreciation and traced selected accounts to the depreciation computation and to the ordered rates.

**Property Held for Future Use-**Obtained a list of projects and related descriptions. Randomly sampled and traced to closing settlement statements and other related documents.

**Working Capital**-Reconciled accounts to the general ledger. Reviewed all adjustments to working capital. Selected accounts and reviewed for affiliate activity.

**Rate Base Adjustments**-The adjustments were reconciled to supporting documentation and traced to the general ledger. Adjustments related to the clause audits were traced to the audited work papers. Adjustments were traced to prior filings and orders.

**NET OPERATING INCOME:**

**Revenues** –Compiled revenues and verified company calculation of unbilled revenues.

**Expenses** - Examined expenses. Using audit analyzer, extracted a statistical sample of expenses based on an analytical review and agreed the expenses selected to source documentation.

**Depreciation and Amortization**-Examined depreciation. Selected random entries in the depreciation schedule to verify the calculation and trace rates to the order.

**Taxes Other Than Income Taxes**-Compiled taxes. Selected payments and traced some property tax to invoices. Obtained a reconciliation schedule of total paid property and real estate taxes to amounts on the filing. Reconciled the Regulatory Assessment Fee amount in the filing to the Regulatory Assessment fee return and traced revenues to the ledger. Reconciled the Gross Receipts tax amount to the returns.

**Income Taxes**-Compiled income taxes.

**Net Operating Income Tax Adjustments**- The adjustments were reconciled to supporting documentation and traced to the general ledger. Adjustments related to the clause audits were traced to the audited workpapers. Adjustments were traced to prior filings and orders.

**COST OF CAPITAL:** Reconciled all components of Cost of Capital to the books. Agreed long-term debt issuances and preferred stock issuances to authorized documents and recalculated cost rate. Recalculated cost rates for short-term debt, customer deposits and investment tax credits. Obtained a reconciliation of rate base to capital structure and determined that any non-utility assets were removed. We traced all company adjustments to company's schedule and explanations.

**AUDIT EXCEPTION NO. 1**

**SUBJECT: RATE BASE ADJUSTMENTS ENVIRONMENTAL**

**STATEMENTS OF FACT:** In reviewing the 2004 adjustments to rate base, we determined that FPL did not remove the construction work in process that FPL is recovering through the environmental clause. There are two projects that are included in the environmental recovery clause. According to the environmental filing, the 13-month average of the Manatee Reburn No. 24 project was $5,621,823.85 for 2004. The 13-month average of the Port Everglades ESP No. 25 is $6,605,703.23. The total construction work in process included in the environmental clause is $12,227,527.08.

The company removed all projects from construction work in process (CWIP) that accrued an allowance for funds used during construction (AFUDC). FPL excluded $4,600,000 each month from AFUDC eligible CWIP projects it claimed were already in base rates. This adjustment leaves a 13-month average effect of $4,600,000 in rate base for CWIP projects that would normally be excluded because they qualify for AFUDC. The reason they reduced (CWIP) was because FPL included $4,648,000 of construction projects in Schedule B-13a in the last rate filing. The settlement agreement allowed the company to keep construction work in process in rate base and thus the construction projects are already in base rates. When the company calculates the allowance for funds used during construction, it removes this amount before calculating the AFUDC.

**OPINION:** The $12,227,527.08 recovered in the environmental clause should be removed from construction work in process in the 2004 rate base in the filing B-1 for the historical year. Since Tallahassee staff is reviewing the 2006 rate base adjustments, they need to determine if the environmental projects are still included in construction work in process projected in 2006. If so, they need to be removed. The projects may have been transferred to plant. If so, the completed project balances should be included in projected plant adjustments to remove environmental plant since the assets will be recovered in the environmental clause.

The adjustment for the $4,600,000 increases rate base for CWIP projects that would normally not be included because they are eligible for AFUDC. This adjustment was also made in 2005. We did not have information about 2006 since the Tallahassee office is reviewing the adjustments.

