BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 120015-EI
FLORIDA POWER & LIGHT COMPANY

IN RE: PETITION FOR RATE INCREASE BY FLORIDA POWER & LIGHT COMPANY

TESTIMONY & EXHIBITS OF:

KIM OUSDAHL

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DIRECT TESTIMONY OF KIM OUSDAHL

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kim Ousdahl, and my business address is Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed and what is your position?

A. I am employed by Florida Power & Light Company ("FPL" or the "Company") as Vice President, Controller and Chief Accounting Officer.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for financial accounting and internal and external financial reporting for FPL. In these roles, I am responsible for ensuring that the Company's financial reporting complies with requirements of Generally Accepted Accounting Principles ("GAAP") and multi-jurisdictional regulatory accounting requirements.

Q. Please describe your educational background and professional experience.

A. I graduated from Kansas State University in 1979 with a Bachelor of Science Degree in Business Administration, majoring in Accounting. That same year, I was employed by Houston Lighting & Power Company in Houston, Texas. During my tenure there, I held various accounting and regulatory management positions. Prior to joining FPL in June 2004, I was the Vice President and Controller of Reliant Energy.

I am a Certified Public Accountant ("CPA") licensed in the State of Texas and a member of the American Institute of CPA's, the Texas Society of CPAs and the Florida Institute of CPAs.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring the following exhibits:

- KO-1 -- MFRs Sponsored and Co-sponsored by Kim Ousdahl
- KO-2 -- MFR A-1 for the 2013 Test Year
- KO-3 -- Listing of MFRs & Schedules Directly Supporting Requested Revenue Increase
- KO-4 -- 2013 ROE Calculation Without Rate Relief
- KO-5 -- Removal of Rate Base and Net Operating Income Items Related to the Canaveral Modernization Project
- KO-6 -- Capital Recovery Schedule
- KO-7 -- Capitalized Executive Incentive Removal Calculation
- KO-8 -- Revenue Requirement Impact of ROE Performance Adder
- KO-9 -- FPL's Cost Allocation Manual
- KO-10 -- Direct Charges to Affiliates
- KO-11 -- Schedule of FPL Service Fee Cost Pools and Billings
- KO-12 -- Affiliate Management Fee Cost Drivers
- KO-13 -- Affiliate Management Fee Massachusetts Formula Ratios

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the calculation of the rate relief requested by FPL in this proceeding. I will present and discuss accounting and ratemaking issues which will impact the determination of FPL's rate base, working capital, rate of return, capital structure and net operating income. Specifically, this includes:

1. The calculation of rate relief requested for the January 2013 Base Rate Increase ("2013 Test Year");
2. The calculation of the step increase that FPL is requesting in order to recover the non-fuel revenue requirements of the Canaveral Modernization Project which is scheduled to go into commercial operation on June 1, 2013 (the "Canaveral Step Increase");
3. Adjustments that FPL proposes to rate base and net operating income in order to better reflect the 2013 Test Year results for ratemaking purposes;
4. Treatment of FPL's Theoretical Depreciation Reserve Surplus ("Surplus") for the 2013 Test Year;
5. Treatment of WCEC3 revenues in the 2013 Test Year;
6. Impact of the ROE Performance Adder on revenue requirements for the 2013 Test Year; and
7. The methods employed by the Company for allocating shared costs to affiliates and compliance with the Florida Public Service

Commission's ("FPSC") rules to ensure that no subsidization exists between FPL and its affiliates.

