

DOCKET NO. 080677-EI: Rate Case for Florida Power & Light Company

WITNESS: Direct Testimony Of Kathy L. Welch, Appearing On Behalf Of Staff

DATE FILED: July 27, 2009

DOCUMENT NUMBER-DATE

07611 JUL 27 8

FPSC-COMMISSION CLERK

DIRECT TESTIMONY OF KATHY L. WELCH

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Q. Please state your name and business address.

A. My name is Kathy L. Welch and my business address is 3625 N.W. 82nd Ave., Suite 400, Miami, Florida, 33166.

Q. By whom are you presently employed and in what capacity?

A. I am employed by the Florida Public Service Commission as a Public Utilities Supervisor in the Division of Regulatory Compliance.

Q. How long have you been employed by the Commission?

A. I have been employed by the Florida Public Service Commission since June, 1979.

Q. Briefly review your educational and professional background.

A. I have a Bachelor of Business Administration degree with a major in accounting from Florida Atlantic University and a Masters of Adult Education and Human Resource Development from Florida International University. I have a Certified Public Manager certificate from Florida State University. I am also a Certified Public Accountant licensed in the State of Florida, and I am a member of the American and Florida Institutes of Certified Public Accountants. I was hired as a Public Utilities Analyst I by the Florida Public Service Commission in June of 1979. I was promoted to Public Utilities Supervisor on June 1, 2001.

Q. Please describe your current responsibilities.

A. Currently, I am a Public Utilities Supervisor with the responsibilities of administering the District Office and reviewing work load and allocating resources to complete field work and issue audit reports when due. I also supervise, plan, and conduct utility audits of manual and automated accounting systems for historical and forecasted data.

Q. Have you presented testimony before this Commission or any other

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COMMUNICATIONS FRM

1 **regulatory agency?**

2 **A.** Yes. I have testified in several cases before the Florida Public Service
3 Commission. Exhibit KLW-1 lists these cases.

4 **Q. What is the purpose of your testimony today?**

5 **A.** The purpose of my testimony is to sponsor the staff audit report of Florida Power
6 & Light Company (FPL or Utility) which addresses the Utility's application for a rate
7 increase. We issued an audit report in this docket for the historical test year, 2008. This
8 audit report is filed with my testimony and is identified as Exhibit KLW-2.

9 **Q. Was this audit prepared by you or under your direction?**

10 **A.** Yes, it was prepared under my direction.

11 **Q. Please describe the work you performed in these audits.**

12 **A.** We obtained a 13-month trial balance for 2008 and reconciled it to the general
13 ledger and to the filing for rate base, net operating income and capital structure. We
14 reconciled the adjustments for 2008 to the ledger or other supporting documentation. We
15 verified that the adjustments were necessary based on past orders or rules.

16 Affiliate Transactions:

17 We reviewed the methodology used to allocate the management fee for 2008, the
18 generation division allocation, the nuclear division allocation and the energy marketing
19 and trading allocation for reasonableness and traced amounts to source documents. We
20 compared the methodology to the allocation methodology in the last rate case. We
21 obtained supporting documentation for the factors used. We reviewed other budget units
22 to determine if other costs should have been included. We selected a sample of the
23 entries charged from FPL to affiliates and from affiliates to FPL and reviewed the source
24 documentation supporting the entries. We reviewed samples of work orders, working
25 capital accounts and expense accounts to determine if they contained rate base or expense

1 items that should have been allocated but were not.

2 Rate Base:

3 We obtained the list of projects included in construction work in progress in the
4 2008 rate base and determined if they were eligible for AFUDC according to the rule.
5 AFUDC was recalculated for a work order that included AFUDC. We reconciled the last
6 rate case trial balance to the 2008 beginning balance for plant and the reserve balances.
7 We selected work orders added since the last rate case through 2008 and tested the
8 additions to supporting documentation. We also verified that there were retirement work
9 orders recorded if we found plant that was being replaced. We obtained the depreciation
10 schedules, reconciled them to the ledgers and the filing and compared the rates used to
11 Commission Orders No. PSC-05-0902-S-EI and PSC-08-0095-PAA-EI.

