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**LARRY CRETUL**
*Speaker of the House of Representatives*

July 16, 2009

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COMMISSION
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Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket Nos. 080677-EI & 090130-EI

Dear Ms. Cole:

Enclosed for filing, on behalf of the Citizens of the State of Florida, are the original and 15 copies of the Direct Testimony of Sheree L. Brown.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Joe A. McGlothlin

Joseph A. McGlothlin
Associate Public Counsel

Enclosures

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CLK 1 Rep.

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

| | | |
|---|---|---|
| In Re: Petition for increase in rates by Florida Power & Light Company. | ) | Docket No. 080677-EI |
| In Re: 2009 depreciation and dismantlement study by Florida Power & Light Company. | ) | Docket No. 090130-EI |
| | ) | FILED: July 16, 2009 |

# DIRECT TESTIMONY:

# OF

# SHEREE L. BROWN

# ON BEHALF OF THE CITIZENS OF THE STATE OF FLORIDA

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# EXHIBITS

**DIRECT TESTIMONY**

**OF**

**Sheree L. Brown**

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket Nos. 080677-EI and 090130-EI

**Statement of Qualifications**

**Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.**

A. My name is Sheree L. Brown. I am employed by Utility Advisors' Network, Inc. ("UAN"). My business address is 530 Mandalay Rd., Orlando, Florida 32809.

**Q. PLEASE GIVE A SUMMARY OF YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I received a B. A. in Accounting from the University of West Florida and a Masters in Business Administration from the University of Central Florida. I am a Certified Public Accountant in the State of Florida.

I have been providing utility consulting services to municipal, cooperative, county, and institutional utilities and industrial and commercial consumers since 1981. My work has primarily focused in the areas of revenue requirements and costs of service, rates and rate design, deregulation and stranded costs, valuation and acquisition, feasibility studies, and contract negotiations.

**Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE UTILITY REGULATORY AUTHORITIES?**

**A:** Yes. I have participated in numerous proceedings before the Federal Energy Regulatory Commission and various state and local commissions, including the Arkansas Public Service Commission, the Connecticut Department of Public Utility Control, the Council of the City of New Orleans, the Florida Public Service Commission, the Georgia Public Service Commission, the Illinois Commerce Commission, the Louisiana Public Service Commission, the Massachusetts Department of Telecommunications & Energy, the Minnesota Public Utilities Commission, the New Hampshire Public Utilities Commission, the North Carolina Utilities Commission, and the Texas Public Utilities Commission. I also have presented arbitration reports and testimony in valuation proceedings in circuit court proceedings.

My testimony has addressed a wide range of regulatory and utility-related issues, including revenue requirements, cost of service, cost allocation, rate design, terms and conditions of service, merger impacts, utility valuations, stranded costs, and deregulation. My resume is included as Exhibit__(SLB-1).

**Q: ON WHOSE BEHALF ARE YOU TESTIFYING?**

**A:** I am testifying on behalf of the citizens of the State of Florida represented by the Office of Public Counsel ("OPC").

**Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

**A:** The purpose of my testimony is to address the revenue requirements proposed by Florida Power & Light Company ("FPL") for the Test Years ending December 31, 2010 and 2011 and FPL's proposed Generation Base Rate Adjustment ("GBRA") mechanism. I will address FPL's treatment of transmission wheeling revenues; uncollectible accounts expense; late payment fees; the load forecast; payroll expenses associated with employee projections, executive compensation, and other incentive compensation; the storm damage accrual; the environmental insurance refund; end-of-life nuclear materials and supplies and last core nuclear fuel; and the anticipated settlement from the Department of Energy ("DOE"). I am also sponsoring the development of the revenue impacts associated with OPC's combined case, incorporating the recommended adjustments of OPC's witnesses Mr. Jacob Pous, Ms. Kimberly Dismukes, and Dr. J. Randall Woolridge.

__Summary__

**Q: PLEASE SUMMARIZE OPC'S POSITION IN THIS PROCEEDING.**

A: OPC believes that FPL's proposed rate increase should be denied and, in fact, FPL's present rates should be reduced. Further, OPC believes that the Commission should deny FPL's increase for a subsequent year adjustment as the projections used to establish the 2011 Test Year revenue requirement are too uncertain, as explained later in my testimony.

The impact of the adjustments to FPL's requested revenue requirements proposed by OPC's witnesses is a reduction in jurisdictional revenue requirements of $1.332 billion in 2010. FPL's present rates will produce $363.699 million in excess of the revenues required to cover all of FPL's costs of providing service and provide a fair and reasonable return. The adjustments are described more fully herein and in the testimony of OPC's other witnesses. Based on the consolidated impact of the adjustments recommended and supported by the OPC witnesses in this proceeding, OPC believes that rates should be reduced by approximately $364 million annually.

## Test Years

**Q: WHAT ARE THE TEST YEARS FILED BY FPL IN THIS PROCEEDING?**

A: FPL has filed two test years in this proceeding. The first Test Year is 2010, which coincides with the requested effective date of rates to be established in this proceeding. The second Test Year is 2011, called the "Subsequent Year", which FPL has filed in support of its request for an incremental increase to its rates. In addition to the two Test Years, FPL filed supplemental schedules showing certain data from 2009. Lastly, FPL filed separate schedules supporting its request for recovery of costs and investments associated with its West County Energy Center through the GBRA. FPL requests continuation of the GBRA for additional generation as it is added between base rate proceedings.

**Q: PRIOR TO FPL'S FILING, OPC REQUESTED THAT THE COMMISSION REQUIRE FPL'S CASE TO BE FILED BASED ON 2009 DATA. WHAT IS OPC'S CURRENT POSITION ON THE USE OF THE 2010 TEST YEAR TO ESTABLISH RATES?**

A: As explained in OPC's letter to Chairman Carter, dated December 2, 2008, OPC's concerns over using the 2010 Test Year are related to the speculative nature of efforts to project farther into the future. Customers must have confidence that the rates they pay are based on accurate and reliable information. The farther into the future that a utility attempts to project data, there is a greater amount of uncertainty and the data becomes less reliable. While OPC believes that the 2010 projections are less reliable than the 2009 data, OPC will not object to the use of the 2010 Test Year in this proceeding. However, OPC does object to the subsequent year adjustments based on 2011 projections.

**Q: PLEASE EXPLAIN WHY OPC OBJECTS TO THE SUBSEQUENT YEAR ADJUSTMENTS.**

A: As explained above, data projections and assumptions used in making those projections farther in the future are generally less certain than shorter-term projections. This is particularly of concern as our country and the customers in FPL's service territory are facing the current economic crisis. Projections of when and how economic recovery will occur are extremely speculative. FPL's base rate request comes at a time when many of FPL's assumptions are based on the economic downturn. If economic recovery is either faster or greater than expected under FPL's assumptions, then there is the potential for excess earnings at ratepayer expense. FPL would have no obligation to then reduce rates without customer or Commission intervention.

**Q: WHAT ARE SOME OF THE ASSUMPTIONS THAT FPL HAS MADE BASED ON THE ECONOMIC DOWNTURN?**

A: FPL has made numerous assumptions regarding the economic downturn. The Company's load forecast is based on estimates of population, Florida household disposable income, real price, and minimum use customers. Each of these factors was derived based on estimates of the effects of the economic downturn and speculation on the recovery. The Company's higher bad debt experience has also been reflected in the Test Years. As explained by FPL's witness, Mr. Barrett, "every major assumption used in the forecast reflects the severe economic downturn." (Barrett direct testimony, page 17)

**Q: MR. BARRETT ALSO NOTES THAT FPL'S FORECASTS HAVE BEEN ACCURATE IN THE PAST. DOES THIS ALLEVIATE YOUR CONCERNS OVER THE USE OF A 2011 TEST YEAR?**

A: No. Mr. Barrett contends that the forecasts have been accurate in the past based on FPL's actual net income results, which varied 2.3% from budget over the past 5 years. He concludes that FPL's process for budgeting is highly effective in predicting future operating results and can be relied upon in a rate setting procedure. Net income, however, is targeted and the Company can, and does, take actions to achieve net income targets. In other words, if revenues are down, FPL can take actions to cut expenses to attempt to achieve net income targets. In fact, Mr. Barrett goes on to explain that this is exactly what the Company did in 2008 in response to the deterioration of economic conditions. Mr. Barrett noted that "FPL anticipates that this economic downturn will continue to have an impact through 2011 and beyond." (Barrett direct testimony, page 18)

**Q: DOES MR. BARRETT ADDRESS THE ECONOMIC UNCERTAINTY AND ITS EFFECT ON THE COMPANY'S FORECASTS?**

A: Yes. He explains that although the economic environment is "highly uncertain," FPL used a rigorous process with reliable advice of subject experts and that the forecast is the Company's best assessment of the expected economic environment during the period. He concludes that "if economic conditions were to improve faster than anticipated, resulting in more growth during the forecast period, revenue requirements likely would need to increase to support that increased growth."

**Q: DOES MR. BARRETT'S CONCLUSION ALLEVIATE YOUR CONCERNS OVER THE 2011 TEST YEAR?**

A: No. The only thing that is certain at this time is that the economic environment is highly uncertain. Although Mr. Barrett claims that FPL has used a rigorous process to project the 2011 Test year, this rigorous process cannot remedy the uncertainty of the projections made in this time of economic instability. Thus, while OPC is willing to accept a 2010 Test Year, the 2011 Test Year projections incorporate an unacceptable additional level of uncertainty and should be rejected.

**Q: HAVE YOU ADDRESSED FPL'S 2011 TEST YEAR REVENUE REQUIREMENTS IN THE REMAINDER OF YOUR TESTIMONY?**

A: Yes. Although OPC does not believe the 2011 Test Year subsequent adjustment should be allowed in the this proceeding, I have addressed the revenue impacts of my recommended adjustments for both the 2010 and 2011 Test Years. In the event the Commission decides to entertain the Company's proposal for a subsequent year rate adjustment, these analyses will provide the Commission with the adjustments proposed by the OPC witnesses.

**<u>Generation Base Rate Adjustment</u>**

**Q: WHAT IS THE GENERATION BASE RATE ADJUSTMENT?**

A: The GBRA was one provision within the 2005 rate case settlement that was specific with respect to the time frame during which it would apply and with respect to the power plants that would be included. This mechanism was included as a negotiated exception to the four-year rate freeze that was implemented as a part of the overall settlement. The settlement also included a revenue sharing mechanism as well as other items of "give and take", such as allowing FPL the option of reducing depreciation expense annually during the settlement period. Under the terms of the settlement, the costs associated with plants that were scheduled to come on-line during the settlement period were recovered through an adder to base rates -- the GBRA.

**Q: WHAT IS FPL'S PROPOSAL REGARDING THE GBRA IN THIS PROCEEDING?**

A: FPL is proposing to continue the GBRA perpetually, thus allowing FPL to create a base-rate adder for all generating plant that is placed in service between rate proceedings without the regulatory scrutiny that would normally be required for base rate adjustments.

**Q: WHAT REASONS DID FPL PROVIDE FOR CONTINUATION OF THE GBRA?**

A: FPL's witness, Ms. Ousdahl, claims that the mechanism is an efficient and effective way of providing for new generating plant inclusion in base rates commensurate with the time fuel savings are achieved and that it allows the avoidance of the costs and resources associated with back-to-back rate proceedings.

**Q: DO THE BENEFITS OF THE GBRA OUTWEIGH THE RISKS?**

A: No. While the GBRA may be an efficient and effective way for FPL to increase rates without regulatory consideration of all aspects of its operations, it does not outweigh the risks to ratepayers and, much like FPL's numerous cost recovery clauses, would transfer risks from FPL to its ratepayers. As explained above, the base rates are being evaluated and determined in this proceeding based on the worst economic environment we have experienced in decades. Once the rates are established, the impacts of economic recovery may result in higher returns to FPL's shareholders—returns that may be sufficient to absorb the costs associated with FPL's new units without the necessity of a base rate increase designed to add some or all of the revenue requirements of the new unit to customers' bills. The GBRA mechanism would allow FPL to avoid having to use those returns to cover the costs associated with the new facilities. Instead, FPL could "pocket" those returns, while simply imposing a surcharge on customers' bills to cover the costs associated with a single component of its overall costs of providing service. Once the base rates are established, FPL does not have an incentive to reduce base rates. This lack of incentive would be further aggravated by the ability to add the full revenue requirements of individual capital investments to base rates incrementally, without evaluation of whether existing rates are sufficient to cover all or some of the related costs.

**Q: PLEASE ELABORATE ON YOUR STATEMENT THAT THE GBRA WOULD TRANSFER RISK FROM FPL TO ITS CUSTOMERS.**

A. Base rates are designed to cover a utility's cost of providing service, including a fair and reasonable return on the utility's investment in facilities. Although the Commission establishes an authorized rate of return, the achieved rate of return will vary based on actual costs and revenues. The utility's operation is dynamic and costs and revenue may increase or decrease based on numerous factors. If the resulting rate of return is too low, the utility may request an increase in base rates. However, if the resulting rate of return is too high, the utility does not have the incentive to reduce rates and the burden falls to the Commission or intervenors to request a base rate reduction.

Under traditional ratemaking, the Commission provides a utility subject to its jurisdiction an *opportunity* to earn a reasonable return--not a guarantee.

FPL has been successful in moving a large portion of its revenue recovery out of base rates, where these traditional principles apply, and into clauses, which eliminates a large portion of FPL's risks that its base rates will be insufficient to cover its costs of providing service. Based on FPL's revenue allocations in MFR Schedule C-2, FPL is collecting more than 61% of its total revenues through "pass-through" mechanisms and cost recovery clauses that operate outside of base rates.

While the GBRA is not a pure pass-through mechanism, it is a mechanism that allows FPL to avoid the regulatory oversight of its overall costs of providing service and, instead gives it an adder to its base rates—regardless of the achieved rate of return earned at the time the new plant is added. Ratepayers thus bear the risk of unwarranted increases in base rates—unwarranted in the sense that if existing earnings are sufficient to absorb some or all of the costs of the addition, the increase, or a portion of the increase, associated with the application of the GBRA to customers' bills would be higher than necessary to produce a fair return.

**Q. PLEASE ILLUSTRATE YOUR POINT.**

A. FPL is requesting a GBRA adjustment for West County Energy Center Unit 3 ("WCEC3") of $181.9 million based on an annualized revenue requirement. As explained earlier in my testimony, many of the assumptions FPL made in calculating its 2011 revenue requirement were based on the economic downturn. If economic recovery resulted in an increase in net income, FPL's achieved return on equity would increase. In that case, a portion of the WCEC3 costs could be recovered through the increased return and rates charged to customers should not increase by the full amount of the WCEC3 costs. However, if the GBRA were in effect, the GBRA would add the full WCEC3 revenue requirement to customers' bills on an incremental, stand-alone basis.

**Q: AS PROPOSED BY FPL, WOULD THE GBRA BE LIMITED TO THE WEST COUNTY ENERGY CENTER UNIT THAT IS SCHEDULED TO BEGIN SERVICE IN 2011?**

A: No. As I understand the proposal, FPL wants to apply the GBRA to all future power plants. As explained above, the need for the GBRA to cover the costs of WCEC3 two years into the future is uncertain. Despite this uncertainty, the Commission is being asked in this proceeding to approve this mechanism for units that may be added 5, 10, or 15 years into the future. Such approval would surmise that the Company's earnings would be insufficient to cover the addition of new units without regulatory oversight and would take away the ratepayer protections afforded by utility regulation.

**Q: HAS FPL ALWAYS FILED FOR AN INCREASE IN BASE RATES WHENEVER A NEW PLANT IS PLACED IN SERVICE?**

A: No. In past years, FPL has in fact absorbed new power plants without increasing base rates at the time. As noted by FPL's witness, Mr. Armado Olivera, the last time FPL requested and received a general base rate increase was in 1985 and, since then, base rates were lowered three times (in 1990, 1999, and 2002). Yet, during this time, FPL added several generating units. If FPL could have justified higher base rates due to the single issue of a new plant, then one would expect to have seen a rate case in each year a unit was placed in service. Assuming that FPL's returns were sufficient to absorb the cost of the new units, then the use of the GBRA would have resulted in unnecessarily high costs to ratepayers —unless and until the Commission conducted proceedings to reduce rates.

**Q. IS THE GBRA NECESSARY TO ASSURE THAT THE COSTS OF THE NEW POWER PLANT ARE RECOGNIZED AT THE SAME TIME THE POWER PLANT BEGINS TO PROVIDE BENEFITS SUCH AS FUEL SAVINGS?**

A. No. Although FPL's witness, Ms. Ousdahl, asserts that the GBRA will assure that the costs of the new power plant are recognized at the same time the fuel savings are achieved, the underlying assumption in her statement is that the costs of the new power plant are not reflected in the rates that are in effect at that time. As explained above, it is possible that at least a portion of the costs of WCEC3 will be able to be absorbed through the rates that are effective at the time WCEC3 is placed in service. While FPL currently believes that the rates will be insufficient to cover the costs of WCEC3, the uncertainty of the assumptions made in developing projections two years into the future in a period of economic uncertainty could result in net income sufficient to support the addition of WCEC3 without the need for an additional increase in rates.

**Q. FPL ASSERTS THAT THE GBRA WOULD BE MORE EFFICIENT THAN A BASE RATE PROCEEDING. SHOULD THE EFFICIENCY OF THE RATE MECHANISM AFFECT THE COMMISSION'S DECISION ON CONTINUATION OF THE GBRA?**

A. No. The only efficiency gained by using the GBRA to pass-through costs associated with individual generating units is the avoidance of a full base rate proceeding. This efficiency is not an adequate basis for continuing such a base rate adjustment mechanism. The Commission's greater concern should be to balance the interests of FPL and its ratepayers by taking into account all factors that bear on the reasonableness of the earned return at the time. If the Commission allows the GBRA to continue, increases will be allowed without having all pertinent and reliable information. If such increases are unwarranted and lead to overearnings, the Commission will face the prospect of a base rate proceeding in any event—a proceeding to reduce rates that are higher than necessary to produce a fair return.

**Q: WHAT IS YOUR RECOMMENDATION REGARDING THE GBRA?**

A: I am recommending that the Commission deny FPL's request for continuation of the GBRA.

**Q: HOW HAVE YOU TREATED THE WCEC3 COSTS FOR PURPOSES OF THE 2011 TEST YEAR ANALYSES?**

A: As explained earlier, although I am recommending that FPL's use of the 2011 Test Year to determine a subsequent year adjustment be denied by the Commission, I have addressed the 2011 Test Year revenue requirements throughout the remainder of my testimony. When calculating the overall revenue requirements for 2011, I have added back the WCEC3 costs.

**<u>Cost of Service Analyses</u>**

**Q: HAVE YOU PREPARED COST OF SERVICE ANALYSES TO EVALUATE FPL'S REVENUE REQUIREMENTS FOR THE 2010 AND 2011 TEST YEARS?**

A: Yes. In order to determine the impact of the various adjustments described herein and proposed by OPC's other witnesses, it was first necessary to re-create FPL's jurisdictional cost of service studies and total system cost of service analyses for 2010 and 2011. I re-created these studies to verify the accuracy of the model. The model summaries are attached to my testimony as Exhibit__(SLB-2), Pages 1 and 2 of 2.

**<u>Jurisdictional Transmission Allocations</u>**

**Q: PLEASE EXPLAIN YOUR CONCERN REGARDING FPL'S ALLOCATION OF TRANSMISSION COSTS IN THIS PROCEEDING.**

**A:** FPL has allocated the test year transmission service revenues and all transmission revenue requirements to the retail jurisdiction and to wholesale customers that are currently still on a bundled wholesale rate. This is a "revenue credit" methodology that simply charges the retail jurisdiction with all costs of transmission, while providing an offsetting revenue credit for transmission revenues received from non-jurisdictional customers. While this may be appropriate for non-firm or short-term transmission service revenues, it is not appropriate for FPL's long-term firm transmission service customers and, in fact, creates a significant subsidy of the costs of providing transmission service to those customers.

**Q: HOW DOES FPL'S ALLOCATION OF TRANSMISSION COSTS AND REVENUES CREATE A SUBSIDY OF THE COSTS OF PROVIDING TRANSMISSION SERVICE TO FPL'S LONG-TERM FIRM TRANSMISSION CUSTOMERS?**

**A:** In the late 1990's, the Federal Energy Regulatory Commission ("FERC") issued orders requiring non-discriminatory access to transmission. In providing non-discriminatory access to FPL's transmission system, FPL is to be treated in a similar manner to all customers requesting transmission services over FPL's system. FPL and its retail customers are essentially supposed to be paying the same amounts for the same services offered to other customers. FPL's transmission rates for wholesale customers are set forth in its Open Access Transmission Tariff. If FPL experiences increases in its costs of providing transmission service, then its remedy is to seek an adjustment of its transmission service rates at the FERC. If FPL's transmission rates under its OATT were presently covering the costs of providing transmission service, as such costs have been represented by FPL in this case, then the transmission service revenues would be approximately equal to the allocation of transmission revenue requirements. In that event, the retail jurisdiction customers would be indifferent as to whether costs are allocated directly to the long-term firm transmission service customers or whether the revenue credit methodology is employed. However, a review of FPL's long-term firm transmission service revenues as compared to the allocated costs to provide this service shows a significant deficiency. Using the revenue credit methodology thus transfers this deficiency to the retail jurisdiction.

**Q: WHAT IS THE LEVEL OF DEFICIENCY TRANSFERRED TO THE RETAIL JURISDICTION THROUGH THIS REVENUE CREDIT METHODOLOGY?**

**A:** The total deficiency transferred to the retail jurisdiction by this revenue credit methodology is $18.5 million in 2010 and $19.0 million in 2011.

**Q: HOW DID YOU DETERMINE THE LEVEL OF THE DEFICIENCY TRANSFERRED TO THE RETAIL JURISDICTION?**

**A:** To determine the level of the deficiency transferred to the retail jurisdiction, I modified the Company's cost of service analyses that were re-created in Exhibit__(SLB-2). I removed all of FPL's long-term firm network, point-to-point, and other long-term firm service revenues to assure that the retail jurisdiction did not receive credit for the revenues. This included the firm network service revenues for the Florida Municipal Power Agency ("FMPA"), Seminole Electric Cooperative, Inc. ("SECI"), Lee County Electric Cooperative ("LCEC"), and the City of Key West; the long-term firm point-to-point revenues for FMPA, Georgia Transmission Company ("GTC"), the City of Homestead, Metro-Dade County Resource Recovery, and the Orlando Utilities Commission. In addition, revenues associated with other long-term firm service to New Smyrna Beach were reallocated. SECI receives an annual credit of $6,797,000 against its firm network service costs in recognition of its investment in transmission facilities. I did not reallocate this credit, as this is essentially a system transmission cost.

Next, I modified FPL's transmission allocator, allocator FPL101, which was developed in MFR Schedule E-10, to add the 12 month average long-term firm network, point-to-point and other service customers' demands to the non-jurisdictional demands and to the total system demands. The summary of FPL's transmission revenues for 2008 through 2011 is shown in Exhibit__(SLB-3), page 1 of 5. The results of the revisions to the cost of service are shown on Exhibit__(SLB-3), Page 2 of 5 and the adjustments to the FPL101 transmission allocator which were used in developing the revised cost of service are shown in Page 3 of 5 of Exhibit__(SLB-3). The summary of the revised 2011 cost of service is shown in Exhibit__(SLB-3), page 4 of 5 and the 2011 revised FPL 101 allocator is shown on Exhibit__(SLB-3), page 5 of 5.

**Q: DID YOU REVIEW ANY ADDITIONAL DATA TO CONFIRM THE REASONABLENESS OF YOUR ADJUSTMENT?**

**A:** Yes. Since the discrepancy was significant, it indicated that FPL's current OATT is significantly under-recovery FPL's represented cost of providing transmission service. Therefore, to confirm the reasonableness of the adjustment, I reviewed the changes in FPL's transmission costs and loads from the year in which FPL's current OATT rates were established to the 2010 Test Year.

FPL's current OATT shows that Schedule H, the rate of firm network service, has not been revised since at least January 1, 2000. The monthly firm network service rate posted on Oasis is $1.23/KW-month, while the tariff attached to Oasis shows an effective date of January 1, 2000 and a rate of $1.27/KW-month.

Since the tariff shows Schedule H to be an original sheet, it is likely that the rate was actually developed in an earlier year. I then compared several components of the transmission-related revenue requirement from FPL's 1999 FERC Form 1 to the same components of the transmission-related revenue requirement in the 2010 test year in this proceeding. The results are shown in Exhibit__(SLB-4).

As shown in Exhibit__(SLB-4), the costs of providing transmission service have increased substantially since FPL last changed its transmission service rates. Since rates are also a function of the amount of service provided, I also wanted to compare the amount of transmission service provided in 1999 as compared to the most recent historical year, 2008. The billing demands for FMPA and SECI were redacted in the public version of the 1999 FERC Form 1. As shown on page 400 of FPL's 2008 FERC Form 1, the system demands make up 91.67% of the combined system, SECI firm network, and FMPA firm network demands in 2008; therefore, I used the system demands as a reasonable proxy for the growth rate experienced on the system from 1999 to 2008. The sum of the monthly peak demands grew from 184,800 MW in 1999 to 220,461 MW in 2008, or an increase of 19%. Given the disproportionate increase in the costs of providing service and the level of firm service provided, I believe it is reasonable to assume that the result of my cost of service adjustment fairly represents the transfer of costs from the wholesale firm network service customers to the retail jurisdiction.

**Uncollectible Account Expense**

**Q: WHAT IS THE LEVEL OF UNCOLLECTIBLE ACCOUNTS EXPENSE INCLUDED IN THE 2010 AND 2011 TEST YEAR REVENUE REQUIREMENTS?**

A: As shown on Schedule C-11 for the corresponding year, FPL has estimated uncollectible accounts expense, before provision adjustments, of $28.017 million for 2010 and $22.992 million for 2011. As shown in Schedule C-4, the amounts included in Account 904, Uncollectible Accounts Expense are $26.325 million in 2010 and $21.730 million in 2011. These amounts include offsets for provision adjustments. FPL allocated the Account 904 expenses between the base rates and the clauses. Based on this allocation process, FPL has included $9.432 million of uncollectible accounts expense in its base rate revenue requirement for 2010 and $7.855 million in its base rate revenue requirement for 2011.

**Q: HOW DID FPL DETERMINE THE LEVEL OF UNCOLLECTIBLE ACCOUNTS EXPENSE?**

A: FPL used a regression analysis to forecast the uncollectible accounts expense using historical and projected data such as the real price of electricity, kWh sales, and unemployment. A summary of the regression model used by FPL was provided in response to OPC's Second Request for Production of Documents, Question No. 12, in the file "050608 UAR Estimate for 2009 2011.xls".

**Q: DO YOU HAVE ANY CONCERNS WITH FPL'S PROJECTION OF UNCOLLECTIBLE ACCOUNTS EXPENSE FOR THE TEST YEARS?**

A: Yes. I have two significant concerns. First, the assumptions used in the regression model were apparently made prior to economic changes that were utilized by FPL in preparing other components of its filing. These assumptions would cause the overstatement of bad debt. Second, although FPL has included increased costs for enhanced collection and assistance programs, the benefits of these programs have not been increased to reflect a sufficient level of write-off savings.

**Q: PLEASE EXPLAIN HOW THE ASSUMPTIONS USED IN THE REGRESSION MODEL WOULD CAUSE THE OVERSTATEMENT OF BAD DEBT.**

A: As noted by FPL Witness Morley, the two main drivers of the customer's ability to make payment are the dollar amount of the bill and the economic conditions currently impacting their ability to pay. (Morley Direct, page 43.) The level of revenues is thus a critical factor in determining the expected uncollectible accounts expense. In FPL's regression, it assumed a much higher level of real price of electricity than the prices shown in its load forecast modeling. Retail kWh sales were also higher than FPL's final projections for the Test Years. During the time period in which FPL was running its uncollectible accounts expense analyses, the revenue projections for 2010 were $12.896 million. If later estimates of real prices and sales had been used, the bad debt calculated from the regression would have been reduced. Thus, while the models may reasonably estimate the bad debt factor based on the historical sales and real price levels, the values calculated for the Test Years would need to be adjusted to reflect the adjusted revenue forecast for the Test Years. This was not done. In carrying the net write-off over into Schedule C-11, FPL did not reflect the bad debt factors of .217% and .175% derived from its analyses, but, instead, input the expense derived from the much higher revenue level and "backed into" a higher bad debt factor of .26% for 2010 and .207% for 2011.

**Q: DID FPL UPDATE ITS PROJECTIONS?**

A: Yes. Although FPL did not utilize its updated projections in its calculation of the 2010 and 2011 revenue requirements, FPL did provide an update of its net write-off forecast as of December 1, 2008. In that forecast, FPL showed revenues of $12.004 million and net write-offs of $24.151 million for an unlagged write-off rate of .201%. In 2011, revenues were reduced to $12.774 million with net write-offs of $21.484 million, or .168%. Therefore, not only did revenue expectations decrease, but the percent of expected write-offs decreased as well.

**Q: WHAT ACTIONS HAS FPL TAKEN TO REDUCE UNCOLLECTIBLE ACCOUNTS?**

A: According to FPL's witness, Ms. Santos, FPL has aggressively sought to reduce uncollectibles through numerous programs. These programs include assistance programs through social agency and customer contributions, increased used of automatic bill payments, and energy affordability initiatives such as energy conservation programs. Ms. Santos noted that in 2008, over 83,000 assistance payments were received from numerous agencies, representing approximately $15.6 million toward customers' electric bills. The use of automatic bill payments has also reduced net write-offs and the number of customers using FPL's automatic bill payment program has increased substantially over the last few years. Ms. Santos explained that the mitigation actions accounted for $4.1 million of the increase in customer service costs from 2006 to 2008.

**Q: HOW HAS FPL REFLECTED THE IMPACTS OF THE MITIGATION ACTIONS IN ITS FORECAST OF BAD DEBTS FOR THE TEST YEARS?**

A: FPL first offset its net write-off from the regression by estimates of the impacts of management actions. In preparing its 2008 budget, FPL estimated the impact of management actions to be $2,894,894, including $882,266 of reductions in write-offs due to individual management actions and an additional reduction of $2,012,628 as a "stretch goal", or target. In 2009, FPL estimated the write-off impact of the total management actions to be only $844,964, but also noted a stretch goal of $1.9 million, which was not incorporated into the bad debt calculation. These management actions included the automatic bill payments, the customer assistance programs, performance tracking, and outsourcing of the probate process. In 2010, the management actions were estimated to increase to $1.168 million. In addition to the adjustment for management actions, FPL also offset the 2010 and 2011 projections by $383,780 and $2,607,651, respectively, in undefined "RCS" actions.

**Q: HOW DID FPL ESTIMATE THE LEVEL OF WRITE-OFF REDUCTIONS ASSOCIATED WITH AUTOMATIC BILL PAYMENTS?**

A: FPL estimated the number of automatic bill payment customers at the end of 2008 and 2009 and estimated savings of $19.71 per account per year. They calculated the difference between the 2008 and 2009 estimated write-off savings and determined an increase in write-off savings of $561,964. This level of savings did not change in the 2010 and 2011 Test Years.

**Q: SHOULD FPL HAVE ADJUSTED THE EXPECTED SAVINGS FROM AUTOMATED BILL PAYMENTS?**

A: Yes. The number of automated bill payment customers increased at an annual compound average growth rate of 111% a year from 2005 to 2008 and, based on FPL's estimates, will increase another 13% from 2008 to 2009. It is reasonable to assume that additional write-off savings will be realized as more customers switch to automatic bill payments. In addition, the reduction in write-offs was treated as incremental to 2008 write-offs, which assumes that the regression already reflected the 2008 write-offs. The regression equation was based on actual data through August, 2008; therefore, the incremental savings should reflect comparison to only a partial year for 2008.

**Q: DID FPL PROVIDE A DESCRIPTION OF THE "RCS" WRITE-OFF SAVINGS?**

A: I have not seen a description of the RCS write-off savings. These savings are based on FPL's avoidance of 50% of its 2007 residential write-offs over a 5-year period beginning in 2010, with sustained savings at the full 50% level thereafter. FPL's deployment rate for this program was only 4% in 2010 with 30% recaptured in 2011, ramping up to the full 100% in 2014. FPL used this methodology to determine the offset to 2010 and 2011 bad debt expense of $383,780 and $2,607,651, respectively. Savings increase to $4.8 million in 2012, $6.9 million in 2013, and $8.6 million in 2014 and thereafter. This annual increase does not indicate an amortization of a particular year's avoided write-off, but rather reflects an expectation of avoided write-offs increasing each year based on mitigation actions. In other words, the analysis reflects a stream of avoided write-offs all assuming the 2007 residential write-off level of $17.1 million with recovery over a 5-year period beginning in the third year following the initial write-off. If FPL anticipates recovering 50% of its write-offs over time, it is not appropriate to charge ratepayers for those write-offs.

**Q: WHAT IS YOUR RECOMMENDATION FOR RECOGNIZING THE AVOIDED NET WRITE-OFFS?**

A: While it is not appropriate to charge ratepayers for write-offs that the Company believes it can avoid, I am only recommending that the Commission recognize a greater portion of the RCS avoided write-off savings by assuming an earlier deployment of RCS avoided write-offs. I recommend a 5-year straight amortization of the expected RCS savings, which increases the third-year deployment rate from 4% to 20% and reduces the fourth-year deployment rate from 26% to 20%. This brings the 2010 adjustment up from $383,506 to $1,713,305, which is still well within FPL's noted stretch goals of $2.0 million in 2008 and $1.9 million in 2009. In 2011, the savings increase from $2.6 million to $4.0 million reflecting a reduced amortization rate, but incorporating additional write-off savings from 2008 write-offs, which would begin amortization in 2011 under FPL's assumed three-year lag.

Q: **WHAT IS YOURRECOMMENDATION FOR THE TREATMENT OF BAD DEBT EXPENSE IN THE TEST YEARS?**

A: I am recommending that the Commission first begin with FPL's updated net write-off forecast from December 1, 2008. The 2010 and 2011 Test Year net write-offs should then be reduced by the impacts of additional automatic bill payments and the incremental avoided write-offs. Exhibit__(SLB-5) shows the calculations of the additional automatic bill payments and the incremental avoided write-offs. After calculating the bad debt expense from the December 1, 2008 model, as adjusted, the net write-off percentage calculated from the higher revenues on which the forecast was based should be applied to the Test Year revenues. Exhibit__(SLB-6) sets forth these adjustments. As shown on Exhibit__(SLB-6), the net impact of these adjustments is to reduce the base rate revenue requirement by $2.869 million in 2010 and $2.495 million in 2011. The impact includes both the change to the uncollectible accounts expense for the test years at present rates and the change to the revenue expansion factor on Schedule C-44.

Q: **DO YOU HAVE ANY ADDITIONAL CONCERNS ABOUT FPL'S REQUESTED TREATMENT OF UNCOLLECTIBLE ACCOUNTS EXPENSE?**

A: Yes. The Company has proposed that the portion of the uncollectible accounts expense that is clause-related should be removed from base rates and collected through the various clauses. This treatment creates an additional need for regulatory oversight and adjustments. FPL's process for determining the accrual for uncollectible accounts expense is based on a 5-month lagged write-off rate for the same month of the prior year. In other words, in February, 2009, the accrual is based on the February, 2008 write-offs as a percentage of the September, 2007 revenues applied to the September, 2008 revenues. This amount is then adjusted based on actual write-off experience. In order to apply this process to the clauses, FPL would need to develop separate write-off rates and establish separate accrual provisions for each clause as the clause components of uncollectible accounts would vary by month and by customer. FPL has not proposed a process for recognizing the uncollectible accounts expenses through the various clauses.

In addition, transfer of the uncollectible accounts expense to the clauses again increases the portion of FPL's revenue that is collected through clauses. As noted earlier in my testimony, FPL has increased its base O&M costs to incorporate additional revenue collection costs. If 61% of the uncollectible accounts are simply passed through a clause, then FPL's incentive to continue its efforts to reduce uncollectible accounts is reduced.

OPC is thus recommending that the uncollectible accounts expense remain in base rates. When viewed on a stand-alone basis, this treatment would increase the jurisdictional revenue requirement by $16.949 million in 2010 and $13.914 million in 2011. In conjunction with my recommended adjustments to uncollectible accounts expense, this adjustment would increase the jurisdictional revenue requirement by $12.618 million in 2010 and $10.461 million in 2011.

**<u>Late Payment Fees</u>**

**Q: WHAT MODIFICATION IS THE COMPANY PROPOSING TO ITS LATE PAYMENT FEES?**

A: The present late payment fee is 1.5% of the late payment. FPL is proposing to add a minimum payment of $10. This would impact all late-paying customers with bills that are less than or equal to $667.

**Q: DO YOU HAVE ANY CONCERNS WITH THE COMPANY'S CALCULATIONS OF THE INCREASED REVENUES ASSOCIATED WITH THE IMPLEMENTATION OF A MINIMUM PAYMENT OF $10?**

A: Yes. The Company has had significant increases in late payment fees over recent years; however, in projecting the late payments fees for the test years, FPL has assumed that percentage of late paid accounts will remain at the same levels as the 2008 experience. In addition, the Company has offset the increased late payment fees by a 2% write-off rate and a 30% "behavior change" associated with accounts that would be subject to the minimum charge. These adjustments have resulted in an understatement of the late payment revenues under the revised structure.

In addition, under the new rate structure, a portion of the late payment fees will still be derived from a variable rate structure—1.5% of the late payment. This additional revenue should be reflected in FPL's revenue expansion factor.

**Q: PLEASE EXPLAIN HOW FPL'S LATE PAYMENTS HAVE INCREASED OVER RECENT YEARS.**

A: As shown in the response to OPC's Second Request for Production of Documents, No. 12 (LPC Forecast $10 01262009.xls) and summarized in Exhibit__(SLB-7), Page 1 of 3, FPL's late payment fees have increased from $15.4 million in 2005 to $40.95 million in 2008, or at a compound average annual growth rate of over 38% since 2005. In addition, the number of late payments as a percentage of total bills has increased from 11.1% to 22.3 % over that same time period.