Q. Please summarize your testimony.

A. I will present and discuss the following items:

1. Test Year Base Rate Revenue Increase – The information necessary to support the calculation of the rate relief requested by FPL for the 2013 Test Year period. Absent base rate relief for the 2013 Test Year, FPL's adjusted jurisdictional ROE is estimated to be 8.2%.
2. Canaveral Step Increase – The information necessary to support the calculation of the Canaveral Step Increase for recovery of costs and expenses related to the Canaveral Modernization Project being placed in service on June 1, 2013.
3. Company Adjustments – The accounting adjustments which impact the determination of FPL's rate base, working capital, rate of return, capital structure and net operating income that ultimately drive the revenue requirements for the Company. With the adjustments proposed, I conclude that the Minimum Filing Requirements ("MFRs") fairly present FPL's financial condition and requested revenue increases based on the projected results for the 2013 Test Year.
4. Theoretical Depreciation Reserve Surplus – The Company has amortized its Surplus in accordance with FPSC Order No. PSC-11-0089-S-EI (the "2010 Rate Settlement"). FPL is proposing to fix the amortization of depreciation surplus at $191 million for the 2013 Test

Year period. This represents the amount forecasted to remain in 2013 out of the original $894 million of Surplus that FPL was directed to amortize.

5. WCEC3 – In accordance with the 2010 Rate Settlement, the Company has been collecting revenues associated with the WCEC3 through the Capacity Cost Recovery Clause ("CCRC") and recording such revenues as base revenues for accounting and monthly earnings surveillance reporting purposes. For the 2013 Test Year, the revenues associated with WCEC3 will continue to be reflected as base revenues in the MFRs.
6. ROE Performance Adder – I support the calculation of the revenue requirements associated with the 25 basis point increase in ROE that FPL would receive under the proposed ROE Performance Adder.
7. Affiliate Transactions – I conclude my testimony by demonstrating the reasonableness of the methods FPL uses to charge costs to its affiliates, the results of those allocations, and the controls in place to ensure retail customers do not subsidize FPL's affiliates.

II. SPONSORSHIP OF MINIMUM FILING REQUIREMENTS

Q. Are you sponsoring or co-sponsoring any MFRs in this case?

A. Yes. Exhibit KO-1 provides a listing of my sponsorship and co-sponsorship of MFRs.

Q. Are you sponsoring or co-sponsoring any schedules in support of FPL's request for a step adjustment to base rates to address the additional revenue requirements associated with the Canaveral Step Increase?

A. Yes. Exhibit KO-1, page 5 shows my sponsorship of the Canaveral Step Increase schedules.

Q. What is the basis and time periods covered by the MFRs and schedules that FPL is filing in this proceeding?

A. As further described in FPL Witness Barrett's testimony, FPL is filing MFRs based upon forecasts completed in early 2012 and is utilizing a 2013 Test Year as the basis for its overall jurisdictional revenue requirement calculation. The periods covered in FPL's MFRs are the 2011 Historic Period, 2012 Prior Year and 2013 Test Year. In addition, FPL has prepared a set of schedules that follow the format of certain MFRs showing FPL's proposed step increase on June 1, 2013. This proposed base rate adjustment will reflect the Canaveral Modernization Project which is projected to go into commercial operation on June 1, 2013. The Canaveral Step Increase schedules will cover the twelve months ended May 31, 2014, which represents the first full year of operations for the plant.

Q. Please describe the Canaveral Step Increase schedules.

A. Page 5 of my Exhibit KO-1 lists the schedules that I am supporting for the Canaveral Step Increase. These schedules include the revenue requirement calculation based on the net operating income and rate base impacts due to the additional Canaveral Modernization Project capital and annual operating costs. As a result of this project, FPL is requesting an additional base rate increase of $173.9 million in revenue requirements to be effective from the date the unit is placed in service. FPL witness Kennedy discusses the Canaveral Modernization Project in further detail, FPL witness Barrett discusses the need for the Canaveral Step Increase and FPL witness Deaton discusses the proposed tariff sheets for that increase in her testimony.

III. 2013 TEST YEAR REVENUE REQUIREMENT AND CANAVERAL STEP INCREASE CALCULATIONS

Q. Which exhibit shows the calculation of the base revenue increase that FPL is requesting for the Test Year?

A. Exhibit KO-2, which is MFR A-1 for 2013 Test Year, shows the calculation of our requested base revenue increase of $516.5 million.

Q. Does FPL's requested base revenue increase for 2013 Test Year of $516.5 million reflect the Company's proposed adjustments to appropriately reflect costs in either base rates or clause recoveries?