12 The accounts included in working capital in 2008 were obtained and reviewed for
13 items that may earn interest. The interest income and expense accounts were reviewed
14 and we verified that the accounts associated with interest were not included in working
15 capital unless the interest also was. We determined if clearing accounts, stores inventory,
16 prepayments, deferred debits, deferred credits, and accrued liabilities were included in
17 working capital and selected the material accounts. We sampled these accounts and
18 traced the items to source documentation to determine if they were related to the utility
19 and appropriately charged to working capital.

20 Net Operating Income:

21 The unbilled revenue calculation was reviewed and traced to the filing.
22 We prepared an analytical review of expenses. We compared the expenses in 2008 to
23 2007 and to 2002 and determined accounts that appeared to have increased higher than
24 inflation. We obtained computerized ledger data for these accounts for 2008 and
25 reviewed all entries to these accounts that were over \$150,000. We sampled most of

1 these entries. In addition, we selected samples of expenses between \$1,000 and \$150,000.
2 We obtained source documentation for all sample items selected. The source
3 documentation was reviewed to determine if the amounts were for the proper period, were
4 in the correct account, were recurring, and were not related to the affiliates. We selected a
5 sample of the advertising account and reviewed the sample ads. We obtained a list of all
6 legal cases and the dollars expended. We reviewed the list to determine if any of the
7 cases related to affiliates and questioned the utility on cases that could not be determined
8 based on the titles. We reviewed insurance entries as part of the review of affiliate
9 transactions. We determined that insurance refunds were properly included in the test
10 year expenses.

11 Taxes Other Than Income:

12 We obtained the sales tax reports and compared them to the sales tax accounts to
13 determine that the discounts were properly included as miscellaneous revenue. We
14 verified the revenue reported on the Regulatory Assessment Fee return to the ledger. We
15 reconciled the payroll tax returns to the ledger and sampled the property tax invoices.

16 Income Tax:

17 We traced the 2008 filing for taxes other than income taxes to the ledger and
18 reconciled to the tax returns. The 2008 state and federal income tax returns have not been
19 filed yet. We traced the deferred income tax balances to the company's schedules and tax
20 reports.

21 Cost of Capital:

22 We obtained the rate base/capital structure reconciliation for 2008 and determined
23 that the non-utility adjustments removed in rate base were removed in the capital
24 structure.

25 We obtained a 13-month average trial balance and reconciled it to the general

1 ledger and to the cost of capital filings for 2008. We traced the cost of capital cost rates
2 for 2008 to the debt documentation, prior audits, and external audit workpapers. We
3 obtained a reconciliation indicating how each rate base adjustment was adjusted in the
4 capital structure and reconciled it to the general ledger and the filing.

5 Other:

6 We reviewed the internal and external audits to determine if there were any
7 adjustments that materially affected the 2008 test year. We read the FERC audit and
8 determined that the adjustments were made and that FPL changed its procedures.

9 **Q. Please review the audit findings in this audit report, KLV-2, which addresses**
10 **the 2008 actual filings for the FPL Rate Case.**

11 **A.** We found items which may not be recurring or were incorrect in the historical test
12 year. The audit staff only audited the 2008 historical test year per the audit services
13 request. Since rates in this case will be set based on a 2010 forecasted test year,
14 additional work will need to be performed to determine the effect, if any, of the findings
15 on the 2010 test year.

16 **Audit Finding No. 1**

17 Storage fees for two combustion turbines purchased and recorded in the books of
18 FPL Group were included in 2008 expenses.

19 **Audit Finding No. 2**

20 Rate Base for 2008 was overstated because some Environmental Cost Recovery
21 Clause construction work in progress projects were not removed in the adjusting entries.