**Q: WHAT ASSUMPTION DID FPL MAKE REGARDING THE NUMBER OF LATE PAYMENTS FOR THE TEST YEAR?**

A: FPL first assumed that the number of late payments in 2010 and 2011 would be proportionate to the number of late payments as a percentage of the total customer bills from 2008. FPL then adjusted this figure down for 2% write-offs. For customers that would receive a minimum late payment fee of $10 under the new structure, FPL further reduced the number of late payments down by 30%, assuming that the higher charge would cause 30% of these customers to modify their behavior and pay their bills on time. The resulting number of late payments assumed by FPL is 8,456,689 out of a total of 54,585,108 projected bills, or 15.5%.

Q: **DID FPL PROVIDE ANY JUSTIFICATION FOR ITS ASSUMPTION THAT THE IMPLEMENTATION OF THE $10 MINIMUM LATE FEE WOULD CAUSE 30% OF THE AFFECTED CUSTOMERS TO PAY THEIR BILLS ON TIME?**

A: No.

Q: **IS IT REASONABLE TO ASSUME THAT THERE WILL BE SOME BEHAVIOR MODIFICATION AS A RESULT OF THE IMPLEMENTATION OF THE MINIMUM LATE PAYMENT FEE?**

A: Yes, however, there is no evidence supporting a 30% behavior modification that effectively reduces the percent of late-paid bills down to pre-2007 levels—particularly in light of the high growth in late payments experienced over the past few years.

Q: **DOES FPL REPORT WRITE-OFFS OF LATE PAYMENTS SEPARATELY FROM ITS OTHER WRITE-OFFS WHICH ARE INCLUDED IN ITS UNCOLLECTIBLE ACCOUNTS EXPENSE?**

A: No. The write-offs included in FPL's bad debt, or uncollectible account expense, are reported in total; therefore, the projections of uncollectible account expense for the test years would already incorporate any write-offs of late payments.

**Q: WHAT IS YOUR RECOMMENDATION FOR ESTIMATING THE LEVEL OF LATE PAYMENT FEES FOR THE TEST YEARS?**

A: I recommend eliminating the 2% write-off adjustment, which should already be incorporated into the uncollectible accounts expense. In addition, I am recommending that the Commission eliminate the 30% behavior modification adjustment and, instead, use an average of the 2007 and 2008 late payments as a percentage of total bills.

**Q: HOW DOES THIS METHODOLOGY RECOGNIZE SOME LEVEL OF BEHAVIOR MODIFICATION?**

A: Using this methodology, 20% of customer bills are assumed to be paid late. This is less than the 22.3% level experienced in 2008. As explained by Witness Morley at page 56 of her testimony, FPL has seen a steady increase in the number of customers making late payments. She noted the increase was an average of 150,000 customers per month. Using the 20% average late payment percentage not only recognizes a reduction in FPL's late payment percentage from 2008, but also fully offsets any increases in late payment experience that would be expected based on FPL's history and the economic factors that FPL has recognized throughout its application.

**Q: WHAT IS THE IMPACT OF YOUR RECOMMENDED CHANGES?**

A: The recalculation of the late payment fees is set forth in Exhibit__(SLB-7). As shown in Exhibit__(SLB-7), the late payment fees for 2010 are estimated to be $117,701,025. This is $25,024,251 greater than FPL's estimate using the 30% behavior modification. The late payment fees for 2011 are estimated to be $119,771,078, which is $26,034,753 greater than FPL's estimate. In preparing these estimates, I have (i) eliminated the 30% behavior modification adjustment and the 2% write-off, (ii) used an average of the 2007 and 2008 late payments as a percentage of the total bills to recognize some behavior modification, and (iii) reduced the revenues attributable to the customers that are not subject to the minimum fee to reflect lower overall anticipated revenues for 2010 than 2008.

**Q: DO YOU HAVE ANY OTHER CONCERNS WITH THE IMPACT OF THE LATE PAYMENT CHARGES ON FPL'S TOTAL REQUESTED RATE INCREASE?**

A: Yes. Since a portion of the late payment fees will still be calculated as 1.5% of the late payment, it is reasonable to assume that any increases in revenues will result in increased late payment fees. As with the bad debt factor application to the revenue expansion factor, it is appropriate to include an offset to the revenue expansion factor for this additional revenue. Based on FPL's payment history as shown in the response to OPC's Second Request for Production of Documents, Question 12, (LPC Query Details.xls), FPL received late payment revenues of $10,028,545 from customers that would not be subject to the minimum fee in the period from October, 2007 through September, 2008. At 1.5%, this equates to total late payments of $668,569,666. During that same period of time, FPL had total revenues of $11,582,744,853 as shown in the response to OPC's Second Request for Production of Documents, Question 12, (LPC Forecast $10 01262009.xls). Therefore, 5.7721% of the revenue was subject to a late fee at 1.5%, resulting in a factor of .08658%. As shown on Exhibit ____(SLB-8), incorporating this offset to the revenue expansion factor reduces the 2010 and 2011 test year revenue requirements by $905,000 and $1,132,000, respectively.

**<u>Load and Revenue Forecast</u>**

**Q: PLEASE DESCRIBE HOW THE COMPANY HAS FORECAST ITS LOADS AND REVENUES FOR THE TEST YEARS.**

A: The Company has prepared regression models to forecast the number of total customers and Net Energy for Load ("NEL"). FPL also prepared regression models to forecast customers for the residential, commercial, industrial, and street & highway revenue classes. Customer forecasts for the remaining classes were based on class-specific information. Any differences between the total customer regression model forecast and the sum of the individual class customer forecasts is then adjusted in the residential forecast.

FPL prepared additional regression models to forecast sales for the residential, commercial, and industrial revenue classes. Sales forecasts for the remaining classes were based on class-specific information.

The NEL was adjusted to the sales level by application of a loss factor/billing cycle adjustment factor. Any differences between the individual sales forecasts and the NEL forecast, adjusted to the sales level, were then allocated between the residential and commercial classes.

Once the NEL was allocated to the various customer classes, the resulting billing determinants were used to develop the revenue projections for the test years and to develop allocation factors for development of the allocated cost of service model.

**Q: WHY DID FPL RELY ON THE NEL MODEL RATHER THAN THE INDIVIDUAL CLASS SALES MODELS?**

A: Witness Morley states, at page 7 of her testimony, that:

> "A superior econometric forecasting model is obtained if NEL, instead of billed energy sales, is matched to the explanatory variables. This is because the NEL data does not have to be attuned to account for billing cycle

adjustments, which might distort the real time match between production and consumption of electricity."

**Q: WHAT FACTORS DID FPL DETERMINE WERE PREDICTIVE IN DETERMINING THE USAGE PER CUSTOMER FOR ITS NEL FORECAST?**

A: FPL's NEL regression equation found that heating and cooling degree hours, Florida real household disposable income (adjusted for FPL's estimation of recovery expectations), the real average price of electricity (based on FPL's internal calculations of the price of electricity divided by CPI), two dummy variables (February and a specific variable for March, 2003), and an autoregressive term. The usage per customer was then multiplied by the total forecasted customers to derive the Predicted NEL (before any further adjustments).

**Q: DID FPL TEST THE OVERALL REASONABLENESS OF THE NEL FORECASTING MODEL?**

A: Yes. Witness Hanser explained that he had evaluated FPL's NEL model and felt that it generated reasonable predictions based on his calculation of the mean absolute percentage error ("MAPE") statistics. He also noted the various coefficients of the independent variables had the expected impacts on the use of energy and that the regression statistics indicated that the model was reasonable.

**Q: WHAT WAS THE MAPE FOR THE NEL MODEL?**

A: As shown on the response to OPC's Second Request for Production of Documents, (OPC's 2$^{nd}$ Request for Production of Documents No.14.xls), the MAPE statistic was calculated by comparing the model results to the actual usage per customer for the period from February, 1998 through October, 2008. The MAPE was 1.75%. Witness Hanser then calculated an out-of-sample MAPE by estimating the model over the January, 1998 through December, 2006 time period and determining the percentage errors over the January, 2007 through October, 2008 time period. This MAPE was 3.73%, indicating that the original model was better at predicting NEL. Witness Hanser concluded, though, that "both of these MAPE values are small and within the acceptable limits to deem a forecasting model to be a reliable model."

**Q: DID WITNESS HANSER RUN ANY ADDITIONAL STATISTICS TO EVALUATE THE VALIDITY OF THE MODEL?**

A: Yes. Mr. Hanser noted that the model showed a tendency to over-forecast NEL beginning March 2008. He tested this by running the mean percentage error ("MPE") over the total historical period and over the pre-March 2008 historical period and the post-March 2008 historical period. The MPE over the total period was -.04% and it was .16% prior to March 2008 and -3.08% from March 2008 through October 2008. He concluded that the model was over-forecasting starting in early 2008.

**Q: DID MR. HANSER PROVIDE ANY EXPLANATION AS TO THE REASON FOR THE MODEL'S TENDENCY TO OVER-FORECAST NEL BEGINNING IN EARLY 2008?**

A: Yes. Mr. Hanser explained that the recent history of usage per customer has significantly departed from the past usage, resulting in the inability of the historical data to be as predictive of the future use.

**Q: DID FPL MAKE ADJUSTMENTS TO ITS NEL MODEL TO CORRECT FOR THIS OVER-FORECASTING TENDENCY?**

A: Yes. FPL made several adjustments to its NEL model results. The first adjustment was to reflect incremental reductions in load caused by energy efficiency improvements that FPL claims were not in the historical database and, thus, would not be explained by the model. Next, the Company made known and measurable changes to the wholesale sales to remove Seminole Electric Cooperative loads due to contract termination and to add loads associated with a new contract with Lee County Electric Cooperative. After making these adjustments, FPL calculated the average error in the NEL for the period from January, 2008 through December, 2008 and adjusted all future projections for this average error. FPL called this a "re-anchoring" adjustment. In addition, FPL noted that the number of customers using minimum levels of energy had recently increased as a function of the economy and the housing market. FPL thus made a final adjustment to its adjusted NEL forecast to shift a greater number of customers from average use to minimum, or zero, usage.

**Q: DO YOU HAVE ANY CONCERNS WITH FPL'S ENERGY FORECAST?**

A: Yes. First, FPL has not shown that its NEL forecasting model was unreasonable prior to the application of the adjustments. Second, the application of the minimum usage accounts adjustment is inherently duplicative of the re-anchoring adjustment. Third, the calculation of the minimum usage adjustment overstates the impact of the increase in minimum use customers. Lastly, the adjustment to calculate the re-anchoring and minimum use adjustments was overstated due to a formula error.

**Q: PLEASE EXPLAIN WHY FPL HAS NOT SHOWN THAT ITS NEL FORECASTING MODEL WAS UNREASONABLE PRIOR TO THE APPLICATION OF THE ADJUSTMENTS.**

A: While Mr. Hanser has correctly observed a shift from over-forecasting to under-forecasting in 2008, FPL has not shown that the resulting model is outside the range of reasonable results. In fact, in response to OPC's Third Set of Interrogatories, No. 161, FPL noted that:

> "In-sample MAPE statistic value for the NEL model is 2.69% when calculated for the January 2008 through October 2008 period. This is slightly larger than 1.75%, the in-sample MAPE value calculated over the January 1998 through October 2008 period, but is still small and within the acceptable limits to deem a forecasting model to be a reliable forecasting model."

As recognized by Mr. Hanser, when more recent history has diverged from the past, the model error can increase. Mr. Hanser specifically noted one example of such change is the change in efficiency standards, which are not reflected in the historical database. Another example of a recent change is the increase in minimum use customers. While the model error of 2.69% was supposedly deemed to be reliable, FPL's first adjustment for energy efficiency impacts partially corrected for this error. The resulting error calculated for 2008 was 1.29% after adjustments for the energy efficiency impacts and the known load of the wholesale customers. The resulting error rate is even better than the MAPE statistic calculated for the unadjusted model, which Mr. Hanser deems to be a reliable model.

Given the resulting error level, FPL has not shown that the model, as adjusted for energy efficiency impacts and the wholesale loads, is unreasonable.

**Q: HOW IS THE MINIMUM USE ADJUSTMENT DUPLICATIVE OF THE RE-ANCHORING ADJUSTMENT?**

A: As explained by FPL Witness Hanser, the number of customers using between 1 kWh and 200 kWh per month has increased noticeably through the end of 2008. To the extent that the number of minimum use customers has increased through the end of 2008, this reduction is already reflected in the use per customer and resulting NEL for that period. The re-anchoring adjustment thus corrects for the reductions in load associated with increases in minimum usage. In other words, since an increase in minimum use customers was already included in the actual NEL for 2008, the portion of the model error attributable to that increase in 2008 was already reflected in the overall model error of -1.29% calculated by FPL. If FPL had corrected for the decrease in NEL associated with the increase in minimum usage customers before calculating the overall model error, the error would have been reduced. The application of the model error and the increase in minimum usage accounts thus overstates the overall error and understates the NEL.

**Q: HOW DID FPL DETERMINE THE IMPACT OF THE INCREASE IN MINIMUM USE CUSTOMERS?**

A: FPL applied adjustments to the NEL forecasts of -.9%, -1.1%, and -.55% for 2009, 2010, and 2011, respectively. These adjustments were calculated in the following manner:

1) FPL determined the number of minimum use customers for each month from January 2009 through December 2010. Minimum use customers were defined as customers using less than 200 kWh per month. In projecting the level of minimum use customers, FPL increased the monthly percentage by the same percent increase experienced from October, 2007 to October, 2008.
2) FPL then took the percentage of minimum use customers at December, 2009 and December, 2010, which were determined to be 8.68% and 8.96%, and subtracted the "historic average" of 7% to determine the increase in minimum use customers. The 12 month rolling average minimum use customers was provided in the response to OPC's Third set of Interrogatories, Interrogatory No. 175.

3) The increase in percentage of minimum use customers was applied to a projection of residential customers for 2009 and 2010 to determine the increase in minimum use customers.

4) FPL calculated the average use of residential customers that used above 200 kWhs per month as 1200 kWh. The increase in minimum use customers was then multiplied by 1200 kWhs per month to determine the overall decrease in kWh sales.

5) The overall decrease in kWh sales was then divided by a projection of total sales to determine the percent decrease in total kWh sales associated with the increase in minimum usage accounts. The result was the -.9% and -1.1% adjustments applied to the NEL for 2009 and 2010, respectively.

6) The -.55% adjustment for 2011 was simply half of the 2010 adjustment.

**Q: HOW DID FPL OVERSTATE THE IMPACT OF THE INCREASE IN MINIMUM USE CUSTOMERS?**

A: In calculating the historic average of minimum use customers, FPL used the 12 month rolling minimum use customers as a percent of total customers for only August 2003 through December 2004. The use of this limited time period is not representative of the period included in the database on which the NEL model was developed.

**Q: DID FPL PROVIDE ADDITIONAL HISTORICAL DATA?**

A: Yes. In FPL's file "OPC's 2nd POD No 14 Supplemental – Adjustment for Empty Houses.xls.", FPL provided monthly data from September 2002 through December, 2007 and 12-month rolling average data for August 2003 through October, 2008. This is the data FPL used to make its minimum use customer adjustment to the NEL forecast. In its response to OPC's Second Request for Production of Documents No.

14, FPL also provided a file called "empty_homes_history.xls." This file provided monthly data from June, 1997 through January, 2009, as well as rolling 12 month average data for May, 1998 to September, 2008.

**Q: DID YOU COMPARE THE MONTHLY CALCULATIONS FROM THE DIFFERENT EMPTY HOMES FILES PROVIDED BY FPL?**

**A:** Yes. A comparison of the data in these two files shows small differences from January 2005 until the beginning of 2007, with the differences rising thereafter. The only data to compare prior to that time was the information from September 2002 through June 2004. The differences between the databases shown in the two files was significant, with an average of 1% difference in the total number of residential customers and 13.5% difference in the number of minimum use customers. While there is no explanation for the discrepancy between the databases, there was obviously a change that occurred in FPL's identification of customer accounts and minimum use accounts. Therefore, while it would be appropriate to use the minimum use data for the longer period of time that more closely aligns with the historical data used in the NEL regression, I concluded that the data was not reliable and, thus, limited my calculation of the historical minimum use percentage to data available from FPL's more recent calculations which went back to September, 2002.

**Q: WHAT IS FPL'S HISTORIC AVERAGE PERCENTAGE OF RESIDENTIAL CUSTOMERS TAKING LESS THAN 200 KWH PER MONTH?**

**A:** FPL's actual historic average percent of residential customers taking less than 200 kWh per month is 7.42% from September, 2002 through December, 2007. Therefore, while the percentage of residential customers at minimum use has been rising, the level of increase from the historic database should be calculated using the higher 7.42%, rather than the 7% history calculated from the August, 2003 to December, 2004 time period used by FPL in its NEL adjustment.

**Q: DID FPL PROVIDE ITS PROJECTIONS OF MINIMUM USE CUSTOMERS FOR 2009, 2010, AND 2011?**

**A:** Yes. In response to OPC's Third Set of Interrogatories, Question No. 175, FPL provided the projected 12 month rolling average number of minimum use customers for each month from January, 2009 through December, 2011.

**Q: DID FPL USE THIS INFORMATION TO CALCULATE ITS MINIMUM USE ADJUSTMENT TO THE NEL FORECAST?**

**A:** The adjustments to the 2009 and 2010 NEL forecast were based on percentages of total residential customers that were assumed to be minimum use customers on a 12 month rolling average basis at December, 2009 and December, 2010, as calculated by FPL in its file "OPC's 2nd POD No 14 Supplemental – Adjustment for Empty Houses.xls." The 12-month rolling average percentages of minimum use customers in that file were 8.68% and 8.96% at December, 2009 and December, 2010, respectively. FPL did not calculate the percentages for 2011, but simply applied ½ of the 2010 minimum use adjustment to the 2011 NEL forecast. The information provided in the response to OPC's Third Set of Interrogatories, Question No. 175 provides similar results, although not identical percentages, to the information in the file "OPC's 2nd POD No 14 Supplemental – Adjustment for Empty Houses.xls." The information for 2011 provided in the response to Question No. 175 appeared to be miscalculated. From January, 2006 through December, 2008, actual minimum use customers were never less than 280,000 customers and FPL projected minimum use customers rising to over 300,000 throughout 2009 and 2010, reaching a level of 359,000 in December, 2010. However, beginning in January, 2011, FPL shows minimum use customers dropping to 175,000 and rising slowly thereafter. This information does not make sense and if I had used it to adjust the NEL forecast, it would have actually resulted in an increase in the forecast. I thus accepted FPL's application of ½ of the 2010 minimum homes adjustment for 2011.

**Q: DID FPL MAKE ANY OTHER ASSUMPTIONS THAT OVERSTATED THE IMPACT OF THE INCREASE IN MINIMUM USE CUSTOMERS?**

A: Yes. In determining the level of lost kWh sales associated with the increase in minimum use customers, FPL assumed that all minimum use customers would have zero usage. The minimum use customers are defined by FPL as those customers using less than 200 kWh per month, not just customers that have zero usage.

**Q: DO YOU HAVE ANY OTHER CONCERNS WITH THE NEL FORECAST MODEL?**

A: Yes. In calculating the re-anchoring adjustment, FPL calculated the percentage of error from the NEL model output, adjusted for energy efficiency impacts associated with programs arising from the National Energy Policy Act ("NEPACT") and wholesale sales, to the actual sales for 2008. However, in applying the re-anchoring adjustment, FPL applied the model correction to the NEL model output before the adjustment. While the wholesale sales only contained a small value for Seminole in December, 2008, the effect of this error on the adjustments for NEPACT were significant.

**Q: DID YOU PREPARE ADJUSTMENTS TO THE LOAD FORECAST?**

A: Yes. Exhibit__(SLB-9), Page 1 of 3, sets forth my first adjustment to the load forecast. This adjustment reduces the minimum usage correction to reflect the historical average of 7.42% over the historical period from September, 2002 through December, 2007, rather than the 7% used by FPL from a shorter time period. I also recalculate the re-anchoring adjustment based on the revised 2008 error after the minimum usage adjustment and the NEPACT adjustments. In preparing this adjustment, I used the following steps:

1) First, I calculated the percent of residential customers taking minimum use from September, 2002 through December, 2007. Over this time period, 7.42% of FPL's residential customers used less than 200 kWhs per month. As explained above, information provided back to 1997 indicated much higher minimum usage percentages, but could not be reconciled to the database used by FPL to calculate its minimum usage adjustment, so I used the more conservative data from the later period.
2) I compared the 2008 monthly minimum use customers to the historical average of 7.42% to determine the incremental minimum use customers for each month of 2008.
3) In order to determine an appropriate level of minimum use kWh sales to offset against the average use, I calculated the number of minimum use customers falling into the 0-50 kWh, 51-100 kWh, 101-150 kWh, and 151-200 kWh blocks for each month of 2008. I then assumed the mid-point of usage for each group, assigning average use of 25, 75, 125, and 175 kWhs for each customer in these blocks. The average was approximately 103 kWhs; therefore, I assumed that, on average, the minimum use customers would use 100 kWhs per month.
4) Subtracting the minimum use from FPL's calculated average use per residential customer above the minimum usage level of 1,200 kWhs per month gives a lost sales estimate of 1,100 kWhs per month. After deriving the net loss for the incremental minimum use customers in 2008, I increased this level for line losses and billing cycle differences to determine the impact on NEL.

5) I divided the resulting net loss in NEL by the NEL projection, prior to the re-anchoring and minimum use adjustments to determine the minimum use adjustment factor that would have applied in 2008. I then adjusted the NEL to reflect this reduction associated with incremental minimum use customers for 2008.

6) The remaining model error was then calculated as the NEL adjusted for NEPACT, wholesale loads, and the minimum use adjustments.

7) For 2009 and 2010, I calculated the incremental minimum usage using the same procedures as applied for 2008. I then applied the 2009 and 2010 minimum usage adjustments, in conjunction with the remaining model error, or "re-anchoring" adjustment in order to adjust the NEL forecast.

8) To determine the revenue impact of this adjustment, I first determined the change in the NEL forecast, then adjusted it for losses and billing cycle differences to derive the energy sales adjustment. I then adjusted the revenues based on the first energy block charge from FPL's current residential rate schedule, RS-1. I used the first energy block charge from schedule RS-1 because the majority of the increased loads would be in the residential class and, since the first energy block rate is lower than the second energy block rate and is also lower than the General Service, GS-1, energy rate, the resulting revenue adjustment is conservatively less.

9) Lastly, for 2010, I increased the jurisdictional energy and demand allocations to reflect the additional energy and re-ran the cost of service to determine the overall impact on revenue requirements.

**Q: WHAT WERE THE RESULTS OF YOUR ANALYSIS?**

A: As shown on Exhibit__(SLB-9), if FPL had incorporated a minimum use adjustment in its 2008 NEL calculations, the adjustment would have been approximately -.64%. As a result, the remaining model error would have been reduced from -1.29% to -.075%. I included this revised re-anchoring adjustment for each test year. The minimum use adjustments for 2009 and 2010 were -.62% and -.75%, respectively. Since FPL did not provide minimum use customer information for 2011, but simply divided the 2010 factor by 2, I adjusted the 2011 NEL by ½ of the 2010 adjustment, or -.375%. The impact of these adjustments was an increase of $43.664 million to 2010 revenues and $37.476 million to 2011 revenues, as shown on Exhibit__(SLB-9), Page 2 of 3.

Exhibit__(SLB-9), Page 3 of 3 shows the revenue adjustments assuming correction of the minimum use and removal of the re-anchoring adjustment. As shown on Exhibit__(SLB-9), Page 3 of 3, the increase in revenue would be $46.5 million and $40.35 million for 2010 and 2011, respectively.

Exhibit__(SLB-10), page 1 of 4 provides the cost of service summary for 2010 with adjustments to reflect the revised minimum use adjustment. Exhibit__(SLB-10), page 2 of 4 provides the cost of service summary for 2010 with adjustments to reflect the revised minimum use adjustment and removal of the re-anchoring adjustment. As shown on Exhibit__(SLB-10), the net impact of revising the minimum use adjustment is a reduction in revenue requirements of $43.287 million. The net impact of revising the minimum use adjustment and removing the re-anchoring adjustment is a reduction in revenue requirements of $46.111 million in 2010.

The revenue impact of correcting the minimum use adjustment in 2011 is $37.1 million as shown on Exhibit__(SLB-10), Page 3 of 4. The revenue impact of correcting the minimum use adjustment and removing the re-anchoring adjustment in 2011 is $39.94 million as shown on Exhibit__(SLB-10), page 4 of 4

**Payroll**

**Q: WHAT IS THE TOTAL LEVEL OF GROSS PAYROLL PROJECTED BY FPL FOR THE TEST YEARS?**

A: As shown in Schedule C-35, FPL has projected total compensation of $1.063 billion for 2010 and $1.076 billion for 2011. Exhibit_(SLB-11) provides a breakdown of the projected payroll costs for the test years.

**Q: WHAT IS THE AVERAGE LEVEL OF FULL-TIME EQUIVALENT EMPLOYEES INCLUDED IN FPL'S GROSS PAYROLL FOR THE TEST YEARS?**

A: FPL has included 11,111 employees in 2010 and 11,157 employees in 2011.

**Q: DOES FPL TYPICALLY HAVE UNFILLED POSITIONS?**

A: Yes. Exhibit_(SLB-12) shows the actual versus targeted employees in terms of full-time equivalents, as provided by FPL in its response to OPC's First Request for Production of Documents, Question No. 3.

**Q: DID FPL ASSUME ANY UNFILLED POSITIONS IN DETERMINING ITS LABOR EXPENSES FOR 2010 AND 2011?**

A: No. FPL used its targeted level of employees in determining its labor expenses for 2010 and 2011.

**Q: SHOULD THE PAYROLL EXPENSES BE REDUCED TO REFLECT A LEVEL OF UNFILLED POSITIONS?**

A: Yes. Based on the Company's history the payroll expenses should be reduced to reflect unfilled positions.

**Q: PLEASE EXPLAIN HOW YOU DETERMINED THE PERCENT ADJUSTMENT TO BE MADE TO THE LABOR COSTS FOR UNFILLED POSITIONS.**

A: I first reviewed FPL's historical level of full-time equivalent employees compared to its targeted level of employees as provided in FPL's response to OPC's First Request for Production of Documents, Question No. 3. During the five years ending 2008, FPL's actual full-time equivalents ranged from a low of 1.71% below target in 2004 to a high of 2.48% below target in 2007, with an average of 2.08% below target over the 5-year period. A more detailed review of the historical data showed discrepancies in the first two years of data provided. For example, in both 2004 and 2005, the Transmission Business Unit showed approximately 650 actual full-time equivalent employees, while the target was shown as zero. In both years, the Distribution Business Unit was over 900 employees under target. Based on these discrepancies, I chose to eliminate the historical data from 2004 and 2005. In looking at the data for 2006 through 2008, it was apparent that the Distribution Business Unit has historically had one of the highest differences between actual and targeted employees. In 2008, this difference raised the overall difference between the actual and targeted employees from 1.02% to 2.30%. As shown in FPL's response to OPC's Second Request for Production of Documents, Question 50, (B.S. 083939), FPL reduced its distribution staffing in 2008. FPL's response to OPC's Second Set of Interrogatories, Question No. 130 also shows that FPL projects its distribution staffing for 2010 and 2011 at levels below 2008 levels. Based on these reductions, I removed the distribution business unit from the 2006 to 2008 data and calculated the average percentage difference between actual and targeted employees for the remaining FPL business units. Over the 2006 to 2008 time period, FPL's average actual full-time equivalent non-distribution employees were 2.09% below targeted levels. This equates to a 1.59% difference in total employees.

Q: **HOW DID YOU APPLY THIS FACTOR TO FPL'S TEST YEAR LABOR COST PROJECTIONS TO DETERMINE YOUR RECOMMENDED ADJUSTMENT?**

A: I applied the adjustment to FPL's regular pay and benefits that vary by regular pay or the number of employees. The adjustment was calculated separately for FPL's labor costs that are allocated to O&M costs to assure that only those costs that were included in FPL's base rate request were included.

Q: **DID YOU MAKE ANY FURTHER ADJUSTMENTS TO THE LABOR COSTS?**

A: Yes. I reviewed FPL's overtime budgets for 2010 and 2011 and increased the overtime for the Nuclear Business Unit and the Transmission Business Unit to make up for the 2.09% of unfilled positions assumed in my full-time equivalent adjustment. This offset to my adjustment was calculated to recognize that these business units based their overtime projections, in part, on budgeted staff levels. Although the distribution unit has lower budgeted staffing levels than 2008, overtime projections for that unit were lower than 2008. It appears that this reduced level of overtime is partly a function of FPL's anticipated reduced new service accounts, which contributed to positive variances in 2008. Since I did not include a distribution target versus actual differential in my full-time equivalent adjustment, I did not adjust the distribution unit overtime. FPL's other business units primarily used historical levels of overtime without adjustment for increased staffing levels.

Q: **HAVE YOU PREPARED AN EXHIBIT SHOWING YOUR RECOMMENDED ADJUSTMENT?**

A: Yes. Exhibit__(SLB-13) sets forth recalculations of the 2010 and 2011 MFR C-35 schedules with allocations between operating and maintenance expenses (OM), capital, and "other". It was necessary to develop the recalculation of Schedule C-35 to isolate that portion of the payroll costs included in the test year revenue requirements. Exhibit__(SLB-14), page 1 of 2 shows the adjustment to reduce gross payroll and associated benefits by the historical average level of unfilled positions. The total jurisdictional adjustment to the revenue requirements associated with this adjustment is $12.507 million in 2010 and $13.068 million in 2011.

Exhibit__(SLB-14), page 2 of 2 shows the calculation of the overtime increase that offsets my full-time equivalent adjustment. The jurisdictional overtime increase allocated to O&M is $3.262 million in 2010 and $3.414 million in 2011; therefore, the net jurisdictional adjustment for full-time equivalents is $9.245 million in 2010 and $9.654 million in 2011.

**Executive Incentive Compensation**

**Q: DID FPL PROVIDE A BREAKDOWN OF THE INCENTIVE COSTS ATTRIBUTABLE TO EXECUTIVE COMPENSATION?**

A: Yes. In FPL's response to the Attorney General's Second Set of Interrogatories, Question No. 76, FPL provided a detailed breakdown of the incentive pay and long-term incentives (collectively "incentives") for the Test Years. Exhibit_(SLB-15) summarizes the executive incentives shown in that response. The executive incentives shown in the exhibit do not include base pay, lump sum pay, or "other" pay for executives. Executive incentives account for 4.5% of total company gross pay in 2010 and 4.7% of total company gross pay in 2011.

**Q: PLEASE PROVIDE AN OVERVIEW OF FPL'S EXECUTIVE COMPENSATION PACKAGES.**

A: FPL has a comprehensive compensation approach for its executives, which includes base pay and cash and equity-based incentives, including an Annual Incentive Plan and a Long Term Incentive Plan.

**Q: WHAT IS THE FUNDAMENTAL OBJECTIVE OF ITS EXECUTIVE COMPENSATION PROGRAM?**

A: In FPL's Proxy Statement of April 3, 2009 which was provided in response to OPC's Second Request for Production of Documents, Question No. 53, FPL noted that "the fundamental objective of FPL Group's executive compensation program is to support the creation of long-term shareholder value." (B.S. 096779)

**Q: PLEASE DESCRIBE THE ANNUAL INCENTIVE PLAN.**

A: The Executive Annual Incentive Plan (the "Annual Incentive Plan") is described in FPL Group, Inc., DEF 14A-Definitive Proxy, dated April 4, 2008 (the "Proxy Statement"-B.S.096736-096856). As described in the Annual Incentive Plan, individual employees are annually selected for participation by the Compensation Committee (the "Committee"). Each year, the Committee establishes a target award opportunity for each participant, which is either a percentage of the participant's base salary or a specific dollar amount that may be earned upon the achievement of prescribed performance objectives ("Corporate Performance Objectives"). The Annual Incentive Plan sets forth a number of Corporate Performance Objectives that may be considered; however, the Committee may determine the specific objectives to be considered in a plan year and the weighting to be assigned to each chosen objective. Awards are accrued throughout a plan year, based on the target level of compensation multiplied by a projected payout level factor. In the first quarter of the following year, the actual incentive compensation is determined by setting a corporate factor and a "CEO factor", which makeup the actual payout factor. The corporate factor is determined based on the Company's achievement of the chosen objectives. The CEO factor is an individual performance factor for each participant that is determined by the Chief Executive Officer, with recognition of the performance of the individual executive's business unit. The incentive compensation is then calculated as follows:

Target Compensation X Corporate Factor X CEO Factor.

**Q: PLEASE DESCRIBE THE FINANCIAL AND OPERATIONAL OBJECTIVES THAT MAY APPLY UNDER THE ANNUAL INCENTIVE PLAN.**

A: These objectives are:

- Adjusted earnings
- Return on equity
- EPS growth
- Basic earnings per common share
- Diluted earnings per common share
- Adjusted EPS
- Net income
- Adjusted earnings before interest and taxes
- Earnings before interest, taxes, depreciation and amortization
- Operating cash flow
- Workforce quality
- Cost recovery
- Operations and maintenance expenses
- Total shareholder return
- Operating income
- Strategic business objectives
- Customer satisfaction
- Environmental
- Share price
- Production measures
- Bad debt expense
- Service reliability
- Quality
- Improvement in expense levels
- Health and safety
- Reliability
- Ethics
- Risk management
- Any combination of the foregoing

**Q: PLEASE PROVIDE AN EXAMPLE OF HOW THE COMPANY DEVELOPED ITS CORPORATE FACTOR IN 2008 FOR PURPOSES OF DETERMINING ANNUAL INCENTIVE COMPENSATION.**

A: Prior to the beginning of 2008, the Compensation Committee developed a financial performance matrix. This matrix established the target multiplier based on the Company's performance. The factors evaluated included return on equity and earnings per share growth. A copy of this matrix is shown in Exhibit__(SLB-16). At the end of 2008, the Compensation Committee reviewed the Company's performance and determined that the Company had exceeded its target levels, placing it in the highest possible position on the matrix. As noted by the Company in the April 3, 2009 proxy statement, the Company realized an adjusted return on equity of 13.8% and adjusted earnings per share growth of 10%. (B.S. 096788) FPL then evaluated its operational performance achievements versus its goals. These goals were as follows:

- Operations and maintenance costs (lower than target)
- Capital expenditures (higher than target)
- Net income (lower than target)
- Regulatory ROE (achieved performance consistent with rate agreement)
- Fossil generation availability (top decile performance)
- Nuclear industry composite performance index (missed target)
- Service reliability (within the top quartile, but did not meet goal)
- Service reliability-interruption frequency (did not meet goal)
- Service reliability-number of interruptions per customer (exceeded goal)
- Employee safety (exceeded goal)
- Significant environmental violations (met goal)
- Customer satisfaction-residential (substantially met)
- Customer satisfaction-business (exceeded target)
- Obtain approval for generation additions (met goal)

The Company then calculated the corporate performance rating based on a weighting of 50% as measured by the financial matrix and 50% from the operational performance.

**Q: PLEASE DESCRIBE THE LONG-TERM INCENTIVE PLAN.**

A: The Long Term Incentive Plan provides performance-based equity awards to directors, officers, and other salaried employees. Stock-based compensation may be in the form of performance awards, performance-based restricted stock, and other stock awards, such as stock options. Prior to a plan amendment in 2009, the sole performance measure for the long-term incentive plan was the annual net income of FPL Group. Early this year, FPL requested shareholder approval to employ additional objectives equivalent to those approved by shareholders in 2008 for the Annual Incentive Plan.

**Q: WHAT IS THE PURPOSE OF THE LONG-TERM INCENTIVE PLAN?**

A: In its response to OPC's Second Request for Production of Documents, Question 53, which is FPL's April 3, 2009 proxy statement (B.S. 096736-096856), FPL noted that the purpose of its long-term incentive plan "is to promote the identity of interests between shareholders of FPL Group and employees of FPL Group and its subsidiaries by encouraging and creating significant ownership of FPL Group common stock by officers and other salaried employees of FPL Group and its subsidiaries…" (B.S. 096755)

**Q: DO YOU HAVE ANY CONCERNS WITH FPL'S INCENTIVE COMPENSATION PROJECTIONS FOR THE TEST YEARS?**

A: Yes. I have the following concerns over FPL's incentive compensation costs.

(1) FPL has included 100% of its executive incentive compensation in its calculation of payroll costs in MFR Schedule C-35. Determination of the executive incentive compensation is tied to increasing shareholder value and should be funded by those that benefit from the attainment of the goals and

objectives on which the compensation is determined. Therefore, shareholders should bear a portion of the executive incentive compensation.

(2) While FPL's filing is replete with concerns regarding the economy and its impacts on FPL's customers and service territory, as well as FPL's offered evidence as to its effect on the Company and its profitability, FPL continues to assume that the Company and its executives should be shielded from any impacts of the economy and should continue to enjoy "gold-plated" compensation packages at ratepayer expense.

(3) In developing the incentive compensation for the test years, FPL has assumed the attainment of performance objectives greater than target levels.

**Q: PLEASE EXPLAIN HOW THE EXECUTIVE COMPENSATION IS TIED TO SHAREHOLDER VALUE.**

A: As shown above, many of the performance measures are directly tied to the financial performance of FPL. Financial factors, such as those recognizing earnings, income, and shareholder returns recognize benefits that accrue to shareholders at ratepayer expense. For example, if FPL is able to reduce its costs without passing such benefits on to ratepayers, then the net income of the Company increases and allows the Company to demonstrate a higher level of financial performance.

**Q: IS THE COMPANY'S PROPOSED INCLUSION OF EXECUTIVE INCENTIVE COMPENSATION IN THE TEST YEAR REVENUE REQUIREMENT A FAIR TREATMENT OF RATEPAYERS?**

A: No. While the incentive payments are not guaranteed, the Company's proposed treatment of projected executive incentive compensation assumes that the costs will be incurred. If the Company's financial performance does not meet targets, then incentive compensation payments can be reduced and shareholders will retain the revenues paid by ratepayers in support of the avoided expense. The inclusion of the incentive payments in the revenue requirement is, therefore, a "cushion" to shield the shareholders from worse than expected financial performance. On the other hand, if the Company's financial performance exceeds targets, shareholders will have enjoyed the benefits of the financial performance but ratepayers will not be entitled to a refund or sharing of those benefits.