A. Yes. The revenue increase requested considers three adjustments, which I will discuss in further detail later in my testimony, which move costs between base rates and FPL's cost recovery clauses. The adjustments are the following: (1) payroll loadings associated with incremental security payroll costs in the CCRC; (2) certain payroll loadings associated with payroll costs in the Energy Conservation Cost Recovery Clause ("ECCR"); and (3) expenses associated with the Substation Pollutant Discharge Prevention Project included in the Environmental Cost Recovery Clause ("ECRC"). These adjustments are summarized on MFR C-2.

Q. Which MFRs directly support the 2013 Test Year revenue increase calculation on Exhibit KO-2?

A. Exhibit KO-3, Page 1 lists the MFRs that directly support the overall Test Year jurisdictional revenue requirement increase of $516.5 million requested by FPL. Those MFRs include schedules that support adjusted jurisdictional rate base of $21 billion, adjusted jurisdictional net operating income of $1.2 billion and the calculation of the jurisdictional revenue expansion factor of 1.63188 used to arrive at the requested overall jurisdictional revenue requirement. Additionally, I sponsor the jurisdictional adjusted capital structure and the overall rate of return ("ROR") of 7.0%, which reflects FPL's requested ROE of 11.5%, (including a 25 basis point ROE performance adder) that is further discussed in the testimony of FPL witness Dewhurst. Related Commission and Company adjustments applicable to the above schedules are included in the MFRs filed in this case.

Q. Did FPL include any costs or expenses related to the Canaveral Modernization Project in calculating its 2013 Revenue Requirements as reflected on MFR A-1?

A. No. As discussed later in my testimony, these projected costs were removed from rate base and operating expenses as Company adjustments in FPL's 2013 Test Year MFRs. As described by FPL witness Barrett, the Company is requesting a step increase adjustment for recovery of costs and expenses related to the Canaveral Modernization Project. Therefore, FPL has removed all amounts associated with the Canaveral Modernization Project from its 2013 Test Year revenue requirements increase requested to be effective January 1, 2013.

Q. What would be the resulting ROE for the 2013 Test Year absent the requested rate relief?

A. Exhibit KO-4 shows that absent the requested rate relief, the 2013 Test Year adjusted jurisdictional ROE is projected to be 8.2%. The necessity of a base rate increase is supported by FPL witnesses Barrett and Dewhurst.

IV. ADJUSTMENTS TO 2013 TEST YEAR RESULTS

Q. Are there any adjustments FPL is proposing to rate base or net operating income that are necessary to properly reflect 2013 Test Year results for ratemaking purposes?

A. Yes. These adjustments are detailed in MFR B-2 and MFR C-3.

Q. Would you please describe the adjustments FPL is proposing?

A. Below is a brief description of each adjustment. Additional information regarding each adjustment can be found in the above mentioned MFRs.

Proposed Adjustments Impacting Revenue Requirements

- **Rate Case Expenses** – FPL is requesting a four-year amortization period for estimated rate case expenses associated with this case totaling $5.5 million. Also, FPL is requesting that the unamortized balance be included in rate base in the 2013 Test Year in order to avoid a disallowance of reasonable and necessary costs. Full recovery of necessary rate case expenses is appropriate but will not occur unless FPL is afforded the opportunity to earn a return on the unamortized balance of those expenses.
- **Removal of the Canaveral Modernization Project** – Included in the 2013 Test Year MFRs are amounts associated with the Canaveral Modernization Project. As discussed previously, FPL is requesting a step increase for the revenue requirements associated with this unit. Therefore, FPL has made an

adjustment from the 2013 Test Year to remove $594 million from its 13-month average rate base and $37 million before taxes from operating expenses. Exhibit KO-5 provides detail of the amounts removed from the 2013 revenue requirements associated with the Canaveral Modernization Project. In the event the Commission does not approve the Canaveral Step Increase, this company adjustment should be reversed and the amounts applicable to the Canaveral Modernization Project should be restored to the test period used for setting rates in this filing.