22 **Audit Finding No. 3**

23 Revenue for 2008 was overstated because a Fuel Cost Recovery Clause Revenue
24 Account was not removed in the adjusting entries.

25 **Audit Finding No. 4**

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Non-recurring Green Energy expenses were included in 2008.

Audit Finding No. 5

Non-recurring Oil Spill expenses were recorded in 2008.

Audit Finding No. 6

Non-recurring write-offs were recorded in 2008.

Q. Does that conclude your testimony?

A. Yes.

**History of Testimony
Provided by Kathy L. Welch**

- In re: Application for approval of rate increase in Lee County by Tamiami Village Utility, Inc., Docket No. 910560-WS
- In re: Application for transfer of territory served by Tamiami Village Utility, Inc. in Lee County to North Fort Myers Utility, Inc., cancellation of Certificate No. 332-S and amendment of Certificate 247-S; and for a limited proceeding to impose current rates, charges, classifications, rules and regulations, and service availability policies, Docket No. 940963-SU
- In re: Application for a rate increase by General Development Utilities, Inc. (Port Malabar Division) in Brevard County, Docket No. 911030-WS
- In re: Dade County Circuit Court referral of certain issues in Case No. 92-11654 (Transcall America, Inc. d/b/a ATC Long Distance vs. Telecommunications Services, Inc., and Telecommunications Services, Inc. vs. Transcall America, Inc. d/b/a ATC Long Distance) that are within the Commission's jurisdiction, Docket No. 951232-TI
- In re: Application for transfer of Certificates Nos. 404-W and 341-S in Orange County from Econ Utilities Corporation to Wedgefield Utilities, Inc., Docket No. 960235-WS
- In re: Application for increase in rates and service availability charges in Lee County by Gulf Utility Company, Docket No. 960329-WS
- In re: Fuel and purchased power cost recovery clause and generating performance incentive factor, Docket No. 010001-EI
- In re: Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L.P., Docket No. 020010-WS
- In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida, Docket No. 020071-WS
- In re: Petition for rate increase by Florida Power & Light Company, Docket No. 050045-EI
- In re: Petition for issuance of a storm recovery financing order, by Florida Power & Light Company, Docket No. 060038-EI
- In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp., Docket No. 070293-SU

- In re: Petition for rate increase by Florida Public Utilities Company, Docket No. 070304-EI
- In re: Natural gas conservation cost recovery, Docket No. 080004-GU
- In re: Nuclear cost recovery clause, Docket No. 080009-EI



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE
Bureau of Auditing

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

RATE CASE

YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 080677-EI
AUDIT CONTROL NO. 09-110-4-1

Handwritten signature of Iliana Piedra in black ink.

Iliana Piedra
Audit Manager

Handwritten signature of Gabriela Leon in black ink.

Gabriela Leon
Audit Staff

Handwritten signature of Bety Maitre in black ink.

Bety Maitre
Audit Staff

Handwritten signature of Yen Ngo in black ink.

Yen Ngo
Audit Staff

Handwritten signature of Kathy Welch in black ink.

Kathy Welch
Public Utilities Supervisor

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DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT

July 9, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Florida Power and Light Company in support of its Rate Case Filing for the 2008 test year, Docket No. 080677-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: The objective was to verify the amounts shown as the “per books” balances for rate base, net operating income, and capital structure for the historical base year.

Procedure: We obtained a 13-month trial balance and reconciled it to the general ledger and to the filing for rate base, net operating income and capital structure.

Objective: The objective was to verify that the adjustments to rate base and net operating income for the historic base year were consistent with the Commission’s findings in prior cases and are calculated correctly.

Procedures: We reconciled the adjustments to the ledger or other supporting documentation. We verified that the adjustments were necessary based on past orders or rules. Audit findings 2 and 3 discuss corrections to both rate base and net operating income adjustments for 2008.