**Q: WHAT PORTION OF THE PERFORMANCE MEASURES WAS TIED TO THE FINANCIAL PERFORMANCE OF FPL IN 2008?**

A: As explained above, the performance goals are established for each plan year by the Compensation Committee. In 2008, FPL weighted the financial matrix 50% in calculating the corporate performance factor. The remaining 50% of the corporate performance factor was based on the operational factors listed above, which also included financial performance measures, such as net income, operating and maintenance expense levels, and regulatory return on equity. In addition, the CEO factor, while subjective and not disclosed, takes into account the business unit objectives, which historically have included financial performance measures. Therefore, over 50% of the overall factor applied to the target compensation for each executive was related to financial performance.

**Q: PLEASE EXPLAIN HOW FPL'S FILING ASSUMES THAT THE COMPANY AND ITS EXECUTIVES SHOULD BE SHIELDED FROM IMPACTS OF THE ECONOMY.**

A: FPL's filing requests an increase of approximately $1.044 billion, or 27%, in base rates. This increase reflects FPL's projected higher costs of providing service and recognizes reductions in sales and higher bad debt that FPL attributes to the economy. It also reflects the continuation of, and even increase over, executive incentive compensation that was provided in 2008 when FPL's excellent financial performance was used to establish incentive compensation levels. Therefore, while most competitive businesses are feeling the impacts of the economy and, in many cases, the impact is "flowing down" to their employees, FPL is requesting an increase that will shield it and its executives from impacts of the economy. For example, one major component of the rate increase requested by FPL is to make up for lost revenues associated with the economy. As a regulated monopoly, FPL's reaction to the economic crisis is opposite of the reaction that a competitive company would have if it lost revenues. The competitive company would have the incentive to cut prices and cut costs in order to survive in the down market. FPL, on the other hand, requests an increase in rates to cover the lost revenues, while continuing to offer executives lucrative compensation packages.

**Q: HAVE OTHER COMPANIES TAKEN ACTIONS TO REDUCE EXECUTIVE COMPENSATION?**

A: Yes. Watson Wyatt, one of the human resource consulting firms utilized by FPL, took a survey of large companies to understand what effect the economy is having on their executive pay programs. The results were published in a document called "Effect of the Economy on Executive Compensation Programs update: March 2009." In that document, Watson Wyatt noted that, since their December 2008 study, "more than half of respondents (55 percent) have frozen executive salaries, ten percent have reduced executive salaries, and annual incentive plans are declining." In addition, a greater number of companies were decreasing or delaying planned merit increases, reducing salaries, reducing target bonus and award opportunities, and reducing long-term incentive plan eligibility. Approximately 48% of the respondents noted that this year's bonus pool would decrease over last year's bonus pool, with an average decrease of 40%. Likewise, there was an increase in the number of companies reporting an expected decrease in 2009 long-term incentive grant dollar values.

In FPL's response to OPC's Request for Production of Documents No. 2, Question 53, FPL provided a presentation made on January 1, 2009. (B. S. 076238). In that presentation, FPL noted that based on external market findings more companies were rethinking merit budgets. This presentation included quotes from several leading corporations that specialize in employment compensation surveys. The results of the surveys indicated ranges of at least half to approximately three-fourths of responding companies are reducing salary spending and merit pay increases or are contemplating salary freezes due to the recent economic situations and/or cost pressures. Additionally, the presentation states that other peer electric companies are reducing their salary programs.

. Q: **WHAT ASSUMPTIONS DID FPL MAKE IN ESTIMATING ITS EXECUTIVE INCENTIVE COMPENSATION FOR THE TEST YEARS?**

A: Although the Company did not provide a breakdown of its Annual Incentive Compensation and Long-Term Incentive Plan awards between executives and non-executives for 2008, a review of the total costs for 2008 and the test years shows a significant increase in equity-based compensation. See Exhibit_(SLB-17).

Further, in its response to the Attorney General's First Set of Interrogatories, Interrogatory No. 8, the Company explained that it had used a projected payout level of 1.4 times the target level for executives and 1.3 times the target level for non-executives.

Q: **WHAT IS THE ASSUMPTION UNDERLYING A PAYOUT LEVEL OF 1.4 TIMES THE TARGET LEVEL?**

A: Using projected payout levels in excess of one (1) times the target level assumes that the Company will exceed its performance goals and that the target level of compensation will thus be exceeded.

**Q: WHAT IS THE COST OF THE EXECUTIVE INCENTIVE COMPENSATION IN THE TEST YEARS ASSOCIATED WITH THE ASSUMPTION THAT THE COMPANY WILL EXCEED ITS PERFORMANCE GOALS?**

A: Exhibit_(SLB-18) shows the portion of the cost of executive compensation in the Test Years associated with the assumption that the Company will exceed its performance goals. Exhibit__(SLB-18) shows the cost of the executive incentive compensation that is allocated to operating and maintenance expenses in the test years. If the payout factor assumed in developing the test year expenses was 1.4, then the portion of the test year expenses associated with the assumption that the Company will exceed its performance goals is equivalent to .4/1.4 of the projected expense. In 2010, the portion of the executive incentives related to exceeding the targets is $12.3 million and in 2011, the portion is $13.2 million.

**Q: WHAT PORTION OF FPL'S EXECUTIVE INCENTIVE COMPENSATION IS PROVIDED IN EQUITY?**

A: FPL has included $48,471,915 of executive incentive compensation in 2010, of which $36,159,414, or 75%, is stock-based compensation. In 2011, total executive compensation increases to $51,677,653, with $38,844,801, or 75%, in stock-based compensation.

**Q: IS FPL REQUIRED TO EXPENSE STOCK-BASED COMPENSATION?**

A: Yes. The Financial Accounting Standards Board ("FASB") issued Financial Accounting Standard ("FAS") 123R after much debate over the value of stock-based compensation. There were concerns that the comparability of financial statements was being impaired by varying treatment of stock-based compensation under previous accounting guidelines. Since there is obviously value provided to the employee receiving stock-based compensation, FAS 123R requires recognition of that value at the fair market value. The timing of recognition depends on the type of stock-based compensation and vesting.

**Q: HOW DOES THE STOCK-BASED COMPENSATION EXPENSE COMPARE TO OTHER EXPENSES INCLUDED IN THE REVENUE REQUIREMENT?**

A: Unless the Company is purchasing stock in the open market, there is no cash outlay. Other expenses require a cash outlay at some point in time. Current expenses are paid in the current year. Deferred or accrued expenses have either already been paid or are expected to be paid in the future. Even depreciation represents a return of cash previously invested in facilities. Stock-based compensation expense is a "paper" expense.

**Q: IS IT REASONABLE TO REQUIRE SHAREHOLDERS TO BEAR A PORTION OF THE EXECUTIVE COMPENSATION?**

A: Yes. Since a portion of the executive compensation is dependent upon financial performance, it could be viewed as a form of "profit sharing". In other words, if the financial performance benefits the shareholders, then the executives share in that benefit through the incentive program.

**Q: HAVE OTHER REGULATORY COMMISSIONS TAKEN ACTIONS TO LIMIT THE AMOUNT OF EXECUTIVE COMPENSATION INCLUDED IN THE DEVELOPMENT OF RATES?**

A: Yes. A limited review of recent cases revealed at least 20 cases since June, 2007 in which a state regulatory commission limited the amount of executive compensation included in the development of rates. Exhibit __(SLB-19) provides a listing of cases and the commission findings. Most of the findings were based on the conclusion that the excluded incentive compensation did not benefit ratepayers.

**Q: WHAT ARE YOU RECOMMENDING REGARDING THE COMPANY'S REQUESTED EXECUTIVE COMPENSATION FOR THE TEST YEARS?**

A: I am first recommending that the Commission reduce the levels of the executive Annual Incentive Compensation and Long-Term Incentive Pay to reflect a target payout ratio of one (1) times the target compensation. This is a reasonable assumption to make for a future test year, particularly a year in which the Company has represented that its return on equity will drop to 4.67% without the requested rate increase. I am then recommending that the Commission limit the executive Annual Incentive Plan payments and Long-Term Incentive stock awards to 50% of the projected costs remaining after the adjustment for the payout ratio. This adjustment fairly allocates costs between ratepayers and shareholders based on the performance criteria that FPL has historically applied. In making this adjustment, the Commission should also consider that the remaining amount included in the test year revenue requirements exceeds the portion of FPL's total executive compensation expected to be paid in cash.

**Q: WHAT IS THE REVENUE IMPACT OF YOUR RECOMMENDED ADJUSTMENTS TO EXECUTIVE INCENTIVE COMPENSATION?**

A: As shown in Exhibit_(SLB-20), the total jurisdictional revenue impact of my recommended adjustments to executive incentive compensation is $27.6 million in 2010 and $29.5 million in 2011.

**Non-Executive Incentive Compensation**

**Q: WHAT IS THE LEVEL OF NON-EXECUTIVE INCENTIVE COMPENSATION IN THE TEST YEARS?**

A: As shown in FPL's response to the Attorney General's Second Set of Interrogatories, Question No. 76, the Company has included Long-Term Incentive Payments to non-executives of $9.3 million and $10.9 million in the revenue requirements for 2010 and 2011, respectively.

**Q: DO YOU HAVE ANY CONCERNS ABOUT THE LEVEL OF NON-EXECUTIVE COMPENSATION INCLUDED IN THE TEST YEAR REVENUE REQUIREMENTS?**

A: Yes. For all the reasons stated in the previous section of my testimony on executive incentive compensation, the stock-based compensation for non-executives should be adjusted in the same manner. The payout ratio used for the non-executives was 1.3 times the target compensation; therefore, the adjustments would be as shown in Exhibit_(SLB-21). The total reduction in the jurisdictional revenue requirements associated with this adjustment is $5.7 million in 2010 and $6.7 million in 2011.

**Storm Damage**

**Q: HAS THE COMPANY PROPOSED AN ANNUAL ACCRUAL TO THE STORM DAMAGE RESERVE IN THIS CASE?**

A: Yes. As set form in the testimony of FPL's witness, Mr. Pimentel, FPL is proposing that the Commission establish an annual accrual in base rates of $150 million, with a target reserve level of $650 million. Mr. Pimentel outlines key policy considerations, which he lists as follows:

- Storm restoration costs are properly recoverable through the rates and charges of the Company.
- Each "generation" of customers should contribute to the storm costs, even if no storm strikes in a particular year.
- Pre-funding restoration costs to cover an extreme period of storm activity is likely to be economically inefficient; therefore, some mechanism to recovery prudently incurred costs that exceed the reserve is required.

**Q: SHOULD THE COMMISSION ALLOW FPL TO CHARGE $150 MILLION A YEAR TO RATEPAYERS TO BUILD UP THE STORM DAMAGE RESERVE AT THIS TIME?**

A: No. While Mr. Pimentel notes some key policy considerations, the balancing of generational ratepayer interests is extremely important in this case. FPL's customers are currently facing tough economic times. FPL's requested storm damage accrual of $150 million a year is over 14% of FPL's requested 27% increase in base rates. While it is not reasonable or feasible for customers to pay for storm costs in the year of occurrence and thus requires customers over several generations to provide revenues to cover such costs, the Commission must also recognize that current ratepayers are already paying a substantial amount to cover past storms, as well as replenishment of the storm reserve fund to over $200 million. In 2010, FPL anticipates storm recovery revenues of $93.957 million. Generational sharing of costs does not require pre-funding and may result in deferred cost recovery or securitization such as the current securitized bonds covered by the storm recovery surcharges.

**Q: DOES FPL BEAR THE RISK ASSOCIATED WITH THE LEVEL OF THE STORM DAMAGES COVERED BY THE RESERVE?**

A: No. Based on past Commission policy, the risk associated with the level of storm damages covered by the reserve falls to the ratepayers. The Commission recognized this in Order No. PSC-06-0464-FOF-EI, section 57, where it stated:

> "FPL proposed that its Reserve be replenished to a level of $650 million to be financed through storm-recovery bonds authorized in this proceeding. Intervenors support funding the Reserve to a level of between $0 and$200 million. The record clearly establishes that the level of FPL's Reserve has no impact on FPL's exposure to storms. Further, under the current approach to the recovery of storm restoration costs, the risk associated with a lower reserve level (i.e., the possibility of storm restoration costs exceeding the Reserve, leading to subsequent customer charges) and the risk associated with a higher reserve level (i.e., paying charges now for storm restoration costs that do not materialize) is completely borne by FPL's customers. The customers represented in this proceeding have made clear that they would rather pay to fund the Reserve to a lower level now and risk future rate volatility than pay to fund the Reserve to a higher level before future storm restoration costs have been incurred."

In the current case, the risks are still borne by the ratepayers. When viewed in light of the burden already placed on ratepayers to cover previous storm damages and reserve replenishment, it is reasonable to accept the risk of future storm damage and deny the proposed storm damage accrual.

**Q: WILL THE LACK OF A STORM DAMAGE RESERVE ACCRUAL CREATE UNREASONABLE GENERATIONAL INEQUITIES?**

A: No. As explained above, current customers are already paying for past storms and should not be doubly burdened by unknown future storms. To charge current customers for both historical and projected storms would actually cause an inequity to current ratepayers.

**Q: WHAT IS THE REVENUE IMPACT OF ELIMINATING THE COMPANY'S PROPOSED STORM DAMAGE ACCRUAL?**

A: The storm damage reserve is funded; therefore, there is no rate base impact for removal of the Company's proposed accrual. The jurisdictional revenue impact of eliminating the Company's proposed storm damage accrual is $149.162 million ($148.667 million less taxes of $57.348 million x revenue expansion factor of 1.63342.)

**Environmental Insurance Refund**

**Q: DID FPL RECEIVE A SUBSTANTIAL INSURANCE REFUND IN 2008?**

A: Yes. As explained in FPL's response to SFHHA's Second Set of Interrogatories, Question no. 101, Attachment 1, page 8 of 12, FPL received $43,817,952 from AEGIS in October, 2008. FPL explained that its site clean-up costs over the last decade were markedly lower than anticipated when the policy began in 1998 and that "it became apparent that maintaining the policy would not generate the financial benefit to FPL anticipated at the time of policy inception." FPL's 2008 SEC 10K also noted the decline in insurance costs for 2008, explaining that "the decline in insurance costs was primarily due to the termination by mutual agreement of an environmental insurance policy."

**Q: DID FPL PASS THIS REFUND THROUGH TO RATEPAYERS?**

A: I have not been able to find any evidence that this refund has been passed through to ratepayers. Account 924, Property Insurance, reflects the full credit in 2008. In the response to SFHHA's Second Set of Interrogatories, Question No. 101, FPL explained that the cost increase in 2009 property insurance was due to the lower property insurance cost booked in 2008 as a result of the payment from AEGIS.

**Q: SHOULD FPL PASS THIS REFUND THROUGH TO RATEPAYERS?**

A: Yes. FPL's rates have included the costs for property insurance and, as such, any refunds should be provided to ratepayers.

**Q: WHAT IS YOUR RECOMMENDATION FOR RETURNING THIS REFUND TO RATEPAYERS?**

A: If the associated cost of insurance has been included in the Environmental Cost Recovery Clause, I am recommending that the full amount be passed through to ratepayers immediately. In the alternative, assuming that the associated cost of insurance has been recovered through base rates, I am recommending that the Commission require amortization of this refund over a 5-year period beginning in 2010.

As explained in FPL witness, Ms. Ousdahl's testimony, at page 25, FPL petitioned the Commission for recovery of costs it had incurred associated with FPL's Glades Power Park ("FGPP"), which was subsequently cancelled. The Commission granted FPL recovery of these costs and allowed such recovery to be deferred and amortized over a five-year period beginning on January 1, 2010. My recommended deferral and amortization will then coincide with the Company's amortization of its $34.1 million of costs associated with cancellation. The unamortized balance would also be included in rate base as a regulatory liability.

**Q: WHAT IS THE REVENUE IMPACT OF THIS ADJUSTMENT?**

A: The revenue impact of this adjustment is $12.4 million in 2010 and $11.6 million in 2011. Detailed calculations of the adjustments are set forth on Exhibit__(SLB-22).

**<u>Nuclear End of Life Material and Supplies and Last Core</u>**

**Q: PLEASE DESCRIBE THE COMPANY'S PROPOSAL FOR ACCRUAL OF NUCLEAR END-OF-LIFE MATERIALS AND SUPPLIES AND LAST CORE NUCLEAR FUEL.**

A: At the time the Company shuts down each of its nuclear plants for decommissioning, it will have materials and supplies that must be written off and fuel that will be remaining in the last fuel core. The Company has established reserves to accrue the estimated costs of these materials and supplies and nuclear fuel. The estimated cost of unburned fuel at the end of the license for each unit was provided in response to OPC's Fourth Set of Interrogatories, Question No. 197. The estimated cost of the materials and supplies at the end of the life of each plant was provided in response to OPC's Fourth Set of Interrogatories, Question No. 198. FPL determined the amortization for each unit based on the life remaining before the end of the license, then subtracted the current accrual to determine the increase proposed in this case. Based on FPL's revised accrual rates, the proposed annual accrual for unamortized nuclear fuel is $10,806,325 and the proposed annual accrual for end-of-life materials and supplies is $1,209,228.

**Q: WHAT IS THE TOTAL EXPECTED COST OF UNBURNED FUEL AT THE TIME OF DECOMMISSIONING?**

A: The estimated cost of unburned fuel at the end of the license is $66.3 million for Turkey Point 3 in [270 months], $62.6 million for Turkey Point 4 in [279 months], $90.5 million for St. Lucie 1 in [314 months] and $108.9 million for St. Lucie 2 in [399 months].

**Q: WHAT IS THE EXPECTED COST OF MATERIALS AND SUPPLIES INVENTORY AT THE TIME OF DECOMMISSIONING?**

A: The expected cost of materials and supplies for the Turkey Point plant is $28.9 million in [279 months]. The expected cost of materials and supplies for FPL's share of the St. Lucie plant is $16.3 million in [399 months].

**Q: DO YOU HAVE ANY CONCERNS WITH THE CONTINUATION OF ACCRUALS FOR NUCLEAR END-OF-LIFE MATERIALS AND SUPPLIES AND LAST CORE NUCLEAR FUEL?**

A: Yes. While these are legitimate costs, they are related to the decommissioning of the nuclear plants at the end of the license lives. At this time, FPL's nuclear decommissioning funds are significantly over-funded by amounts far in excess of the amounts needed to cover the end-of-life materials and supplies and nuclear fuel. Exhibit__(SLB-23), page 1 of 6, provides a breakdown of the costs of decommissioning expected to be incurred in each year of the decommissioning process as compared to the expected level of decommissioning funds, based on FPL's most recent decommissioning study and current fund levels. As shown in Exhibit__(SLB-23), based on the latest cost estimates provided by FPL, the funds remaining at the end of the decommissioning cycles will be over $5.4 billion.

**Q: PLEASE EXPLAIN HOW YOU DETERMINED THE FUNDS THAT WILL BE REMAINING AT THE END OF THE DECOMMISSIONING CYCLES.**

A: FPL filed its last decommissioning study on December 12, 2005 (FPSC document 11591) and has not updated it at this time. In its response to OPC's Fourth Set of Interrogatories, Question No. 200, FPL provided the level of the decommissioning funds anticipated at December 31, 2009 and December 31, 2010. As shown in that response, FPL is assuming an earnings rate of 5.5% on both the qualified and unqualified funds. In FPL's 2005 decommissioning study, it used an earnings rate of 5% per year. Using the lower earnings rate of 5% and subtracting the annual nominal dollar decommissioning cost estimates from the decommissioning study results in a remaining fund balance of over $5.4 billion at the end of the decommissioning cycles.

**Q: CAN THE COMPANY USE THE REMAINING FUND BALANCES TO FUND THE END-OF-LIFE MATERIALS AND SUPPLIES AND NUCLEAR FUEL COSTS?**

A: At a minimum, FPL could accrue interest on its end-of-life materials and supplies and nuclear fuel balances from the beginning of decommissioning until the completion of decommissioning, at which time all funds should be released. However, given the magnitude of the excess decommissioning funding, the Commission should require FPL to investigate its options for utilizing the funds at an earlier point in time. While the qualified fund may have restrictions that prevent earlier utilization of the funds, the non-qualified fund may allow earlier withdrawals. The Commission should also determine whether the end-of-life materials and supplies and nuclear fuel balances can be classified as decommissioning costs and, thus, provide legitimate deductions against the funds at the end of the license lives. Lastly, a portion of the future decommissioning costs are anticipated to be covered by tax deductions that will be received in the years in which costs are charged to the non-qualified decommissioning funds. FPL should determine whether the full decommissioning costs could be covered by the qualified and non-qualified funds, while the tax savings are used to fund the end-of-life materials and supplies and nuclear fuel. As shown on Exhibit__(SLB-23), Page 4 of 6, if the end-of-life materials and supplies and last core nuclear fuel are taken out of the non-qualified fund balance, the qualified fund balance would be more than sufficient to cover the remaining decommissioning costs, with a remaining excess of $4.7 million at the end of decommissioning.

**Q: DIDN'T THE COMMISSION PREVIOUSLY DETERMINE THAT THE END-OF-LIFE MATERIALS AND SUPPLIES AND LAST CORE SHOULD BE ACCRUED SEPARATELY FROM DECOMMISSIONING?**

A: Yes. In Order No. PSC-02-0055-PAA-EI, the Commission noted a distinction between decommissioning costs and end-of-life materials and supplies and last core inventories, noting that the end-of-life inventories do not involve the removal of the plant facility. However, the Commission also noted that the inventories were similar to decommissioning in that both represent estimates of a future obligation that will not be incurred until the nuclear unit ceases operation. The Commission also agreed to amortize the obligation of the remaining life span of each nuclear unit to allocate the costs to those customers receiving the benefit of the nuclear generation and to avoid a burdensome expense at the time of unit shut down. The circumstances faced today justify a departure from the Commission's previous decision to allow amortization of the obligation over the remaining life of the nuclear units.

**Q: PLEASE EXPLAIN HOW THE CIRCUMSTANCES FACED TODAY JUSTIFY A DEPARTURE FROM THE COMMISSION'S PREVIOUS DECISION.**

A: At the time that the Commission decided to allow amortization of the end-of-life materials and supplies and last core inventories over the remaining life of the nuclear units, the nuclear decommissioning funds were not overfunded. The excess in the decommissioning funds has now grown to over $476 million. If current ratepayers are made to continue funding the end-of-life materials and supplies and last core inventories, in addition to the current excess decommissioning funds, the resulting generational inequities will be aggravated. It is thus reasonable to suspend any further accruals for the end-of-life materials and supplies and last core inventories.

**Q: DOES THE COMPANY HAVE ANY OTHER SOURCES TO FUND A PORTION OF THE END-OF-LIFE MATERIALS AND SUPPLIES AND LAST CORE INVENTORIES?**

A: Yes. In Order No. PSC-02-0055-PAA-EI, the Commission required FPL to begin amortizing $98,666,667 of nuclear amortization, noting that the annual amortization expense "will serve to offset the total annual expenses addressed in this order (nuclear decommissioning, EOL M&S, and Last Core)." (Page 29) The annual amortization of approximately $6.955 million began on May 1, 2002; therefore, the balance at December, 2009 should be $45.345 million. Since decommissioning is obviously overfunded already, this amount could be simply transferred to the end-of-life materials and supplies and last core reserve. This will reduce the remaining costs that will be needed from the excess decommissioning funds.

**Q: WHAT IS THE REVENUE IMPACT OF YOUR RECOMMENDED ADJUSTMENT?**

A: The revenue impact of my recommended adjustment is $4.9 million in 2010, as shown on Exhibit__(SLB-23), page 5 of 6 and $4.3 million in 2011 as shown on Exhibit__(SLB-23), page 6 of 6. This adjustment includes suspension of any further end-of-life materials and supplies and last core accruals, elimination of the nuclear amortization, and transfer of the remaining nuclear reserve to the end-of-life reserves for materials and supplies and last core.

**DOE Settlement**

Q: DOES FPL EXPECT TO RECEIVE A SETTLEMENT PAYMENT FROM THE DEPARTMENT OF ENERGY IN 2009?

A: Yes. FPL expects to receive a settlement payment of $9 million from DOE in 2009.

**Q: HOW IS FPL REFLECTING THIS SETTLEMENT PAYMENT FOR RATEMAKING PURPOSES?**

A: As with the AEGIS refund, it appears that FPL is using the credit to offset 2009 expenses, rather than passing this refund through to ratepayers. In its response to OPC's Second Request for Production of Documents, Question 20, FPL provided a breakdown of its expenses by FERC account. The $9 million DOE settlement payment was shown in file "R21000 Loc 10 BA to FERC Account.xls" and reflected a $5.76 million credit to Account 524-Miscellaneous Nuclear Power Expenses, a credit of $2.16 million to Account 530-Maintenance of Reactor Plant, and a credit of $1.08 million to Account 517-Nuclear Operation Supervision and Engineering. In its response to SFHHA's Second Set of Interrogatories, Question No. 118, FPL also reflected this credit as one of the major factors affecting the variance in administrative expenses from 2008 to 2009.

**Q: SHOULD FPL PASS THIS SETTLEMENT PAYMENT THROUGH TO RATEPAYERS?**

A: Yes. As with the AEGIS refund, the DOE settlement payment is not a recurring payment and is in settlement of issues relating to costs incurred in earlier years that were paid by the ratepayers. FPL should thus pass this settlement payment through to ratepayers. Since DOE settlement payments are typically included as an offset to fuel costs, I have not made any adjustments to the Test Year revenue requirements. I am recommending that the settlement be used to reduce fuel costs in 2009.

**<u>Revenue Impacts of Adjustments from Other OPC Witnesses</u>**

**Q: HAVE YOU CALCULATED THE REVENUE IMPACTS OF THE ADJUSTMENTS RECOMMENDED BY THE OTHER OPC WITNESSES?**

A: Yes. I have calculated the revenue impacts of the adjustments recommended by OPC's witnesses Mr. Jacob Pous, Ms. Kimberly Dismukes, and Dr. Randy Woolridge.

**Q: PLEASE DESCRIBE THE ADJUSTMENTS PROVIDED BY OPC WITNESS MR. JACOB POUS.**

A: Mr. Pous has recommended a reduction in FPL's depreciation expenses for the Test Years. Although Mr. Pous identifies a $2.7 billion excess in the accumulated depreciation accounts, he is recommending a 4-year amortization of $1.25 billion of that amount, with $314.223 million applied to the other accounts for which FPL requested accelerated amortization of certain capital recovery items and $931.137 million amortized to reduce depreciation expenses over the 4-year period.

**Q: WHAT IS THE REVENUE IMPACT OF THE ADJUSTMENTS PROPOSED BY MR. POUS?**

A: Exhibit__(SLB-24), page 1 of 2 sets forth the 2010 adjustments, which reduce the Test Year revenue requirements by $531.277 million. The calculation of the reduction in revenue requirements includes the allocation of the functional depreciation expense reductions to the retail jurisdiction, the associated decrease in accumulated depreciation, and the associated changes to accumulated deferred income taxes and the capital structure. The reduction includes Mr. Pous' recommended amortization of the $1.25 billion portion of the excess depreciation reserve, with a portion going to eliminate FPL's proposed accelerated amortization and the remainder going to reduce depreciation expense. In addition, the adjustment includes the associated changes in accumulated depreciation, accumulated deferred income taxes, and the capital structure.

Exhibit__(SLB-24), page 2 of 2 sets forth the 2011 adjustments, which reduce the 2011 Test Year revenue requirements by $506.956 million.

**Q: WHAT IS THE REVENUE IMPACT OF THE ADJUSTMENTS RECOMMENDED BY MS. DISMUKES?**

A: In order to maintain confidentiality of the data, Ms. Dismukes provided a single jurisdictional adjustment incorporating all of the various adjustments outlined in her testimony. The jurisdictional revenue impact of those adjustments is a reduction in revenue requirements of $13.891 million in 2010 and $18.042 million in 2011.

**Q: HAVE YOU CALCULATED THE REVENUE IMPACT OF THE COST OF CAPITAL ADJUSTMENTS RECOMMENDED BY DR. WOOLRIDGE?**

A: Yes. As shown on Exhibit__(SLB-25), Page 1 of 2, the revenue impact of the adjustments proposed by Dr. Woolridge is $508.496 million in the 2010 Test Year. As shown on Exhibit__(SLB-25), Page 2 of 2, the revenue impact of the adjustments proposed by Dr. Woolridge is $563.901 million in 2011.

**<u>Revenue Impact of Consolidated Adjustments Proposed by OPC's Witnesses</u>**

Q: HAVE YOU DETERMINED THE REVENUE IMPACTS OF THE COMBINED ADJUSTMENTS RECOMMENDED BY THE OPC WITNESSES?

A: Yes. Exhibit__(SLB-26) sets forth the results of the 2010 consolidated cost of service study reflecting all of the adjustments proposed by the OPC witnesses. Those adjustments include:

1) The change in capital structure, cost rates, and return on equity recommended by Dr. Woolridge;
2) The consolidated adjustments proposed by Ms. Dismukes;
3) The reduction in depreciation expense, the transfer of a portion of the depreciation reserve excess to cover FPL's requested accelerated amortization of capital recovery items, the amortization of the remaining amount of depreciation reserve excess recommended by Mr. Pous over a 4-year period, and the associated changes to the accumulated depreciation and accumulated deferred income taxes;

4) My recommended adjustments including reallocation of transmission revenues and loads, reduction in total bad debt expense, with total bad debt expense included in base rates, increase in late payment fee revenues, increase in the load forecast and associated revenues, reduction in payroll expenses associated with unfilled positions with an offset for additional overtime, reduction in executive incentive compensation, reduction in non-executive incentive compensation, elimination of the accrual for end-of-life materials and supplies and last core nuclear fuel, elimination of the nuclear amortization and transfer of the balance to the end-of-life materials and supplies and last core nuclear fuel reserves, and elimination of the Company's proposed storm damage accrual.

As shown on Exhibit__(SLB-26), page 1 of 2, the total jurisdictional revenue impact of the proposed adjustments is $1.332 billion and the resulting revenue requirement is a base rate revenue *decrease* of $363.7 million for the 2010 Test Year.

Exhibit__(SLB-26), page 2 of 2, provides the results of the 2011 consolidated cost of service study reflecting all the adjustments included in the 2010 consolidated cost of service study plus an adjustment to add back the investment and costs associated with the West County Energy Center Unit 3, which were removed by the Company for recovery through the GBRA. The total jurisdictional revenue impact of the proposed adjustments is $1.315 billion and the resulting revenue requirement is a base rate revenue *decrease* of $85.263 million for the 2011 Test Year.

**Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

A. Yes.

CERTIFICATE OF SERVICE
DOCKET NO. 080677-EI & 090130-EI

I HEREBY CERTIFY that a copy of the foregoing Direct Testimony of Sherrie L. Brown has been furnished by U.S. Mail on the 16th day of July, 2009.

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Sheree L. Brown
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| | |
|---|---|
| *Professional Registration* | Certified Public Accountant |
| *Education* | B.S. in Accounting<br>University of West Florida<br>Pensacola, Florida<br><br>M.B.A.<br>University of Central Florida<br>Orlando, Florida |

| | | |
|---|---|---|
| *Professional and Business History* | Utility Advisors' Network, Inc. | 2004-Present |
| | AEIS/SVBK CONSULTING GROUP | 1985 - 2004 |
| | R.W. Beck & Associates | 1981 – 1985 |

*Professional Experience*

Ms. Brown has extensive experience in financial, management, and regulatory consulting for utilities and utility consumers. She has assisted clients in the development of feasibility studies, financing arrangements, and supply contracts for utility projects; power supply negotiations, analyses, and contract development; audit of utility contracts; development of retail rate studies, cost of service studies, and revenue requirements; deregulation planning; strategic planning; valuation; and representation in litigated regulatory proceedings.

Ms. Brown has provided expert testimony on behalf of clients on such issues as stranded cost calculation and recovery, market pricing, and public policy. In participating in deregulation proceedings, Ms. Brown has been responsible for the preparation of comments to regulatory commissions regarding policy issues on restructuring. She has participated in technical conferences held to set policy issues and assisted legal counsel in the preparation of legal positions regarding previous rate agreements and other agreements entered into relevant to the proceedings. In her experience, Ms. Brown has been responsible for the development of methodologies for determining and recovering interim stranded costs. Ms. Brown has also been called on to participate in panel discussions before the regulators regarding the many issues relative to the deregulation of the electric industry.

*Professional Experience-continued*

Ms. Brown has developed qualified aggregation programs and participated in public workshops to encourage eligible businesses and residents to participate in municipal aggregation programs. Ms. Brown has negotiated and evaluated power supply arrangements for municipal electric systems, universities, and retail aggregation programs. Such negotiations have included joint ownership arrangements, block power purchases combined with supplemental partial requirements, formula rate contracts, economy purchases, full requirements and partial requirements combined with self-generation.

Ms. Brown has evaluated the economic feasibility of renewable energy resources, including hydroelectric, landfill gas, municipal solid waste, and wind power facilities. Evaluation of renewable energy resources has included the development of partnership models to allocate the tax benefits associated with Production Tax Credits. She has evaluated the economic feasibility of peaking generating facilities. She has also negotiated terms and conditions for selling renewable energy and peaking power.

Ms. Brown has extensive experience in wholesale and retail ratemaking and has represented numerous municipal, cooperative, university, and regulatory clients in proceedings before the Federal Energy Regulatory Commission and various state and local commissions. She has negotiated the settlement of rate cases and has presented expert testimony as a witness in litigated proceedings. As an expert witness, Ms. Brown has presented testimony on revenue requirement issues, cost-of-service studies and allocation methodologies, rate design, merger impacts, utility valuations, and terms and conditions of service, as well as stranded costs and deregulation policies.

*Regulatory/Legal Appearances*

Federal Energy Regulatory Commission ("FERC")
Arkansas Public Service Commission ("APSC")
Connecticut Department of Public Utility Control ("CDPUC")
Council of the City of New Orleans ("CCNO")
Florida Public Service Commission ("FPSC")
Georgia Public Service Commission ("GPSC")
Illinois Commerce Commission ("ICC")
Louisiana Public Service Commission ("LPSC")
Massachusetts Department of Telecommunications & Energy ("DTE")
Minnesota Public Utilities Commission ("MPUC")
New Hampshire Public Utilities Commission ("NHPUC")

*Regulatory/Legal Appearances-Cont.*

North Carolina Utilities Commission ("NCUC")
Texas Public Utilities Commission ("TPUC")
Circuit Court, Ninth Judicial Circuit, Orange County, Florida
Circuit Court, Eighteenth Judicial Circuit, Seminole County, Florida

*Papers, Publications, and Presentations*

"Determining the Value of Your Municipal Utility" – Presented to the Florida Municipal Electric Association and Florida Municipal Power Agency Annual Conference, 2003.

"Municipalization/Franchise Evaluation" - Presented to the Tri-County League of Cities, Casselberry, Florida, January 2001.

"Opportunities and Challenges: Managing Energy Costs in a Deregulated Environment" - Presented to the Dallas Chapter of the National Association of Purchasing Managers, Dallas, Texas, October, 2000.

"Unbundling - Identifying Strategies for a Smooth Transition to Competition" - Presented at the South Carolina Association of Municipal Power Systems Annual Conference, Hilton Head, South Carolina, June, 1999.

"Preparing for Deregulation - Understanding Electric Restructuring Issues Affecting Local Government" - Presented at the Taking Control of Your Destiny: Assessing the Impact of Electric Utility Industry Deregulation on Local Government Conference, Minneapolis, Minnesota, June, 1999.

"Electric Restructuring and Utilities Deregulation: A Facility Manager's Guide" - Coauthor with the APPA Energy Task Force, The Association of Higher Education Facilities Managers, Alexandria, Virginia, 1998.

"Utilities and You: A New Playing Field" - Presented at the U.S. Department of Energy Rebuild America 1998 Annual Conference, San Antonio, Texas, March 1998.

"Preparing for Deregulation in the Electric Utility Industry" - Presented at the Municipal Association of South Carolina 1998 Winter Meeting, Columbia, South Carolina, February, 1998.

*Papers, Publications, and Presentations-Continued*

"Electric Utility Deregulation" - Presented at the South Carolina Association of Municipal Power Systems Annual Event, Columbia, South Carolina, April 1997.

"Problems & Solutions in Retail Implementation: An Overview of Issues in Electric Utility Restructuring" - Presented at the Energy Awareness: Competition in Electricity in South Carolina Conference, Columbia, South Carolina, March 1997.

"Municipalization of Electric Utility Systems Seminar" - Presented to the Municipal Association of South Carolina, Columbia, South Carolina, August 1996.