- **Capital Recovery Schedules for Cutler Units 5&6 ("PCU 5&6"), Sanford Unit 3 ("PSN 3") and Port Everglades ("PPE")** – As addressed by FPL witness Kennedy, the Company is proposing to retire its inactive PCU 5&6 and PSN 3 effective November 2012 in accordance with its current generation plan. In addition, the Company has petitioned for a determination of need in Docket No 110309-EI to modernize the 1960's Port Everglades Plant into a high-efficiency combined cycle natural gas energy center. Assuming approval of this plan, all of the existing PPE units would be retired effective January 2013. There will be an unrecovered net book value remaining at PCU and PSN and an overrecovery at PPE at the time of retirement. In accordance with Rule No. 25-6.0436 (10) F.A.C. the Company is requesting to include these amounts on a capital recovery schedule and amortize them over a period of four years beginning January 1, 2013. Exhibit KO-6 contains the detail of the net book values for each of these units by plant account and the resulting net credit to annual amortization of $1.4 million.

Note the capital recovery schedule for PPE does not include amounts associated with the Electrostatic Precipitators ("ESPs"), which are currently being recovered in the ECRC and for which FPL proposes to complete recovery in the ECRC via capital recovery schedules.

- **Amortization of SAP Costs** – In 2011, the Company implemented a new general ledger accounting system (SAP) to replace its legacy system (Walker) along with certain other key systems and sub-ledgers. FPL's policy for accounting for new software requires capitalization of the cost in plant account 303.5, Capitalization of Software, and amortization on a straight-line basis over a period of five years, which is the current amortization period approved for this account. The Company is requesting to extend the amortization period of this system from five to twenty years in order to more appropriately recognize the longer benefit period expected from this major business system. The impact of this change is a decrease in amortization expense for the Test Year of $15 million and a decrease in accumulated amortization of $7.5 million.
- **Capitalized Executive Incentive Compensation** – Consistent with the removal of executive incentive compensation charged to O&M as a Commission adjustment pursuant to Order No. PSC 10-0153-FOF-EI ("2010 Rate Order"), the Company is proposing to remove the estimated

portion of plant-in-service included in the 2013 Test Year rate base that represents capitalized executive incentive compensation. As the amount of capitalized executive incentive in revenue requirements is relatively immaterial and the Company is unable to precisely track amounts that have closed to each individual account in plant-in-service, FPL has developed a simple method to estimate the amount to be removed from plant-in-service in its 2013 Test Year. This calculation is shown on Exhibit KO-7. First, FPL computed an average percentage of total capital executive incentive compensation dollars to total capital expenditures using historical and forecasted data for the period of 2008-2013, resulting in 0.136%. Next, this percent was multiplied by forecasted base capital expenditures for the 2013 Test Year, resulting in a 13-month average rate base adjustment of $1.5 million. The related depreciation expense adjustment was not estimated due to immateriality and a desire to maintain simplicity so that this calculation can be routinely replicated in surveillance reporting. For monthly earning surveillance reporting purposes, FPL proposes to apply the same fixed percentage to actual, future base capital expenditures in order to reflect the removal of dollars associated with capitalized executive incentive compensation until a future base rate proceeding. This earnings surveillance report adjustment would commence in January 2013 and would be a cumulative adjustment applied on a prospective basis.

- **Payroll Loadings Associated with Affiliate Transactions** – During the forecasting process, certain loaders to affiliate charges were not properly identified and removed from revenue requirements. All of FPL's Service Fees, which are explained in further detail later on in my testimony, and a portion of nuclear direct charges did not contain the appropriate payroll loaders. Therefore, FPL has removed $5.5 million of payroll related loadings associated with the Service Fees and nuclear direct charges in order to properly reflect the amounts charged to affiliates from the 2013 Test Year.