## AUDIT EXCEPTION NO. 2

## SUBJECT: ALLOCATION OF COMMON COSTS

**STATEMENT OF FACT:** FPL charges expenses that relate to costs that should be allocated to affiliates to budget activity codes that go through the management fee. In reviewing the sample of expenses, there were expenses found that relate to all affiliates and should have been charged to a budget activity code charged to the management fee. The following are the charges found:

| Account | Date | Source | Amount | Budget Activity | Headcount Allocation | Allocation Amount | Description |
|---|---|---|---|---|---|---|---|
| 932.2 | 9/04 | Cash Voucher | 80,000.00 | 11737 | 16.90% | 13,520.00 | Internet Employment Service |
| 926.6 | 4/04 | Cash Voucher | 153,475.00 | 13391 | 16.90% | 25,937.28 | Data Integration HR |
| 926.12 | 12/04 | Journal Voucher | 51,901.08 | | 16.90% | 8,771.28 | Cafeteria Subsidization GO |
| 926.12 | 12/04 | Journal Voucher | 68,666.22 | | 16.90% | 11,604.59 | Cafeteria Subsidization JUNO |
| 926.12 | 12/04 | Journal Voucher | 13,534.38 | | 16.90% | 2,287.31 | Cafeteria Subsidization Gift Shop |
| 926.12 | 9/04 | Cash Voucher | 390,000.00 | 13397 | 16.90% | 65,910.00 | Software HR |
| 926.6 | 2/04 | Cash Voucher | 1,706,754.00 | 13391 | 16.90% | 288,441.43 | HR Salary Project |
| | | | 2,464,330.68 | | | 416,471.88 | |

**OPINION:** The above amounts appear to be related to the human resource division. Therefore, we allocated these costs based on the headcount percent used in the revised management fee for 2004. The $416,471.88 should be removed from the 2004 surveillance report and the Tallahassee analyst needs to determine if this problem carries forward into 2006. We have not been able to determine if all of the charges to these budget activities should also be allocated. We are following up on the management fee in the supplemental audit and will include verification of costs to these budget activity groups as part of that work.

**AUDIT DISCLOSURE NO. 1**

**SUBJECT: RATE BASE ADJUSTMENTS**

**STATEMENT OF FACT:** FPL has included two adjustments to remove working capital accounts that were not adjusted in the last rate case. The company has removed all assets and liabilities related to the asset retirement obligation related to Statement of Financial Accounting Standards (SFAS) 143. The net effect on rate base is zero. Rule 25-14014 F.A.C. requires the company to record the effects of SFAS as revenue neutral. Since the accounts have a zero balance, the company has complied with the rule. The other new adjustment removes $1,926,000 of Design Base Threat deferred security costs from working capital.

**AUDIT DISCLOSURE NO. 2**

**SUBJECT: MATERIAL AND SUPPLY WRITE OFFS**

**STATEMENT OF FACT:** C-1 Historical schedules included write-offs in 2004 of materials and supplies (M & S) for items no longer used. These write off's include:

Account 506.960 ( Misc. Steam Power Expense) in January, 2004 $115,397.52 for M & S number 625825490 for dormant material; write off of a Bi-Metal Repair Kit that is no longer required at Martin.

Account 562.160 (Station Expenses-Transmission) in December, 2004 $78,370.16 and $69,427.88, total of $147,798.04 M & S numbers 308980068 and 271748829 for transmission bushings and switches.

**OPINION:** The Tallahassee staff needs to follow up on this issue to determine if write offs of obsolete materials are included in the 2006 forecast.

**AUDIT DISCLOSURE NO. 3**

**SUBJECT: EXPENSE FOR CANCELLED WORK ORDERS**

**STATEMENT OF FACT:** The company charges cancelled work orders to account 584.650, Underground Line Expense Distribution-Cancelled Work Orders. A total of $369,395.07 was expensed in this account in 2004 and included in the expenses in the C-1 schedules. In the sample we selected, there were several work orders that were cancelled that were later re-opened. No credits were taken out of the account so the new work order would be charged. The company is planning to correct this error. Only some of the work order invoices were sampled.

**OPINION:** FPL needs to provide the total charges that relate to the following work orders that were charged off as cancelled and review all other work orders charged to this account to determine if similar problems exist in its response to this audit report. When new work orders are opened, the costs need to be transferred out of account 584.650.