*Professional and Business Affiliations*

American Institute of Certified Public Accountants

**Florida Power & Light Company**
**2010 Cost of Service Analysis**

| | Summary | Total Jurisdiction |
|---|---|---|
| 1 | Sales of Electricity | 3,920,872 |
| 2 | Other Operating Revenues | 193,854 |
| 3 | Total Operating Revenues | 4,114,726 |
| | Expenses | |
| 4 | Operating and Maintenance Expenses | 1,721,872 |
| 5 | Depreciation and Amortization | 1,075,371 |
| 6 | Taxes Other Than Income Taxes | 350,371 |
| 7 | Amortization of Property Losses | (1,107) |
| 8 | Gain or Loss on Sale of Plant | (1,002) |
| 9 | Total Expenses before Income Taxes | 3,145,505 |
| 10 | Net Operating income before taxes | 969,221 |
| 11 | Less Taxes | 243,337 |
| 12 | Net Operating Income after taxes | 725,884 |
| | Rate Base | |
| 13 | Plant in Service | 28,288,078 |
| 14 | Accumulated Depreciation | (12,590,520) |
| 15 | Net Plant in Service | 15,697,558 |
| 16 | Plant Held for Future Use | 74,503 |
| 17 | Construction Work in Progress | 707,531 |
| 18 | Net Nuclear Fuel | 374,733 |
| 19 | Working Capital-assets | 3,393,194 |
| 20 | Working Capital-liabilities | (3,183,925) |
| 21 | Total Rate Base | 17,063,594 |
| 22 | Return on Rate Base | 4.25% |
| 23 | Proposed Return on Rate Base | 8.00% |
| 24 | Deficiency at Proposed Return | 638,862 |
| 25 | Revenue Expansion Factor | 1.63342 |
| 26 | Revenue Deficiency at Proposed Return | 1,043,533 |
| 27 | Less Increase in Miscellaneous Service Fees | 75,328 |
| 28 | Revenue Deficiency to be collected from Sales Revenues | 968,205 |
| 29 | Revenue Deficiency per Base Case | 968,207 |
| 30 | Revenue Impact of Adjustments | (2) |

**Florida Power & Light Company**
**2011 Cost of Service Analysis**

| | Summary | Total Jurisdiction |
|---|---|---|
| 1 | Sales of Electricity | 3,974,909 |
| 2 | Other Operating Revenues | 200,116 |
| 3 | Total Operating Revenues | 4,175,025 |
| | Expenses | |
| 4 | Operating and Maintenance Expenses | 1,810,193 |
| 5 | Depreciation and Amortization | 1,139,655 |
| 6 | Taxes Other Than Income Taxes | 393,042 |
| 7 | Amortization of Property Losses | (697) |
| 8 | Gain or Loss on Sale of Plant | (951) |
| 9 | Total Expenses before Income Taxes | 3,341,242 |
| 10 | Net Operating income before taxes | 833,783 |
| 11 | Less Taxes | 171,014 |
| 12 | Net Operating Income after taxes | 662,769 |
| | Rate Base | |
| 13 | Plant in Service | 29,599,964 |
| 14 | Accumulated Depreciation | (13,306,981) |
| 15 | Net Plant in Service | 16,292,983 |
| 16 | Plant Held for Future Use | 71,453 |
| 17 | Construction Work in Progress | 772,484 |
| 18 | Net Nuclear Fuel | 408,125 |
| 19 | Working Capital-assets | 3,473,468 |
| 20 | Working Capital-liabilities | (3,138,102) |
| 21 | Total Rate Base | 17,880,411 |
| 22 | Return on Rate Base | 3.71% |
| 23 | Proposed Return on Rate Base | 8.18% |
| 24 | Deficiency at Proposed Return | 800,206 |
| 25 | Revenue Expansion Factor | 1.63256 |
| 26 | Revenue Deficiency at Proposed Return | 1,306,381 |
| 27 | Less Increase in Miscellaneous Service Fees | 76,367 |
| 28 | Revenue Deficiency to be collected from Sales Revenues | 1,230,014 |
| 29 | Revenue Deficiency per Base Case *[1]* | 1,230,014 |
| 30 | Revenue Impact of Adjustments | 0 |

***NOTES:***

*[1]* *The revenue deficiency per Schedule E-1 is $1,229,876. This number was adjusted to remove rounding differences between Exhibit__(SLB-2) and FPL's Schedule E-1.*

**Florida Power & Light Company**
**Transmission Allocation Adjustment**
**Summary of Transmission Revenues**



| Type of Service | Description |
|---|---|
| FNO | Firm Network Service for Others |
| FNS | Firm Network Transmission Service for Self |
| LFP | Long-Term Firm Point-to-Point Transmission Service |
| OLF | Other Long-Term Firm Transmission Service |
| SFP | Short-Term Firm Point-to-Point Transmission Reservation |
| NF | Non-Firm Transmission Service |
| OS | Other Transmission Service |
| AD | Out-of-Period Adjustments |

| | Per FPL 2008 FERC Form 1 | | | | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Type of Service | Customer (payment by) | Total Revenues | Capacity Revs | Bill MW | Revenues [1] | Estimated MW [2] | Revenues [1] | Estimated MW [2] | Revenues [1] | Estimated MW [2] |
| NF | Combined multiple customers | $ 6,342,789 | | | | | | | | |
| AD | Combined multiple customers | $ 2,653,405 | | | | | | | | |
| SFP | Combined multiple customers | $ 634,710 | | | | | | | | |
| OS | DeSoto County Generating Company | $ (2,394) | | | | | | | | |
| | Florida Municipal Power Agency | $ 871,587 | | | | | | | | |
| | New Hope Power Partnership | $ 21,934 | | | | | | | | |
| | Brevard Energy, LLC | $ 8,400 | | | | | | | | |
| | Florida Municipal Power Agency | $ 7,200 | | | | | | | | |
| | Georgia Pacific Corporation | $ 738,094 | | | | | | | | |
| | Metro-Dade County | $ 13,458 | | | | | | | | |
| | Oleander Power Project, LP | $ 28,800 | | | | | | | | |
| | Seminole Energy, LLC | $ 14,400 | | | | | | | | |
| | MM Tomoka Farms LLC | $ 39,907 | | | | | | | | |
| | WM Renewable Energy LLC | $ 14,400 | | | | | | | | |
| | Subtotal Non-firm or short-term | $ 11,386,690 | $ 14,518,842 | | $ 3,204,067 | | $ 3,204,067 | | $ 3,204,067 | |
| LFP | Florida Municipal Power Agency | $ 143,705 | $ 140,258 | 120 | | | | | | |
| | Florida Municipal Power Agency | $ 47,902 | $ 46,753 | 36 | | | | | | |
| | Florida Municipal Power Agency | $ 121,855 | $ 118,939 | 96 | | | | | | |
| | Florida Municipal Power Agency | $ (1,371) | | | | | | | | |
| | Florida Municipal Power Agency | $ 303,823 | $ 298,625 | 252 | | | | | | |
| | Georgia Transmission Corporation | $ (526,445) | $ 76,551 | 5 | | | | | | |
| | City of Homestead Utilities | $ 439,273 | $ 435,888 | 30 | | | | | | |
| | Metro-Dade County Resource Recovery | $ 874,231 | $ 871,776 | 720 | | | | | | |
| | Orlando Utilities Commission | $ 759,916 | $ 757,237 | 624 | | | | | | |
| | Subtotal Long-Term Firm Point-to-Point | $ 2,162,889 | $ 2,746,027 | 1,883 | $ 2,739,147 | | $ 2,811,795 | | $ 2,811,795 | |
| FNO | Florida Municipal Power Agency | $ 6,883,096 | $ 9,686,080 | 7,317 | $ 11,288,878 | | $ 11,480,962 | | $ 11,671,560 | |
| | Seminole Electric Cooperative, Inc | $ 11,332,541 | $ 10,176,898 | 12,603 | $ 12,676,051 | | $ 9,886,189 | | $ 10,669,736 | |
| | Lee County Electric Cooperative | $ - | $ - | | $ - | | $ 3,117,804 | | $ 3,171,707 | |
| | City of Key West | $ - | $ - | | | | | | | |
| | Subtotal Firm Network Service for Others | $ 18,215,637 | $ 19,862,978 | 19,920 | $ 23,964,929 | | $ 24,484,955 | | $ 25,513,003 | |
| OLF | City of New Smyrna | $ 74,568 | $ 74,568 | 252 | $ 73,956 | | $ 73,956 | | $ 73,956 | |
| | **TOTAL** | **$ 31,839,784** | **$ 37,202,415** | **22,055** | **$ 29,982,099** | | **$ 30,574,773** | | **$ 31,602,821** | |
| | **TOTAL FIRM ONLY** | $ 20,453,094 | $ 22,683,573 | 22,055 | $ 26,778,032 | | $ 27,370,706 | | $ 28,398,754 | |

[1] Revenues for 2009-2011 were taken from FPL's response to OPC's Second Request for Production of Documents, Question 12, file: Revised 2009-2011_Transmission Revenue_Forecast_FNR.
[2] MWs were left at 2008 levels for purposes of cost of service allocations.

**Florida Power & Light Company**
**Transmission Allocation Adjustment-2010 Revenue Impact**

| | Summary | Total Jurisdiction |
|---|---|---|
| 1 | Sales of Electricity | 3,920,872 |
| 2 | Other Operating Revenues | 160,253 |
| 3 | Total Operating Revenues | 4,081,125 |
| | Expenses | |
| 4 | Operating and Maintenance Expenses | 1,711,659 |
| 5 | Depreciation and Amortization | 1,064,935 |
| 6 | Taxes Other Than Income Taxes | 350,212 |
| 7 | Amortization of Property Losses | (1,108) |
| 8 | Gain or Loss on Sale of Plant | (1,002) |
| 9 | Total Expenses before Income Taxes | 3,124,696 |
| 10 | Net Operating income before taxes | 956,429 |
| 11 | Less Taxes | 240,170 |
| 12 | Net Operating Income after taxes | 716,259 |
| | Rate Base | |
| 13 | Plant in Service | 27,909,477 |
| 14 | Accumulated Depreciation | (12,449,215) |
| 15 | Net Plant in Service | 15,460,262 |
| 16 | Plant Held for Future Use | 70,392 |
| 17 | Construction Work in Progress | 692,567 |
| 18 | Net Nuclear Fuel | 374,733 |
| 19 | Working Capital-assets | 3,386,193 |
| 20 | Working Capital-liabilities | (3,182,728) |
| 21 | Total Rate Base | 16,801,419 |
| 22 | Return on Rate Base | 4.26% |
| 23 | Proposed Return on Rate Base | 8.00% |
| 24 | Deficiency at Proposed Return | 627,518 |
| 25 | Revenue Expansion Factor | 1.63342 |
| 26 | Revenue Deficiency at Proposed Return | 1,025,004 |
| 27 | Less Increase in Miscellaneous Service Fees | 75,328 |
| 28 | Revenue Deficiency to be collected from Sales Revenues | 949,676 |
| 29 | Revenue Deficiency per Base Case | 968,207 |
| 30 | Revenue Impact of Adjustments | (18,531) |

**Florida Power & Light Company**
**Transmission Allocation Adjustment-2010**
**Recalculation of FPL 101 Allocation Factor**

| | | | Wholesale FPL Calc | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Component** | **FPL Calculated Company Total** | **Total Retail** | **FKEC CONTRACT** | **Key West CONTRACT** | **MDCSWM** | **SEMINOLE** | **LCEC** | **Total FPL Calc Wholesale** |
| FPL101 CP_12 | | 16,724,419.749 | 96,730.170 | 46,276.270 | 1,314.000 | 0.000 | 209,167.917 | 353,488.357 |
| ADJ_CP12 | | | 0.000 | -46,276.270 | 0.000 | 0.000 | 0.000 | -46,276.270 |
| ADJ_CP12-2 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| ADJ_CP12-3 | | | 0.000 | 0.000 | 0.000 | 0.000 | -209,167.920 | -209,167.920 |
| KW_TRANS | | | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | |
| *KW_EXP_TR* | | | *1.031* | *1.031* | 1.031 | 1.031 | 1.031 | |
| **Transmission 12CP at Generator** | 332,528.690 | 231,490.055 | 99,684.506 | 0.000 | 1,354.132 | 0.000 | -0.004 | 101,038.635 |
| CP_12 | | 16,724,419.749 | 96,730.170 | 46,276.270 | 1,314.000 | 0.000 | 209,167.917 | 353,488.357 |
| KW_PRI | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| KW_EXP_PR | | | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | |
| **Primary 12CP at Generator** | 335,422.628 | 335,422.628 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| CP_12 | | 16,724,419.749 | 96,730.170 | 46,276.270 | 1,314.000 | 0.000 | 209,167.917 | 353,488.357 |
| KW_SEC | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| KW_EXP_SEC | | | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | |
| **Secondary 12CP at Generator** | 17,570,226.004 | 17,570,226.004 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Transmission 12CP at Generator | | 231,490.055 | 99,684.506 | 0.000 | 1,354.132 | 0.000 | -0.004 | 101,038.635 |
| Primary 12CP at Generator | | 335,422.628 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Secondary 12CP at Generator | | 17,570,226.004 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Average of the 12 Months CP Demand** | 18,238,177.322 | 18,137,138.687 | 99,684.506 | 0.000 | 1,354.132 | 0.000 | -0.004 | 101,038.635 |
| FPL 101 Factor | | **99.4460%** | | | | | | |

| | | | Wholesale Re-Calc | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Component** | **FPL Calculated Company Total** | **Total Retail** | **FKEC CONTRACT** | **Key West CONTRACT** | **MDCSWM** | **SEMINOLE** | **LCEC** | **FNO FMPA** | **FNO SEMINOLE** | **LFP FMPA** | **LFP eorgia Tran (** | **LFP Homestead** | **LFP Metro-Dade CR#** | **LFP OUC** | **OLF New Smyrna** | **Total FPL Calc Wholesale** |
| **Revised Factor** | | | | | | | | | | | | | | | | |
| CP_12 | | 16,724,419.749 | 96,730.170 | 46,276.270 | 1,314.000 | 0.000 | 209,167.917 | 609,750.000 | 1,050,250.000 | 42,000.000 | 416.667 | 2,500.000 | 60,000.000 | 52,000.000 | 21,000.000 | 2,191,405.023 |
| ADJ_CP12 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| *ADJ_CP12-2* | | | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* | *0.000* |
| ADJ_CP12-3 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| KW_TRANS | | | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | |
| KW_EXP_TR | | | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | 1.031 | |
| **Transmission 12CP at Generator** | 2,489,825.041 | 231,490.055 | 99,684.506 | 47,689.641 | 1,354.132 | 0.000 | 215,556.330 | 628,373.004 | 1,082,326.769 | 43,282.765 | 429.393 | 2,576.355 | 61,832.522 | 53,588.186 | 21,641.383 | 2,258,334.986 |
| CP_12 | | 16,724,419.749 | 96,730.170 | 46,276.270 | 1,314.000 | 0.000 | 209,167.917 | 609,750.000 | 1,050,250.000 | 42,000.000 | 416.667 | 2,500.000 | 60,000.000 | 52,000.000 | 21,000.000 | 2,191,405.023 |
| KW_PRI | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| KW_EXP_PR | | | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | |
| **Primary 12CP at Generator** | 335,422.628 | 335,422.628 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| CP_12 | | 16,724,419.749 | 96,730.170 | 46,276.270 | 1,314.000 | 0.000 | 209,167.917 | 609,750.000 | 1,050,250.000 | 42,000.000 | 416.667 | 2,500.000 | 60,000.000 | 52,000.000 | 21,000.000 | 2,191,405.023 |
| KW_SEC | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| KW_EXP_SEC | | | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | 1.086 | |
| **Secondary 12CP at Generator** | 17,570,226.004 | 17,570,226.004 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Transmission 12CP at Generator | | 231,490.055 | 99,684.506 | 47,689.641 | 1,354.132 | 0.000 | 215,556.330 | 628,373.004 | 1,082,326.769 | 43,282.765 | 429.393 | 2,576.355 | 61,832.522 | 53,588.186 | 21,641.383 | 2,258,334.986 |
| Primary 12CP at Generator | | 335,422.628 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Secondary 12CP at Generator | | 17,570,226.004 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Average of the 12 Months CP Demand** | 20,395,473.673 | 18,137,138.687 | 99,684.506 | 47,689.641 | 1,354.132 | 0.000 | 215,556.330 | 628,373.004 | 1,082,326.769 | 43,282.765 | 429.393 | 2,576.355 | 61,832.522 | 53,588.186 | 21,641.383 | 2,258,334.986 |
| **Revised FPL101 Factor** | | **88.927%** | | | | | | | | | | | | | | |

**Florida Power & Light Company**
**Transmission Allocation Adjustment-2011 Revenue Impact**

| | Summary | Total Jurisdiction |
|---|---|---|
| 1 | Sales of Electricity | 3,974,909 |
| 2 | Other Operating Revenues | 165,488 |
| 3 | Total Operating Revenues | 4,140,397 |
| | Expenses | |
| 4 | Operating and Maintenance Expenses | 1,800,526 |
| 5 | Depreciation and Amortization | 1,128,885 |
| 6 | Taxes Other Than Income Taxes | 392,883 |
| 7 | Amortization of Property Losses | (698) |
| 8 | Gain or Loss on Sale of Plant | (951) |
| 9 | Total Expenses before Income Taxes | 3,320,645 |
| 10 | Net Operating income before taxes | 819,752 |
| 11 | Less Taxes | 167,607 |
| 12 | Net Operating Income after taxes | 652,145 |
| | Rate Base | |
| 13 | Plant in Service | 29,206,548 |
| 14 | Accumulated Depreciation | (13,153,553) |
| 15 | Net Plant in Service | 16,052,995 |
| 16 | Plant Held for Future Use | 67,694 |
| 17 | Construction Work in Progress | 749,869 |
| 18 | Net Nuclear Fuel | 408,125 |
| 19 | Working Capital-assets | 3,466,357 |
| 20 | Working Capital-liabilities | (3,136,943) |
| 21 | Total Rate Base | 17,608,097 |
| 22 | Return on Rate Base | 3.70% |
| 23 | Proposed Return on Rate Base | 8.18% |
| 24 | Deficiency at Proposed Return | 788,550 |
| 25 | Revenue Expansion Factor | 1.63256 |
| 26 | Revenue Deficiency at Proposed Return | 1,287,352 |
| 27 | Less Increase in Miscellaneous Service Fees | 76,367 |
| 28 | Revenue Deficiency to be collected from Sales Revenues | 1,210,985 |
| 29 | Revenue Deficiency per Base Case *[1]* | 1,230,014 |
| 30 | Revenue Impact of Adjustments | (19,029) |

***NOTES:***

*[1] The revenue deficiency per Schedule E-1 is $1,229,876. This number was adjusted to remove rounding differences between Exhibit__(SLB-2) and FPL's Schedule E-1.*

Florida Power & Light Company
Transmission Allocation Adjustment-2011
Recalculation of FPL 101 Allocation Factor

FPSC Docket No. 080677-EI
Transmission Allocation Adjustment
Exhibit__(SLB-3)
Page 5 of 5

| | Component | FPL Calculated Company Total | Total Retail | Wholesale FPL Calc: FKEC CONTRACT | Key West CONTRACT | MDCSWM | SEMINOLE | LCEC | Total FPL Calc Wholesale |
|---|---|---|---|---|---|---|---|---|---|
| FPL101 | CP_12 | | 16,908,128.916 | 96,821.130 | 46,276.270 | 1,314.000 | 0.000 | 212,784.250 | 357,195.650 |
| | ADJ_CP12 | | | 0.000 | -46,276.270 | 0.000 | 0.000 | 0.000 | -46,276.270 |
| | ADJ_CP12-2 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | ADJ_CP12-3 | | | 0.000 | 0.000 | 0.000 | 0.000 | -212,784.250 | -212,784.250 |
| | KW_TRANS | | | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | |
| | KW_EXP_TR | | | 1.030 | 1.030 | 1.030 | 1.030 | 1.030 | |
| | **Transmission 12CP at Generator** | **333,182.383** | **232,056.229** | **99,772.105** | **0.000** | **1,354.049** | **0.000** | **0.000** | **101,126.154** |
| | CP_12 | | 16,908,128.916 | 96,821.130 | 46,276.270 | 1,314.000 | 0.000 | 212,784.250 | 357,195.650 |
| | KW_PRI | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| | KW_EXP_PR | | | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | |
| | **Primary 12CP at Generator** | **341,930.272** | **341,930.272** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** |
| | CP_12 | | 16,908,128.916 | 96,821.130 | 46,276.270 | 1,314.000 | 0.000 | 212,784.250 | 357,195.650 |
| | KW_SEC | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| | KW_EXP_SEC | | | 1.085 | 1.085 | 1.085 | 1.085 | 1.085 | |
| | **Secondary 12CP at Generator** | **17,757,382.015** | **17,757,382.015** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** |
| | Transmission 12CP at Generator | | 232,056.229 | 99,772.105 | 0.000 | 1,354.049 | 0.000 | 0.000 | 101,126.154 |
| | Primary 12CP at Generator | | 341,930.272 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Secondary 12CP at Generator | | 17,757,382.015 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | **Average of the 12 Months CP Demand** | **18,432,494.671** | **18,331,368.517** | **99,772.105** | **0.000** | **1,354.049** | **0.000** | **0.000** | **101,126.154** |

| | Component | FPL Calculated Company Total | Total Retail | Wholesale Re-Calc: FKEC CONTRACT | Key West CONTRACT | MDCSWM | SEMINOLE | LCEC |
|---|---|---|---|---|---|---|---|---|
| FPL101 | CP_12 | | 16,908,128.916 | 96,821.130 | 46,276.270 | 1,314.000 | 0.000 | 212,784.250 |
| | ADJ_CP12 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | ADJ_CP12-2 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | ADJ_CP12-3 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | KW_TRANS | | | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| | KW_EXP_TR | | | 1.030 | 1.030 | 1.030 | 1.030 | 1.030 |
| | **Transmission 12CP at Generator** | **2,494,072.549** | **232,056.229** | **99,772.105** | **47,686.707** | **1,354.049** | **0.000** | **219,269.621** |
| | CP_12 | | 16,908,128.916 | 96,821.130 | 46,276.270 | 1,314.000 | 0.000 | 212,784.250 |
| | KW_PRI | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | KW_EXP_PR | | | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 |
| | **Primary 12CP at Generator** | **341,930.272** | **341,930.272** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** |
| | CP_12 | | 16,908,128.916 | 96,821.130 | 46,276.270 | 1,314.000 | 0.000 | 212,784.250 |
| | KW_SEC | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | KW_EXP_SEC | | | 1.085 | 1.085 | 1.085 | 1.085 | 1.085 |
| | **Secondary 12CP at Generator** | **17,757,382.015** | **17,757,382.015** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** |
| | Transmission 12CP at Generator | | 232,056.229 | 99,772.105 | 47,686.707 | 1,354.049 | 0.000 | 219,269.621 |
| | Primary 12CP at Generator | | 341,930.272 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Secondary 12CP at Generator | | 17,757,382.015 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | **Average of the 12 Months CP Demand** | **20,593,384.836** | **18,331,368.517** | **99,772.105** | **47,686.707** | **1,354.049** | **0.000** | **219,269.621** |
| | **Jurisdictional Factor, Adjusted** | ***0.89015811*** | | | | | | |

| | Component | FNO FMPA | FNO SEMINOLE | LFP SMPA | LFP eorgia Tran ( | LFP Homestead | LFP Metro-Dade CRR | LFP OUC | OLF New Smyrna | Total FPL Calc Wholesale |
|---|---|---|---|---|---|---|---|---|---|---|
| FPL101 | CP_12 | 609,750.000 | 1,050,250.000 | 42,000.000 | 416.667 | 2,500.000 | 60,000.000 | 52,000.000 | 21,000.000 | 2,195,112.317 |
| | ADJ_CP12 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | ADJ_CP12-2 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | ADJ_CP12-3 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | KW_TRANS | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | |
| | KW_EXP_TR | 1.030 | 1.030 | 1.030 | 1.030 | 1.030 | 1.030 | 1.030 | 1.030 | |
| | **Transmission 12CP at Generator** | **628,334.341** | **1,082,260.175** | **43,280.102** | **429.366** | **2,576.197** | **61,828.717** | **53,584.888** | **21,640.051** | **2,262,016.320** |
| | CP_12 | 609,750.000 | 1,050,250.000 | 42,000.000 | 416.667 | 2,500.000 | 60,000.000 | 52,000.000 | 21,000.000 | 2,195,112.317 |
| | KW_PRI | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| | KW_EXP_PR | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | 1.056 | |
| | **Primary 12CP at Generator** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** |
| | CP_12 | 609,750.000 | 1,050,250.000 | 42,000.000 | 416.667 | 2,500.000 | 60,000.000 | 52,000.000 | 21,000.000 | 2,195,112.317 |
| | KW_SEC | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| | KW_EXP_SEC | 1.085 | 1.085 | 1.085 | 1.085 | 1.085 | 1.085 | 1.085 | 1.085 | |
| | **Secondary 12CP at Generator** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** |
| | Transmission 12CP at Generator | 628,334.341 | 1,082,260.175 | 43,280.102 | 429.366 | 2,576.197 | 61,828.717 | 53,584.888 | 21,640.051 | 2,262,016.320 |
| | Primary 12CP at Generator | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Secondary 12CP at Generator | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | **Average of the 12 Months CP Demand** | **628,334.341** | **1,082,260.175** | **43,280.102** | **429.366** | **2,576.197** | **61,828.717** | **53,584.888** | **21,640.051** | **2,262,016.320** |

**FPSC Docket 080677-EI**
**Increase in Transmission Costs**
**Exhibit__(SLB-4)**

**Florida Power & Light**
**Increase in Transmission Costs- 1999 to 2010**

| Revenue Requirement Component | 1999[1] | 2010[2] | Percent Increase |
|---|---|---|---|
| Transmission Plant | 2,210,151,331 | 3,556,597,000 | 60.92% |
| Less Accumulated Depreciation | 967,516,473 | 1,405,058,000 | 45.22% |
| Net Plant | 1,242,634,858 | 2,151,539,000 | 73.14% |
| | | | |
| Depreciation Expense | 49,108,504 | 99,663,000 | 102.94% |
| Transmission O&M Expenses | 47,450,555 | 74,416,000 | 56.83% |
| | | | |
| Associated Revenue Requirement [3] | 258,938,629 | 455,228,347 | 75.81% |

[1] Data taken from FPL's 1999 FERC Form 1.
[2] Data taken from FPL's 2010 Test Year.
[3] Assumes 8% return on rate base and 1.63342 revenue expansion factor.
[4] Analysis performed to test reasonableness of revenue deficiency. Not all transmission- related expenses were included.

**FPSC Docket 080677-EI**
**Uncollectible Accounts Adjustment**
**Exhibit__(SLB-5)**

**Florida Power & Light Company**
**Incremental Write-Off Savings Due to Automatic Bill Payments**

| Line | Calculation of ABP Increase | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 [2] | 2011[2] |
|---|---|---|---|---|---|---|---|---|
| 1 | Year end estimated number of ABP Customers [1] | 8,676 | 21,808 | 50,128 | 81,013 | 109,527 | 128802.011 | 151469.117 |
| 2 | Percent Increase | | 151.36% | 129.86% | 61.61% | 35.20% | 17.60% | 17.60% |
| 3 | Estimated savings per account per year[1] | $ 8.97 | $ 18.44 | $ 19.71 | $ 19.71 | $ 19.71 | $ 19.71 | $ 19.71 |
| 4 | Estimated total write-off savings | $ 77,805 | $ 402,144 | $ 987,942 | $ 1,596,625 | $ 2,158,588 | $ 2,538,688 | $ 2,985,456 |
| 5 | 2008 Savings reflected in Write-off regression [3] | | | | $ 1,064,417 | | | |
| 6 | Incremental savings | | | | | $ 1,094,171 | $ 1,474,271 | $ 1,921,040 |
| 7 | Incremental Savings used by FPL [1] | | | | | $ 561,963 | $ 561,963 | $ 561,963 |
| 8 | Additional savings | | | | | $ 532,208 | $ 912,308 | $ 1,359,077 |

| Line | RCS Avoided Write-offs [4] | 2007 | 2008 | 2010 | 2011 |
|---|---|---|---|---|---|
| 9 | Residential Write-offs avoided (50%) 5] | $ 8,566,526 | $ 11,624,517 | | |
| 10 | Deployment of 20% | | | $ 1,713,305 | $ 4,038,209 |

Notes:
[1] Per the response to OPC's Second POD No. 12.
[2] Increase in ABP customers is assumed to be one-half of the 2009 increase rate.
[3] Regression used actual data from January through August. Assume 8/12 of the annual savings.
[4] Per the response to OPC's Second POD No. 12, file "OPC's 2nd POD No 12 - FPL 131322 - Write_off_with_RCS_in_2010.xls.
[5] Residential write-offs in 2007 were $17,133,052 and total write-offs were $19,439,085. This relationship was applied to 2008 write-offs of $26,378,250.

**FPSC Docket 080677-EI**
**Uncollectible Accounts Expense**
**Exhibit__(SLB-6)**

**Florida Power & Light Company**
**Revenue Impact of Proposed Adjustments to Uncollectible Accounts Expense**

| Line | Description | 2008 E/A | 2009 | 2010 | | 2011 | |
|---|---|---|---|---|---|---|---|
| 1 | Rev 12MOE Dec | 11,338,091,362 | 11,563,677,400 | 12,003,993,341 | | 12,774,402,027 | |
| 2 | Rev 12MOE Aug | 11,263,415,980 | 11,636,266,164 | 11,834,906,031 | | 12,505,161,419 | |
| 3 | Net Write-offs (Regression Frcsts) | 26,550,024 | 27,422,024 | 24,534,447 | | 24,091,925 | |
| 4 | RCS Bus Case Net WO Savings | | 0 | -383,506 | | -2,607,692 | |
| 5 | ABP Savings | | -532,208 | -912,308 | | -1,359,077 | |
| 6 | Net WOs Adj'd for RCS Savings | 26,550,024 | 26,889,816 | 23,238,633 | | 20,125,156 | |
| 7 | Reg Prov Adj'ts | 3,443,830 | -2,200 | -1,167,595 | | -1,197,920 | |
| 8 | Other Prov Adj'ts | 85,884 | 0 | 0 | | 0 | |
| 9 | UAR | 30,079,738 | 26,887,616 | 22,071,038 | | 18,927,237 | |
| | Net WO Rate Excl RCS Savings | | | | | | |
| 10 | Unlagged Rev | 0.234% | 0.237% | 0.204% | | 0.189% | |
| 11 | Lagged Rev | 0.236% | 0.236% | 0.207% | | 0.193% | |
| | Net WO Rate Adj'd for RCS Savings | | | | | | |
| 12 | Unlagged Rev | 0.234% | 0.233% | 0.194% | | 0.158% | |
| 13 | Lagged Rev | 0.236% | 0.231% | 0.196% | | 0.161% | |
| 14 | Adjusted Revenue per Schedule C-4 (440-446, 451) | | | $ 10,855,881,000 | | $ 11,200,662,000 | |
| 15 | Clause Revenues | | | $ 6,882,890,000 | | $ 7,107,281,000 | |
| 16 | Base Rate Revenues | | | $ 3,972,991,000 | | $ 4,093,381,000 | |
| 17 | Revised Net Write-off | | | $ 21,015,993 | | $ 17,645,842 | |
| 18 | Revised UAR | | | $ 19,848,397 | | $ 16,447,922 | |
| 19 | Amount allocated to Base Rates | | | $ 7,264,035 | | $ 6,011,039 | |
| 20 | Amount allocated to Base Rates per FPL | | | $ 9,432,000 | | $ 7,855,000 | |
| 21 | Adjustment | | | $ (2,167,965) | | $ (1,843,961) | |
| | Change to Revenue Expansion Factor | | | Base Case | Revised | Base Case | Revised |
| 22 | Revenue Requirement | | | 1 | 1 | 1 | 1 |
| 23 | Regulatory Assessment Rate | | | 0.00072 | 0.00072 | 0.00072 | 0.00072 |
| 24 | Bad Debt Rate | | | 0.0026 | 0.00194 | 0.00207 | 0.00158 |
| 25 | Net before Income Taxes | | | 0.99668 | 0.997344091 | 0.99721 | 0.997704572 |
| 26 | State Income Tax | | | 0.0548174 | 0.054853925 | 0.05484655 | 0.054873751 |
| 27 | Federal Income Tax | | | 0.32965191 | 0.329871558 | 0.329827208 | 0.329990787 |
| 28 | Revenue Expansion Factor | | | 0.61221069 | 0.612618608 | 0.612536243 | 0.612840033 |
| 29 | Net Operating Income Multiplier | | | 1.63342 | 1.63234 | 1.63256 | 1.63175 |
| | Recalculation of Revenue Deficiency | | | | | | |
| 30 | Net Operating Income after taxes | | | 725,883,909 | $ 727,215,582 | $ 662,776,000 | $ 663,908,653 |
| 31 | Rate Base | | | $ 17,063,590,000 | $ 17,063,590,000 | $ 17,880,402,000 | $ 17,880,402,000 |
| 32 | Return on Rate Base | | | 4.25% | 4.26% | 3.71% | 3.71% |
| 33 | Proposed Return on Rate Base | | | 8.00% | 8.00% | 8.18% | 8.18% |
| 34 | Deficiency at Proposed Return | | | $ 638,862,019 | $ 637,530,346 | $ 799,840,884 | $ 798,708,230 |
| 35 | Revenue Expansion Factor | | | 1.63342 | 1.63234 | 1.63256 | 1.63175 |
| 36 | Revenue Deficiency at Proposed Return | | | $ 1,043,532,936 | $ 1,040,664,351 | $ 1,305,785,402 | $ 1,303,289,908 |
| 37 | Less Increase in Miscellaneous Service Fees | | | $ 75,328 | $ 75,329 | $ 76,367 | $ 76,367 |
| 38 | Revenue Deficiency to be collected from Sales Revenues | | | $ 1,043,457,608 | $ 1,040,589,022 | $ 1,305,709,035 | $ 1,303,213,541 |
| 39 | Total Adjustment | | | | $ (2,868,586) | | $ (2,495,494) |

[1] Data from FPL revised write-off data as of 12/1/08.

