


State of Florida



Public Service Commission

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

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

DATE: May 6, 2010
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Marshall Willis, Director, Division of Economic Regulation 
RE: Docket No. 080677-EI – Petition for rate increase by Florida Power & Light Company, Adjustments to Company's Monthly Earnings Surveillance Report

Please place the attached letter addressed to Ms. Kim Ousdahl in the above Docket File.
Thank you.

MW:kb

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MARSHALL WILLIS, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

June 28, 2010

Ms. Kim Ousdahl
Vice President, Controller and Chief Accountant
Florida Power and Light Company
P.O. Box 029100
Miami, Florida 33102

Re: Docket No. 080677-EI - Petition for rate increase by Florida Power & Light Company, Adjustments to Company's Monthly Earnings Surveillance Report

Dear Ms. Ousdahl:

This letter is in response to your letter, dated May 20, 2010, in which you present the changes to Florida Power & Light Company's (FPL or Company) books and records and adjustments to the Company's Earnings Surveillance Report (ESR or PSC/ECR 14). I am specifically writing in regards to staff's disagreement with the adjustments listed in paragraphs 8 and 9 of Section III, which describes the changes to the monthly ESR.

Incentive Compensation Adjustment – FPL states that an adjustment to the ESR is inappropriate because the Commission reduced the Company's requested executive and non-executive incentive compensation due to the current economic conditions. FPL also believes that since the Company voluntarily removed forecasted executive raises, no adjustment is necessary. Staff disagrees with the company's conclusions as FPL's proposed treatment is inconsistent with the instructions for completing the ESR. The instructions for Form PSC/ECR 14 states:

FPSC Adjustments - The adjustments reflected in this column should represent all of the adjustments required to adjust the per books amounts in accordance with Commission policies, practices, and adjustments made in the utility's most recent rate case. This includes the adjustments made by the utility that were not in dispute, but were accepted by the Commission without direct reference in the order. However, those adjustments that can be considered to be annualizing or pro forma should not be included.

The Commission, in Order No. PSC-10-0153-FOF-EI, Page 150, specifically voted to adopt the adjustments to reduce the incentive compensation costs from FPL's proposed expenses and requested revenue increase. Staff is of the opinion that this is an adjustment made specifically by the Commission; therefore, staff believes these adjustments should be made to FPL's ESR.

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Aviation Costs - FPL states that an adjustment to the ESR is inappropriate because the Commission did not make a finding as to the appropriate level of aviation costs in the rate case. The Commission, in Order No. PSC-10-0153-FOF-EI, Page 139, specifically voted to approve FPL's motion to withdraw all aviation costs from the Company's proposed expenses and requested revenue increase. Staff is of the opinion that this is an adjustment made specifically by the Commission. Therefore, staff believes that this adjustment should be made to FPL's ESR.

Your letter also indicates that FPL intends to transfer the aviation costs from the Company's books and records to FPL Group. FPL Group would then allocate aviation cost down to FPL. Staff believes that the allocated costs must still be removed from the ESR to be consistent with the Commission's adjustment.

Please respond by July 19, 2010 as to your agreement with staff's conclusion. If you still believe that these adjustments should not be made to FPL's ESR, staff will need to bring this issue to an agenda for the Commission's clarification.

Regards,



Marshall Willis
Director of Economic Regulation

c: John Butler, Florida Power & Light
J.R. Kelly, Office of Public Counsel
Cheryl Bulecza-Banks, FPSC
Andrew Maurey, FPSC
John Slemkewicz, FPSC