Adjustments to Move Items between Base Rates and Clause Recovery

- **Incremental Security Payroll Loadings from Base to Clause** – Following the terrorist attacks of 9/11, the FPSC allowed the Company to recover, via clause recovery, its incremental security costs to comply with new regulation associated with the protection of generation facilities. At the time incremental security costs were approved for clause recovery, there were no Company payroll dollars charged to the clause; instead, only outside contractors were used. As the years progressed, the aforementioned has changed and no longer holds true. Currently, FPL has incremental security employee payroll dollars flowing through the CCRC; however, payroll related costs (i.e. Federal and State Unemployment Taxes, Pension & Welfare), which vary directly with payroll dollars are still recovered in base rates. As a matter of proper accounting, all payroll related costs should post consistently with the direct payroll dollars to which they relate. Had FPL intended to utilize company personnel at the time the security costs were approved for clause recovery, it would have also requested Commission approval to recover all payroll related costs through clause recovery. Therefore, in this instant filing, FPL is requesting to move $444 thousand of 2013 Test Year payroll loadings associated with incremental security from base rates to the CCRC.

- **Payroll Loadings on ECCR Payroll from Base to Clause** – Currently, FPL makes an adjustment to the ECCR clause to reduce total payroll loadings for FICA and unemployment taxes on compensation associated with employees who charge time to the conservation programs. This adjustment is made pursuant to a finding in Docket No. 850002-PU in which these items were determined to have been included in base rates at that time. In order to avoid double recovery, the Commission required the exclusion of the FICA and unemployment costs from the ECCR recoverable costs when setting base rates back in 1980's. Since then, FPL has been recording monthly entries to remove the FICA and unemployment loadings from ECCR recoverable costs and reclassify those amounts as base rate costs. FPL is making an adjustment to decrease base rate operating expenses in the amount of $1.8 million for the 2013 Test Year in order to match the recovery of the payroll loadings with the ECCR related payroll costs themselves. The effect of this adjustment would be to consistently and properly reflect all payroll loadings, which vary directly with associated ECCR payroll dollars as clause recoverable expenses.

- **Substation Pollutant Discharge Prevention Program Expense Reclassification from Base to Clause (ECRC)** – In Order No. PSC-97-1047-FOF-EI, the Commission required expenses related to the Substation Pollutant Discharge Prevention program recovered through FPL's ECRC to be adjusted downward by the level of O&M expense which FPL had historically experienced for substation transformer gasket replacement, substation soil contamination remediation and the painting of the substation transformers, because those historical cost levels were deemed to be already recovered through base rates. Although these are properly recoverable ECRC costs, the intention of the order was to avoid double recovery of expenses. In accordance with the Order, the Company has subsequently been recording a monthly adjustment of $47 thousand to reduce clause recoverable expenses and reclassify the same amount as base rate O&M cost. The Company is asking the Commission to discontinue the current treatment and approve the Company's adjustment to decrease test year O&M in the annual amount of $560 thousand and to permit such actual costs to be included as incurred on an ongoing basis in the determination of ECRC recoverable costs. In order to facilitate this change, FPL proposes to remove all costs for the Substation Pollutant Discharge Prevention program from the 2013 Test Year, so that FPL can recover them in the ECRC without creating a double recovery.

Other Adjustments to Base Rate Revenue Requirements

Q. Are there any other adjustments made to base rate revenue requirements you wish to discuss?

A. Yes. They are related to Nuclear Cost Recovery ("NCR") costs which are either recovered through the Capacity Clause until they go into service or base rates thereafter. Also the recovery of capital expenditures for the 800 MW ESPs Project in ECRC. These adjustments are reflected as Commission Adjustments on MFR B-2 and C-3.

Q. How does Rule No. 25-6.0423 ("Nuclear Cost Recovery Rule") allow FPL to recover the in-service revenue requirements in base rates for nuclear uprate projects once they are placed into service?