***Florida Power & Light Company***
***Late Payment Fee Revenue History***

| Description | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Late Payment Fees | $ 14,796,398 | $ 15,430,793 | $ 20,589,233 | $ 31,714,558 | $ 40,952,490 |
| % increase in late payment fees | | 4.29% | 33.43% | 54.03% | 29.13% |
| Total Revenues | $ 8,316,768,568 | $ 9,165,782,468 | $ 11,439,146,375 | $ 11,288,921,800 | $ 11,369,857,191 |
| % late payment fees | 0.178% | 0.168% | 0.180% | 0.281% | 0.360% |
| Number of late payments | | 5,962,290 | | 9,568,322 | 12,075,690 |
| Annual increase in number of late payments | | | | 26.68% | 26.20% |
| Total Customer Bills | | 53,704,369 | | 53,907,201 | 54,123,876 |
| % late customer bills | | 11.10% | 12.00% | 17.75% | 22.31% |

| Month | 2006 | 2007 | | | | | | 2008 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | LPC Count % | LPC Rev | Revenue | LPC Rev % | LPC Count | Cust Base | LPC Count % | LPC Rev | Revenues | LPC Rev % | LPC Count | Cust Base | LPC Count % |
| Jan | 10.2% | $ 1,425,551 | $883,980,319 | 0.161% | 490,717 | 4,457,161 | 11.0% | 2,893,369 | 884,776,946 | 0.327% | 877,955 | 4,509,032 | 19.5% |
| Feb | 10.9% | 1,527,079 | 912,494,076 | 0.167% | 513,120 | 4,465,732 | 11.5% | 2,672,017 | 783,640,969 | 0.341% | 885,059 | 4,512,537 | 19.6% |
| March | 10.9% | 1,416,492 | 796,419,313 | 0.178% | 537,301 | 4,476,835 | 12.0% | 2,632,825 | 781,116,477 | 0.337% | 924,850 | 4,519,123 | 20.5% |
| April | 11.3% | 1,401,782 | 787,838,041 | 0.178% | 556,208 | 4,488,392 | 12.4% | 2,588,195 | 806,684,257 | 0.321% | 944,509 | 4,519,652 | 20.9% |
| May | 11.7% | 1,519,794 | 796,867,961 | 0.191% | 576,806 | 4,493,310 | 12.8% | 2,860,593 | 886,252,315 | 0.323% | 1,021,539 | 4,518,324 | 22.6% |
| June | 11.6% | 2,339,322 | 878,994,052 | 0.266% | 822,447 | 4,494,060 | 18.3% | 3,009,719 | 1,040,027,892 | 0.289% | 954,361 | 4,514,164 | 21.1% |
| July | 12.4% | 3,050,469 | 970,040,659 | 0.314% | 929,995 | 4,497,400 | 20.7% | 3,583,698 | 1,039,986,382 | 0.345% | 1,015,635 | 4,514,262 | 22.5% |
| Aug | 12.4% | 3,587,792 | 1,089,263,664 | 0.329% | 958,606 | 4,502,735 | 21.3% | 3,809,521 | 1,108,349,429 | 0.344% | 1,029,135 | 4,509,574 | 22.8% |
| Sept | 13.0% | 3,927,078 | 1,100,689,464 | 0.357% | 1,010,881 | 4,508,215 | 22.4% | 4,350,996 | 1,179,575,935 | 0.369% | 1,069,843 | 4,507,318 | 23.7% |
| Oct | 13.7% | 4,153,067 | 1,150,188,079 | 0.361% | 1,042,387 | 4,507,674 | 23.1% | 4,467,776 | 1,042,538,010 | 0.429% | 1,085,291 | 4,503,137 | 24.1% |
| Nov | 13.7% | 3,982,696 | 1,020,493,064 | 0.390% | 1,080,901 | 4,507,737 | 24.0% | 4,123,446 | 868,146,905 | 0.475% | 1,100,759 | 4,498,960 | 24.5% |
| Dec | 12.0% | 3,383,436 | 901,653,108 | 0.375% | 1,048,953 | 4,507,950 | 23.3% | 3,960,335 | 948,761,674 | 0.285% | 1,166,754 | 4,497,793 | 25.9% |
| | 12.0% | $ 31,714,558 | $11,288,921,800 | 0.281% | 9,568,322 | 4,492,267 | 17.7% | $ 40,952,490 | $ 11,369,857,191 | 0.360% | 12,075,690 | 4,510,323 | 22.3% |

**Florida Power & Light Company**
**2010 Revenue Adjustment for Late Payment Fees**

***2010 - Late Payment Charge - Forecasted FPL Calculation***

| Month | 2010 Forecasted Customer Base | LPC Cust % | LPC Count as a % of Customer Base | $10 LPC Count No Elasticity | Write-off 2% rate | $10 Count Net of Write-offs | w/ 30% Behavior Change | >$10 Count | Write-off Rate | >$10 Count Net of Write-offs | Total Count | 2010 LPC Count | 2010 LPC Rev[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | 4,534,707 | 19.5% | 882,954 | 857,302 | (17,146) | 840,156 | 588,109 | 25,652 | (513) | 25,139 | 613,248 | 613,248 | $6,629,910 |
| Feb | 4,542,393 | 19.6% | 890,915 | 869,436 | (17,389) | 852,047 | 596,433 | 21,479 | (430) | 21,049 | 617,482 | 617,482 | $6,713,146 |
| Mar | 4,546,312 | 20.5% | 930,414 | 910,294 | (18,206) | 892,088 | 624,461 | 20,121 | (402) | 19,718 | 644,180 | 644,180 | $7,014,115 |
| Apr | 4,545,359 | 20.9% | 949,881 | 931,117 | (18,622) | 912,494 | 638,746 | 18,764 | (375) | 18,389 | 657,135 | 657,135 | $7,099,814 |
| May | 4,543,942 | 22.6% | 1,027,331 | 1,007,072 | (20,141) | 986,931 | 690,852 | 20,259 | (405) | 19,854 | 710,705 | 710,705 | $7,656,278 |
| Jun | 4,545,245 | 21.1% | 960,932 | 939,527 | (18,791) | 920,737 | 644,516 | 21,405 | (428) | 20,977 | 665,492 | 665,492 | $7,246,398 |
| Jul | 4,543,766 | 22.5% | 1,022,273 | 995,881 | (19,918) | 975,964 | 683,175 | 26,392 | (528) | 25,864 | 709,038 | 709,038 | $7,757,395 |
| Aug | 4,547,680 | 22.8% | 1,037,831 | 1,007,520 | (20,150) | 987,370 | 691,159 | 30,311 | (606) | 29,705 | 720,864 | 720,864 | $7,900,004 |
| Sep | 4,549,227 | 23.7% | 1,079,790 | 1,041,342 | (20,827) | 1,020,515 | 714,361 | 38,448 | (769) | 37,679 | 752,040 | 752,040 | $8,363,538 |
| Oct | 4,552,230 | 24.1% | 1,097,123 | 1,055,265 | (21,105) | 1,034,160 | 723,912 | 41,858 | (837) | 41,021 | 764,933 | 764,933 | $8,676,972 |
| Nov | 4,561,993 | 24.5% | 1,116,181 | 1,077,432 | (21,549) | 1,055,883 | 739,118 | 38,750 | (775) | 37,975 | 777,093 | 777,093 | $8,464,365 |
| Dec | 4,572,249 | 25.9% | 1,186,068 | 1,149,209 | (22,984) | 1,126,225 | 788,358 | 36,859 | (737) | 36,122 | 824,479 | 824,479 | $9,154,839 |
| | 4,548,759 | 22.3% | 12,181,694 | 11,841,397 | (236,828) | 11,604,569 | 8,123,199 | 340,297 | (6,806) | 333,491 | 8,456,689 | 8,456,689 | $92,676,774 |

***2010 - Late Payment Charge - Forecasted ADJUSTED Calculation***

| Month | 2010 Forecasted Customer Base | LPC Cust % | LPC Count as a % of Customer Base | $10 LPC Count No Elasticity | Write-off 2% rate | $10 Count Net of Write-offs | w/ 30% Behavior Change | >$10 Count | Write-off Rate | >$10 Count Net of Write-offs | Total Count | 2010 LPC Count | 2010 LPC Rev[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | 4,534,707 | 20.0% | 907,992 | 881,613 | n/a | 881,613 | n/a | 26,379 | n/a | 26,379 | 907,992 | 907,992 | $9,697,438 |
| Feb | 4,542,393 | 20.0% | 909,531 | 887,604 | n/a | 887,604 | n/a | 21,928 | n/a | 21,928 | 909,531 | 909,531 | $9,613,892 |
| Mar | 4,546,312 | 20.0% | 910,316 | 890,630 | n/a | 890,630 | n/a | 19,686 | n/a | 19,686 | 910,316 | 910,316 | $9,664,539 |
| Apr | 4,545,359 | 20.0% | 910,125 | 892,146 | n/a | 892,146 | n/a | 17,979 | n/a | 17,979 | 910,125 | 910,125 | $9,623,389 |
| May | 4,543,942 | 20.0% | 909,841 | 891,900 | n/a | 891,900 | n/a | 17,942 | n/a | 17,942 | 909,841 | 909,841 | $9,655,816 |
| Jun | 4,545,245 | 20.0% | 910,102 | 889,830 | n/a | 889,830 | n/a | 20,273 | n/a | 20,273 | 910,102 | 910,102 | $9,687,814 |
| Jul | 4,543,766 | 20.0% | 909,806 | 886,318 | n/a | 886,318 | n/a | 23,488 | n/a | 23,488 | 909,806 | 909,806 | $9,775,284 |
| Aug | 4,547,680 | 20.0% | 910,590 | 883,995 | n/a | 883,995 | n/a | 26,595 | n/a | 26,595 | 910,590 | 910,590 | $9,813,901 |
| Sep | 4,549,227 | 20.0% | 910,900 | 878,465 | n/a | 878,465 | n/a | 32,435 | n/a | 32,435 | 910,900 | 910,900 | $9,986,728 |
| Oct | 4,552,230 | 20.0% | 911,501 | 876,725 | n/a | 876,725 | n/a | 34,776 | n/a | 34,776 | 911,501 | 911,501 | $10,184,062 |
| Nov | 4,561,993 | 20.0% | 913,456 | 881,744 | n/a | 881,744 | n/a | 31,712 | n/a | 31,712 | 913,456 | 913,456 | $9,874,919 |
| Dec | 4,572,249 | 20.0% | 915,509 | 887,058 | n/a | 887,058 | n/a | 28,451 | n/a | 28,451 | 915,509 | 915,509 | $10,123,243 |
| | 4,548,759 | 20.0% | 10,929,671 | 10,628,028 | - | 10,628,028 | - | 301,643 | - | 301,643 | 10,929,671 | 10,929,671 | $117,701,025 |

***Adjustment Required:*** ***$25,024,251***

**Florida Power & Light Company**
**2011 Revenue Adjustment for Late Payment Fees**

***2011 - Late Payment Charge - Forecasted FPL Calculation***

| Month | 2011 Forecasted Customer Base | LPC Cust % | Count as a % of Customer Base | $10 LPC Count No Elasticity | Write-off 2% rate | $10 Count Net of Write-offs | w/ 30% Behavior Change | >$10 Count | Write-off Rate | >$10 Count Net of Write-offs | Total Count | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | LPC Count | LPC Rev[2] |
| Jan | 4,582,628 | 19.5% | 892,285 | 866,362 | (17,327) | 849,035 | 594,324 | 25,923 | (518) | 25,404 | 619,729 | 619,729 | $6,692,059 |
| Feb | 4,592,847 | 19.6% | 900,810 | 879,093 | (17,582) | 861,511 | 603,058 | 21,717 | (434) | 21,283 | 624,341 | 624,341 | $6,779,394 |
| Mar | 4,599,849 | 20.5% | 941,371 | 921,013 | (18,420) | 902,593 | 631,815 | 20,358 | (407) | 19,950 | 651,765 | 651,765 | $7,087,650 |
| Apr | 4,601,332 | 20.9% | 961,578 | 942,583 | (18,852) | 923,731 | 646,612 | 18,996 | (380) | 18,616 | 665,227 | 665,227 | $7,178,471 |
| May | 4,599,777 | 22.6% | 1,039,954 | 1,019,447 | (20,389) | 999,058 | 699,341 | 20,508 | (410) | 20,097 | 719,438 | 719,438 | $7,741,168 |
| Jun | 4,601,931 | 21.1% | 972,916 | 951,245 | (19,025) | 932,220 | 652,554 | 21,672 | (433) | 21,238 | 673,792 | 673,792 | $7,326,779 |
| Jul | 4,603,168 | 22.5% | 1,035,637 | 1,008,901 | (20,178) | 988,723 | 692,106 | 26,737 | (535) | 26,202 | 718,308 | 718,308 | $7,846,708 |
| Aug | 4,609,123 | 22.8% | 1,051,853 | 1,021,133 | (20,423) | 1,000,710 | 700,497 | 30,721 | (614) | 30,106 | 730,603 | 730,603 | $7,993,386 |
| Sep | 4,612,635 | 23.7% | 1,094,841 | 1,055,857 | (21,117) | 1,034,739 | 724,318 | 38,984 | (780) | 38,205 | 762,522 | 762,522 | $8,463,107 |
| Oct | 4,617,285 | 24.1% | 1,112,801 | 1,070,345 | (21,407) | 1,048,938 | 734,257 | 42,456 | (849) | 41,607 | 775,864 | 775,864 | $8,780,423 |
| Nov | 4,629,104 | 24.5% | 1,132,601 | 1,093,282 | (21,866) | 1,071,416 | 749,991 | 39,320 | (786) | 38,533 | 788,525 | 788,525 | $8,573,097 |
| Dec | 4,641,406 | 25.9% | 1,204,008 | 1,166,592 | (23,332) | 1,143,260 | 800,282 | 37,416 | (748) | 36,668 | 836,950 | 836,950 | $9,274,083 |
| | 4,607,590 | 22.3% | 12,340,657 | 11,995,851 | (239,917) | 11,755,934 | 8,229,154 | 344,806 | (6,896) | 337,910 | 8,567,064 | 8,567,064 | $93,736,325 |

***2011 - Late Payment Charge - Forecasted ADJUSTED Calculation***

| Month | 2011 Forecasted Customer Base | LPC Cust % | LPC Count as a % of Customer Base | $10 LPC Count No Elasticity | Write-off 2% rate | $10 Count Net of Write-offs | w/ 30% Behavior Change | >$10 Count | Write-off Rate | >$10 Count Net of Write-offs | Total Count | 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | LPC Count | LPC Rev[2] |
| Jan | 4,582,628 | 20.0% | 917,588 | 890,930 | n/a | 890,930 | n/a | 26,658 | n/a | 26,658 | 917,588 | 917,588 | $9,844,316 |
| Feb | 4,592,847 | 20.0% | 919,634 | 897,462 | n/a | 897,462 | n/a | 22,171 | n/a | 22,171 | 919,634 | 919,634 | $9,757,452 |
| Mar | 4,599,849 | 20.0% | 921,036 | 901,118 | n/a | 901,118 | n/a | 19,918 | n/a | 19,918 | 921,036 | 921,036 | $9,815,630 |
| Apr | 4,601,332 | 20.0% | 921,333 | 903,132 | n/a | 903,132 | n/a | 18,200 | n/a | 18,200 | 921,333 | 921,333 | $9,776,030 |
| May | 4,599,777 | 20.0% | 921,021 | 902,859 | n/a | 902,859 | n/a | 18,162 | n/a | 18,162 | 921,021 | 921,021 | $9,810,317 |
| Jun | 4,601,931 | 20.0% | 921,453 | 900,927 | n/a | 900,927 | n/a | 20,525 | n/a | 20,525 | 921,453 | 921,453 | $9,846,908 |
| Jul | 4,603,168 | 20.0% | 921,700 | 897,905 | n/a | 897,905 | n/a | 23,795 | n/a | 23,795 | 921,700 | 921,700 | $9,946,744 |
| Aug | 4,609,123 | 20.0% | 922,893 | 895,939 | n/a | 895,939 | n/a | 26,954 | n/a | 26,954 | 922,893 | 922,893 | $9,992,697 |
| Sep | 4,612,635 | 20.0% | 923,596 | 890,709 | n/a | 890,709 | n/a | 32,887 | n/a | 32,887 | 923,596 | 923,596 | $10,182,434 |
| Oct | 4,617,285 | 20.0% | 924,527 | 889,254 | n/a | 889,254 | n/a | 35,273 | n/a | 35,273 | 924,527 | 924,527 | $10,395,702 |
| Nov | 4,629,104 | 20.0% | 926,894 | 894,715 | n/a | 894,715 | n/a | 32,178 | n/a | 32,178 | 926,894 | 926,894 | $10,069,083 |
| Dec | 4,641,406 | 20.0% | 929,357 | 900,476 | n/a | 900,476 | n/a | 28,881 | n/a | 28,881 | 929,357 | 929,357 | $10,333,762 |
| | 4,607,590 | 20.0% | 11,071,031 | 10,765,427 | - | 10,765,427 | - | 305,604 | - | 305,604 | 11,071,031 | 11,071,031 | $119,771,078 |

***Adjustment Required: $26,034,753***

Notes:
[1] Information taken from FPL's response to OPC's Second Request for Production of Documents, Question No. 12, file "LPC Forecast $10 01262009.xls".
[2] FPL estimates of late payment fees for customers >$10 was based on the charges for 2008, per the file "LPC query results.xls" multiplied by 98%.
Revised estimates for 2010 and 2011 were based on the percentage increase in the number of customers subject to the late payment charges and the percent change in total revenue for the year.

**FPSC Docket 080677-EI**
**Late Payments-Revenue Expansion Factor**
**Exhibit__(SLB-8)**

***Florida Power & Light Company***
***Adjustments to Revenue Expansion Factor for Late Payment Charges***

| Line No | Detail | Amount | |
|---|---|---|---|
| | **Late Payment Revenue Adder** | | |
| 1 | Total Customers per *Late Payment Query.xls* (Oct'07-Sep'08) | 11,957,058 | |
| 2 | Customers with late payments <=$10 (Oct'07-Sep'08) | 11,634,410 | |
| 3 | Customers with payments >$10 | 322,648 | |
| 4 | Late Payment revenues associated with customers with payments >$10 (Oct'07-Sep'08) | $ 10,028,545 | |
| 5 | Associated Gross Revenue (Line 4 / .015) | $ 668,569,667 | |
| 6 | Revenue per *LPC Forecast $10 01262009.xls* (Oct'07-Sep'08) | $ 11,582,744,853 | |
| 7 | Percent Revenues Subject to 1.5% late fee | 5.772% | |
| 8 | Late fee at 1.5% | 0.08658% | |
| | **Change to Revenue Expansion Factor** | **2010** | **2011** |
| 9 | Revenue Requirement | 100.0000% | 100.0000% |
| 10 | Regulatory Assessment Rate | 0.0720% | 0.0720% |
| 11 | Bad Debt Rate | 0.2600% | 0.2070% |
| 12 | Additional Late Payments | -0.0866% | -0.0866% |
| 13 | Net before Income Taxes | 99.7546% | 99.8076% |
| 14 | State Income Tax | 5.4865% | 5.4894% |
| 15 | Federal Income Tax | 32.9938% | 33.0114% |
| 16 | Revenue Expansion Factor | 61.2743% | 61.3068% |
| 17 | Net Operating Income Multiplier | 1.63201 | 1.63114 |
| | **Summary ($000s)** | | |
| 1 | Revenues | 4,114,726 | 4,175,024 |
| 2 | Less Expenses | 3,145,504 | 3,341,235 |
| 3 | Net Operating income before taxes | 969,222 | 833,789 |
| 4 | Less Taxes | 243,337 | 171,013 |
| 5 | Net Operating Income after taxes | 725,885 | 662,776 |
| 6 | Rate Base | 17,063,590 | 17,880,402 |
| 7 | Return on Rate Base | 4.25% | 3.71% |
| 8 | Proposed Return on Rate Base | 8.00% | 8.18% |
| 9 | Deficiency at Proposed Return | 638,863 | 800,122 |
| 10 | Revenue Expansion Factor | 1.63201 | 1.63114 |
| 11 | Revenue Deficiency at Proposed Return | 1,042,630 | 1,305,111 |
| 12 | Less Increase in Miscellaneous Service Fees | 75,328 | 76,367 |
| 13 | Revenue Deficiency to be collected from Sales Revenues | 967,302 | 1,228,744 |
| 14 | Revenue Deficiency per FPL Base Case | 968,207 | 1,229,876 |
| 15 | **Revenue Impact of Adjustment** | **$ (905)** | **$ (1,132)** |

**Florida Power & Light Company**
**Load Forecast Analysis**
**Recalculation of Minimum Use Customer and Re-anchoring Adjustments**

| Year (a) | Customers[1] (b) | Min Use Customers[1] (c) | % Min Use Customers (d)=(c)/(b) | Incremental Min Use Customers [2] (e)=((d-fn[2])*(b)) | Lost kWh Sales [3] (f)=(e)*fn[3]*12 | Lost NEL[4] (g)=(f)/(1-fn[4]) | NEL Before Adjustment[5] (h) | Min Use Adjustment % (i)=(g)/(h) | Revised NEL before NEPACT and wholesale (j)=(h)-(g) | NEPAC and wholesale [5] (k) | Revised NEL before Re-anchoring (l)=(j)+(k) | Actual NEL[5] (m) | Revised NEL Model Error (n)=(m)/(l)-1 | Revised NEL with Re-anchoring (o)=(l)*(1+n) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 200812 | 3,990,512 | 348,127 | 8.72% | 51,978 | 684,574,700 | 730,244,949 | 114,127,730,998 | -0.64% | 113,397,486,048 | (2,270,684,789) | 111,126,801,260 | 111,043,736,000 | -0.075% | 111,043,736,000 |
| 200912 | 3,993,641 | 347,000 | 8.69% | 50,619 | 666,670,478 | 711,146,277 | 114,205,884,474 | -0.62% | 113,494,738,197 | (2,270,684,789) | 111,224,053,408 | | -0.075% | 111,140,915,455 |
| 201012 | 4,010,837 | 359,000 | 8.95% | 61,342 | 807,907,591 | 861,805,787 | 114,958,196,644 | -0.75% | 114,096,390,857 | (2,009,402,523) | 112,086,988,335 | | -0.075% | 112,003,205,353 |
| 201112 | 4,056,428 | 182,000 | 4.49% | | | | 116,917,570,199 | -0.37% | 116,479,322,899 | (2,845,696,106) | 113,633,626,793 | | -0.075% | 113,548,687,726 |

Assumptions:

[1] Information provided in the response to OPC's 3rd set of interrogatories, question 175. Customers are averaged for the year. Minimum Use Customers were shown as 12 months ending

[2] Percent of residential customers with minimum use (Aug 2003-Dec 2007 12 month averages 7.42%

[3] Average Use per customer for customers greater than 200 kWhs 1,200

Average use per customers less than 200 kWhs

| empty_homes_history file | 200812 | Avg Use | Total |
|---|---|---|---|
| 0-50 kWh | 77,231 | 25 | 1,930,765 |
| 51-100 kWh | 91,035 | 75 | 6,827,613 |
| 101-150 kWh | 91,289 | 125 | 11,411,177 |
| 151-200 kWh | 88,572 | 175 | 15,500,173 |
| | 348,127 | | 35,669,727 |

Average Use for Customers < 200 kWh 102.46

kWh sales lost if Customer shifts from average use > 200 kWh to minimum use 1,097.54

[4] Residential loss factor from E-19c 6.25%

[5] Per the response to OPC's Second Request for Production of Documents, file "OPC's 2nd Request for Production of Documents No 14."

**Florida Power & Light Company**
**Load Forecast Analysis**
**Revenue Calculations - Minimum Use Correction Only**

| Month | FPL NEL | Loss Factors OPC3-166 | Sales | FPL NEL with revised Minimum Use | Adjusted Sales Level | Change in Sales | $ | Avg Base Energy Rate 0.036310 |
|---|---|---|---|---|---|---|---|---|
| January-09 | 7,970,298 | 5.53% | 7,529,541 | 8,093,923 | 7,546,524 | 16,983 | $ | 616,661 |
| February-09 | 7,225,408 | 5.92% | 6,797,664 | 7,337,658 | 6,841,406 | 43,742 | $ | 1,588,265 |
| March-09 | 8,038,802 | 5.24% | 7,617,569 | 8,163,592 | 7,611,481 | (6,088) | $ | (221,046) |
| April-09 | 8,450,611 | 6.76% | 7,879,350 | 8,582,005 | 8,001,596 | 122,246 | $ | 4,438,747 |
| May-09 | 9,338,175 | 6.56% | 8,725,591 | 9,483,347 | 8,841,980 | 116,389 | $ | 4,226,088 |
| June-09 | 10,368,933 | 6.22% | 9,723,985 | 10,530,252 | 9,818,082 | 94,097 | $ | 3,416,648 |
| July-09 | 10,780,185 | 6.99% | 10,026,650 | 10,947,925 | 10,207,507 | 180,857 | $ | 6,566,923 |
| August-09 | 10,984,756 | 5.98% | 10,327,868 | 11,155,754 | 10,401,280 | 73,412 | $ | 2,665,593 |
| September-09 | 10,634,838 | 7.41% | 9,846,796 | 10,800,334 | 10,069,897 | 223,101 | $ | 8,100,793 |
| October-09 | 9,446,372 | 7.11% | 8,774,735 | 9,593,332 | 8,944,527 | 169,792 | $ | 6,165,152 |
| November-09 | 8,265,202 | 5.43% | 7,816,402 | 8,393,644 | 7,825,974 | 9,573 | $ | 347,581 |
| December-09 | 7,936,121 | 6.24% | 7,440,907 | 8,059,149 | 7,514,101 | 73,194 | $ | 2,657,684 |
| | 109,439,702 | 6.76% | 102,507,057 | 111,140,915 | 103,624,355 | 1,117,298 | $ | 40,569,090 |
| January-10 | 7,981,273 | 0.0553 | 7,539,909 | 8,110,651 | 7,562,120 | 22,212 | $ | 806,501 |
| February-10 | 7,264,759 | 0.0592 | 6,834,685 | 7,382,763 | 6,883,460 | 48,775 | $ | 1,771,026 |
| March-10 | 8,094,355 | 0.0524 | 7,670,211 | 8,225,702 | 7,669,390 | (821) | $ | (29,814) |
| April-10 | 8,506,223 | 0.0676 | 7,931,203 | 8,644,675 | 8,060,028 | 128,825 | $ | 4,677,630 |
| May-10 | 9,381,556 | 0.0656 | 8,766,126 | 9,534,438 | 8,889,615 | 123,489 | $ | 4,483,898 |
| June-10 | 10,401,196 | 0.0622 | 9,754,242 | 10,571,396 | 9,856,443 | 102,201 | $ | 3,710,933 |
| July-10 | 10,834,489 | 0.0699 | 10,077,159 | 11,011,876 | 10,267,133 | 189,975 | $ | 6,897,981 |
| August-10 | 11,041,400 | 0.0598 | 10,381,125 | 11,222,247 | 10,463,276 | 82,152 | $ | 2,982,921 |
| September-10 | 10,701,546 | 0.0741 | 9,908,562 | 10,876,688 | 10,141,087 | 232,526 | $ | 8,443,015 |
| October-10 | 9,547,070 | 0.0711 | 8,868,273 | 9,702,712 | 9,046,509 | 178,235 | $ | 6,471,728 |
| November-10 | 8,383,508 | 0.0543 | 7,928,283 | 8,519,852 | 7,943,647 | 15,363 | $ | 557,846 |
| December-10 | 8,069,565 | 0.0624 | 7,566,024 | 8,200,206 | 7,645,619 | 79,595 | $ | 2,890,100 |
| | 110,206,941 | | 103,225,801 | 112,003,205 | 104,428,328 | 1,202,527 | $ | 43,663,766 |
| January-11 | 8,094,504 | 0.0553 | 7,646,878 | 8,210,937 | 7,655,624 | 8,746 | $ | 317,559 |
| February-11 | 7,400,257 | 0.0592 | 6,962,162 | 7,507,001 | 6,999,296 | 37,134 | $ | 1,348,347 |
| March-11 | 8,244,310 | 0.0524 | 7,812,308 | 8,363,068 | 7,797,467 | (14,841) | $ | (538,892) |
| April-11 | 8,654,065 | 0.0676 | 8,069,050 | 8,779,241 | 8,185,493 | 116,443 | $ | 4,228,044 |
| May-11 | 9,524,024 | 0.0656 | 8,899,248 | 9,662,090 | 9,008,634 | 109,386 | $ | 3,971,797 |
| June-11 | 10,540,303 | 0.0622 | 9,884,697 | 10,693,892 | 9,970,655 | 85,958 | $ | 3,121,144 |
| July-11 | 10,975,031 | 0.0699 | 10,207,877 | 11,135,089 | 10,382,013 | 174,136 | $ | 6,322,878 |
| August-11 | 11,189,308 | 0.0598 | 10,520,187 | 11,352,588 | 10,584,803 | 64,615 | $ | 2,346,184 |
| September-11 | 10,846,535 | 0.0741 | 10,042,806 | 11,004,652 | 10,260,397 | 217,591 | $ | 7,900,720 |
| October-11 | 9,685,122 | 0.0711 | 8,996,510 | 9,825,600 | 9,161,086 | 164,576 | $ | 5,975,745 |
| November-11 | 8,544,317 | 0.0543 | 8,080,361 | 8,667,770 | 8,081,561 | 1,200 | $ | 43,562 |
| December-11 | 8,228,558 | 0.0624 | 7,715,096 | 8,346,760 | 7,782,261 | 67,165 | $ | 2,438,747 |
| | 111,926,335 | | 104,837,180 | 113,548,688 | 105,869,288 | 1,032,108 | $ | 37,475,833 |

**Florida Power & Light Company**
**Load Forecast Analysis**
**Revenue Calculations - Minimum Use Correction and Remove Re-anchoring Adjustment**

| Month | FPL NEL | Loss Factors OPC3-166 | Sales | FPL NEL with revised Minimum Use and No Reanchoring | Adjusted Sales Level | Change in Sales | $ | Avg Base Energy Rate 0.036310 |
|---|---|---|---|---|---|---|---|---|
| January-09 | 7,970,298 | 5.53% | 7,529,541 | 8,099,978 | 7,552,169 | 22,628 | $ | 821,635 |
| February-09 | 7,225,408 | 5.92% | 6,797,664 | 7,343,147 | 6,846,524 | 48,859 | $ | 1,774,087 |
| March-09 | 8,038,802 | 5.24% | 7,617,569 | 8,169,699 | 7,617,175 | (394) | $ | (14,307) |
| April-09 | 8,450,611 | 6.76% | 7,879,350 | 8,588,424 | 8,007,581 | 128,231 | $ | 4,656,081 |
| May-09 | 9,338,175 | 6.56% | 8,725,591 | 9,490,441 | 8,848,594 | 123,003 | $ | 4,466,248 |
| June-09 | 10,368,933 | 6.22% | 9,723,985 | 10,538,129 | 9,825,426 | 101,441 | $ | 3,683,320 |
| July-09 | 10,780,185 | 6.99% | 10,026,650 | 10,956,114 | 10,215,143 | 188,493 | $ | 6,844,173 |
| August-09 | 10,984,756 | 5.98% | 10,327,868 | 11,164,099 | 10,409,061 | 81,193 | $ | 2,948,106 |
| September-09 | 10,634,838 | 7.41% | 9,846,796 | 10,808,413 | 10,077,430 | 230,634 | $ | 8,374,305 |
| October-09 | 9,446,372 | 7.11% | 8,774,735 | 9,600,509 | 8,951,218 | 176,483 | $ | 6,408,098 |
| November-09 | 8,265,202 | 5.43% | 7,816,402 | 8,399,923 | 7,831,828 | 15,427 | $ | 560,145 |
| December-09 | 7,936,121 | 6.24% | 7,440,907 | 8,065,177 | 7,519,722 | 78,815 | $ | 2,861,777 |
| | 109,439,702 | 6.76% | 102,507,057 | 111,224,053 | 103,701,871 | 1,194,813 | $ | 43,383,669 |
| January-10 | 7,981,273 | 0.0553 | 7,539,909 | 8,116,718 | 7,567,777 | 27,868 | $ | 1,011,898 |
| February-10 | 7,264,759 | 0.0592 | 6,834,685 | 7,388,286 | 6,888,610 | 53,924 | $ | 1,957,990 |
| March-10 | 8,094,355 | 0.0524 | 7,670,211 | 8,231,855 | 7,675,127 | 4,916 | $ | 178,497 |
| April-10 | 8,506,223 | 0.0676 | 7,931,203 | 8,651,141 | 8,066,057 | 134,854 | $ | 4,896,552 |
| May-10 | 9,381,556 | 0.0656 | 8,766,126 | 9,541,570 | 8,896,265 | 130,139 | $ | 4,725,352 |
| June-10 | 10,401,196 | 0.0622 | 9,754,242 | 10,579,304 | 9,863,816 | 109,574 | $ | 3,978,648 |
| July-10 | 10,834,489 | 0.0699 | 10,077,159 | 11,020,114 | 10,274,814 | 197,655 | $ | 7,176,851 |
| August-10 | 11,041,400 | 0.0598 | 10,381,125 | 11,230,641 | 10,471,103 | 89,978 | $ | 3,267,118 |
| September-10 | 10,701,546 | 0.0741 | 9,908,562 | 10,884,824 | 10,148,673 | 240,112 | $ | 8,718,460 |
| October-10 | 9,547,070 | 0.0711 | 8,868,273 | 9,709,970 | 9,053,276 | 185,003 | $ | 6,717,444 |
| November-10 | 8,383,508 | 0.0543 | 7,928,283 | 8,526,225 | 7,949,589 | 21,306 | $ | 773,606 |
| December-10 | 8,069,565 | 0.0624 | 7,566,024 | 8,206,341 | 7,651,338 | 85,314 | $ | 3,097,766 |
| | 110,206,941 | 6.76% | 103,225,801 | 112,086,988 | 104,506,445 | 1,280,644 | $ | 46,500,182 |
| January-11 | 8,094,504 | 0.0553 | 7,646,878 | 8,217,079 | 7,661,351 | 14,472 | $ | 525,496 |
| February-11 | 7,400,257 | 0.0592 | 6,962,162 | 7,512,617 | 7,004,532 | 42,370 | $ | 1,538,457 |
| March-11 | 8,244,310 | 0.0524 | 7,812,308 | 8,369,324 | 7,803,299 | (9,009) | $ | (327,103) |
| April-11 | 8,654,065 | 0.0676 | 8,069,050 | 8,785,808 | 8,191,616 | 122,566 | $ | 4,450,373 |
| May-11 | 9,524,024 | 0.0656 | 8,899,248 | 9,669,317 | 9,015,373 | 116,125 | $ | 4,216,484 |
| June-11 | 10,540,303 | 0.0622 | 9,884,697 | 10,701,892 | 9,978,113 | 93,417 | $ | 3,391,961 |
| July-11 | 10,975,031 | 0.0699 | 10,207,877 | 11,143,418 | 10,389,779 | 181,902 | $ | 6,604,868 |
| August-11 | 11,189,308 | 0.0598 | 10,520,187 | 11,361,081 | 10,592,720 | 72,533 | $ | 2,633,681 |
| September-11 | 10,846,535 | 0.0741 | 10,042,806 | 11,012,883 | 10,268,072 | 225,266 | $ | 8,179,406 |
| October-11 | 9,685,122 | 0.0711 | 8,996,510 | 9,832,950 | 9,167,938 | 171,429 | $ | 6,224,573 |
| November-11 | 8,544,317 | 0.0543 | 8,080,361 | 8,674,254 | 8,087,606 | 7,245 | $ | 263,068 |
| December-11 | 8,228,558 | 0.0624 | 7,715,096 | 8,353,003 | 7,788,082 | 72,986 | $ | 2,650,124 |
| | 111,926,335 | | 104,837,180 | 113,633,627 | 105,948,482 | 1,111,302 | $ | 40,351,388 |

**Florida Power & Light Company**
**Load Forecast Adjustment**
**2010 Revenue Impact of Correcting the Minimum Use Adjustment**

| *Line* | *Summary ($000s)* | *Total Jurisdiction* |
|---|---|---|
| 1 | Revenues | 4,158,392 |
| 2 | Less Expenses | 3,145,817 |
| 3 | Net Operating income before taxes | 1,012,575 |
| 4 | Less Taxes | 260,049 |
| 5 | Net Operating Income after taxes | 752,526 |
| | | |
| 6 | Rate Base | 17,065,378 |
| | | |
| 7 | Return on Rate Base | 4.41% |
| 8 | Proposed Return on Rate Base | 8.00% |
| 9 | Deficiency at Proposed Return | 612,363 |
| 10 | Revenue Expansion Factor | 1.63342 |
| 11 | Revenue Deficiency at Proposed Return | 1,000,248 |
| 12 | Less Increase in Miscellaneous Service Fees | 75,328 |
| 13 | Revenue Deficiency to be collected from Sales Rev | 924,920 |
| 14 | Revenue Deficiency per FPL Base Case | 968,207 |
| 15 | Revenue Impact of Adjustments | (43,287) |

**Florida Power & Light Company**
**Load Forecast Adjustment**
**2010 Revenue Impact of Correcting the Minimum Use Adjustment and Removing Re-anchoring**

| *Line* | *Summary ($000S)* | *Total Jurisdiction* |
|---|---|---|
| 1 | Revenues | 4,161,229 |
| 2 | Less Expenses | 3,145,829 |
| 3 | Net Operating income before taxes | 1,015,400 |
| 4 | Less Taxes | 261,138 |
| 5 | Net Operating Income after taxes | 754,262 |
| 6 | Rate Base | 17,065,465 |
| 7 | Return on Rate Base | 4.42% |
| 8 | Proposed Return on Rate Base | 8.00% |
| 9 | Deficiency at Proposed Return | 610,634 |
| 10 | Revenue Expansion Factor | 1.63342 |
| 11 | Revenue Deficiency at Proposed Return | 997,424 |
| 12 | Less Increase in Miscellaneous Service Fees | 75,328 |
| 13 | Revenue Deficiency to be collected from Sales Reve | 922,096 |
| 14 | Revenue Deficiency per FPL Base Case | 968,207 |
| 15 | Revenue Impact of Adjustments | (46,111) |

**Florida Power & Light Company**
**Load Forecast Adjustment**
**2011 Revenue Impact of Correcting the Minimum Use Adjustment**

| Line | Summary ($000s) | Total Jurisdiction |
|---|---|---|
| 1 | Sales of Electricity | 4,012,385 |
| 2 | Other Operating Revenues | 200,118 |
| 3 | Total Operating Revenues | 4,212,503 |
| | Expenses | |
| 4 | Operating and Maintenance Expenses | 1,810,371 |
| 5 | Depreciation and Amortization | 1,139,769 |
| 6 | Taxes Other Than Income Taxes | 393,047 |
| 7 | Amortization of Property Losses | (697) |
| 8 | Gain or Loss on Sale of Plant | (951) |
| 9 | Total Expenses before Income Taxes | 3,341,539 |
| 10 | Net Operating income before taxes | 870,964 |
| 11 | Less Taxes | 185,344 |
| 12 | Net Operating Income after taxes | 685,620 |
| | Rate Base | |
| 13 | Plant in Service | 29,602,706 |
| 14 | Accumulated Depreciation | (13,308,408) |
| 15 | Net Plant in Service | 16,294,298 |
| 16 | Plant Held for Future Use | 71,456 |
| 17 | Construction Work in Progress | 772,568 |
| 18 | Net Nuclear Fuel | 408,193 |
| 19 | Working Capital-assets | 3,473,762 |
| 20 | Working Capital-liabilities | (3,138,240) |
| 21 | Total Rate Base | 17,882,037 |
| 22 | Return on Rate Base | 3.83% |
| 23 | Proposed Return on Rate Base | 8.18% |
| 24 | Deficiency at Proposed Return | 777,489 |
| 25 | Revenue Expansion Factor | 1.63256 |
| 26 | Revenue Deficiency at Proposed Return | 1,269,294 |
| 27 | Less Increase in Miscellaneous Service Fees | 76,367 |
| 28 | Revenue Deficiency to be collected from Sales Revenues | 1,192,927 |
| 29 | Revenue Deficiency per Base Case *[1]* | 1,230,014 |
| 30 | Revenue Impact of Adjustments | (37,087) |

***NOTES:***

*[1] The revenue deficiency per Schedule E-1 is $1,229,876. This number was adjusted to remove rounding differences between Exhibit__(SLB-2) and FPL's Schedule E-1.*

**Florida Power & Light Company**
**Load Forecast Adjustment**
**2011 Revenue Impact of Correcting the Minimum Use Adjustment and Removing Re-Anchoring**

| | Summary | Total Juris. |
|---|---|---|
| 1 | Sales of Electricity | 4,015,260 |
| 2 | Other Operating Revenues | 200,118 |
| 3 | Total Operating Revenues | 4,215,378 |
| | Expenses | |
| 4 | Operating and Maintenance Expenses | 1,810,380 |
| 5 | Depreciation and Amortization | 1,139,775 |
| 6 | Taxes Other Than Income Taxes | 393,048 |
| 7 | Amortization of Property Losses | (697) |
| 8 | Gain or Loss on Sale of Plant | (951) |
| 9 | Total Expenses before Income Taxes | 3,341,555 |
| 10 | Net Operating income before taxes | 873,823 |
| 11 | Less Taxes | 186,447 |
| 12 | Net Operating Income after taxes | 687,376 |
| | Rate Base | |
| 13 | Plant in Service | 29,602,846 |
| 14 | Accumulated Depreciation | (13,308,480) |
| 15 | Net Plant in Service | 16,294,366 |
| 16 | Plant Held for Future Use | 71,457 |
| 17 | Construction Work in Progress | 772,572 |
| 18 | Net Nuclear Fuel | 408,196 |
| 19 | Working Capital-assets | 3,473,778 |
| 20 | Working Capital-liabilities | (3,138,248) |
| 21 | Total Rate Base | 17,882,121 |
| 22 | Return on Rate Base | 3.84% |
| 23 | Proposed Return on Rate Base | 8.18% |
| 24 | Deficiency at Proposed Return | 775,739 |
| 25 | Revenue Expansion Factor | 1.63256 |
| 26 | Revenue Deficiency at Proposed Return | 1,266,437 |
| 27 | Less Increase in Miscellaneous Service Fees | 76,367 |
| 28 | Revenue Deficiency to be collected from Sales Revenues | 1,190,070 |
| 29 | Revenue Deficiency per Base Case [1] | 1,230,014 |
| 30 | Revenue Impact of Adjustments | (39,944) |

***NOTES:***

*[1] The revenue deficiency per Schedule E-1 is $1,229,876. This number was adjusted to remove rounding differences between Exhibit__(SLB-2) and FPL's Schedule E-1.*

**Florida Power & Light Company**
**Projected Payroll for 2010 and 2011**

| Line No. | Description | 2010 | 2011 |
|---|---|---|---|
| 1 | Base Pay | $ 819,141,938 | $ 838,537,926 |
| 2 | Overtime | 103,400,571 | 93,203,240 |
| 3 | Incentive Pay | 70,659,723 | 71,982,172 |
| 4 | Other Earnings | 19,449,284 | 18,920,012 |
| 5 | Lump Sum | 1,985,233 | 1,115,411 |
| 6 | Long-Term Incentives | 48,013,586 | 52,570,872 |
| 7 | Schedule C-35 Totals | $ 1,062,650,335 | $ 1,076,329,633 |