Objective: The objective of the audit was to review the allocation methodology between FPL and its affiliates for rate base and NOI items. We were also to determine whether the original amounts to be allocated and the methodology was reasonable and were to check the basis for accuracy and consistent application. The objective of the audit was also to review intercompany charges to and from divisions, affiliated companies, and non-regulated operations to determine if an appropriate amount of costs were allocated pursuant to Rule 25-6.1351, F.A.C.

Procedures: We reviewed the methodology used to allocate the management fee, the generation division allocation, the nuclear division allocation and the energy marketing and trading allocation for reasonableness and traced amounts to source documents. We compared the methodology to the allocation methodology in the last rate case. We obtained supporting documentation for the factors used. We reviewed other budget units to determine if other costs should have been included. We selected a sample of the entries charged from FPL to affiliates and from affiliates to FPL and reviewed the source documentation supporting the entries. We reviewed samples of work orders, working capital accounts and expense accounts to determine if they contained rate base or expense items that should have been allocated but were not.

Objective: The objective of the audit was to verify the 13-month average plant balances, reserve balances and depreciation expense for each plant account for the historical base year. In addition, we were to verify the plant additions, retirements and adjustments from the last field audit through the most recent actual data.

Procedures: We obtained 13-month average trial balances and reconciled them to the general ledger and to the filing. We reconciled the last rate case trial balance to the beginning balance for plant and the reserve balances. We selected work orders added since the last rate case and tested the additions to supporting documentation. We also

selected retirement work orders and verified the service years of the assets to the Commission Order.

Objective: The objective of the audit was to verify that the depreciation rates used for the historical base year are those approved in Orders No. PSC-05-0902-S-EI and PSC-08-0095-PAA-EI.

Procedures: We obtained the depreciation schedules, reconciled them to the ledgers and the filing and compared the rates used to the above orders.

Objective: The objective of the audit was to determine if pursuant to Rule 25-6.0141, F.A.C., FPL has included any construction work in progress projects in rate base that are eligible for the allowance for funds during construction (AFUDC).

Procedure: We obtained the list of projects included in construction work in progress in rate base and determined if they were eligible for AFUDC according to the rule. AFUDC was recalculated for the work order tested.

Objective: The objective of the audit was to determine if any working capital accounts are interest-bearing and if they were to provide the corresponding interest revenue or expense, how it was calculated, and its location in the filing.

Procedures: The accounts included in working capital were obtained and reviewed for items that may earn interest. The interest income and expense accounts were reviewed and we verified that the accounts associated with interest were not included in working capital unless the interest also was.

Objective: The objective of the audit was to review transactions in clearing accounts, stores expense, prepayments, deferred debits, deferred credits, and accrued liabilities to determine if they were proper, utility in nature, and that expenses were not overstated. We also were to review materials and supplies and other accounts receivable for non-utility items.

Procedures: We determined which of these accounts were included in working capital and selected the material accounts. We sampled these accounts and traced the items to source documentation to determine if they were related to the utility and appropriately charged to working capital.

Objective: The objective of the audit was to determine whether the Company is in compliance with the provisions of Rule 25-6.0143, F.A.C. for account 228.1 Accumulated Provision for Property Insurance, 228.2 Accumulated Provision for Injuries and Damages, and 228.4 Accumulated Miscellaneous Operating Provisions.

Procedures: We sampled these accounts and traced the items to source documentation to determine if they were related to the utility and appropriately charged to working capital.

Objective: The objective of the audit was to verify that unbilled revenues were correctly calculated.

Procedures: The unbilled revenue calculation was reviewed for reasonableness and traced to the filing.

Objective: The objective of the audit was to verify that historical base year operation and maintenance transactions were prudent, adequately supported by documentation, recorded in compliance with the Uniform System of Accounts and in the correct amounts.