02967-007-0121
07370-007-0216
08662-007-0882
09385-007-0547
09208-007-0441

**AUDIT DISCLOSURE NO. 4**

**SUBJECT: STORM RELATED COSTS INCLUDED IN 2004**

**STATEMENT OF FACT:** Account 590, Maintenance Supervision and Engineering Distribution, includes four cash voucher entries that were transferred from the storm accrual because the internal auditors thought they were image enhancing. These costs were included in the expenses in the C-1 schedules in the filing. The entries were for:

| | |
|---|---|
| $ 325,765.00 | |
| 600,928.36 | |
| 1,114,193.74 | |
| 1,139,919.00 | |
| $3,180,806.10 | Total |

The invoices removed related to valet charges, flower purchases, storm appreciation parties, storm appreciation t-shirts and caps, storm tents for hurricane IVAN and image enhancing ads after Hurricane Jeanne.

Also in account 590, the company created a reserve for possible dissallowances by the Public Service Commission in the storm docket. The company originally estimated the disallowances at $22,000,000 and then reduced it by $6,600,000 to $15,400,000.

The company expensed an additional $189,968.26 in the same account in 2004 for FPL Energy (FPLE) storm loadings. The total amount billed by FPLE was at the regular inter-company billing rate for FPLE (payroll and payroll and loading). However, since FPL loaded its own payroll for only pension, welfare, taxes and insurance in determining the amount to charge to the storm reserve. To be consistent, FPL loaded the storm work orders for FPLE payroll only for pension, welfare, taxes and insurance. This reduced the amount charged to the storm work orders. The difference between the pension, welfare, taxes and insurance, and the normal FPLE payroll loading rate was charged to the 590 expense account along with other costs FPL did not include in storm recovery. By doing so FPL charged a consistent loading rate to the storm work orders for the FPLE payroll and did not penalize FPLE for its participation in the storm restoration effort.

**OPINION:** The Tallahassee staff needs to determine if these costs were trended up and included in the 2006 forecast. The Commission needs to determine whether storm costs that were image enhancing should be allowed in the Surveillance report or whether they should be below the line in 2004 for surveillance purposes.

**AUDIT DISCLOSURE NO. 5**

**SUBJECT: AFFILIATE TRANSACTIONS**

**STATEMENT OF FACT:** We found several expenses included in the C-1 schedules that appeared that they should be allocated to affiliates. The company response was that they charge these expenses as part of its rent fee to affiliates. These costs are:

JB Irrigation-irrigation repairs at Juno $31,920
Smallwares Café-replace kitchen equipment $24,743.63
Western Waterproofing-repair skylight GO $41,377.94
CDI Construction-Remodel LFO cafeteria $41,850
Ed PI Trammell-Replace 20 ft of damage $49,822
AA Advanced Air-Convert Juno air to chilled loop $50,819
Western Waterproofing-GO skylight repairs $ 75,644.23 (total $520,201.22)
CDI Construction-LFO cafeteria repairs $83,259.90 (total 229,000)
Western Waterproofing-Seal penthouse Juno $112,375.21

**OPINION:** We were unable to verify that the charges were included in the rent rates. We will follow up this issue in a supplement to this audit to verify that these and other similar costs are included in the rent rates.

## AUDIT DISCLOSURE NO. 6

## SUBJECT: PENSION

**STATEMENT OF FACT:** The majority of account 926, Employee Pension and Benefits, in 2004 relates to expenses from the actuarial studies for pension, Supplemental Executive Retirement Plan (SERP), SFAS 106 and medical and dental expenses.

The company allocated the pension accrual, which was a negative (credit) balance, differently than the actuarial study by Towers Perrin. The actuarial study allocated the cost to the utility and the affiliates based on headcount. The company allocated the cost based on payroll dollars. The difference follows:

| Pension Plan FAS 87 - Account 926.202 & 926.203 | | | | GENERAL | |
|---|---|---|---|---|---|
| | | | ACTUARIAL | LEDGER | |
| ALLOCATION HEADCOUNT | NUMBER | PERCENT | 2004 | 2004 | DIFFERENCE |
| Utility | 10,086.00 | 83.65% | (101,917,007.28) | (98,427,583.00) | (3,489,424.28) |
| Group | 10.00 | 0.08% | (101,047.99) | | |
| Group Capital | 1,237.00 | 10.26% | (12,499,636.92) | | |
| Seabrook | 724.00 | 6.00% | (7,315,874.80) | | |
| | 12,057.00 | 100.00% | (121,833,567.00) | | |

If FPL charged the pension fee by headcount, account 926 included in the C-1 schedule in 2004 would be reduced by $3,489,424.28.