**Florida Power & Light Company**
**Actual vs. Targeted Full Time Equivalent Employees**

| Line No. | Detail | Target | | | Actual | | |
|---|---|---|---|---|---|---|---|
| | | 2006 | 2007 | 2008 | 2006 | 2007 | 2008 |
| 1 | Nuc | 1,712 | 1,832 | 1,911 | 1,813 | 1,886 | 1,939 |
| 2 | Financial | 206 | 215 | 243 | 251 | 266 | 289 |
| 3 | Reg Affairs | 38 | 39 | 50 | 38 | 38 | 44 |
| 4 | Human Res | 121 | 135 | 147 | 138 | 124 | 138 |
| 5 | Gen Counsel | 114 | 112 | 89 | 115 | 124 | 128 |
| 6 | Gov Affairs | 4 | 5 | 5 | 6 | 5 | 6 |
| 7 | Mkt & Comm | 79 | 81 | 69 | 93 | 107 | 86 |
| 8 | Int Audit | 30 | 33 | 32 | 32 | 32 | 32 |
| 9 | Distribution | 2,794 | 2,860 | 2,673 | 2,853 | 2,851 | 2,843 |
| 10 | Customer service | 2,335 | 2,266 | 2,368 | 2,277 | 2,362 | 2,348 |
| 11 | Ress Assess | 24 | 23 | 20 | 25 | 25 | 21 |
| 12 | Transmission | 682 | 679 | 712 | 674 | 701 | 712 |
| 13 | Pwr Gen | 963 | 1,006 | 1,063 | 1,000 | 1,022 | 1,097 |
| 14 | Cor & ext affair | 26 | 28 | 30 | 26 | 28 | 30 |
| 15 | Govt Affairs State | | 1 | 1 | | | 1 |
| 16 | IM | 711 | 707 | 723 | 709 | 749 | 748 |
| 17 | EMT | 71 | 75 | 70 | 82 | 76 | 78 |
| 18 | Engineering & Const | 388 | 398 | 441 | 407 | 411 | 447 |
| 19 | FPL Proj Dev | 5 | 9 | 13 | - | 6 | 11 |
| 20 | Strategy | 39 | 41 | 86 | - | - | - |
| 21 | Total | 10,340 | 10,542 | 10,744 | 10,536 | 10,811 | 10,997 |
| 22 | Total Percent Change | | | | 1.86% | 2.48% | 2.30% |
| 23 | 3-yr Avg Percent Change | | | | | | 2.21% |
| | | | | | | | |
| 24 | Less Dist | 7,546 | 7,682 | 8,071 | 7,683 | 7,960 | 8,154 |
| 25 | Total Percent Change | | | | 1.78% | 3.49% | 1.02% |
| 26 | 3-yr Avg Percent Change | | | | | | 2.09% |

| | | 2010 | 2011 |
|---|---|---|---|
| 27 | Projected Employees | 11,111 | 11157 |
| 28 | Distribution Projected *[2]* | 2,653 | 2653 |
| 29 | Remaining | 8,458 | 8504 |
| 30 | Less 2.09% | 177 | 178 |
| 31 | Remaining non-dist | 8,281 | 8,326 |
| 32 | Remaining total | 10,934 | 10,979 |
| 33 | Percent Reduction to total | 1.59% | 1.59% |

**Florida Power & Light Company**
**Recalculation of MFR Schedule C-35 with Allocation to Base O&M**

| | | 2010 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Line** | **Description** | **Capital** | **Base O&M** | **Other** | **Total** | **Distr [2]** | **Cust Service [2]** | **Capital** | **Base O&M** | **Other** | **Total** |
| | **Total Company Basis [1]** | | | | | | | | | | |
| 1 | 801 - RG PAY-BARG VARIABLE | $ 79,293,893 | $ 41,542,865 | $ - | $ 120,836,758 | $ (25,587,184) | | $ 61,229,641 | $ 34,019,933 | $ - | $ 95,249,574 |
| 2 | 802 - RG PAY-NON BARG FIXD | 7,344,010 | 84,335,329 | 19,634,606 | 111,313,946 | | | 7,344,010 | 84,335,329 | 19,634,606 | 111,313,946 |
| 3 | 803 - REG PAY-EXEMPT FIXED | 122,701,815 | 328,421,809 | 30,243,938 | 481,367,562 | | | 122,701,815 | 328,421,809 | 30,243,938 | 481,367,562 |
| 4 | 807 - REG PAY-BARG FIXED | 13,811,652 | 117,957,057 | 650,208 | 132,418,917 | (1,050,157) | (157,904) | 12,958,775 | 117,601,873 | 650,208 | 131,210,856 |
| 5 | 804 - OT PAY-BARG VARIABLE | 17,062,661 | 14,328,611 | - | 31,391,272 | (1,599,342) | | 15,933,545 | 13,858,385 | - | 29,791,930 |
| 6 | 805 - OT PAY-NON BARG FIX | 547,496 | 4,195,284 | 804,875 | 5,547,655 | | | 547,496 | 4,195,284 | 804,875 | 5,547,655 |
| 7 | 806 - OT PAY-EXEMPT FIXED | 23,381,124 | 3,058,499 | 75,888 | 26,515,510 | | | 23,381,124 | 3,058,499 | 75,888 | 26,515,510 |
| 8 | 808 - OT PAY-BARG FIXED | 4,778,272 | 36,505,993 | 154,423 | 41,438,688 | | 106,788 | 4,853,663 | 36,537,390 | 154,423 | 41,545,476 |
| 9 | 820 - INCENTIVE PAYMENTS | 4,968,327 | 63,029,173 | 2,662,223 | 70,659,723 | | | 4,968,327 | 63,029,173 | 2,662,223 | 70,659,723 |
| 10 | 821 - PAYROLL-OTHER EARNGS | (1,022) | 18,621,702 | 828,604 | 19,449,284 | | | (1,022) | 18,621,702 | 828,604 | 19,449,284 |
| 11 | 822 - PAYROLL-LUMP SUM INC | 2,933 | 1,852,934 | 129,366 | 1,985,233 | | | 2,933 | 1,852,934 | 129,366 | 1,985,233 |
| 12 | **Sub Total** | **$ 273,891,163** | **$ 713,849,255** | **$ 55,184,129** | **$ 1,042,924,547** | **$ (28,236,683)** | **$ (51,116)** | **$ 253,920,308** | **$ 705,532,311** | **$ 55,184,129** | **$ 1,014,636,748** |
| 13 | 809 Long Term Incentive | $ 2,636,101 | $ 44,716,522 | $ 660,963 | $ 48,013,586 | | | $ 2,636,101 | $ 44,716,522 | $ 660,963 | 48,013,586 |
| 14 | **Gross Payroll** | **$ 276,527,264** | **$ 758,565,777** | **$ 55,845,092** | **$ 1,090,938,133** | **$ (28,236,683)** | **$ (51,116)** | **$ 256,556,409** | **$ 750,248,833** | **$ 55,845,092** | **$ 1,062,650,334** |
| 15 | Gross Payroll ($000s) | $ 276,527 | $ 758,566 | $ 55,845 | $ 1,090,938 | $ (28,237) | $ (51) | $ 256,556 | $ 750,249 | $ 55,845 | $ 1,062,650 |
| | **Fringe Benefits [3]** | | | | | | | | | | |
| 16 | Life Insurance | | | | | *n/a* | *n/a* | $ 373 | $ 971 | $ 87 | $ 1,431 |
| 17 | Medical Insurance | | | | | *n/a* | *n/a* | 25,965 | 63,855 | 5,717 | 95,537 |
| 18 | Pension Plan (FAS 87) | | | | | *n/a* | *n/a* | (16,737) | (35,779) | (3,203) | (55,719) |
| 19 | Employee Savings Plan | | | | | *n/a* | *n/a* | 8,900 | 21,846 | 1,956 | 32,702 |
| 20 | Federal Insurance Contributions Act | | | | | *n/a* | *n/a* | 18,831 | 48,258 | 4,320 | 71,409 |
| 21 | Federal & State Unemployment Taxes | | | | | *n/a* | *n/a* | 340 | 860 | 77 | 1,277 |
| 22 | Worker's Compensation | | | | | *n/a* | *n/a* | 2,386 | 5,868 | 525 | 8,779 |
| 23 | Other | | | | | | | | | | |
| 24 | Educational Assistance | | | | | *n/a* | *n/a* | 459 | 1,095 | 98 | 1,652 |
| 25 | Employee Welfare | | | | | *n/a* | *n/a* | 1,882 | 2,655 | 238 | 4,775 |
| 26 | Post Retirement Benefits (FAS 106) | | | | | *n/a* | *n/a* | 6,172 | 15,078 | 1,350 | 22,600 |
| 27 | Post Employment Disability Benefit (FAS 112) | | | | | *n/a* | *n/a* | 1,981 | 4,859 | 435 | 7,275 |
| 28 | Dental Insurance | | | | | *n/a* | *n/a* | 1,751 | 4,267 | 382 | 6,400 |
| 29 | Nuclear Child Development Center | | | | | *n/a* | *n/a* | - | 218 | 19 | 237 |
| 30 | **Subtotal Fringes** | | | | | | | **$ 52,303** | **$ 134,050** | **$ 12,002** | **$ 198,355** |
| 31 | **Total Payroll & Fringes** | | | | | | | **$ 308,859** | **$ 884,299** | **$ 67,847** | **$ 1,261,005** |
| 32 | Average Employees | | | | | | | | | | 11,111 |
| 33 | Payroll & Fringes per Employee (in whole dollars) | | | | | | | | | | $ 113,492 |

***Notes:***
*[1] Initial breakdown and Adjustments per response to OPC's Second Request for Production of Documents, file "2009-2011 Payroll by EAC 03.09.09.xls".*
*[2] Adjustments to remove contractors were spread between capital and OM based on FPL's response to SFHHA's Tenth Set of Interrogatories, Question 292.*

| | |
|---|---|
| *Capital* | 70.60% |
| *O&M* | 29.40% |

*[3] For 2010, fringe benefits were spread to Capital and total OM per FPL's response to SFHHA's 10th St of Interrogatories, Question 297. OM related were then spread between base and clause on total regular pay.*
*For 2011, fringe benefits were spread on total regular pay.*

**Florida Power & Light Company**
**Recalculation of MFR Schedule C-35 with Allocation to I**

| | | 2011 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Line | Description | Capital | Base O&M | Other | Total | Distr [2] | Cust Service [2] | Capital | Base O&M | Other | Total |
| | **Total Company Basis [1]** | | | | | | | | | | |
| 1 | 801 - RG PAY-BARG VARIABLE | $ 82,192,522 | $ 49,673,458 | $ - | $ 131,865,981 | $ (34,629,731) | | $ 57,744,337 | $ 39,491,912 | $ - | $ 97,236,250 |
| 2 | 802 - RG PAY-NON BARG FIXD | 7,619,303 | 89,069,766 | 19,883,893 | 116,572,962 | | | 7,619,303 | 89,069,766 | 19,883,893 | 116,572,962 |
| 3 | 803 - REG PAY-EXEMPT FIXED | 113,218,955 | 343,063,049 | 30,125,662 | 486,407,666 | | | 113,218,955 | 343,063,049 | 30,125,662 | 486,407,666 |
| 4 | 807 - REG PAY-BARG FIXED | 13,940,101 | 126,439,718 | 667,562 | 141,047,381 | (1,072,210) | (1,654,123) | 12,015,342 | 125,638,145 | 667,562 | 138,321,048 |
| 5 | 804 - OT PAY-BARG VARIABLE | 17,620,454 | 14,842,628 | - | 32,463,082 | (2,050,300) | | 16,172,966 | 14,239,816 | - | 30,412,782 |
| 6 | 805 - OT PAY-NON BARG FIX | 560,283 | 4,298,617 | 820,102 | 5,679,001 | | | 560,283 | 4,298,617 | 820,102 | 5,679,001 |
| 7 | 806 - OT PAY-EXEMPT FIXED | 16,493,774 | 3,203,679 | 76,980 | 19,774,433 | | | 16,493,774 | 3,203,679 | 76,980 | 19,774,433 |
| 8 | 808 - OT PAY-BARG FIXED | 4,913,398 | 32,076,761 | 157,226 | 37,147,385 | | 189,639 | 5,047,281 | 32,132,517 | 157,226 | 37,337,024 |
| 9 | 820 - INCENTIVE PAYMENTS | 4,730,329 | 64,418,015 | 2,833,828 | 71,982,172 | | | 4,730,329 | 64,418,015 | 2,833,828 | 71,982,172 |
| 10 | 821 - PAYROLL-OTHER EARNGS | (1,063) | 18,046,982 | 874,094 | 18,920,012 | | | (1,063) | 18,046,982 | 874,094 | 18,920,012 |
| 11 | 822 - PAYROLL-LUMP SUM INC | 3,050 | 980,058 | 132,304 | 1,115,411 | | | 3,050 | 980,058 | 132,304 | 1,115,411 |
| 12 | **Sub Total** | **$ 261,291,105** | **$ 746,112,731** | **$ 55,571,651** | **$ 1,062,975,487** | **$ (37,752,241)** | **$ (1,464,484)** | **$ 233,604,556** | **$ 734,582,555** | **$ 55,571,651** | **$ 1,023,758,762** |
| 13 | 809 Long Term Incentive | $ 2,768,427 | $ 49,028,482 | $ 773,963 | $ 52,570,872 | | | $ 2,768,427 | $ 49,028,482 | $ 773,963 | 52,570,872 |
| 14 | **Gross Payroll** | **$ 264,059,532** | **$ 795,141,213** | **$ 56,345,614** | **$ 1,115,546,359** | **$ (37,752,241)** | **$ (1,464,484)** | **$ 236,372,983** | **$ 783,611,037** | **$ 56,345,614** | **$ 1,076,329,634** |
| 15 | Gross Payroll ($000s) | $ 264,060 | $ 795,141 | $ 56,346 | $ 1,115,546 | $ (37,752) | $ (1,464) | $ 236,373 | $ 783,611 | $ 56,346 | $ 1,076,330 |
| | **Fringe Benefits [3]** | | | | | | | | | | |
| 16 | Life Insurance | | | | | *n/a* | *n/a* | $ 351 | $ 1,099 | $ 93 | $ 1,543 |
| 17 | Medical Insurance | | | | | *n/a* | *n/a* | 24,318 | 76,204 | 6,466 | 106,988 |
| 18 | Pension Plan (FAS 87) | | | | | *n/a* | *n/a* | (8,573) | (26,863) | (2,279) | (37,715) |
| 19 | Employee Savings Plan | | | | | *n/a* | *n/a* | 7,911 | 24,789 | 2,103 | 34,803 |
| 20 | Federal Insurance Contributions Act | | | | | *n/a* | *n/a* | 16,267 | 50,974 | 4,325 | 71,566 |
| 21 | Federal & State Unemployment Taxes | | | | | *n/a* | *n/a* | 291 | 911 | 77 | 1,279 |
| 22 | Worker's Compensation | | | | | *n/a* | *n/a* | 2,077 | 6,509 | 552 | 9,139 |
| 23 | Other | | | | | | | - | - | - | |
| 24 | Educational Assistance | | | | | *n/a* | *n/a* | 494 | 1,548 | 131 | 2,174 |
| 25 | Employee Welfare | | | | | *n/a* | *n/a* | 1,097 | 3,437 | 292 | 4,826 |
| 26 | Post Retirement Benefits (FAS 106) | | | | | *n/a* | *n/a* | 5,069 | 15,884 | 1,348 | 22,300 |
| 27 | Post Employment Disability Benefit (FAS 112) | | | | | *n/a* | *n/a* | 1,705 | 5,342 | 453 | 7,500 |
| 28 | Dental Insurance | | | | | *n/a* | *n/a* | 1,614 | 5,057 | 429 | 7,100 |
| 29 | Nuclear Child Development Center | | | | | *n/a* | *n/a* | 57 | 177 | 15 | 249 |
| 30 | **Subtotal Fringes** | | | | | | | **$ 52,677** | **$ 165,069** | **$ 14,006** | **$ 231,752** |
| 31 | **Total Payroll & Fringes** | | | | | | | **$ 289,050** | **$ 948,680** | **$ 70,352** | **$ 1,308,082** |
| 32 | Average Employees | | | | | | | | | | 11,157 |
| 33 | Payroll & Fringes per Employee (in whole dollars) | | | | | | | | | | $ 117,243 |

***Notes:***

*[1] Initial breakdown and Adjustments per response to OPC's Second Request for Production of Documents, file "2009-2011 Payroll by EAC 03.09.09.xls".*

*[2] Adjustments to remove contractors were spread between capital and OM based on FPL's response to SFHHA's Tenth Set of Interrogatories, Question 292.*

| | |
|---|---|
| *Capital* | 70.60% |
| *O&M* | 29.40% |

*[3] For 2010, fringe benefits were spread to Capital and total OM per FPL's response to SFHHA's 10th St of Interrogatories, Question 297. OM related were then spread between base and clause on total regular pay. For 2011, fringe benefits were spread on total regular pay.*

**Florida Power & Light Company**
**Labor Cost Adjustment-Full Time Equivalents**
**Adjustment to Reduce Labor Costs to Reflect Unfilled Positions**

| Description | 2010 Capital | 2010 Base O&M | 2010 Other | 2010 Total | 2010 Base OM Adj | 2011 Capital | 2011 Base O&M | 2011 Other | 2011 Total | 2011 Base OM Adj |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Company Basis [6]** | | | | | | | | | | |
| 801 - RG PAY-BARG VARIABLE [3] | $ 61,229,641 | $ 33,477,506 | $ - | $ 94,707,147 | $ (542,427) | $ 56,823,639 | $ 38,862,238 | $ - | $ 95,215,325 | $ (629,675) |
| 802 - RG PAY-NON BARG FIXD [3] | $ 7,344,010 | $ 82,990,653 | $ 19,321,544 | $ 109,656,208 | $ (1,344,676) | $ 7,497,818 | $ 87,649,603 | $ 19,566,857 | $ 114,150,150 | $ (1,420,163) |
| 803 - REG PAY-EXEMPT FIXED [3] | $ 122,701,815 | $ 323,185,322 | $ 29,761,716 | $ 475,648,854 | $ (5,236,487) | $ 111,413,747 | $ 337,593,117 | $ 29,645,327 | $ 476,298,338 | $ (5,469,933) |
| 807 - REG PAY-BARG FIXED [3] | $ 12,958,775 | $ 115,726,782 | $ 639,840 | $ 129,325,398 | $ (1,875,091) | $ 11,823,764 | $ 123,634,920 | $ 656,918 | $ 135,446,231 | $ (2,003,224) |
| 804 - OT PAY-BARG VARIABLE | 15,933,545 | 13,858,385 | - | 29,791,930 | - | 16,172,966 | 14,239,816 | - | 30,412,782 | - |
| 805 - OT PAY-NON BARG FIX | 547,496 | 4,195,284 | 804,875 | 5,547,655 | - | 560,283 | 4,298,617 | 820,102 | 5,679,001 | - |
| 806 - OT PAY-EXEMPT FIXED | 23,381,124 | 3,058,499 | 75,888 | 26,515,510 | - | 16,493,774 | 3,203,679 | 76,980 | 19,774,433 | - |
| 808 - OT PAY-BARG FIXED | 4,853,663 | 36,537,390 | 154,423 | 41,545,476 | - | 5,047,281 | 32,132,517 | 157,226 | 37,337,024 | - |
| 820 - INCENTIVE PAYMENTS [3] | 4,889,110 | 62,024,211 | 2,619,775 | 69,533,096 | (1,004,962) | 4,654,906 | 63,390,909 | 2,788,645 | 70,834,460 | (1,027,106) |
| 821 - PAYROLL-OTHER EARNGS | (1,022) | 18,621,702 | 828,604 | 19,449,284 | - | (1,063) | 18,046,982 | 874,094 | 18,920,012 | - |
| 822 - PAYROLL-LUMP SUM INC | 2,933 | 1,852,934 | 129,366 | 1,985,233 | - | 3,050 | 980,058 | 132,304 | 1,115,411 | - |
| **Sub Total** | **$ 253,841,091** | **$ 695,528,669** | **$ 54,336,031** | **$ 1,003,705,791** | **$ (10,003,643)** | **$ 230,490,165** | **$ 724,032,454** | **$ 54,718,451** | **$ 1,005,183,168** | **$ (10,550,101)** |
| 809 Long Term Incentive | $ 2,636,101 | $ 44,716,522 | $ 660,963 | $ 48,013,586 | $ - | 2,768,427 | 49,028,482 | 773,963 | $ 52,570,872 | $ - |
| **Gross Payroll** | **$ 256,477,192** | **$ 740,245,191** | **$ 54,996,994** | **$ 1,051,719,377** | **$ (10,003,643)** | **$ 233,258,592** | **$ 773,060,936** | **$ 55,492,414** | **$ 1,057,754,040** | **$ (10,550,101)** |
| Gross Payroll ($000s) | $ 256,477 | $ 740,245 | $ 54,997 | $ 1,051,719 | $ (10,004) | $ 233,259 | $ 773,061 | $ 55,492 | $ 1,057,754 | $ (10,550) |
| | | | | | | | | | | |
| **Fringe Benefits ($000s)** | | | | | | | | | | |
| Life Insurance [3] | $ 367 | $ 956 | $ 86 | $ 1,408 | $ (15) | $ 345 | $ 1,082 | $ 92 | $ 1,518 | $ (18) |
| Medical Insurance [3] | 25,551 | 62,837 | 5,626 | 94,014 | (1,018) | 23,930 | 74,989 | 6,363 | 105,282 | (1,215) |
| Pension Plan (FAS 87) | (16,737) | (35,779) | (3,203) | (55,719) | - | (8,573) | (26,863) | (2,279) | (37,715) | - |
| Employee Savings Plan [3] | 8,758 | 21,498 | 1,925 | 32,181 | (348) | 7,785 | 24,394 | 2,070 | 34,248 | (395) |
| Federal Insurance Contributions Act [4] | 18,825 | 47,573 | 4,254 | 70,652 | (684) | 16,050 | 50,242 | 4,259 | 70,551 | (732) |
| Federal & State Unemployment Taxes [4] | 340 | 848 | 76 | 1,264 | (12) | 287 | 898 | 76 | 1,261 | (13) |
| Worker's Compensation [4] | 2,385 | 5,784 | 517 | 8,687 | (83) | 2,050 | 6,416 | 544 | 9,009 | (93) |
| Other | | | | | | | | | - | - |
| Educational Assistance [3] | 452 | 1,078 | 96 | 1,626 | (17) | 486 | 1,524 | 129 | 2,139 | (25) |
| Employee Welfare [3] | 1,852 | 2,613 | 234 | 4,699 | (42) | 1,079 | 3,383 | 287 | 4,749 | (55) |
| Post Retirement Benefits (FAS 106) | 6,074 | 14,838 | 1,328 | 22,240 | (240) | 5,069 | 15,884 | 1,348 | 22,300 | - |
| Post Employment Disability Benefit (FAS 112) | 1,949 | 4,782 | 428 | 7,159 | (77) | 1,705 | 5,342 | 453 | 7,500 | - |
| Dental Insurance [3] | 1,723 | 4,199 | 376 | 6,298 | (68) | 1,588 | 4,976 | 422 | 6,987 | (81) |
| Nuclear Child Development Center | - | 218 | 19 | 237 | - | 57 | 177 | 15 | 249 | - |
| **Subtotal Fringes** | **$ 51,539** | **$ 131,443** | **$ 11,762** | **$ 194,745** | **$ (2,607)** | **$ 51,858** | **$ 162,443** | **$ 13,778** | **$ 228,079** | **$ (2,627)** |
| | | | | | | | | | | |
| **Total Payroll & Fringes** | **$ 308,016** | **$ 871,688** | **$ 66,759** | **$ 1,246,464** | **$ (12,611)** | **$ 285,116** | **$ 935,504** | **$ 69,271** | **$ 1,285,833** | **$ (13,177)** |
| **Jurisdictional Total Payroll & Fringes** | | | | | **$ (12,507)** | | | | | **$ (13,068)** |
| | | | | | | | | | | |
| Average Employees | | | | 10,934 | | | | | 10,979 | |
| Payroll & Fringes per Employee (in whole dollars) | | | | $ 114,001 | | | | | $ 117,116 | |

***Notes:***

*[1] Per Exhibit__(SLB-x)with adjustments for historical actual versus target full time equivalents.*
*[2] Actual versus target full time equivalents per the response to OPC's First Request for Production of Documents, Question 3.*
*[3] Items adjusted for FTEs.*
*[4] Items adjusted for decrease in pay.*

*-1.5944%*

**Florida Power & Light Company**
**Labor Cost Adjustment-Full Time Equivalents**
**Overtime Offset**

| Line No | Description | Nuclear Business Unit | | Transmission Business Unit | | Total OM Overtime Adjustment | |
|---|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| 1 | Total Salaries [1] | $ 179,305,147 | $ 187,391,802 | 33070537 | 33844406 | | |
| 2 | Target Employees [2] | 2059 | 2099 | 733 | 733 | | |
| 3 | Average Regular Pay per Employee | $ 87,084 | 89276.70421 | $ 45,116.69 | 46172.4502 | | |
| 4 | Unfilled positions at 2.09% | 43.00 | 44.00 | 15.00 | 15.00 | | |
| 5 | Overtime 46 weeks/52 weeks | 88% | 88% | 88% | 88% | | |
| 6 | Time and a half OT rate | 1.5 | 1.5 | 1.5 | 1.5 | | |
| 7 | Total Overtime Adjustment | $ 4,968,790 | $ 5,212,386 | $ 897,996 | $ 919,009 | | |
| 8 | Percent OT allocated to OM [1] | 56% | 56% | 28% | 28% | | |
| 9 | OT Adjustment | $ 2,803,326.54 | $ 2,940,760.45 | $ 250,707 | $ 256,573 | | |
| 10 | Increase in Payroll Taxes | 8.029% | 8.008% | 8.029% | 8.008% | | |
| 11 | Total Overtime Adjustment | $ 3,028,405 | $ 3,176,261 | $ 270,836 | $ 277,120 | $ 3,299,241 | $ 3,453,381 |
| 12 | Jurisdictional Total Overtime Adjustment | $ 2,992,615 | $ 3,138,488 | $ 269,373 | $ 275,600 | $ 3,261,989 | $ 3,414,088 |

[1] Information derived from 2009-2011 Budget Detail spreadsheet provided by FPL in response to OPC's Fifth Request for Production of Documents, Question No. 164.

[2] Per the response to OPC's Second Set of Interrogatories, Request No. 130.

**Florida Power & Light Company**
**Executive Incentives -2010 and 2011**

| Line No. | Description | OM | Capital | Other | Total |
|---|---|---|---|---|---|
| 1 | Cash | $ 10,063,565 | $ 1,285,670 | $ 222,902 | $ 11,572,137 |
| 2 | Stock-Based | 33,084,282 | 2,415,689 | 659,443 | 36,159,414 |
| 3 | Total 2010 | $ 43,147,847 | $ 3,701,359 | $ 882,345 | $ 47,731,551 |
| 4 | Cash | $ 10,577,521 | $ 1,225,684 | $ 231,818 | $ 12,035,023 |
| 5 | Stock-Based | 35,535,044 | 2,537,453 | 772,304 | 38,844,801 |
| 6 | Total 2011 | $ 46,112,565 | $ 3,763,137 | $ 1,004,122 | $ 50,879,824 |

**Florida Power & Light Company**
**Compensation Committee**
**Financial Performance Matrix**

| Return on Equity (ROE) | | | | |
|---|---|---|---|---|
| 13.2% | Excellence | 1.00 | 1.50 | 2.00 |
| 10.2% | Target | 0.75 | 1.00 | 1.50 |
| 9.2% | Threshold | 0.50 | 0.75 | 1.00 |
| | | Threshold 2.0% | Target 5.3% | Excellence 9.4% |
| | | Earnings per Share (EPS) Growth | | |

[Matrix from FPL's April 3, 2009 Proxy Statement, Bates Stamp 096788]

Florida Power & Light Company
Increase in Total Projected Incentive Compensation over 2008 Actuals

| Line No. | Description | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| 1 | Incentive Pay | 69,833,958 | 72,610,054 | 70,659,723 | 71,982,172 |
| 2 | Long-Term Incentives | 34,042,658 | 42,147,015 | 48,013,586 | 52,570,872 |
| 3 | Total | $ 103,876,616 | $ 114,757,069 | $ 118,673,309 | $ 124,553,044 |
| | ***Percent Increase over 2008*** | | | | |
| 4 | Incentive Pay | | 3.98% | 1.18% | 3.08% |
| 5 | Long-Term Incentives | | 23.81% | 41.04% | 54.43% |
| 6 | Total | | 10.47% | 14.24% | 19.90% |

Source: OPC's Second Request for Production of Documents, Question No. 12, files 2009-2011 Payroll by EAC -03.09.09.xls and Gross Payroll 2005_2008 backup C35.xls

**Florida Power & Light Company**
**Executive Incentives Exceeding Target Compensation Levels in 2009 and 2010**

| Line No. | Detail | Amount included in OM[1] | Amount for Meeting Target | Amount for Exceeding Target |
|---|---|---|---|---|
| 1 | Cash | $ 10,063,565 | $ 7,188,261 | $ 2,875,304 |
| 2 | Stock-Based | 33,084,282 | 23,631,630 | 9,452,652 |
| 3 | Total 2010 | $ 43,147,847 | $ 30,819,891 | $ 12,327,956 |
| | | | | |
| 4 | Cash | $ 10,577,521 | $ 7,555,372 | $ 3,022,149 |
| 5 | Stock-Based | 35,535,044 | 25,382,174 | 10,152,870 |
| 6 | Total 2011 | $ 46,112,565 | $ 32,937,546 | $ 13,175,019 |

[1] Per FPL's response to the Attorney General's Second Set of Interrogatories, Question 76.

[2] Target levels for executives were set at 1.4 x per FPL's response to the Attorney General's First Set of Interrogatories, Question No. 8.

**Florida Power & Light Company**
**List of Regulatory Decisions on Executive Compensation**

| State | Utility | Commission and Citation | Holding |
|---|---|---|---|
| AZ | Gas | Arizona Corporation Commission, *In the Matter of the Application of Southwest Gas Corporation*, Docket No. G-01551A-07-0504; Decision No. 70665 (Dec. 24, 2008), 2008 Ariz. PUC LEXIS 237 | Commission excludes 50% of the management incentive compensation on the basis that it provided approximately equal benefits to the shareholders and ratepayers. Commission excludes all amounts associated with the Supplemental Executive Retirement Plan. |
| AZ | Electric | Court of Appeals of Arkansas, Entergy Arkansas, Inc. v. Arakansas Public Service Commission, No. CA 07-949; December 17, 2008 | Upheld Commission decision to disallow the costs of incentives tied to stock performance and 50% of incentives tied to financial performance. |
| CA | Electric | California Public Utilities Commission, *Application of Southern California Edison Company*, Decision 09-03-025 (March 17, 2009), 2009 Cal. PUC LEXIS 165 | Commission (1) finds that Company did not adequately support its bonus program and excludes the amounts requested from revenue requirements; (2) finds that long-term executive compensation is closely tied to the performance of the Company's stock and excludes these amounts from the revenue requirements; and (3) notes that it is reasonable to limit the level of executive compensation given difficult economic times. |
| CT | Electric | Connecticut Department of Public Utility Control, *Application of United Illuminating Company*, Docket No. 08-07-04 (Feb. 4, 2009), 2009 Conn. PUC LEXIS 27 | Department finds that allocation of executive compensation should consider the interest of the ratepayers and shareholders. Department will only allow recovery of amounts of executive compensation that benefit ratepayers. The Department finds large unsupported increases in incentive compensation and continues a cap without escalation. |

**Florida Power & Light Company**
**List of Regulatory Decisions on Executive Compensation**

| State | Utility | Commission and Citation | Holding |
|---|---|---|---|
| CT | Water, Telephone, Gas, Electric | Connecticut Department of Public Utility Control, *Petition for Standardized Disclosure of Utility Executive and Officers Compensation*, 08-01-16 (Dec. 3, 2008), 2008 WL 5159064 (Conn. D.U.C.) | Department adopts standardized reporting of executive and officer compensation. |
| GA | Gas | Georgia Public Utilities Commission, *In Re Petition of Atmos Energy Corporation*, Docket No. 27163 (Sept. 17, 2008), 2008 Ga. PUC LEXIS 115 | Commission removes executive stock options because the costs are incurred to reward performance of stock price and financial performance and the expenses are tied to the benefits of shareholders. |
| ID | Electric | Idaho Public Utilities Commission, *In the Matter of the Application of Idaho Power Company*, Order No. 30722 (Jan. 29, 2009), 2009 Ida. PUC LEXIS 11 | Commission finds incentive should be included in the revenue requirement if related to identifiable customer benefits. |
| MA | Gas | Massachusetts Department of Public Utilities, *Re New England Gas Company,* D.P.U. 08-35, 271 P.U.R. 4th 1, 2009 WL 331668 (Mass. D.P.U.) | Department excludes corporate employee annual incentive compensation and executive officer bonus plan because the Company failed to demonstrate benefits to the ratepayers. |
| MI | Electric | Michigan Public Utilities Commission, Detroit Edison Company, Case U-15244, December 23, 2008 | Commission excludes the costs of incentive compensation and bonuses from rates, finding that the utility failed to demonstrate that benefits to ratepayers outweighed the costs. Stock option expenses, performance shares, restricted stock and executive deferred compensation were excluded because such expenses are used to encourage financial performance, which mainly benefits shareholders. |

| Florida Power & Light Company<br>List of Regulatory Decisions on Executive Compensation | | | |
|---|---|---|---|
| **State** | **Utility** | **Commission and Citation** | **Holding** |
| MN | Electric | Minnesota Public Service Commission, Minnesota Power, Docket 4-2500-19796-2; E-015/GR-08-415, February 19, 2009 | Limited annual incentive payments to 15% of base pay. Required a refund mechanism for amounts included in revenue requirements, but not subsequently paid. |
| MO | Electric | Public Service Commission of the State of Missouri, *In the Matter of Union Electric Company*, Case No. ER-2008-0318 (Feb. 6, 2009), 2009 Mo. PUC LEXIS 71 | Commission denies recovery of the costs of a long-term compensation plan based upon measures of financial return achieved by the Company; allows recovery of a short-term compensation plan which it finds common with the utility industry; and, allows a bonus plan based upon an employees superior performance. |
| NY | Telephone | New York Public Service Commission, *Re Warwick Valley Telephone Company*, Case 08-C-0489 (Sept. 3, 2008), 2008 WL 4143184 (N.Y.P.S.) | Commission approves a long-term incentive plan on the condition that it is booked below-the-line, and does not enter the rate-making equation. |
| NY | Electric | New York Public Service Commission, *Re Consolidated Edison Company of New York*, Case 07-E-0523 (Mar. 25, 2008), 264 P.U.R. 4th 34, 2008 WL 828108 (N.Y.P.S.C.) | Commission excludes the costs of a deferred compensation stock option plan and a variable pay plan on the basis of a distinction between incentive compensation and base pay. Ratepayers should not be responsible for funding incentive payments not linked to enhanced corporate productivity or improving safety and reliability of services. |

| **Florida Power & Light Company<br>List of Regulatory Decisions on Executive Compensation** | | | |
|---|---|---|---|
| **State** | **Utility** | **Commission and Citation** | **Holding** |
| OK | Electric | Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma*, Order No. 564437 (Jan. 14, 2009), 2009 Okla. PUC LEXIS 20 | Commission denies recovery of the Supplemental Executed Retirement Plan (SERP), denies 50% of the annual incentive compensation plan, and denies 100% of the long-term incentive compensation plan. Commission concludes that the financial performance measures are for the long-term plan benefit shareholders rather than ratepayers. |
| OR | Electric | Oregon Public Utility Commission, *In the Matter of Portland General Electric Company*, 09-020 V.E. 197, 2009 WL 214804 (Or. P.U.C.) | Company itself removed 100% of officer incentive compensation from the revenue-requirement Commission removed 50% of non-officer incentives. |
| AZ | Gas | Arizona Corporation Commission, *In the Matter of UNS Gas, Inc.*, Decision NO. 70011 (November 27, 2007), 2007 Ariz. PUC LEXIS 241 | Commission believes 50/50 sharing of performance enhancement bonus program is reasonable; SERP costs, however, are not allowed. |
| AR | Electric | Arkansas Public Service Commission, *In the Matter of Entergy Arkansas, Inc.*, Docket No. 06-101-U: Order No. 10 (June 15, 2007), 2007 Ark. PUC LEXIS 239, 258 P.U.R. $4^{th}$ 1 | Commission reduced level of incentive pay and stock options, required shareholders to bear a portion of the costs. LTIP costs cannot be included in rates as they don't directly benefit ratepayers. |
| MD | Gas | Maryland Public Service Commission, *In the Matter of Washington Gas Light Company*, Order No 81715: Case No. 9104 (November 16, 2007), 27 Md. PSC LEXIS 36 | Only 50% of executive incentive compensation was allowed because compensation was tied to financial goals and not to increases in customer satisfaction, safe operations or efficiency of service. |
| MO | Electric | Public Service Commission of the State of Missouri, *In the Matter of The Empire District Electric Company,* Case No. ER-2006-0315 (March 26, 2008, Issued), 2008 Mo. PSC LEXIS 313 | Specific types of incentive compensation should not be recoverable in rates (earnings goals, charitable activities, activities unrelated to provision of service, stock options). |

| **Florida Power & Light Company<br>List of Regulatory Decisions on Executive Compensation** | | | |
|---|---|---|---|
| **State** | **Utility** | **Commission and Citation** | **Holding** |
| MO | Electric | Public Service Commission of the State of Missouri, *In the Matter of Kansas City Power & Light Company,* Case No. ER-2007-0291 (December 6, 2007, Issued), 2007 Mo. PSC LEXIS 1438 | Commissions find that the long-term executive compensation plan expenses should not be included in the cost of service because such costs are tied to EPS performance; part of the costs of short-term executive compensation plans should also be excluded when setting rates because such costs are not tied to specific goals that provide ratepayer benefits. |
| NV | Electric | Nevada Public Service Commission, *Application of Nevada Power Company*, Docket No. 06-11022 (July 17, 2007), 2007 Nev. PUC LEXIS 151 | STIP costs are allowed with restrictions; SERP expenses are allowed but only at a reduced rate (65%); LTIP costs can be recovered, but also only at 65% |
| NM | Electric | New Mexico Public Regulation Commission, *In the Matter of Public Service Company of New Mexico,* Case No. 07-00077-UT (April 24, 2008), 2008 N.M. PUC LEXIS 14 | Utility did not provide enough details to demonstrate that LTIP benefits ratepayers, so they are not allowed. |
| OK | Electric | Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma,* Order No. 545168 (October 9, 2007), 2007 Okla. PUC LEXIS 339 | Commission removes long-term executive stock incentive plan and associated FICA tax expenses from cost-of-service for ratemaking purposes because the plan is tied to financial performance that encourages employees to put the interest of shareholders first. Company itself removed awards above target level noting it is paid from additional earnings. |
| VT | Electric | Vermont Public Services Board, *Petition of Central Vermont Public Service Corporation,* Docket No. 7420 (April 23, 2008), 2008 Vt. PUC LEXIS 117 | Utility is allowed to issue additional shares of stock under LTIP; notes that all awards of stock under the plan are paid by shareholders and NOT ratepayers. |

**Florida Power & Light Company**
**Revenue Impact of Executive Incentive Adjustment**

| | | Compensation Adjustments | | | | |
|---|---|---|---|---|---|---|
| Line No. | Detail | Amount included in OM | Reduction for Payout Factor | Reduction for Allocating 50% to Shareholders | Total Reduction | Amount Remaining In Requirements |
| 1 | Cash | $ 10,063,565 | $ 2,875,304 | $ 3,594,130 | $ 6,469,435 | $ 3,594,130 |
| 2 | Stock-Based | 33,084,282 | 9,452,652 | 11,815,815 | 21,268,467 | 11,815,815 |
| 3 | Total 2010 | $ 43,147,847 | $ 12,327,956 | $ 15,409,945 | $ 27,737,902 | $ 15,409,945 |
| 4 | Jurisdictional | $ 42,791,662 | $ 12,226,189 | $ 15,282,736 | $ 27,508,925 | $ 15,282,736 |
| 5 | Cash | $ 10,577,521 | $ 3,022,149 | $ 3,777,686 | $ 6,799,835 | $ 3,777,686 |
| 6 | Stock-Based | 35,535,044 | 10,152,870 | 12,691,087 | 22,843,957 | 12,691,087 |
| 7 | Total 2011 | $ 46,112,565 | $ 13,175,019 | $ 16,468,773 | $ 29,643,792 | $ 16,468,773 |
| 8 | Jurisdictional | $ 45,733,197 | $ 13,066,628 | $ 16,333,285 | $ 29,399,912 | $ 16,333,285 |
| 9 | 2010 Revenue Impact [1] | | | | $ 27,600,481 | |
| 10 | 2011 Revenue Impact [1] | | | | $ 29,482,231 | |

Notes:
[1] Jurisdictional Reduction x (1-.38575) x revenue expansion factor.