Procedure: We prepared an analytical review of expenses. We compared the expenses in 2008 to 2007 and to 2002 and determined accounts that appeared to have increased higher than inflation. We obtained computerized ledger data for these accounts and reviewed all entries to these accounts that were over \$150,000. We sampled most of these entries. In addition, we wrote programs to develop statistics for the dollars between \$1,000 and \$150,000. Based on those statistics, we selected samples of those dollar ranges. We obtained source documentation for all sample items selected. The source documentation was reviewed to determine if the amounts were for the proper period, were in the correct account, were re-occurring, and were not related to the affiliates. Audit findings 1, 4, 5 and 6 discuss items that need to be followed up in the review of the forecast.

Objective: The objective of the audit was to review the types of ads included in historical operating expenses to determine if they are image enhancing in nature, promotional, related to non-utility operations or one of the recovery clauses.

Procedures: We selected a sample of the advertising account and reviewed the sample ads.

Objective: The objective of the audit was to review the detail of 2008 legal fees and other outside service expenses, sales expenses, customer service expenses, office supplies and expense, and miscellaneous general expenses.

Procedures: Sales expense and miscellaneous expense were sampled based on the analytical review. We obtained a list of all legal cases and the dollars expended. We reviewed the list to determine if any of the cases related to affiliates and questioned the utility on cases that could not be determined based on the titles. The other accounts did not significantly increase and were discussed with the analyst. He agreed that we would not pursue these expenses.

Objective: The objective of the audit was to review liability and health and life insurance expense during and subsequent to the test period to determine if FPL received refunds based on loss experience. The allocations to the affiliate companies were also reviewed.

Procedures: Since insurance is charged to affiliates in the "ER 99" entries, we reviewed insurance entries in the review of affiliate transactions. Refunds were included in the test year expenses.

Objective: The objective of the audit was to verify that sales tax collection discounts are recorded above the line.

Procedures: We obtained the sales tax reports and compared them to the sales tax accounts to determine where the discounts were reported.

Objective: The objective of the audit was to reconcile gross receipts tax and regulatory assessment fees to the tax return and/or allocation schedules and to the ledger. The objective was also to reconcile the federal and state income taxes to the company's schedules and to the ledger.

Procedures: The above taxes in the 2008 filing were traced to the returns and the ledger. The 2008 state and federal income tax returns have not been filed yet.

Objective: The objective of the audit was to verify deferred income tax expense and deferred tax balances, to include proper bonus depreciation treatment of property additions.

Procedures: We traced the deferred income tax balances to the company's schedules and tax reports.

Objective: The objective of the audit was to follow the standard audit program for taxes other than income tax.

Procedures: We traced the 2008 filing for taxes other than income taxes to the ledger and reconciled to the tax returns.

Objective: The objective of the audit was to verify how any nonutility assets supported by the utility's capital structure are removed from the capital structure in the rate base/capital structure reconciliation by obtaining a list of all non-regulated/nonutility services that FPL is currently providing.

Procedures: We obtained the rate base/capital structure reconciliation and determined that the non-utility adjustments removed in rate base were removed in the capital structure.

Objective: The objective of the audit was to verify that FPL's book amounts for average balance sheet items included in the capital structure agree with the general ledger.

Procedures: We obtained a 13-month average trial balance and reconciled it to the general ledger and to the cost of capital filings.

Objective: The objective of the audit was to verify that the cost rates being used in the computation of cost of capital are appropriate.

Procedures: We reconciled the cost of capital cost rates for 2008 to the debt documentation, prior audits, and external audit workpapers.

Objective: The objective of the audit was to obtain a reconciliation indicating how each rate base adjustment was adjusted in the capital structure and reconcile it to the general ledger and the filing.

Procedures: We obtained a reconciliation indicating how each rate base adjustment was adjusted in the capital structure and reconciled it to the general ledger and the filing.

Objective: The objective of the audit was to follow-up on exceptions and disclosures noted in the last Federal Energy Regulatory Commission (FERC) audit and the last outside accounting audit to determine if they are applicable to this case.