In account 926.500, a charge of $105,428 in November was found to include affiliate charges of $11,000. Account 926.600 had a charge in February 2004 for $1,706,754 for a settlement with Ernst and Young for a non-recurring project (BVA 17) that related to all affiliate companies and was not allocated through the management fee.

**OPINION:** The Tallahassee staff should determine the appropriate allocation methodology for pension costs. The $11,000 should be removed from expenses because it relates to affiliate business. Staff also needs to determine if the Ernst and Young payment was excluded when the company prepared the 2006 forecast of the C-1 schedules.

**AUDIT DISCLOSURE NO. 7**

**SUBJECT: RATE CASE EXPENSES**

**STATEMENT OF FACT:** In account 928, Regulatory Commission Expense, in the C-1 expenses in 2004, the company has included rate case expenses. The company responded that it removes and adjusts these in 2005. The expenses found in the sample are:

| | |
|---|---|
| $ 72,344.00 | Ernst and Young December 2004 |
| 179,019.50 | Accrual December 2004 |
| 229,084.00 | Accrual December 2004 |

**OPINION:** For surveillance purposes, when the rate case expense is approved, these expenses need to be removed from 2004 expenses and the Tallahassee staff needs to verify that these costs are allocated to a deferred account.

**AUDIT DISCLOSURE NO. 8**

**SUBJECT: DUES**

**STATEMENT OF FACT:** In Account 930.260, Miscellaneous General Expense, which is included in the historical C-1 schedule expenses, the company included both the 2003 and the 2004 dues paid to the EPRI for the Nuclear Energy Institute assessment. The dues were $240,000 each.

**OPINION:** The Tallahassee staff needs to verify this is not trended up and included in 2006 expenses.

## AUDIT DISCLOSURE NO. 9

**SUBJECT: GRID FLORIDA**

**STATEMENT OF FACT:** Account 930.200, Miscellaneous General Expense, included in historical expenses in the C-1 schedules for 2004 includes $650,000 for a reserve for the collectibility of notes receivable for Grid Florida.

**OPINION:** For 2006, the Tallahassee staff needs to verify that these are not included in the forecast.

**AUDIT DISCLOSURE NO. 10**

**SUBJECT: RESERVE FOR MITIGATION**

**STATEMENT OF FACT:** Included in account 907, Supervision-Customer Service, in 2004, is a $1,000,000 charge to set up a reserve for inadequate installations by a contractor that is now out of business related to the conservation multi-family insulation program. This is the estimate of the cost of mitigation. These costs are included in expenses in the C-1 historical filing.

**OPINION:** The analyst needs to determine if this non-recurring cost was removed when determining the forecast for 2006.

**AUDIT DISCLOSURE NO. 11**

**SUBJECT: OUTSIDE SERVICES**

**STATEMENT OF FACT:**

CONFIDENTIAL

**OPINION:**

**AUDIT DISCLOSURE NO. 12**

**SUBJECT: LIAISON EXPENSES**

**STATEMENT OF FACT:** FPL did not remove liaison expenses in its Net Operating Income adjustments in 2004 in its C-1 schedules. The liaison expenses have been removed from the Surveillance Reports in the Net Operating Income adjustments prior to 2002. After 2002, the Staff Advisory Bulletin 35 that required FPL to remove these expenses was discontinued along with all staff advisory bulletins. The company was asked to provide the work order that contained the charges for the Tallahassee office. Total dollars spent on liaison costs for Work Order 06915, ER 90, Reporting Area R10000 are $503,819.59 for 2004.

The company does not include the adjustment in the rate case because they don't believe liaison expenses should be considered lobbying. According to a company response, "The instruction to account 426.4 expenditures for certain civic, political and related activities, 18 CFR, Part 101 Uniform System of Accounts (SofA) states in part "... but shall not include such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations." FPL's liaison expenses fall within this exception. FPL is not aware of any FPSC order or rule which supersedes the instruction for account 426.5 in the SofA with respect to liaison expenses."