A. The Nuclear Cost Recovery Rule allows the Company to include the estimated revenue requirements for nuclear uprate costs being placed into service during a calendar year in that year's estimated NCR clause filing along with the estimates for construction in that year. Then, prior to the beginning of the calendar year following that in-service date, a base rate filing request is made for the actual in-service revenue requirement to be included as an increase in base rates on or about January 1st of that new year. FPL also requests true-ups of the prior year's base rate increase in a separate base rate petition. Therefore, in this current base rate request, FPL has excluded the forecasted uprate plant in-service balances thereby excluding any uprate interim in-service amounts as well, so that the company has the ability to true-up its base rate increase requests based on the plant in-service balances in future periods as afforded under the Rule.

Q. Has FPL made corresponding adjustments to remove any new nuclear and uprate-related costs from the 2013 Test Year in this proceeding?

A. Yes. All projected construction and plant in-service amounts for uprates for 2012 and 2013 are excluded from the base rate revenue requirements through Commission adjustments as shown on MFRs B-2 and C-3. In addition, all clause revenue and expenses associated with the new nuclear and uprate projects are identified and removed from base revenue requirement consideration.

Q. Please describe the rate base adjustment associated with the capital expenditures for installation of 800 MW ESP Project at the Manatee and Martin Plants.

A. On December 21, 2011, the Environmental Protection Agency released the final Maximum Achievable Control Technology ("MACT") rule governing new and existing coal and oil-fired electric generating units. In order for the Company to comply with this new regulation and specific emission limit, ESPs will have to be installed on the Manatee and Martin 800 MW units since uncontrolled emissions from these units would exceed the final rule emission limits. Pursuant to Order No PSC-11-0553-FOF-EI, the Commission stated, "FPL is authorized to include all the prudently incurred costs associated with the project in the normal process of ECRC recovery after the EPA publishes the final MACT rule." Therefore, the Company is reflecting a Commission adjustment to reduce base rates for the capital expenditures associated with this project to be recovered prospectively through the ECRC.

V. THEORETICAL DEPRECIATION RESERVE SURPLUS

Q. How is the Company reflecting the net $894 million Surplus amortization outlined in the 2010 Rate Order and 2010 Rate Settlement in its books and records?

A. Consistent with the 2010 Rate Settlement, the Company is amortizing the net Surplus at amounts that allow FPL to achieve an ROE of 11.0% during the period that the settlement is in effect. FPL forecasts that this will result in amortizing $703 million through the term of the settlement period, which ends on December 31, 2012.

Q. How much Surplus amortization has FPL forecasted that it will amortize in the 2013 Test Year?

A. The Company projects to amortize a net Surplus of $703 million through the end of 2012 and $191 million for 2013. The amount for 2013 represents the remainder of the $894 million, which FPL is amortizing over the four-year period from 2010-2013, in accordance with the 2010 Rate Settlement.

Q. Is FPL requesting that the Surplus amortization be set for the 2013 Test Year at $191 million, regardless of the amount of Surplus that is ultimately amortized through 2012?

A. Yes. This is the most reasonable and balanced approach based on information known at the time that the 2013 Test Year forecast was prepared. As the surplus amortization may be materially impacted by the effects of weather on FPL's revenue, neither the Commission nor the Company can accurately predict the total amount of net Surplus that will be amortized through the end of 2012. Accordingly, FPL will not know what portion of the original $894 million will remain to be amortized at the time a final order is issued in this proceeding. Therefore, FPL requests that the Commission approve a fixed amount of $191 million net Surplus amortization for 2013 based on the Company's current forecast, which assumes normal weather, and include this fixed forecasted amount in revenue requirements for rate making purposes. The Company would likewise record the $191 million of net Surplus amortization to the cost of removal component of depreciation reserve in 2013 to ensure that the amount of net Surplus amortization on the financial statements equal the amount of net surplus amortization reflected in rates. This methodology is fair to both customers and the Company because no one can predict whether the actual amount of net surplus that will be amortized through 2012 will be higher or lower than the forecasted amount.

VI. TREATMENT OF WCEC3 IN 2013 TEST YEAR

Q. How are the revenues associated with WCEC3 currently treated in FPL's monthly earnings surveillance report?

A. Consistent with the 2010 Rate Settlement, the revenues associated with WCEC3 are currently collected through FPL's CCRC. Because the O&M expenses and return on investment for WCEC3 are recorded to base, these revenues are then reclassified on FPL's books and records from CCRC revenues to base revenues. Therefore, the amounts reported in FPL's monthly earnings surveillance report already reflect revenues associated with WCEC3 as base revenues.