Procedures: We reviewed the internal and external audits to determine if there were any adjustments that materially affected the 2008 test year. We read the FERC audit and determined that the adjustments were made and that FPL changed its procedures.

AUDIT FINDING NO. 1

SUBJECT: STORAGE FEES

AUDIT ANALYSIS: Account 549, Miscellaneous Other Power Generation Expense, included \$810,000 in 2008 for storage expenses for two combustion turbines. FPL Group had a master agreement with General Electric to purchase two combustion turbines. According to FPL, this agreement resulted in pricing that was less than the current market value. FPL claims that at the time the agreement was made, the industry was experiencing failures of critical components in the combustion turbine units. If one of the existing units were to fail, parts from these units would significantly reduce the time required to return the unit to service. Therefore, they had the units built and are keeping them in storage. The cost of the units was recorded on the books of FPL Group in 2007.

EFFECT ON THE GENERAL LEDGER: For informational purposes only.

EFFECT ON THE FILING: Tallahassee staff needs to determine if this storage continues to the 2010 and 2011 forecasts.

AUDIT FINDING NO. 2

SUBJECT: RATE BASE ADJUSTMENTS

AUDIT ANALYSIS: FPL did not remove three construction projects that were recovered in the Environmental Cost Recovery Clause from construction work in progress in the 2008 adjustments to Rate Base. The 13-month average for the three projects was \$1,325,098. This amount should be removed from construction work in progress in 2008.

EFFECT ON THE GENERAL LEDGER: The adjustment was made for the filing only and has no effect on the ledger.

EFFECT ON THE FILING: Tallahassee staff needs to determine if this error continues to the 2010 and 2011 forecasts.

AUDIT FINDING NO. 3

SUBJECT: NET OPERATING INCOME ADJUSTMENTS

AUDIT ANALYSIS: FPL did not remove a revenue account that was included in the Fuel Cost Recovery Clause. The Fuel account that should be excluded was account 456.23 for \$1,512,367.96. Revenue needs to be decreased by \$1,512,367.96 to remove this account.

EFFECT ON THE GENERAL LEDGER: The adjustment was made for the filing only and has no effect on the ledger.

EFFECT ON THE FILING: Tallahassee staff needs to determine if this error continues to the 2010 and 2011 forecasts.

AUDIT FINDING NO. 4

SUBJECT: GREEN POWER CONSERVATION EXPENSE

AUDIT ANALYSIS: In 2008, FPL included in account 908.000 – Customer Assistance Expense, a total of \$625,812 related to the Green Power Conservation Program. Commission Order No. PSC-08-0600-PAA-EI terminated the utility's Sunshine Energy Program. The utility transferred the net costs of the program for 2007 and 2008 from Account 908.265 – Green Power Program to Account 908.000. The charges related to 2007 and 2008 are \$14,100 and \$611,712, respectively. These are not recurring expenses.

EFFECT ON GENERAL LEDGER: For informational purposes only.

EFFECT ON THE FILING: Tallahassee staff needs to determine if this amount continues to the 2010 and 2011 forecasts.

AUDIT FINDING NO. 5

SUBJECT: OIL SPILL EXPENSE

AUDIT ANALYSIS: During the test of expenses, it was determined that cost of emergency oil spill cleanups were being booked in Account 512 – Maintenance of Boiler Plant.

We found three invoices totaling \$618,673 in the sample selection, which related to oil spill cleanup by SWS First Response.

This is not a recurring expense and the Tallahassee staff should determine how it was handled in the forecasts.

EFFECT ON GENERAL LEDGER: The finding is for informational purposes only.

EFFECT ON FILING: Tallahassee staff needs to determine if the item is reoccurring and included in the 2010 and 2011 forecasts.

AUDIT FINDING NO. 6

SUBJECT: ECONOMIC RECOVERY WRITE OFF TO EXPENSE

AUDIT ANALYSIS: During the test of expenses, we found an economic recovery write off for Holtec Metamic Material booked in Account 524 – Miscellaneous Nuclear Power Expenses in the sum of \$350,000.