**AUDIT DISCLOSURE NO. 13**

**SUBJECT: CHARITABLE EXPENSES**

**STATEMENT OF FACT:** The company included cash vouchers for charitable expense in Work Order 9934 for the Manatee Combined Cycle Project. The total charitable expense charged to the work order was $27,650:

| Vendors | Amount |
|---|---|
| American Red Cross | 1,000.00 |
| Boys & Girls Club | 1,300.00 |
| Brain Injury Association | 1,000.00 |
| Lakewood Ranch East Communities Charitable Fund | 2,500.00 |
| Manatee Chamber of Commerce | 750.00 |
| Manatee School Foundation | 5,000.00 |
| South Florida Museum | 10,000.00 |
| United Way of Manatee | 5,600.00 |
| Wilderness Charity | 500.00 |
| Total | 27,650.00 |

These amounts were included in Construction of Work in Progress for 2004.

**AUDIT DISCLOSURE NO. 14**

**SUBJECT: ACCOUNT 143.126 OTHER ACCOUNTS RECEIVABLE RETIREE MEDICAL REIMBURSEMENT**

**STATEMENT OF FACT:** Included in the rate case filing as part of the working capital computation the company shows a 13-month average for Account 143.126 of $8,641,542 for Retiree Medical Reimbursements.

Cigna is FPL's insurance agent that pays for FPL's self insurance plan for medical reimbursement. FPL pays Cigna on a weekly basis. The company closes at the end of the year what was paid to expense and allocates approximately 10% to non-regulated affiliates. However, the affiliate amounts remain in the monthly balances until December and therefore, the 13-month average balance includes amounts for non-regulated affiliates.

9% is used in the 2004 management fee for allocation of retiree costs to non-regulated affiliates based on head count.

**OPINION:** If the 13 month average $8,641,542 is multiplied by the 9% then $777,738.78 would have to be removed as non-regulated. The company agrees with this exception, and is taking steps to correct the problem.

## EXHIBITS

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO. 050045-EI

EXPLANATION:
PROVIDE A SCHEDULE OF THE 13-MONTH AVERAGE ADJUSTED RATE BASE FOR THE TEST YEAR, THE PRIOR YEAR AND THE MOST RECENT HISTORICAL YEAR. PROVIDE THE DETAILS OF ALL ADJUSTMENTS ON SCHEDULE B-2.

TYPE OF DATA SHOWN:
__ PROJECTED TEST YEAR ENDED __/__/__
__ PRIOR YEAR ENDED __/__/__
X HISTORICAL TEST YEAR ENDED 12/31/04
WITNESS: K. MICHAEL DAVIS

($000)

| LINE NO. | | (1) PLANT IN SERVICE | (2) ACCUMULATED PROVISION FOR DEPRECIATION & AMORTIZATION | (3) NET PLANT IN SERVICE (1 - 2) | (4) CWIP | (5) PLANT HELD FOR FUTURE USE | (6) NUCLEAR FUEL | (7) NET UTILITY PLANT | (8) WORKING CAPITAL ALLOWANCE | (9) OTHER RATE BASE ITEMS | (10) TOTAL RATE BASE |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2 | UTILITY PER BOOK | 21,553,493 | 11,129,604 | 10,423,890 | 998,768 | 58,127 | 153,294 | 11,634,079 | (1,968,068) | 0 | 9,666,011 |
| 4 | SEPARATION FACTOR | 0.992500 | 0.992312 | 0.992700 | 0.987698 | 0.994479 | 0.995288 | 0.992314 | 0.996525 | 0.000000 | 0.991456 |
| 6 | JURIS UTILITY | 21,391,831 | 11,044,036 | 10,347,795 | 986,481 | 57,806 | 152,572 | 11,544,654 | (1,961,228) | 0 | 9,583,426 |
| 8 | COMMISSION ADJUSTMENTS | (593,499) | (456,268) | (137,231) | (721,923) | 0 | (152,572) | (1,011,726) | 2,107,267 | 0 | 1,095,541 |
| 10 | COMPANY ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | TOTAL ADJUSTMENTS | (593,499) | (456,268) | (137,231) | (721,923) | 0 | (152,572) | (1,011,726) | 2,107,267 | 0 | 1,095,541 |
| 14 | JURIS ADJ UTILITY | 20,798,332 | 10,587,769 | 10,210,564 | 264,557 | 57,806 | 0 | 10,532,927 | 146,039 | 0 | 10,678,967 |