Q. How are the revenues associated with WCEC3 reflected in the 2013 Test Year?

A. Consistent with the 2010 Rate Settlement and with the treatment noted above for monthly surveillance reporting, the revenues associated with WCEC3 are forecasted and reflected as base revenues.

Q. Is FPL requesting to recover WCEC3 revenue requirements in base rates as part of this filing?

A. Yes. Pursuant to the 2010 Rate Settlement, the Company is reflecting revenue requirements associated with WCEC3 in base rates.

Q. Does FPL propose to continue to limit its recovery to that equal to its estimated fuel savings for WCEC3?

A. No. Although the 2013 estimated WCEC3 fuel savings are adequate to recover WCEC3 costs, this treatment should not continue beyond the rate settlement period. Instead, FPL proposes to recover the full estimated costs of the revenue requirement associated with WCEC3, as it does with any other asset used and useful on behalf of its customers and in accordance with Section 366.06 of the Florida Statutes.

Q. If the Commission approves FPL's proposal to recover WCEC3 revenue requirements costs through base rates, will FPL discontinue recovery of those revenue requirements through the CCRC?

A. Yes. If the Commission agrees to allow FPL to move the recovery of WCEC3 revenue requirements from the CCRC to base rates in the 2013 Test Year, then the revenues associated with WCEC3 will not be included in the 2013 CCRC billing factors. FPL witness Deaton outlines the rate effects of this request.

Q. If the Commission does not approve recovery of WCEC3 revenue requirements through base rates in this proceeding, should FPL be permitted to continue recovery through the CCRC?

A. Yes. The Commission made an affirmative determination of need for WCEC3 in Order No. PSC-08-0591-FOF-EI, finding it to be a cost-effective addition to FPL's generating system that meets the customer's demand and energy requirements with clean, fuel-efficient combined cycle generation. In regulatory accounting terms, WCEC3 is utility plant in service, which is used and useful in providing electric service to FPL's customers. As such, FPL must be permitted the opportunity to fully recover the WCEC3 revenue requirements either as a component of base rates or as a component of the CCRC billing factor.

VII. ROE PERFORMANCE ADDER

Q. Has the Company reflected its proposed ROE Performance Adder in its calculations of revenue requirements for the 2013 Test Year?

A. Yes. As explained in more detail by FPL witnesses Dewhurst and Deaton, the purpose of the ROE Performance Adder is to recognize the value provided to customers for FPL's typical residential bill, which is the lowest of all 55 utilities in the state of Florida. The Company is requesting that the Commission increase the authorized ROE by 25 basis points to 11.5%. The 11.5% ROE is reflected on MFR D-1a which was used to compute revenue requirements for the 2013 Test Year.

Q. Have you calculated the impact on revenue requirements associated with the 25 basis point ROE Performance Adder?

A. Yes. To calculate that impact, FPL would use the same MFR D-1a data in its entirety and would simply replace the cost of equity on line 4, column 9 with the 11.25% cost of equity which excludes the adder. This result in a difference in revenue requirements of $39 million associated with the ROE

Performance Adder. This calculation is shown on Exhibit KO-8. The impact on rates due to this ROE reduction is included in FPL witness Deaton's testimony.

VIII. AFFILIATE TRANSACTIONS

Q. Please describe the NextEra Energy, Inc ("NEE") organizational structure and FPL's role in that structure.

A. FPL has long been the primary operating entity of NEE (formerly FPL Group). In the course of the years since the formation of NEE, FPL has continued to operate and grow in concert with the growth of its service area. At the same time, new operating affiliates within the NEE corporate umbrella have been formed.