The metamic materials are utilized in the internal baskets that hold the spent fuel assemblies within the canister and function as neutron absorbers. The project was cancelled and FPL booked the estimated recovery to sell the scrap metal. The \$350,000 write off is the difference between the \$750,000 economic recovery estimate recorded in Fall 2006 and the \$400,000 actual realized through the Holtec purchase orders executed in Fall 2008.

This is not a recurring expense and the Tallahassee staff should determine how it was handled in the forecasts.

EFFECT ON GENERAL LEDGER: The finding is for informational purposes only.

EFFECT ON FILING: Tallahassee staff needs to determine if the item is reoccurring and included in the 2010 and 2011 forecasts.

COMPANY EXHIBITS

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO.: 080677-EI

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

TYPE OF DATA SHOWN:

PROJECTED TEST YEAR ENDED 12/31/10
 PRIOR YEAR ENDED 12/31/09
 HISTORICAL TEST YEAR ENDED 12/31/08
 PROJ. SUBSEQUENT YR ENDED 12/31/11

(\$000)

WITNESS: Kim Ousdahl

LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		PLANT IN SERVICE	ACCUMULATED PROVISION FOR DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE (1 - 2)	CWIP	PLANT HELD FOR FUTURE USE	NUCLEAR FUEL	NET UTILITY PLANT	WORKING CAPITAL ALLOWANCE	OTHER RATE BASE ITEMS	TOTAL RATE BASE
1	UTILITY PER BOOK	25,926,025	11,930,886	13,995,139	1,335,736	132,603	315,560	15,779,039	(638,807)	0	15,140,232
2	SEPARATION FACTOR	0.993838	0.993477	0.994146	0.990508	0.994816	0.995219	0.993865	0.994477	0.000000	0.993839
3	JURIS UTILITY	25,766,274	11,853,060	13,913,214	1,323,057	131,916	314,052	15,682,239	(635,279)	0	15,046,960
4	COMMISSION ADJUSTMENTS	(378,898)	(304,801)	(74,097)	(882,767)	0	(314,052)	(1,270,915)	995,951	0	(274,965)
5	COMPANY ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0
6	TOTAL ADJUSTMENTS	(378,898)	(304,801)	(74,097)	(882,767)	0	(314,052)	(1,270,915)	995,951	0	(274,965)
7	JURIS ADJ UTILITY	25,387,376	11,548,259	13,839,117	440,291	131,916	0	14,411,323	360,872	0	14,771,995
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17	NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.										

FLORIDA PUBLIC SERVICE COMMISSION
 COMPANY: FLORIDA POWER & LIGHT COMPANY
 AND SUBSIDIARIES

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

TYPE OF DATA SHOWN:
 _____ PROJECTED TEST YEAR ENDED ____/____/____
 _____ PRIOR YEAR ENDED ____/____/____
X HISTORICAL TEST YEAR ENDED 12/31/08
 _____ PROJECTED SUBSEQUENT YEAR ENDED ____/____/____
 WITNESS: Kim Ouedahl

DOCKET NO.: 080677-EI

(\$000)

LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	TOTAL COMPANY PER BOOKS	NON-ELECTRIC UTILITY	TOTAL ELECTRIC (1)-(2)	JURISDICTIONAL FACTOR	JURISDICTIONAL AMOUNT (3)X(4)	JURISDICTIONAL COMMISSION ADJUSTMENTS (SCHEDULE C-2)	JURISDICTIONAL ADJUSTED PER COMMISSION (5)+(6)	JURISDICTIONAL COMPANY ADJUSTMENTS	JURISDICTIONAL ADJUSTED AMOUNT (7) + (8)	
1										
2	REVENUE FROM SALES	11,444,678	0	11,444,676	0.992193	11,355,329	(7,617,507)	3,737,822	0	3,737,822
3										
4	OTHER OPERATING REVENUES	202,115	0	202,115	0.951669	192,348	(16,505)	175,841	0	175,841
5										
6	TOTAL OPERATING REVENUES	11,646,791	0	11,646,791	0.991490	11,547,675	(7,634,012)	3,913,664	0	3,913,664
7										
8	OTHER	1,455,699	0	1,455,699	0.990910	1,442,467	(135,514)	1,306,953	0	1,306,953
9										
10	FUEL & INTERCHANGE	5,676,453	0	5,676,453	0.989137	5,614,791	(5,594,705)	20,086	0	20,086
11										
12	PURCHASED POWER	1,152,234	0	1,152,234	0.988367	1,138,830	(1,075,932)	62,896	0	62,896
13										
14	DEFERRED COSTS	(103,867)	0	(103,867)	1.000226	(103,890)	103,890	0	0	0
15										
16	DEPRECIATION & AMORTIZATION	837,395	0	837,395	0.993965	832,341	(76,061)	756,280	0	756,280
17										
14	TAXES OTHER THAN INCOME TAXES	1,074,663	0	1,074,663	0.998514	1,073,066	(785,255)	267,812	0	267,812
15										
16	INCOME TAXES	454,704	0	454,704	0.997693	453,655	(6,439)	447,216	0	447,216
17										
17	(GAIN)/LOSS ON DISPOSAL OF PLANT	(2,866)	0	(2,866)	0.995678	(2,854)	905	(1,949)	0	(1,949)
15										
16	TOTAL OPERATING EXPENSES	10,544,416	0	10,544,416	0.990895	10,448,406	(7,569,112)	2,879,295	0	2,879,295
17										
18	NET OPERATING INCOME	1,102,375	0	1,102,375	0.997182	1,099,269	(64,900)	1,034,369	0	1,034,369
19										
16										
17										
18										
19										
20	NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.									

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

RECAP SCHEDULES: A-1

Docket No. 080667-EI
 Exhibit KLW-2 (Page 17 of 18)
 Audit Report

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

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

TYPE OF DATA SHOWN:

- PROJECTED TEST YEAR ENDED 12/31/10
- PRIOR YEAR ENDED 12/31/09
- HISTORICAL YEAR ENDED 12/31/08
- PROJECTED SUBSEQUENT YEAR ENDED 12/31/11

DOCKET NO. 080677-EI

WITNESS: Kim Ousdahl

(000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
LINE NO.	CLASS OF CAPITAL	COMPANY TOTAL PER BOOKS	SPECIFIC ADJUSTMENTS	PRO RATA ADJUSTMENTS	SYSTEM ADJUSTED	JURISDICTIONAL FACTOR	JURISDICTIONAL ADJUSTED	RATIO	COST RATE	WEIGHTED COST RATE
1	LONG TERM DEBT	5,883,670	(920,604)	(528,797)	4,434,269	0.993871	4,407,093	29.83%	5.43%	1.62%
2	PREFERRED STOCK					0.000000		0.00%	0.00%	0.00%
3	CUSTOMER DEPOSITS	550,566		(43,645)	506,921	1.000000	506,921	3.43%	5.91%	0.20%
4	COMMON EQUITY	7,628,141	(11,239)	(605,470)	7,011,432	0.993871	6,968,462	47.17%	12.50%	5.90%
5	SHORT TERM DEBT	353,370		(28,013)	325,357	0.993871	323,363	2.19%	2.52%	0.06%
6	DEFERRED INCOME TAX	3,132,202	(302,659)	(268,808)	2,560,735	0.993871	2,545,041	17.23%	0.00%	0.00%
7	INVESTMENT TAX CREDITS	23,075		(1,829)	21,246	0.993871	21,116	0.14%	9.30%	0.01%
8	TOTAL	17,571,024	(1,234,501)	(1,476,583)	14,859,960		14,771,995	100.00%		7.79%
9										
10										
11	NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING									

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

RECAP SCHEDULES: A-1