**Florida Power & Light Company**
**Revenue Impact of Adjustment to Non-Executive Incentives**

| Incentive Compensation Adjustments | | | | | |
|---|---|---|---|---|---|
| **Line No.** | **Detail** | | **2010** | | **2011** |
| 1 | Stock-based compensation | $ | 9,276,011 | $ | 10,879,458 |
| 2 | Reduction to limit payout factor | | 2,140,618 | | 2,510,644 |
| 3 | Reduction to allocate 50% of the balance to shareholders | | 3,567,697 | | 4,184,407 |
| 4 | Total Company Reduction in Expenses | $ | 5,708,314 | $ | 6,695,051 |
| 5 | Total Company Amount Remaining in Revenue Requirements | $ | 3,567,697 | $ | 4,184,407 |
| 6 | Jurisdictional Allocation | | 0.991745 | | 0.991773 |
| 7 | Reduction in Jurisdictional Expenses | $ | 5,661,192 | $ | 6,639,971 |
| 8 | Increase in Jurisdictional Net Operating Income | $ | 3,477,387 | $ | 4,078,602 |
| 9 | Revenue Expansion Factor | | 1.63342 | | 1.63256 |
| 10 | Jurisdictional Revenue Impact | $ | 5,680,034 | $ | 6,658,563 |

FPSC Docket 080677-EI
Environmental Insurance Refund
Exhibit__(SLB-22)
Page 1 of 2

**Florida Power & Light Company**
**Revenue Impact of Amortization of the Environmental Insurance Refund -201(**

| Line | Description | Total Company | Jurisdictional [2] |
|---|---|---|---|
| 1 | 1/1/2010 Balance [1] | $ 43,817,952 | $ 43,428,410 |
| 2 | Amortization | $ 8,763,590 | $ 8,685,682 |
| 3 | 12/31/2010 Balance | $ 35,054,362 | $ 34,742,728 |
| 4 | Average Balance | $ 39,436,157 | $ 39,085,569 |
| 5 | Accumulated Deferred Income Tax at 38.575% | $ 15,212,497 | $ 15,077,258 |

| | | ($000s) | | | | | | | Weighted |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Weighted | Cost Rate |
| | Cost of Capital | Jurisdictional | Adjustment | Prorata Adj | Adj Jurisdiction | Ratio | Cost Rate | Cost Rate | FPL Base Case |
| 6 | Long Term Debt | 5,377,787 | | (9,411) | 5,368,376 | 31.53% | 5.55% | 1.7485% | 1.7476% |
| 7 | Customer Deposits | 564,652 | | | 564,652 | 3.32% | 5.98% | 0.1983% | 0.1979% |
| 8 | Common Equity | 8,178,980 | | (14,314) | 8,164,666 | 47.96% | 12.50% | 5.9948% | 5.9915% |
| 9 | Short Term Debt | 161,857 | | (283) | 161,574 | 0.95% | 2.96% | 0.0281% | 0.0281% |
| 10 | Deferred Inc Tax | 2,723,327 | (15,077) | | 2,708,250 | 15.91% | 0.00% | 0.0000% | 0.0000% |
| 11 | ITC | 56,983 | | | 56,983 | 0.33% | 9.74% | 0.0326% | 0.0325% |
| 12 | Total | 17,063,586 | (15,077) | (24,008) | 17,024,500 | | | 8.0020% | 7.9980% |

| | Summary | Base Case | Jurisdictional Adjustments | Revised Jurisdictional |
|---|---|---|---|---|
| 13 | Revenues | 4,114,726 | | 4,114,726 |
| 14 | Less Expenses | 3,145,505 | (8,686) | 3,136,820 |
| 15 | Net Operating income before taxes | 969,221 | | 977,906 |
| 16 | Less Taxes | 243,337 | 3,552 | 246,889 |
| 17 | Net Operating Income after taxes | 725,884 | | 731,018 |
| 18 | Rate Base | 17,063,594 | (39,086) | 17,024,508 |
| 19 | Return on Rate Base | 4.25% | | 4.29% |
| 20 | Proposed Return on Rate Base | 8.00% | | 8.002% |
| 21 | Deficiency at Proposed Return | 638,863 | | 631,283.61 |
| 22 | Revenue Expansion Factor | 1.63342 | | 1.63342 |
| 23 | Revenue Deficiency at Proposed Return | 1,043,534 | | 1,031,154 |
| 24 | Less Increase in Miscellaneous Service Fees | 75,328 | | 75328 |
| 25 | Revenue Deficiency to be collected from Sales Revenues | 968,206 | | 955,826 |
| 26 | Revenue Deficiency per FPL Base Case | 968,207 | | 968207 |
| 27 | Revenue Impact of Adjustments | (1) | | (12,381) |

[1] Refund per FPL's response to SFHHA's Second Set of Interrogatories, Question No. 101, Attachment 1, page 8 of 12.
[2] Jurisdictional allocation factor for property insurance per MFR Schedule C-4 99.11%

**Florida Power & Light Company**
**Revenue Impact of Amortization of the Environmental Insurance Refund -2011**

| Line | Description | Total Company | Jurisdictional[2] |
|---|---|---|---|
| 1 | 1/1/2011 Balance [1] | $ 35,054,362 | $ 34,742,623 |
| 2 | Amortization [1] | $ 8,763,590 | $ 8,685,656 |
| 3 | 12/31/2011 Balance | $ 26,290,771 | $ 26,056,967 |
| 4 | Average Balance | $ 30,672,566 | $ 30,399,795 |
| 5 | Accumulated Deferred Income tax at 38.575% | $ 11,831,942 | $ 11,726,721 |

($000s)

| Line | Cost of Capital | Jurisdictional | Adjustment | Prorata Adj | Adj Jurisdiction | Ratio | Cost Rate | Weighted Cost Rate | Weighted Cost Rate FPL Base Case |
|---|---|---|---|---|---|---|---|---|---|
| 6 | Long Term Debt | 5,888,206 | | (7,580) | 5,880,626 | 32.94% | 5.81% | 1.9141% | 1.9133% |
| 7 | Customer Deposits | 558,660 | | | 558,660 | 3.13% | 5.98% | 0.1873% | 0.1869% |
| 8 | Common Equity | 8,547,017 | | (11,003) | 8,536,014 | 47.82% | 12.50% | 5.9776% | 5.9751% |
| 9 | Short Term Debt | 70,127 | | (90) | 70,037 | 0.39% | 4.61% | 0.0181% | 0.0181% |
| 10 | Deferred Inc Tax | 2,655,102 | (11,727) | | 2,643,375 | 14.81% | 0.00% | 0.0000% | 0.0000% |
| 11 | ITC | 161,290 | | | 161,290 | 0.90% | 9.77% | 0.0883% | 0.0881% |
| 12 | Total | 17,880,402 | (11,727) | (18,673) | 17,850,002 | | | 8.1850% | 8.1820% |

| Line | Summary | Base Case | Jurisdictional Adjustments | Revised Jurisdictional |
|---|---|---|---|---|
| 13 | Revenues | 4,175,025 | | 4,175,025 |
| 14 | Less Expenses | 3,341,243 | (8,686) | 3,332,557 |
| 15 | Net Operating income before taxes | 833,782 | | 842,468 |
| 16 | Less Taxes | 171,013 | 3,520 | 174,534 |
| 17 | Net Operating Income after taxes | 662,769 | | 667,934 |
| 18 | Rate Base | 17,880,412 | (30,400) | 17,850,012 |
| 19 | Return on Rate Base | 3.71% | | 3.74% |
| 20 | Proposed Return on Rate Base | 8.18% | | 8.185% |
| 21 | Deficiency at Proposed Return | 800,207 | | 793,089 |
| 22 | Revenue Expansion Factor | 1.63256 | | 1.63256 |
| 23 | Revenue Deficiency at Proposed Return | 1,306,382 | | 1,294,763 |
| 24 | Less Increase in Miscellaneous Service Fees | 76,367 | | 76,367 |
| 25 | Revenue Deficiency to be collected from Sales Revenues | 1,230,015 | | 1,218,396 |
| 26 | Revenue Deficiency per FPL Base Case | 1,230,015 | | 1,230,015 |
| 27 | Revenue Impact of Adjustments | 0 | | (11,619) |

[1] Page 1
[2] Jurisdictional allocation factor for property insurance per MFR Schedule C-4 99.11%

**Florida Power & Light Company**
**FPL Requested End of Life Materials and**
**Last Core Nuclear Fuel Amortization**

| Line | Description | St. Lucie | | Turkey Point | | Total |
|---|---|---|---|---|---|---|
| 1 | M&S Inventory at End of Life [1] | 16,276,366 | | 28,904,689 | | |
| 2 | Reserve Balance at 12/31/2009 | 3,579,971 | | 9,668,289 | | |
| 3 | Remaining Amount to be Recovered | 12,696,395 | | 19,236,400 | | |
| 4 | Recovery Period (Months) | 399 | | 279 | | |
| 5 | End of Life | 2042 | | 2032 | | |
| 6 | Requested Annual Accrual [3] | 381,846 | | 827,372 | | 1,209,219 |
| | | St. Lucie 1 | St. Lucie 2 | Turkey Point 3 | Turkey Point 4 | |
| 7 | Last Core [2] | 90,500,000 | 108,900,000 | 66,300,000 | 62,600,000 | |
| 8 | Reserve Balance at 12/31/2009 | 12,016,939 | 6,527,875 | 12,591,168 | 8,170,651 | |
| 9 | Remaining Amount to be Recovered | 78,483,061 | 102,372,125 | 53,708,832 | 54,429,349 | |
| 10 | Recovery Period (Months) | 314 | 399 | 270 | 279 | |
| 11 | End of Life | 2035 | 2042 | 2032 | 2032 | |
| 12 | Requested Annual Accrual [3] | 2,999,353 | 3,078,861 | 2,387,059 | 2,341,047 | 10,806,320 |
| 13 | Total Requested Annual Accrual | | | | | 12,015,539 |
| | Amounts needed | | | | | |
| 14 | 2032 | | | | | 127,374,581 |
| 15 | 2035 | | | | | 78,483,061 |
| 16 | 2042 | | | | | 115,068,520 |
| | | | | | | 320,926,162 |

[1] OPC's Fourth Set of Interrogatories, Question No. 198
[2] OPC's Fourth Set of Interrogatores, Question No. 197
[3] Differences due to rounding.

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End of Life Materials and Supplies
and Last Core Nuclear Fuel
Exhibit__(SLB-23)
Page 2 of 6

Florida Power & Light Company
Calculation of Expected Decommissioning Fund Balance
from FPL's 2005 Decommissioning Study

| | Decommissioning Fund Balances[1] | | | Total Decommissioning Cost All Units | | | | St Lucie Unit 1 Decommissioning Costs [2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Qualified | Nonqualified | Total | Qualified | Nonqualified | Tax Savings | Total | Qualified | Nonqualified | Tax Savings | Total |
| 2009 | 1,837,622,000 | 492,908,000 | 2,330,530,000 | | | | | | | | |
| 2010 | 1,929,503,100 | 517,553,400 | 2,447,056,500 | | | | | | | | |
| 2011 | 2,025,978,255 | 543,431,070 | 2,569,409,325 | | | | | | | | |
| 2012 | 2,127,277,168 | 570,602,624 | 2,697,879,791 | | | | | | | | |
| 2013 | 2,233,641,026 | 599,132,755 | 2,832,773,781 | | | | | | | | |
| 2014 | 2,345,323,077 | 629,089,392 | 2,974,412,470 | | | | | | | | |
| 2015 | 2,462,589,231 | 660,543,862 | 3,123,133,093 | | | | | | | | |
| 2016 | 2,585,718,693 | 693,571,055 | 3,279,289,748 | | | | | | | | |
| 2017 | 2,715,004,628 | 728,249,608 | 3,443,254,235 | | | | | | | | |
| 2018 | 2,850,754,859 | 764,662,088 | 3,615,416,947 | | | | | | | | |
| 2019 | 2,993,292,602 | 802,895,193 | 3,796,187,795 | | | | | | | | |
| 2020 | 3,142,957,232 | 843,039,952 | 3,985,997,184 | | | | | | | | |
| 2021 | 3,300,105,094 | 885,191,950 | 4,185,297,043 | | | | | | | | |
| 2022 | 3,465,110,348 | 929,451,547 | 4,394,561,896 | | | | | | | | |
| 2023 | 3,638,365,866 | 975,924,125 | 4,614,289,990 | | | | | | | | |
| 2024 | 3,820,284,159 | 1,024,720,331 | 4,845,004,490 | | | | | | | | |
| 2025 | 4,011,298,367 | 1,075,956,348 | 5,087,254,714 | | | | | | | | |
| 2026 | 4,211,863,285 | 1,129,754,165 | 5,341,617,450 | | | | | | | | |
| 2027 | 4,422,456,449 | 1,186,241,873 | 5,608,698,323 | | | | | | | | |
| 2028 | 4,643,579,272 | 1,245,553,967 | 5,889,133,239 | | | | | | | | |
| 2029 | 4,875,758,236 | 1,307,831,665 | 6,183,589,901 | | | | | | | | |
| 2030 | 5,119,546,147 | 1,373,223,249 | 6,492,769,396 | - | - | - | - | | | | |
| 2031 | 5,375,523,455 | 1,441,884,411 | 6,817,407,866 | - | - | - | - | | | | |
| 2032 | 5,598,875,643 | 1,494,225,861 | 7,093,101,504 | 44,316,082 | 19,270,996 | 12,102,217 | 75,689,295 | | | | |
| 2033 | 5,649,330,105 | 1,471,751,607 | 7,121,081,712 | 223,892,020 | 94,815,167 | 59,544,080 | 378,251,267 | | | | |
| 2034 | 5,515,395,211 | 1,371,270,944 | 6,886,666,154 | 406,245,268 | 169,822,677 | 106,648,918 | 682,716,863 | | | | |
| 2035 | 5,367,814,940 | 1,265,420,899 | 6,633,235,839 | 413,024,421 | 170,159,602 | 106,860,507 | 690,044,530 | | | | |
| 2036 | 5,239,665,173 | 1,176,052,830 | 6,415,718,002 | 386,868,794 | 148,916,209 | 93,519,621 | 629,304,624 | 95,031,506 | 28,985,626 | 18,203,020 | 142,220,152 |
| 2037 | 5,086,779,092 | 1,078,922,342 | 6,165,701,434 | 404,750,575 | 152,129,882 | 95,537,814 | 652,418,271 | 137,969,374 | 42,082,135 | 26,427,650 | 206,479,159 |
| 2038 | 5,061,282,393 | 1,024,035,704 | 6,085,318,097 | 273,010,394 | 106,178,298 | 66,680,144 | 445,868,836 | 50,747,398 | 15,478,499 | 9,720,523 | 75,946,420 |
| 2039 | 5,113,803,478 | 998,943,055 | 6,112,746,533 | 195,651,741 | 74,433,594 | 46,744,418 | 316,829,753 | 53,031,031 | 16,175,032 | 10,157,946 | 79,364,009 |
| 2040 | 5,195,701,396 | 983,392,709 | 6,179,094,105 | 169,553,420 | 63,899,999 | 40,129,303 | 273,582,722 | 55,569,932 | 16,949,424 | 10,644,266 | 83,163,622 |
| 2041 | 5,287,586,035 | 968,809,497 | 6,256,395,531 | 163,805,299 | 62,197,900 | 39,060,383 | 265,063,582 | 49,030,747 | 14,954,902 | 9,391,703 | 73,377,352 |
| 2042 | 5,498,064,388 | 998,569,013 | 6,496,633,401 | 52,586,291 | 18,225,326 | 11,445,535 | 82,257,152 | 32,747,825 | 9,988,437 | 6,272,755 | 49,009,017 |
| 2043 | 5,582,178,563 | 1,007,458,395 | 6,589,636,958 | 186,135,653 | 40,038,115 | 25,144,001 | 251,317,769 | 34,221,478 | 10,437,917 | 6,555,029 | 51,214,424 |
| 2044 | 5,362,505,813 | 957,388,878 | 6,319,894,691 | 486,616,271 | 97,992,622 | 61,539,526 | 646,148,419 | 84,787,358 | 25,861,051 | 16,240,782 | 126,889,191 |
| 2045 | 4,946,338,464 | 862,122,055 | 5,808,460,519 | 667,602,576 | 139,645,138 | 87,697,375 | 894,945,089 | 164,565,367 | 50,194,198 | 31,522,038 | 246,281,603 |
| 2046 | 4,470,926,324 | 717,611,627 | 5,188,537,951 | 705,101,525 | 183,040,518 | 114,949,743 | 1,003,091,786 | 436,362,510 | 133,095,235 | 83,584,024 | 653,041,769 |
| 2047 | 4,214,307,766 | 639,115,516 | 4,853,423,281 | 468,453,536 | 111,587,017 | 70,076,828 | 650,117,381 | 203,593,928 | 62,098,326 | 38,997,850 | 304,690,104 |
| 2048 | 3,954,736,093 | 559,655,772 | 4,514,391,865 | 458,816,645 | 108,698,068 | 68,262,564 | 635,777,277 | 192,673,832 | 58,767,580 | 36,906,136 | 288,347,548 |
| 2049 | 3,818,390,977 | 508,419,158 | 4,326,810,135 | 325,933,581 | 77,287,222 | 48,536,501 | 451,757,304 | 125,546,555 | 38,293,043 | 24,048,093 | 187,887,691 |
| 2050 | 3,739,392,715 | 469,177,039 | 4,208,569,754 | 263,334,449 | 63,085,929 | 39,618,065 | 366,038,443 | 97,338,916 | 29,689,411 | 18,644,998 | 145,673,325 |
| 2051 | 3,669,132,820 | 430,573,600 | 4,099,706,420 | 250,955,640 | 60,548,576 | 38,024,604 | 349,528,820 | 92,325,007 | 28,160,115 | 17,684,598 | 138,169,720 |
| 2052 | 3,800,775,055 | 435,571,695 | 4,236,346,750 | 50,550,640 | 16,127,400 | 10,128,033 | 76,806,073 | 13,151,561 | 4,011,367 | 2,519,145 | 19,682,073 |
| 2053 | 3,824,262,139 | 393,235,223 | 4,217,497,362 | 162,489,433 | 62,551,275 | 39,282,303 | 264,323,011 | 13,708,879 | 4,181,355 | 2,625,898 | 20,516,132 |
| 2054 | 3,949,433,075 | 390,901,585 | 4,340,334,660 | 64,431,386 | 21,458,926 | 13,476,239 | 99,366,551 | 14,325,779 | 4,369,516 | 2,744,063 | 21,439,358 |
| 2055 | 4,115,122,234 | 402,981,278 | 4,518,103,512 | 31,007,312 | 7,283,304 | 4,573,927 | 42,864,543 | 14,970,439 | 4,566,144 | 2,867,546 | 22,404,129 |
| 2056 | 4,287,547,878 | 415,303,587 | 4,702,851,465 | 32,517,530 | 7,635,858 | 4,795,331 | 44,948,719 | 15,683,481 | 4,783,630 | 3,004,127 | 23,471,238 |
| 2057 | 4,467,156,988 | 427,906,042 | 4,895,063,029 | 33,920,277 | 7,963,634 | 5,001,176 | 46,885,087 | 16,348,093 | 4,986,343 | 3,131,432 | 24,465,868 |
| 2058 | 4,654,145,956 | 440,765,192 | 5,094,911,148 | 35,481,835 | 8,327,953 | 5,229,968 | 49,039,756 | 17,083,758 | 5,210,729 | 3,272,346 | 25,566,833 |
| 2059 | 4,848,810,058 | 453,876,782 | 5,302,686,840 | 37,115,313 | 8,708,946 | 5,469,232 | 51,293,491 | 17,852,527 | 5,445,212 | 3,419,602 | 26,717,341 |
| 2060 | 4,840,230,316 | 417,888,357 | 5,258,118,673 | 244,897,800 | 57,250,989 | 35,953,715 | 338,102,504 | 116,223,693 | 35,449,470 | 22,262,325 | 173,935,488 |
| 2061 | 5,007,412,902 | 421,305,228 | 5,428,718,131 | 73,003,834 | 17,051,265 | 10,708,222 | 100,763,321 | 34,534,017 | 10,533,245 | 6,614,895 | 51,682,157 |
| Totals | | | | 7,312,069,541 | 2,176,332,405 | 1,366,740,293 | 10,855,142,239 | 2,179,424,991 | 664,747,942 | 417,482,790 | 3,261,635,723 |

[1] Beginning Balance and interest rate per FPL's response to OPC's Fourth Set of Interrogatories, Question No. 200. Interest rate = 5.5%
Yearly fund balances are calculated assuming interest on the average balance and decommissioning costs incurred on average throughout the year.
[2] Per FPL's 2005 Decommissioning Study

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Florida Power & Light Company
Calculation of Expected Decommissioning Fund Balances from FPL's 2005 Decommissioning Study

| | St Lucie Unit 2 Decommissioning Costs [2] | | | | Turkey Point Unit 3 Decommissioning Costs [2] | | | | Turkey Point Unit 4 Decommissioning Costs[2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Qualified | Nonqualified | Tax Savings | Total | Qualified | Nonqualified | Tax Savings | Total | Qualified | Nonqualified | Tax Savings | Total |
| 2009 | | | | | | | | | | | | |
| 2010 | | | | | | | | | | | | |
| 2011 | | | | | | | | | | | | |
| 2012 | | | | | | | | | | | | |
| 2013 | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | |
| 2017 | | | | | | | | | | | | |
| 2018 | | | | | | | | | | | | |
| 2019 | | | | | | | | | | | | |
| 2020 | | | | | | | | | | | | |
| 2021 | | | | | | | | | | | | |
| 2022 | | | | | | | | | | | | |
| 2023 | | | | | | | | | | | | |
| 2024 | | | | | | | | | | | | |
| 2025 | | | | | | | | | | | | |
| 2026 | | | | | | | | | | | | |
| 2027 | | | | | | | | | | | | |
| 2028 | | | | | | | | | | | | |
| 2029 | | | | | | | | | | | | |
| 2030 | | | | | | | | | | | | |
| 2031 | | | | | | | | | | | | |
| 2032 | | | | | 44,316,082 | 19,270,996 | 12,102,217 | 75,689,295 | | | | - |
| 2033 | | | | | 151,150,937 | 65,728,488 | 41,277,598 | 258,157,023 | 72,741,083 | 29,086,679 | 18,266,482 | 120,094,244 |
| 2034 | | | | | 210,905,658 | 91,713,028 | 57,595,931 | 360,214,617 | 195,339,610 | 78,109,649 | 49,052,987 | 322,502,246 |
| 2035 | | | | | 143,057,693 | 62,209,114 | 39,067,425 | 244,334,232 | 269,966,728 | 107,950,488 | 67,793,082 | 445,710,298 |
| 2036 | | | | | 92,456,148 | 40,204,864 | 25,248,720 | 157,909,732 | 199,381,140 | 79,725,719 | 50,067,881 | 329,174,740 |
| 2037 | | | | | 96,350,087 | 41,898,156 | 26,312,110 | 164,560,353 | 170,431,114 | 68,149,591 | 42,798,054 | 281,378,759 |
| 2038 | | | | | 52,144,601 | 22,675,254 | 14,240,096 | 89,059,951 | 170,118,395 | 68,024,545 | 42,719,525 | 280,862,465 |
| 2039 | | | | | 35,138,439 | 15,280,067 | 9,595,907 | 60,014,413 | 107,482,271 | 42,978,495 | 26,990,565 | 177,451,331 |
| 2040 | | | | | 39,227,354 | 17,058,146 | 10,712,543 | 66,998,043 | 74,756,134 | 29,892,429 | 18,772,494 | 123,421,057 |
| 2041 | | | | | 38,544,380 | 16,761,152 | 10,526,031 | 65,831,563 | 76,230,172 | 30,481,846 | 19,142,649 | 125,854,667 |
| 2042 | | | | | 8,693,506 | 3,780,400 | 2,374,097 | 14,848,003 | 11,144,960 | 4,456,489 | 2,798,683 | 18,400,132 |
| 2043 | 136,292,567 | 23,092,331 | 14,502,021 | 173,886,919 | 7,468,933 | 3,247,890 | 2,039,680 | 12,756,503 | 8,152,675 | 3,259,977 | 2,047,271 | 13,459,923 |
| 2044 | 385,446,937 | 65,307,069 | 41,012,946 | 491,766,952 | 7,828,768 | 3,404,366 | 2,137,947 | 13,371,081 | 8,553,208 | 3,420,136 | 2,147,851 | 14,121,195 |
| 2045 | 485,960,976 | 82,337,370 | 51,708,003 | 620,006,349 | 8,156,261 | 3,546,777 | 2,227,382 | 13,930,420 | 8,919,972 | 3,566,793 | 2,239,952 | 14,726,717 |
| 2046 | 250,885,431 | 42,508,036 | 26,695,116 | 320,088,583 | 8,523,293 | 3,706,382 | 2,327,614 | 14,557,289 | 9,330,291 | 3,730,865 | 2,342,989 | 15,404,145 |
| 2047 | 246,193,283 | 41,713,036 | 26,195,854 | 314,102,173 | 8,906,841 | 3,873,170 | 2,432,357 | 15,212,368 | 9,759,484 | 3,902,485 | 2,450,767 | 16,112,736 |
| 2048 | 246,567,903 | 41,776,508 | 26,235,715 | 314,580,126 | 9,335,952 | 4,059,770 | 2,549,542 | 15,945,264 | 10,238,958 | 4,094,210 | 2,571,171 | 16,904,339 |
| 2049 | 179,982,525 | 30,494,810 | 19,150,791 | 229,628,126 | 9,726,493 | 4,229,598 | 2,656,194 | 16,612,285 | 10,678,008 | 4,269,771 | 2,681,423 | 17,629,202 |
| 2050 | 144,662,152 | 24,510,407 | 15,392,575 | 184,565,134 | 10,164,185 | 4,419,930 | 2,775,723 | 17,359,838 | 11,169,196 | 4,466,181 | 2,804,769 | 18,440,146 |
| 2051 | 136,326,080 | 23,098,009 | 14,505,587 | 173,929,676 | 10,621,574 | 4,618,827 | 2,900,631 | 18,141,032 | 11,682,979 | 4,671,625 | 2,933,788 | 19,288,392 |
| 2052 | 14,008,830 | 2,373,545 | 1,490,590 | 17,872,965 | 11,133,296 | 4,841,351 | 3,040,376 | 19,015,023 | 12,256,953 | 4,901,137 | 3,077,922 | 20,236,012 |
| 2053 | 14,629,394 | 2,478,688 | 1,556,620 | 18,664,702 | 64,273,306 | 27,949,461 | 17,552,307 | 109,775,074 | 69,877,854 | 27,941,771 | 17,547,478 | 115,367,103 |
| 2054 | 15,316,975 | 2,595,187 | 1,629,781 | 19,541,943 | 16,675,562 | 7,251,424 | 4,553,906 | 28,480,892 | 18,113,070 | 7,242,799 | 4,548,489 | 29,904,358 |
| 2055 | 16,036,873 | 2,717,160 | 1,706,381 | 20,460,414 | | | | | | | | |
| 2056 | 16,834,049 | 2,852,228 | 1,791,204 | 21,477,481 | | | | | | | | |
| 2057 | 17,572,184 | 2,977,291 | 1,869,744 | 22,419,219 | | | | | | | | |
| 2058 | 18,398,077 | 3,117,224 | 1,957,622 | 23,472,923 | | | | | | | | |
| 2059 | 19,262,786 | 3,263,734 | 2,049,630 | 24,576,150 | | | | | | | | |
| 2060 | 128,674,107 | 21,801,519 | 13,691,390 | 164,167,016 | | | | | | | | |
| 2061 | 38,469,817 | 6,518,020 | 4,093,327 | 49,081,164 | | | | | | | | |
| Totals | 2,511,520,946 | 425,532,172 | 267,234,897 | 3,204,288,015 | 1,084,795,349 | 471,728,611 | 296,246,334 | 1,852,774,294 | 1,530,324,253 | 614,323,680 | 385,796,272 | 2,536,444,207 |

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**Florida Power & Light Company**
**Calculation of Decommissioning Fund Balance**
**Assuming End of Life Material and Supplies and Last Core Nuclear Fuel**
**are Paid from Excess Fund Balances**

| | *Decommissioning Fund Balances[1]* | | | | | | *Total Decommissioning Cost All Units* | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Qualified | Nonqualified | Total | EOL M&S/Last Core | From Nonqualified | From tax savings | Qualified | Nonqualified | Tax Savings | Total |
| 2009 | 1,837,622,000 | 492,908,000 | 2,330,530,000 | | | | | | | |
| 2010 | 1,929,503,100 | 517,553,400 | 2,447,056,500 | | | | | | | |
| 2011 | 2,025,978,255 | 543,431,070 | 2,569,409,325 | | | | | | | |
| 2012 | 2,127,277,168 | 570,602,624 | 2,697,879,791 | | | | | | | |
| 2013 | 2,233,641,026 | 599,132,755 | 2,832,773,781 | | | | | | | |
| 2014 | 2,345,323,077 | 629,089,392 | 2,974,412,470 | | | | | | | |
| 2015 | 2,462,589,231 | 660,543,862 | 3,123,133,093 | | | | | | | |
| 2016 | 2,585,718,693 | 693,571,055 | 3,279,289,748 | | | | | | | |
| 2017 | 2,715,004,628 | 728,249,608 | 3,443,254,235 | | | | | | | |
| 2018 | 2,850,754,859 | 764,662,088 | 3,615,416,947 | | | | | | | |
| 2019 | 2,993,292,602 | 802,895,193 | 3,796,187,795 | | | | | | | |
| 2020 | 3,142,957,232 | 843,039,952 | 3,985,997,184 | | | | | | | |
| 2021 | 3,300,105,094 | 885,191,950 | 4,185,297,043 | | | | | | | |
| 2022 | 3,465,110,348 | 929,451,547 | 4,394,561,896 | | | | | | | |
| 2023 | 3,638,365,866 | 975,924,125 | 4,614,289,990 | | | | | | | |
| 2024 | 3,820,284,159 | 1,024,720,331 | 4,845,004,490 | | | | | | | |
| 2025 | 4,011,298,367 | 1,075,956,348 | 5,087,254,714 | | | | | | | |
| 2026 | 4,211,863,285 | 1,129,754,165 | 5,341,617,450 | | | | | | | |
| 2027 | 4,422,456,449 | 1,186,241,873 | 5,608,698,323 | | | | | | | |
| 2028 | 4,643,579,272 | 1,245,553,967 | 5,889,133,239 | | | | | | | |
| 2029 | 4,875,758,236 | 1,307,831,665 | 6,183,589,901 | | | | | | | |
| 2030 | 5,119,546,147 | 1,373,223,249 | 6,492,769,396 | | | | - | - | - | - |
| 2031 | 5,375,523,455 | 1,441,884,411 | 6,817,407,866 | | | | - | - | - | - |
| 2032 | 5,598,875,643 | 1,414,030,595 | 7,012,906,238 | 127,373,681 | 78,239,283 | 49,134,397 | 44,316,082 | 19,270,996 | 12,102,217 | 75,689,295 |
| 2033 | 5,649,330,105 | 1,387,546,579 | 7,036,876,684 | | | | 223,892,020 | 94,815,167 | 59,544,080 | 378,251,267 |
| 2034 | 5,515,395,211 | 1,282,855,664 | 6,798,250,874 | | | | 406,245,268 | 169,822,677 | 106,648,918 | 682,716,863 |
| 2035 | 5,367,814,940 | 1,123,171,429 | 6,490,986,369 | 78,483,061 | 48,208,220 | 30,274,841 | 413,024,421 | 170,159,602 | 106,860,507 | 690,044,530 |
| 2036 | 5,239,665,173 | 1,026,690,886 | 6,266,356,059 | | | | 386,868,794 | 148,916,209 | 93,519,621 | 629,304,624 |
| 2037 | 5,086,779,092 | 922,092,302 | 6,008,871,394 | | | | 404,750,575 | 152,129,882 | 95,537,814 | 652,418,271 |
| 2038 | 5,061,282,393 | 859,364,161 | 5,920,646,554 | | | | 273,010,394 | 106,178,298 | 66,680,144 | 445,868,836 |
| 2039 | 5,113,803,478 | 826,037,935 | 5,939,841,413 | | | | 195,651,741 | 74,433,594 | 46,744,418 | 316,829,753 |
| 2040 | 5,195,701,396 | 801,842,333 | 5,997,543,729 | | | | 169,553,420 | 63,899,999 | 40,129,303 | 273,582,722 |
| 2041 | 5,287,586,035 | 778,181,602 | 6,065,767,637 | | | | 163,805,299 | 62,197,900 | 39,060,383 | 265,063,582 |
| 2042 | 5,498,064,388 | 725,961,864 | 6,224,026,252 | 115,068,520 | 70,680,838 | 44,387,682 | 52,586,291 | 18,225,326 | 11,445,535 | 82,257,152 |
| 2043 | 5,582,178,563 | 721,220,889 | 6,303,399,452 | | | | 186,135,653 | 40,038,115 | 25,144,001 | 251,317,769 |
| 2044 | 5,362,505,813 | 656,839,496 | 6,019,345,310 | | | | 486,616,271 | 97,992,622 | 61,539,526 | 646,148,419 |
| 2045 | 4,946,338,464 | 546,545,205 | 5,492,883,668 | | | | 667,602,576 | 139,645,138 | 87,697,375 | 894,945,089 |
| 2046 | 4,470,926,324 | 386,255,934 | 4,857,182,258 | | | | 705,101,525 | 183,040,518 | 114,949,743 | 1,003,091,786 |
| 2047 | 4,214,307,766 | 291,192,038 | 4,505,499,804 | | | | 468,453,536 | 111,587,017 | 70,076,828 | 650,117,381 |
| 2048 | 3,954,736,093 | 194,336,120 | 4,149,072,213 | | | | 458,816,645 | 108,698,068 | 68,262,564 | 635,777,277 |
| 2049 | 3,818,390,977 | 124,833,524 | 3,943,224,501 | | | | 325,933,581 | 77,287,222 | 48,536,501 | 451,757,304 |
| 2050 | 3,739,392,715 | 66,412,123 | 3,805,804,838 | | | | 263,334,449 | 63,085,929 | 39,618,065 | 366,038,443 |
| 2051 | 3,669,132,820 | 7,670,439 | 3,676,803,259 | | | | 250,955,640 | 60,548,576 | 38,024,604 | 349,528,820 |
| 2052 | 3,800,775,055 | (8,476,624) | 3,792,298,431 | | | | 50,550,640 | 16,127,400 | 10,128,033 | 76,806,073 |
| 2053 | 3,824,262,139 | (73,015,513) | 3,751,246,627 | | | | 162,489,433 | 62,551,275 | 39,282,303 | 264,323,011 |
| 2054 | 3,949,433,075 | (98,661,687) | 3,850,771,388 | | | | 64,431,386 | 21,458,926 | 13,476,239 | 99,366,551 |
| 2055 | 4,115,122,234 | (111,060,158) | 4,004,062,076 | | | | 31,007,312 | 7,283,304 | 4,573,927 | 42,864,543 |
| 2056 | 4,287,547,878 | (124,439,921) | 4,163,107,957 | | | | 32,517,530 | 7,635,858 | 4,795,331 | 44,948,719 |
| 2057 | 4,467,156,988 | (138,824,642) | 4,328,332,346 | | | | 33,920,277 | 7,963,634 | 5,001,176 | 46,885,087 |
| 2058 | 4,654,145,956 | (154,302,025) | 4,499,843,931 | | | | 35,481,835 | 8,327,953 | 5,229,968 | 49,039,756 |
| 2059 | 4,848,810,058 | (170,943,796) | 4,677,866,262 | | | | 37,115,313 | 8,708,946 | 5,469,232 | 51,293,491 |
| 2060 | 4,840,230,316 | (238,173,250) | 4,602,057,066 | | | | 244,897,800 | 57,250,989 | 35,953,715 | 338,102,504 |
| 2061 | 5,007,412,902 | (267,559,459) | 4,739,853,443 | | | | 73,003,834 | 17,051,265 | 10,708,222 | 100,763,321 |
| **Totals** | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | ***7,312,069,541*** | ***2,176,332,405*** | ***1,366,740,293*** | ***10,855,142,239*** |

[1] Decommissioning fund data from OPC's Fourth Set of Interrogatories, Question No. 200.
[2] Decommissioning requirements from FPL's 2005 Decommissioning Study.
[3] End of life and last core from page 1.