35 NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.

SUPPORTING SCHEDULES: B-2, B-3, B-6

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO. 050045-EI

EXPLANATION:
PROVIDE THE CALCULATION OF JURISDICTIONAL NET OPERATING INCOME FOR THE TEST YEAR, THE PRIOR YEAR AND THE MOST RECENT HISTORICAL YEAR.

TYPE OF DATA SHOWN:
____PROJECTED TEST YEAR ENDED __/__/__
____PRIOR YEAR ENDED __/__/__
_X_ HISTORICAL TEST YEAR ENDED 12/31/04
WITNESS: K. MICHAEL DAVIS

($000)

| LINE NO. | | (1) TOTAL COMPANY PER BOOKS | (2) NON-ELECTRIC UTILITY | (3) TOTAL ELECTRIC (1)-(2) | (4) JURISDICTIONAL FACTOR | (5) JURISDICTIONAL AMOUNT (3)X(4) | (6) JURISDICTIONAL COMMISSION ADJUSTMENTS (SCHEDULE C-2) | (7) JURISDICTIONAL ADJUSTED PER COMMISSION (5)+(6) | (8) JURISDICTIONAL COMPANY ADJUSTMENTS | (9) JURISDICTIONAL ADJUSTED AMOUNT (7) + (8) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | | |
| 2 | REVENUE FROM SALES | 8,536,654 | 0 | 8,536,654 | 0.990926 | 8,459,189 | (4,904,736) | 3,554,453 | 0 | 3,554,453 |
| 3 | | | | | | | | | | |
| 4 | OTHER OPERATING REVENUES | 145,781 | 0 | 145,781 | 0.975871 | 142,264 | (33,672) | 108,592 | 0 | 108,592 |
| 5 | | | | | | | | | | |
| 6 | TOTAL OPERATING REVENUES | 8,682,435 | 0 | 8,682,435 | 0.990673 | 8,601,452 | (4,938,408) | 3,663,044 | 0 | 3,663,044 |
| 7 | | | | | | | | | | |
| 8 | OTHER | 1,230,881 | 0 | 1,230,881 | 0.990242 | 1,218,870 | (81,927) | 1,136,943 | 0 | 1,136,943 |
| 9 | | | | | | | | | | |
| 10 | FUEL & INTERCHANGE | 3,178,572 | 0 | 3,178,572 | 0.984830 | 3,130,353 | (3,112,376) | 17,976 | 0 | 17,976 |
| 11 | | | | | | | | | | |
| 12 | PURCHASED POWER | 1,125,629 | 0 | 1,125,629 | 0.986895 | 1,110,877 | (1,047,941) | 62,936 | 0 | 62,936 |
| 13 | | | | | | | | | | |
| 14 | DEFERRED COSTS | 117,500 | 0 | 117,500 | 0.996490 | 117,088 | (117,088) | 0 | 0 | 0 |
| 15 | | | | | | | | | | |
| 16 | DEPRECIATION & AMORTIZATION | 896,834 | 0 | 896,834 | 0.992439 | 890,054 | (57,623) | 832,431 | 0 | 832,431 |
| 17 | | | | | | | | | | |
| 18 | TAXES OTHER THAN INCOME TAXES | 813,402 | 0 | 813,402 | 0.997846 | 811,650 | (510,016) | 301,634 | 0 | 301,634 |
| 19 | | | | | | | | | | |
| 20 | INCOME TAXES | 422,605 | 0 | 422,605 | 1.003989 | 424,290 | (4,422) | 419,868 | 0 | 419,868 |
| 21 | | | | | | | | | | |
| 22 | (GAIN)/LOSS ON DISPOSAL OF PLANT | (1,722) | 0 | (1,722) | 0.995057 | (1,713) | 762 | (951) | 0 | (951) |
| 23 | | | | | | | | | | |
| 24 | TOTAL OPERATING EXPENSES | 7,783,701 | 0 | 7,783,701 | 0.989435 | 7,701,469 | (4,930,632) | 2,770,837 | 0 | 2,770,837 |
| 25 | | | | | | | | | | |
| 26 | NET OPERATING INCOME | 898,734 | 0 | 898,734 | 1.001391 | 899,984 | (7,776) | 892,208 | 0 | 892,208 |
| 27 | | | | | | | | | | |
| 28 | | | | | | | | | | |
| 29 | | | | | | | | | | |
| 30 | | | | | | | | | | |
| 31 | | | | | | | | | | |
| 32 | NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING. | | | | | | | | | |
| 33 | | | | | | | | | | |



SUPPORTING SCHEDULES: C-2, C-3, C-4

RECAP SCHEDULES: A-1

COST OF CAPITAL - 13-MONTH AVERAGE



FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO. 050045-EI

EXPLANATION:
PROVIDE THE COMPANY'S 13-MONTH AVERAGE COST OF CAPITAL FOR THE TEST YEAR, THE PRIOR YEAR, AND HISTORICAL BASE YEAR.

TYPE OF DATA SHOWN:
____PROJECTED TEST YEAR ENDED _/_/_
____PRIOR YEAR ENDED _/_/_
_X_ HISTORICAL TEST YEAR ENDED 12/31/04
WITNESS: K. MICHAEL DAVIS, MORAY P. DEWHURST

($000)

| LINE NO. | CLASS OF CAPITAL | (1) COMPANY TOTAL PER BOOKS | (2) SPECIFIC ADJUSTMENTS | (3) PRO RATA ADJUSTMENTS | (4) SYSTEM ADJUSTED | (5) JURISDICTIONAL FACTOR | (6) JURISDICTIONAL ADJUSTED | (7) RATIO | (8) COST RATE | (9) WEIGHTED COST RATE |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | LONG TERM DEBT | 3,258,584 | (155,648) | (229,110) | 2,873,825 | 1.00579 | 2,890,481 | 27.07% | 5.24% | 1.42% |
| 2 | PREFERRED STOCK | 23,462 | | (1,502) | 21,959 | 0.99221 | 21,788 | 0.20% | 4.60% | 0.01% |
| 3 | CUSTOMER DEPOSITS | 369,226 | | (23,643) | 345,583 | 1.00000 | 345,583 | 3.24% | 5.94% | 0.19% |
| 4 | COMMON EQUITY | 6,105,009 | (49,981) | (397,490) | 5,657,539 | 0.98531 | 5,574,423 | 52.20% | 12.30% | 6.42% |
| 5 | SHORT TERM DEBT | 258,008 | | (16,521) | 241,487 | 0.99221 | 239,605 | 2.24% | 2.05% | 0.05% |
| 6 | DEFERRED INCOME TAX | 1,639,939 | | (105,010) | 1,534,929 | 0.99221 | 1,522,968 | 14.26% | 0.00% | 0.00% |
| 7 | INVESTMENT TAX CREDITS | 90,601 | | (5,801) | 84,799 | 0.99221 | 84,139 | 0.79% | 9.02% | 0.07% |
| 8 | TOTAL | 11,744,827 | (205,629) | (779,077) | 10,760,121 | | 10,678,967 | 100.00% | | 8.16% |
| 9 | | | | | | | | | | |
| 10 | | | | | | | | | | |
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| 19 | | | | | | | | | | |
| 20 | | | | | | | | | | |

21 NOTE 1: TOTALS MAY NOT ADD DUE TO ROUNDING.

22 NOTE 2: FPL HAS NO AUTHORIZED RETURN ON EQUITY( ROE ) FOR THE PURPOSE OF ADDRESSING EARNINGS LEVELS, THEREFORE THE
23 COMMON EQUITY COST RATE THAT FPL IS USING ON THIS MFR IS THE SAME AS THE REQUESTED ROE IN THE TEST YEAR.

SUPPORTING SCHEDULES: D-6, D-5, D-4A, D-3, D-1B

RECAP SCHEDULES: A-1