**Florida Power & Light Company**

**Revenue Impact of Eliminating the End-of-Life Materials and Supplies**

**and Last Core Nuclear Fuel Accruals and Transferring Nuclear Reserve Balances - 2010**

| Line | Description | Original | Additional | Total | Jurisdictional | Adjustment[3] | Revised | Transfer | Rate Base |
|---|---|---|---|---|---|---|---|---|---|
| 1 | End-of-life Materials and Supplies Accrual [1] | 1,072 | 137 | 1,209 | 1,196 | (1,196) | | | |
| 2 | Last Core Accrual [1] | 4,775 | 6,014 | 10,789 | 10,675 | (10,675) | | | |
| 3 | Nuclear Reserve [2] | (6,955) | | (6,955) | (6,955) | 6,955 | | | |
| 4 | Total Accrual | (1,108) | 6,151 | 5,043 | 4,917 | (4,917) | | | |
| 5 | EOL/Last Core Reserve | (55,479) | (3,084) | (58,563) | (58,108) | 5,936 | (52,172) | (46,080) | (98,251) |
| 6 | Nuclear Reserve | (42,602) | | (42,602) | (42,602) | (3,478) | (46,080) | 46,080 | - |
| 7 | Total Reserves | (98,081) | (3,084) | (101,165) | (100,710) | 2,458 | (98,251) | - | (98,251) |
| 8 | Change in Rate Base | | | | | | 2,458 | | |

($000s)

| Line | Cost of Capital | Jurisdictional | Adjustment | Prorata Adj | Adj Jurisdiction | Ratio | Cost Rate | Weighted Cost Rate | Weighted Cost Rate FPL Base Case |
|---|---|---|---|---|---|---|---|---|---|
| 9 | Long Term Debt | 5,377,787 | | 592 | 5,378,379 | 31.52% | 5.55% | 1.7475% | 1.7476% |
| 10 | Customer Deposits | 564,652 | | | 564,652 | 3.31% | 5.98% | 0.1979% | 0.1979% |
| 11 | Common Equity | 8,178,980 | | 900 | 8,179,880 | 47.93% | 12.50% | 5.9913% | 5.9915% |
| 12 | Short Term Debt | 161,857 | | 18 | 161,875 | 0.95% | 2.96% | 0.0281% | 0.0281% |
| 13 | Deferred Inc Tax | 2,723,327 | 948 | | 2,724,275 | 15.96% | 0.00% | 0.0000% | 0.0000% |
| 14 | ITC | 56,983 | | | 56,983 | 0.33% | 9.74% | 0.0325% | 0.0325% |
| 15 | Total | 17,063,586 | 948 | 1,510 | 17,066,044 | | | 7.9970% | 7.9980% |

| Line | Summary | Base Case | Jurisdictional Adjustments | Revised Jurisdictional |
|---|---|---|---|---|
| 16 | Revenues | 4,114,726 | | 4,114,726 |
| 17 | Less Expenses | 3,145,505 | (4,917) | 3,140,588 |
| 18 | Net Operating income before taxes | 969,221 | | 974,138 |
| 19 | Less Taxes | 243,337 | 1,884 | 245,221 |
| 20 | Net Operating Income after taxes | 725,884 | | 728,917 |
| 21 | Rate Base | 17,063,594 | 2,458 | 17,066,052 |
| 22 | Return on Rate Base | 4.25% | | 4.27% |
| 23 | Proposed Return on Rate Base | 8.00% | | 7.997% |
| 24 | Deficiency at Proposed Return | 638,863 | | 635,855.60 |
| 25 | Revenue Expansion Factor | 1.63342 | | 1.63342 |
| 26 | Revenue Deficiency at Proposed Return | 1,043,534 | | 1,038,622 |
| 27 | Less Increase in Miscellaneous Service Fees | 75,328 | | 75328 |
| 28 | Revenue Deficiency to be collected from Sales Revenues | 968,206 | | 963,294 |
| 29 | Revenue Deficiency per FPL Base Case | 968,207 | | 968207 |
| 30 | Revenue Impact of Adjustments | (1) | | (4,913) |

[1] MFR Schedules B21 and C2.

[2] MFR Schedule C4. Jurisdictional allocation = 1.0

[3] One half of the EOL/Last Core Accrual for the year and one half of the nuclear reserve accrual

**Florida Power & Light Company**
**Revenue Impact of Eliminating the End-of-Life Materials and Supplies**
**and Last Core Nuclear Fuel Accruals and Transferring Nuclear Reserve Balances - 2011**

| Line | Description | Original | Additional | Total | Jurisdictional | Adjustment[4] | Revised | Transfer | Rate Base |
|---|---|---|---|---|---|---|---|---|---|
| 1 | End-of-life Materials and Supplies Accrual (1) | 1,072 | 137 | 1,209 | 1,195 | (1,195) | | | |
| 2 | Last Core Accrual [1] | 4,775 | 6,014 | 10,789 | 10,667 | (10,667) | | | |
| 3 | Nuclear Reserve [2] | (6,955) | | (6,955) | (6,955) | 6,955 | | | |
| 4 | Total Accrual | (1,108) | 6,151 | 5,043 | 4,907 | (4,907) | | | |
| 5 | EOL/Last Core Reserve | (61,326) | (9,252) | (70,578) | (70,017) | 17,798 | (52,219) | (46,079) | (98,298) |
| 6 | Nuclear Reserve [3] | (35,646) | | (35,646) | (35,646) | (10,433) | (46,079) | 46,079 | - |
| 7 | Total Reserves | (96,972) | | (106,224) | (105,663) | 7,365 | (98,298) | - | (98,298) |
| 8 | Change in Rate Base | | | | | | 7,365 | | |

| Line | | ($000s) | | | | | | Weighted | Weighted Cost Rate |
|---|---|---|---|---|---|---|---|---|---|
| | Cost of Capital | Jurisdictional | Adjustment | Prorata Adj | Adj Jurisdiction | Ratio | Cost Rate | Cost Rate | FPL Base Case |
| 9 | Long Term Debt | 5,888,206 | | 1,837 | 5,890,043 | 32.93% | 5.81% | 1.9131% | 1.9133% |
| 10 | Customer Deposits | 558,660 | | | 558,660 | 3.12% | 5.98% | 0.1869% | 0.1869% |
| 11 | Common Equity | 8,547,017 | | 2,666 | 8,549,683 | 47.80% | 12.50% | 5.9745% | 5.9751% |
| 12 | Short Term Debt | 70,127 | | 22 | 70,149 | 0.39% | 4.61% | 0.0181% | 0.0181% |
| 13 | Deferred Inc Tax | 2,655,102 | 2,841 | | 2,657,943 | 14.86% | 0.00% | 0.0000% | 0.0000% |
| 14 | ITC | 161,290 | | | 161,290 | 0.90% | 9.77% | 0.0881% | 0.0881% |
| 15 | Total | 17,880,402 | 2,841 | 4,524 | 17,887,767 | | | 8.1810% | 8.1820% |

| Line | Summary | Base Case | Jurisdictional Adjustments | Revised Jurisdictional |
|---|---|---|---|---|
| 16 | Revenues | 4,175,025 | | 4,175,025 |
| 17 | Less Expenses | 3,341,243 | (4,907) | 3,336,336 |
| 18 | Net Operating Income before taxes | 833,782 | | 838,689 |
| 19 | Less Taxes | 171,013 | 1,852 | 172,865 |
| 20 | Net Operating Income after taxes | 662,769 | | 665,824 |
| 21 | Rate Base | 17,880,412 | 7,365 | 17,887,777 |
| 22 | Return on Rate Base | 3.71% | | 3.72% |
| 23 | Proposed Return on Rate Base | 8.18% | | 8.181% |
| 24 | Deficiency at Proposed Return | 800,207 | | 797,575 |
| 25 | Revenue Expansion Factor | 1.63256 | | 1.63256 |
| 26 | Revenue Deficiency at Proposed Return | 1,306,382 | | 1,302,086 |
| 27 | Less Increase in Miscellaneous Service Fees | 76,367 | | 76,367 |
| 28 | Revenue Deficiency to be collected from Sales Revenues | 1,230,015 | | 1,225,719 |
| 29 | Revenue Deficiency per FPL Base Case | 1,230,015 | | 1,230,015 |
| 30 | Revenue Impact of Adjustments | 0 | | (4,296) |

[1] MFR Schedules B21 and C2.
[2] MFR Schedule C4. Jurisdictional allocation = 1.0.
[3] One half of the EOL/Last Core Accrual for the year and one half of the nuclear reserve accrual plus a full year's accrual for 2010

**Florida Power & Light Company**
**Depreciation and Reserve Adjustment -2010**

| Line | Function | Depreciation Adjustments per J. Pous | Book (OM Base) Accu Depr Per Company[1] | Adjustments for Revised Depr Depreciation | Revised Accu Dept Before Excess | Adjustments to A/D for Excess | Revised A/D for Depr and Excess | Total Change in A/D | Increase in ADIT |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Intangible | - | 434,953 | | 434,953 | | 434,953 | - | - |
| 2 | Steam | (48,194) | (2,742,295) | 24,097 | (2,718,198) | 44,897 | (2,673,302) | 68,993 | 26,614 |
| 3 | Nuclear | (68,937) | (2,584,655) | 34,469 | (2,550,186) | 25,727 | (2,524,459) | 60,196 | 23,220 |
| 4 | Other Production | (56,673) | (1,802,093) | 28,336 | (1,773,757) | 6,635 | (1,767,122) | 34,971 | 13,490 |
| 5 | Transmission | (22,007) | (1,392,333) | 11,003 | (1,381,330) | | (1,381,330) | 11,003 | 4,245 |
| 6 | Distribution | (114,956) | (4,231,552) | 57,478 | (4,174,074) | 29,437 | (4,144,637) | 86,915 | 33,527 |
| 7 | General | (16,307) | (399,589) | 8,153 | (391,436) | 9,697 | (381,739) | 17,850 | 6,886 |
| 8 | Total Adjustment | (327,073) | (12,717,564) | 163,537 | (12,554,027) | 116,392 | (12,437,635) | 279,929 | 107,983 |
| 9 | Total Per Company | 1,087,802 | | | | | | | |
| 10 | % Reduction | -30.07% | | | | | | | |

| | Excess Reserve FPL Ex CRC-1,p53 | Capital Recovery FPL Ex CRC-1,p57 | Remaining Excess Reserve | Allocation of 4-Yr Amortization |
|---|---|---|---|---|
| 11 Steam | $410,110,174 | $44,906,153 | $365,204,021 | $89,793,029 |
| 12 Nuclear | $377,507,259 | $168,234,989 | $209,272,270 | $51,453,955 |
| 13 CC | $25,944,710 | $0 | $25,944,710 | $6,379,048 |
| 14 GT | $28,027,786 | $0 | $28,027,786 | $6,891,216 |
| 15 Transmission | -$15,637,436 | $0 | -$15,637,436 | |
| 16 Distribution | $340,529,349 | $101,081,858 | $239,447,491 | $58,873,162 |
| 17 General | $78,878,573 | $0 | $78,878,573 | $19,393,943 |
| 18 Total | $1,245,360,415 | $314,223,000 | $931,137,415 | $232,784,354 |
| 19 4 year amtz. | $311,340,104 | $78,555,750 | $232,784,354 | |

| Function | Depreciation Adjustments per J. Pous | Jurisdictional Allocations | Jurisdictional Depreciation Adjustment | Jurisdictional Amortization of Excess | Total Jurisdictional Depr Adj | Jurisdictional Reserve Adjustment | Jurisdictional ADIT Adjustment |
|---|---|---|---|---|---|---|---|
| 20 Intangible | - | 99.17% | - | | | - | - |
| 21 Steam | (48,194) | 98.04% | (47,247) | (88,030) | (135,277) | 67,638 | (26,092) |
| 22 Nuclear | (68,937) | 98.82% | (68,123) | (50,846) | (118,969) | 59,484 | (22,946) |
| 23 Other Production | (56,673) | 98.04% | (55,560) | (13,010) | (68,569) | 34,285 | (13,225) |
| 24 Transmission | (22,007) | 99.45% | (21,885) | - | (21,885) | 10,942 | (4,221) |
| 25 Distribution | (114,956) | 100.00% | (114,956) | (58,873) | (173,829) | 86,915 | (33,527) |
| 26 General | (16,307) | 99.17% | (16,172) | (19,234) | (35,406) | 17,703 | (6,829) |
| 27 Total Adjustment | (327,073) | | (323,943) | (229,992) | (553,935) | 276,967 | (106,840) |

| Cost Of Capital | Jurisdictional | Adjustment | Prorata Adj | Adj Jurisdiction | Ratio | Cost Rate | Weighted Cost Rate | Weighted Cost Rate FPL Base |
|---|---|---|---|---|---|---|---|---|
| 28 Long Term Debt | 5,377,787 | - | 66,691 | 5,444,478 | 31.40% | 5.55% | 1.7410% | 1.7476% |
| 29 Customer Deposits | 564,652 | - | - | 564,652 | 3.26% | 5.98% | 0.1950% | 0.1979% |
| 30 Common Equity | 8,178,980 | - | 101,429 | 8,280,409 | 47.75% | 12.50% | 5.9690% | 5.9915% |
| 31 Short Term Debt | 161,857 | - | 2,007 | 163,864 | 0.94% | 2.96% | 0.0280% | 0.0281% |
| 32 Deferred Inc Tax | 2,723,327 | 106,840 | - | 2,830,167 | 16.32% | 0.00% | 0.0000% | 0.0000% |
| 33 ITC | 56,983 | - | - | 56,983 | 0.33% | 9.74% | 0.0320% | 0.0325% |
| 34 Total | 17,063,586 | 106,840 | 170,127 | 17,340,553 | | | 7.9650% | 7.9980% |

| Summary | Total Jurisdiction |
|---|---|
| 35 Revenues | 4,114,726 |
| 36 Less Expenses | 2,591,570 |
| 37 Net Operating income before taxes | 1,523,156 |
| 38 Less Taxes | 455,591 |
| 39 Net Operating Income after taxes | 1,067,565 |
| 40 Rate Base | 17,340,553 |
| 41 Return on Rate Base | 6.16% |
| 42 Required Return on Rate Base | 7.97% |
| 43 Deficiency at Proposed Return | 313,610 |
| 44 Revenue Expansion Factor | 1.63342 |
| 45 Revenue Deficiency at Proposed Return | 512,258 |
| 46 Less Increase in Miscellaneous Service Fees | 75,328 |
| 47 Revenue Deficiency to be collected from Sales Revenues | 436,930 |
| 48 Revenue Deficiency per FPL Base Case | 968,207 |
| 49 Revenue Impact of Adjustments | (531,277) |

**Florida Power & Light Company**
**Depreciation and Reserve Adjustment -2011**

| Line | Function | Book (OM Base) Accu Depr Per Company Sch E1 | Adjustment to A/D for J. Pous' 2010 Adjustments | Revised Accu Depr before 2011 Adj | Depreciation Adjustments per J. Pous | Adjustments for Revised Dep Depreciation | Revised Accu Depr Before Excess | Adjustments to A/D for Excess | Revised A/D for Depr and Excess | Total Change in A/D | Increase in Accumulated Deferred Income Tax |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Intangible | 421,890 | | 421,890 | - | | 421,890 | | 421,890 | - | - |
| 2 | Steam | (2,864,893) | 137,987 | (2,726,906) | (49,056) | 24,528 | (2,702,378) | 44,897 | (2,657,482) | 207,411 | 80,009 |
| 3 | Nuclear | (2,542,464) | 120,391 | (2,422,073) | (78,069) | 39,035 | (2,383,038) | 25,727 | (2,357,311) | 185,153 | 71,423 |
| 4 | Other Production | (2,023,921) | 69,943 | (1,953,978) | (62,976) | 31,488 | (1,922,490) | 6,635 | (1,915,855) | 108,066 | 41,686 |
| 5 | Transmission | (1,459,186) | 22,007 | (1,437,179) | (20,517) | 10,258 | (1,426,921) | | (1,426,921) | 32,265 | 12,446 |
| 6 | Distribution | (4,490,138) | 173,829 | (4,316,309) | (124,032) | 62,016 | (4,254,293) | 29,437 | (4,224,856) | 265,282 | 102,333 |
| 7 | General | (423,062) | 35,701 | (387,361) | (18,805) | 9,403 | (377,958) | 9,697 | (368,261) | 54,801 | 21,139 |
| 8 | Total Adjustment | (13,381,774) | 559,858 | (13,243,806) | (353,455) | 176,727 | (12,645,188) | 116,392 | (12,528,796) | 852,978 | 329,036 |
| 9 | Total Per Company | | | | 1,139,657 | | | | | | |
| 10 | % Reduction | | | | -31.01% | | | | | | |

| | Excess Reserve FPL Ex CRC-1,p53 | Capital Recovery FPL Ex CRC-1,p57 | Remaining Excess Reserve | Allocation of 4-Yr Amortization |
|---|---|---|---|---|
| 11 Steam | $410,110,174 | $44,906,153 | $365,204,021 | $89,793,029 |
| 12 Nuclear | $377,507,259 | $168,234,989 | $209,272,270 | $51,453,955 |
| 13 CC | $25,944,710 | $0 | $25,944,710 | $6,379,048 |
| 14 GT | $28,027,786 | $0 | $28,027,786 | $6,891,216 |
| 15 Transmission | -$15,637,436 | $0 | -$15,637,436 | |
| 16 Distribution | $340,529,349 | $101,081,858 | $239,447,491 | $58,873,162 |
| 17 General | $78,878,573 | $0 | $78,878,573 | $19,393,943 |
| 18 Total | $1,245,360,415 | $314,223,000 | $931,137,415 | $232,784,354 |
| 19 4 year amtz. | $311,340,104 | $78,555,750 | $232,784,354 | |

| | Function | Depreciation Adjustments per J. Pous | Jurisdictional Allocations | Jurisdictional Depreciation Adjustment | Jurisdictional Reserve Amortization | Total Jurisdictional Depr Adj | Jurisdictional Reserve Adjustment | Jurisdictional ADIT Adjustment |
|---|---|---|---|---|---|---|---|---|
| 20 | Intangible | - | 99.18% | - | | | - | - |
| 21 | Steam | (49,056) | 98.07% | (48,107) | (88,057) | (136,165) | 203,402 | (78,462) |
| 22 | Nuclear | (78,069) | 98.81% | (77,141) | (50,842) | (127,983) | 182,951 | (70,573) |
| 23 | Other Production | (62,976) | 98.07% | (61,759) | (13,014) | (74,773) | 105,977 | (40,881) |
| 24 | Transmission | (20,517) | 99.45% | (20,404) | | (20,404) | 32,088 | (12,378) |
| 25 | Distribution | (124,032) | 100.00% | (124,032) | (58,873) | (182,905) | 265,282 | (102,333) |
| 26 | General | (18,805) | 99.18% | (18,650) | (19,234) | (37,885) | 54,350 | (20,966) |
| 27 | Total Adjustment | (353,455) | | (350,093) | (230,021) | (580,114) | 844,050 | (325,592) |

| Cost Of Capital | Jurisdictional | Adjustment | Prorata Adj | Adj Jurisdiction | Ratio | Cost Rate | Weighted Cost Rate | Weighted Cost Rate FPL Base |
|---|---|---|---|---|---|---|---|---|
| 28 Long Term Debt | 5,888,206 | - | 210,459 | 6,098,665 | 32.57% | 5.81% | 1.8920% | 1.9133% |
| 29 Customer Deposits | 558,660 | - | - | 558,660 | 2.98% | 5.98% | 0.1790% | 0.1869% |
| 30 Common Equity | 8,547,017 | - | 305,492 | 8,852,509 | 47.28% | 12.50% | 5.9100% | 5.9751% |
| 31 Short Term Debt | 70,127 | - | 2,507 | 72,634 | 0.39% | 4.61% | 0.0180% | 0.0181% |
| 32 Deferred Inc Tax | 2,655,102 | 325,592 | - | 2,980,694 | 15.92% | 0.00% | 0.0000% | 0.0000% |
| 33 ITC | 161,290 | - | - | 161,290 | 0.86% | 9.77% | 0.0840% | 0.0881% |
| 34 Total | 17,880,402 | 325,592 | 518,458 | 18,724,452 | | | 8.0830% | 8.1820% |

| Summary | Base Case | Adjustments | Revised Case |
|---|---|---|---|
| 35 Revenues | 4,175,025 | | 4,175,025 |
| 36 Less Expenses | 3,341,243 | (580,114) | 2,761,129 |
| 37 Net Operating income before taxes | 833,782 | | 1,413,896 |
| 38 Less Taxes | 171,013 | 219,062 | 390,075 |
| 39 Net Operating Income after taxes | 662,769 | | 1,023,821 |
| 40 Rate Base | 17,880,412 | 844,050 | 18,724,462 |
| 41 Return on Rate Base | 3.71% | | 5.47% |
| 42 Required Return on Rate Base | 8.18% | | 8.0830% |
| 43 Deficiency at Proposed Return | 800,207 | | 489,678 |
| 44 Revenue Expansion Factor | 1.63256 | | 1.63256 |
| 45 Revenue Deficiency at Proposed Return | 1,306,382 | | 799,426 |
| 46 Less Increase in Miscellaneous Service Fees | 76,367 | | 76,367 |
| 47 Revenue Deficiency to be collected from Sales Revenues | 1,230,015 | | 723,059 |
| 48 Revenue Deficiency per FPL Base Case | 1,230,015 | | 1,230,015 |
| 49 Revenue Impact of Adjustments | 0 | | (506,956) |

Florida Power & Light Company
Revenue Impact of JR Woolridge Cost of Capital Adjustments-2010

| Line | Cost Of Capital | Jurisdictional | Cost Rate | Weighted Rate FPL Base Case | Adj Jurisdiction | Ratio | Cost Rate | Weighted Cost Rate |
|---|---|---|---|---|---|---|---|---|
| 1 | Long Term Debt | 5,377,787 | 5.55% | 1.7476% | 6,991,554 | 33.67% | 5.14% | 1.7304% |
| 2 | Customer Deposits | 564,652 | 5.98% | 0.1979% | 626,383 | 3.02% | 5.98% | 0.1804% |
| 3 | Common Equity | 8,178,980 | 12.50% | 5.9915% | 9,103,999 | 43.84% | 9.50% | 4.1646% |
| 4 | Short Term Debt | 161,857 | 2.96% | 0.0281% | 629,647 | 3.03% | 2.27% | 0.0688% |
| 5 | Deferred Inc Tax | 2,723,327 | 0.00% | 0.0000% | 3,351,931 | 16.14% | 0.00% | 0.0000% |
| 6 | ITC | 56,983 | 9.74% | 0.0325% | 63,939 | 0.31% | 7.41% | 0.0228% |
| 7 | Total | 17,063,586 | | 7.9980% | 20,767,453 | | | 6.1670% |

| | Summary | Total Jurisdiction |
|---|---|---|
| 8 | Sales of Electricity | 3,920,872 |
| 9 | Other Operating Revenues | 193,854 |
| 10 | Total Operating Revenues | 4,114,726 |
| | Expenses | |
| 11 | Operating and Maintenance Expenses | 1,721,872 |
| 12 | Depreciation and Amortization | 1,075,371 |
| 13 | Taxes Other Than Income Taxes | 350,371 |
| 14 | Amortization of Property Losses | (1,107) |
| 15 | Gain or Loss on Sale of Plant | (1,002) |
| 16 | Total Expenses before Income Taxes | 3,145,505 |
| 17 | Net Operating income before taxes | 969,221 |
| 18 | Less Taxes | 244,465 |
| 19 | Net Operating Income after taxes | 724,756 |
| | Rate Base | |
| 20 | Plant in Service | 28,288,078 |
| 21 | Accumulated Depreciation | (12,590,520) |
| 22 | Net Plant in Service | 15,697,558 |
| 23 | Plant Held for Future Use | 74,503 |
| 24 | Construction Work in Progress | 707,531 |
| 25 | Net Nuclear Fuel | 374,733 |
| 26 | Working Capital-assets | 3,393,194 |
| 27 | Working Capital-liabilities | (3,183,925) |
| 28 | Total Rate Base | 17,063,594 |
| 29 | Return on Rate Base | 4.25% |
| 30 | Proposed Return on Rate Base | 6.17% |
| 31 | Deficiency at Proposed Return | 327,556 |
| 32 | Revenue Expansion Factor | 1.63342 |
| 33 | Revenue Deficiency at Proposed Return | 535,039 |
| 34 | Less Increase in Miscellaneous Service Fees | 75,328 |
| 35 | Revenue Deficiency to be collected from Sales Revenues | 459,711 |
| 36 | Revenue Deficiency per Base Case | 968,207 |
| 37 | Revenue Impact of Adjustments | (508,496) |

**Florida Power & Light Company**
**Revenue Impact of JR Woolridge Cost of Capital Adjustments-2011**

| Line | Cost Of Capital | Jurisdictional | Cost Rate | Weighted Rate FPL Base Case | Adj Jurisdiction | Ratio | Cost Rate | Weighted Cost Rate |
|---|---|---|---|---|---|---|---|---|
| 1 | Long Term Debt | 5,888,206 | 5.81% | 1.9133% | 7,670,689 | 34.74% | 5.14% | 1.7857% |
| 2 | Customer Deposits | 558,660 | 5.98% | 0.1869% | 656,855 | 2.97% | 5.98% | 0.1779% |
| 3 | Common Equity | 8,547,017 | 12.50% | 5.9751% | 9,559,882 | 43.30% | 9.50% | 4.1133% |
| 4 | Short Term Debt | 70,127 | 4.61% | 0.0181% | 582,762 | 2.64% | 2.27% | 0.0599% |
| 5 | Deferred Inc Tax | 2,655,102 | 0.00% | 0.0000% | 3,417,608 | 15.48% | 0.00% | 0.0000% |
| 6 | ITC | 161,290 | 9.77% | 0.0881% | 191,748 | 0.87% | 7.40% | 0.0643% |
| 7 | Total | 17,880,402 | - | 8.1820% | 22,079,544 | | | 6.2010% |

| Line | Summary | Total Juris. |
|---|---|---|
| 8 | Sales of Electricity | 3,974,909 |
| 9 | Other Operating Revenues | 200,116 |
| 10 | Total Operating Revenues | 4,175,025 |
| | Expenses | |
| 11 | Operating and Maintenance Expenses | 1,810,193 |
| 12 | Depreciation and Amortization | 1,139,655 |
| 13 | Taxes Other Than Income Taxes | 393,042 |
| 14 | Amortization of Property Losses | (697) |
| 15 | Gain or Loss on Sale of Plant | (951) |
| 16 | Total Expenses before Income Taxes | 3,341,242 |
| 17 | Net Operating income before taxes | 833,783 |
| 18 | Less Taxes | 179,815 |
| 19 | Net Operating Income after taxes | 653,968 |
| | Rate Base | |
| 20 | Plant in Service | 29,599,964 |
| 21 | Accumulated Depreciation | (13,306,981) |
| 22 | Net Plant in Service | 16,292,983 |
| 23 | Plant Held for Future Use | 71,453 |
| 24 | Construction Work in Progress | 772,484 |
| 25 | Net Nuclear Fuel | 408,125 |
| 26 | Working Capital-assets | 3,473,468 |
| 27 | Working Capital-liabilities | (3,138,102) |
| 28 | Total Rate Base | 17,880,411 |
| 29 | Return on Rate Base | 3.66% |
| 30 | Proposed Return on Rate Base | 6.20% |
| 31 | Deficiency at Proposed Return | 454,796 |
| 32 | Revenue Expansion Factor | 1.63256 |
| 33 | Revenue Deficiency at Proposed Return | 742,480 |
| 34 | Less Increase in Miscellaneous Service Fees | 76,367 |
| 35 | Revenue Deficiency to be collected from Sales Revenues | 666,113 |
| 36 | Revenue Deficiency per Base Case *[1]* | 1,230,014 |
| 37 | Revenue Impact of Adjustments | (563,901) |

***NOTES:***

*[1]* *The revenue deficiency per Schedule E-1 is $1,229,876. This number was adjusted to remove rounding differences between Exhibit__(SLB-2) and FPL's Schedule E-1.*

**Florida Power & Light Company**
**Revenue Impact of OPC's Consolidated Adjustments - 2010**

| Line | Cost Of Capital | Jurisdictional | Cost Rate | Weighted Cost Rate - FPL Base | Jurisdictional | Adjustment | Adj Jurisdiction | Ratio | Cost Rate | Weighted Cost Rate |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Long Term Debt | 5,377,787 | 5.55% | 1.7476% | 6,991,554 | - | 6,991,554 | 33.51% | 5.14% | 1.7227% |
| 2 | Customer Deposits | 564,652 | 5.98% | 0.1979% | 626,383 | - | 626,383 | 3.00% | 5.98% | 0.1796% |
| 3 | Common Equity | 8,178,980 | 12.50% | 5.9915% | 9,103,999 | - | 9,103,999 | 43.64% | 9.50% | 4.1459% |
| 4 | Short Term Debt | 161,857 | 2.96% | 0.0281% | 629,647 | - | 629,647 | 3.02% | 2.27% | 0.0685% |
| 5 | Deferred Inc Tax | 2,723,327 | 0.00% | 0.0000% | 3,351,931 | 93,598 | 3,445,529 | 16.52% | 0.00% | 0.0000% |
| 6 | ITC | 56,983 | 9.74% | 0.0325% | 63,939 | - | 63,939 | 0.31% | 7.41% | 0.0227% |
| 7 | Total | 17,063,586 | | 7.9980% | 20,767,453 | 93,598 | 20,861,051 | | | 6.1390% |

| Line | Summary | Total Jurisisdiction - FPL Base | Total Jurisisdiction - OPC Adj | OPC Adjustments |
|---|---|---|---|---|
| 8 | Sales of Electricity | 3,920,872 | 3,967,372 | 46,500 |
| 9 | Other Operating Revenues | 193,854 | 160,247 | (33,607) |
| 10 | Total Operating Revenues | 4,114,726 | 4,127,619 | 12,893 |
| | Expenses | | | |
| 11 | Operating and Maintenance Expenses | 1,721,872 | 1,508,973 | (212,899) |
| 12 | Depreciation and Amortization | 1,075,371 | 513,606 | (561,765) |
| 13 | Taxes Other Than Income Taxes | 350,371 | 350,220 | (151) |
| 14 | Amortization of Property Losses | (1,107) | (1,107) | - |
| 15 | Gain or Loss on Sale of Plant | (1,002) | (1,002) | - |
| 16 | Total Expenses before Income Taxes | 3,145,505 | 2,370,690 | (774,815) |
| | | | | - |
| 17 | Net Operating income before taxes | 969,221 | 1,756,929 | 787,708 |
| 18 | Less Taxes | 243,337 | 548,946 | 305,608 |
| 19 | Net Operating Income after taxes | 725,884 | 1,207,984 | 482,100 |
| | Rate Base | | | |
| 20 | Plant in Service | 28,288,078 | 27,918,324 | (369,754) |
| 21 | Accumulated Depreciation | (12,590,520) | (12,177,112) | 413,408 |
| 22 | Net Plant in Service | 15,697,558 | 15,741,212 | 43,654 |
| 23 | Plant Held for Future Use | 74,503 | 70,461 | (4,042) |
| 24 | Construction Work in Progress | 707,531 | 692,887 | (14,644) |
| 25 | Net Nuclear Fuel | 374,733 | 374,801 | 68 |
| 26 | Working Capital-assets | 3,393,194 | 3,386,618 | (6,576) |
| 27 | Working Capital-liabilities | (3,183,925) | (3,219,016) | (35,091) |
| 28 | Total Rate Base | 17,063,594 | 17,046,963 | (16,631) |
| 29 | Return on Rate Base | 4.25% | 7.09% | |
| 30 | Proposed Return on Rate Base | 8.00% | 6.14% | |
| 31 | Deficiency at Proposed Return | 638,862 | (161,471) | (800,333) |
| 32 | Revenue Expansion Factor | 1.63342 | 1.63093 | |
| 33 | Revenue Deficiency at Proposed Return | 1,043,533 | (263,347) | (1,306,881) |
| 34 | Less Increase in Miscellaneous Service Fees | 75,328 | 100,352 | 25,024 |
| 35 | Revenue Deficiency to be collected from Sales Revenues | 968,205 | (363,699) | (1,331,905) |
| 36 | Revenue Deficiency per Base Case | 968,207 | 968,207 | |
| 37 | Revenue Impact of Adjustments | (2) | (1,331,906) | (1,331,905) |

**Florida Power & Light Company**
**Revenue Impact of OPC's Consolidated Adjustments - 2011**

| Line | Cost Of Capital | Jurisdictional | Cost Rate | Weighted Cost Rate - FPL Base | Jurisdictional | Adjustment | Adj Jurisdiction | Ratio | Cost Rate | Weighted Cost Rate |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Long Term Debt | 5,888,206 | 5.81% | 1.9133% | 7,670,689 | - | 7,670,689 | 34.25% | 5.14% | 1.7602% |
| 2 | Customer Deposits | 558,660 | 5.98% | 0.1869% | 656,855 | - | 656,855 | 2.93% | 5.98% | 0.1754% |
| 3 | Common Equity | 8,547,017 | 12.50% | 5.9751% | 9,559,882 | - | 9,559,882 | 42.68% | 9.50% | 4.0545% |
| 4 | Short Term Debt | 70,127 | 4.61% | 0.0181% | 582,762 | - | 582,762 | 2.60% | 2.27% | 0.0591% |
| 5 | Deferred Inc Tax | 2,655,102 | 0.00% | 0.0000% | 3,417,608 | 319,741 | 3,737,349 | 16.69% | 0.00% | 0.0000% |
| 6 | ITC | 161,290 | 9.77% | 0.0881% | 191,748 | - | 191,748 | 0.86% | 7.40% | 0.0633% |
| 7 | Total | 17,880,402 | | 8.1820% | 22,079,544 | 319,741 | 22,399,285 | | | 6.1130% |

| Line | Summary | Total Jurisdiction - FPL Base | Total Jurisdiction - OPC Adj | OPC Adjustments |
|---|---|---|---|---|
| 8 | Sales of Electricity | 3,974,909 | 4,015,260 | 40,351 |
| 9 | Other Operating Revenues | 200,116 | 165,482 | (34,634) |
| 10 | Total Operating Revenues | 4,175,025 | 4,180,742 | 5,717 |
| | Expenses | | | |
| 11 | Operating and Maintenance Expenses | 1,810,193 | 1,595,694 | (214,499) |
| 12 | Depreciation and Amortization | 1,139,655 | 570,447 | (569,208) |
| 13 | Taxes Other Than Income Taxes | 393,042 | 392,891 | (151) |
| 14 | Amortization of Property Losses | (697) | (698) | (1) |
| 15 | Gain or Loss on Sale of Plant | (951) | (951) | - |
| 16 | Total Expenses before Income Taxes | 3,341,242 | 2,557,383 | (783,859) |
| 17 | Net Operating income before taxes | 833,783 | 1,623,359 | 789,576 |
| 18 | Less Taxes | 171,014 | 479,319 | 308,305 |
| 19 | Net Operating Income after taxes | 662,769 | 1,144,040 | 481,271 |
| | Rate Base | | | |
| 20 | Plant in Service | 29,599,964 | 29,671,709 | 71,745 |
| 21 | Accumulated Depreciation | (13,306,981) | (12,318,092) | 988,889 |
| 22 | Net Plant in Service | 16,292,983 | 17,353,617 | 1,060,634 |
| 23 | Plant Held for Future Use | 71,453 | 67,750 | (3,703) |
| 24 | Construction Work in Progress | 772,484 | 750,265 | (22,219) |
| 25 | Net Nuclear Fuel | 408,125 | 408,196 | 71 |
| 26 | Working Capital-assets | 3,473,468 | 3,466,759 | (6,709) |
| 27 | Working Capital-liabilities | (3,138,102) | (3,159,745) | (21,643) |
| 28 | Total Rate Base | 17,880,411 | 18,886,842 | 1,006,431 |
| 29 | Return on Rate Base | 3.71% | 6.06% | |
| 30 | Proposed Return on Rate Base | 8.18% | 6.11% | |
| 31 | Deficiency at Proposed Return | 800,206 | 10,513 | (789,693) |
| 32 | Revenue Expansion Factor | 1.63256 | 1.63034 | |
| 33 | Revenue Deficiency at Proposed Return | 1,306,381 | 17,139 | (1,289,242) |
| 34 | Less Increase in Miscellaneous Service Fees | 76,367 | 102,402 | 26,035 |
| 35 | Revenue Deficiency to be collected from Sales Revenues | 1,230,014 | (85,263) | (1,315,277) |
| 36 | Revenue Deficiency per Base Case [1] | 1,230,014 | 1,230,014 | |
| 37 | Revenue Impact of Adjustments | 0 | (1,315,277) | (1,315,277) |

***NOTES:***

*[1] The revenue deficiency per Schedule E-1 is $1,229,876. This number was adjusted to remove rounding differences between Exhibit__(SLB-2) and FPL's Schedule E-1.*