As the primary operating entity, FPL has provided resources and incurred the related costs in order to perform all necessary operating and support functions with the ultimate goal to provide affordable and reliable electric service to customers. In doing so, it has acted as the service company for its parent company and affiliates with respect to many of the staff functions and activities, as well as operating support activities such as those performed by the nuclear and power generation divisions. While the activities embedded in FPL today continue to be necessary to support the provision of electric service to FPL's Florida retail customers; charging a portion of these support services to its affiliates has allowed FPL to reduce its share of these necessary fixed costs for the benefit of its retail customers and shareholders. This structure has been proven over the years to be efficient and effective from an operating perspective. The special skills and talents of FPL's employees or contractors hired by the Company can be leveraged over the largest organizational reach. Furthermore, by spreading the fixed cost of the support activities over a broader base, the retail utility customers' cost responsibility is reduced below what they would otherwise incur.

Q. How does FPL implement its cost sharing activities with affiliates?

A. FPL implements this cost sharing via an integrated structure of billings and allocations that are codified in its Cost Allocation Manual ("CAM"). Maintaining the CAM is a requirement of Rule 25-6.1351, Cost Allocations and Affiliate Transactions. The CAM largely follows the published guidelines recommended by the National Association of Regulatory Utility Commissioners ("NARUC"). FPL's CAM is included as Exhibit KO-9.

Q. Please describe the three major categories of shared support provided by FPL to affiliates.

A. The first category encompasses activities best classified as strategic and governance related. These activities are shared by FPL and the rest of the NEE organization, and they are the types of activities that are traditionally required to be performed in managing large, publicly held energy companies. These individuals and organizations are engaged primarily in strategic, policy and compliance related activities. Governance support would also include activities such as those associated with the Board of Directors, Investor Relations, Internal Audit and the Office of the General Counsel.

The second category of shared activities are those associated with the fleet construction and operations support, which are provided by groups such as the Power Generation Division, Nuclear Division, Transmission, Engineering and Construction, and Environmental departments. FPL has leveraged its fleet construction, compliance and operating capabilities over the broader enterprise for many years in order to optimize results for its customers. The larger scale of the enterprise fleet has historically allowed for shared expertise, resulting in a competitive advantage.

The third category of shared activities comprises general corporate support. This includes for example, compliance and payroll processing by Human Resources, Information Management, Treasury, Corporate Communications and Corporate Tax.

Q. What specific methods are used by FPL to charge costs to affiliates?

A. There are three ways FPL charges costs of shared activities to its affiliates:

1. Direct Charges – Costs of resources used exclusively to provide service for the benefit of one company are directly charged to that company. Typically, direct charges are used when the activity or service is short term in nature or project based. Exhibit KO-10 recaps the actual direct charges for the historical year and the forecasted

direct charges for the prior and test years. Since these charges are largely project related, they have historically not included solely embedded FPL resources. In many cases, the costs actually incurred and billed are sourced from contractor or other third party services engaged by FPL for a one-time enterprise wide project. FPL direct charges affiliates whenever feasible.

2. Service Fees – Service fees are utilized by many of the fleet support operations. All service fees are charged monthly based on actual cost pools for the enterprise support activity. FPL currently has three service fees:

   a. Nuclear – Services include nuclear operations, fuels support, nuclear business management team, engineering and assurance support. Costs are fully loaded and allocated based on the percentage of generating units across the enterprise;

   b. Energy, Marketing, & Trading ("EMT") – Services include back office support for the trading and marketing function of FPL's affiliate, NextEra Energy Resources. Costs are fully loaded and allocated based on time studies or specific analysis by function; and

   c. Nuclear Information Management – Services include nuclear procurement and work management system application support, Information Management Business Unit management team support, data services and infrastructure support to

NextEra Energy Resources' nuclear plants. Costs are fully loaded and allocated based on the percentage of nuclear generating units across the enterprise.

Exhibit KO-11 recaps these three current service fees to affiliates for the historical year and the amounts forecasted to be charged out to the affiliates for the prior and test years.

3. Affiliate Management Fee ("AMF") – A significant portion of the governance costs and general corporate support services that benefit both FPL and the affiliates are billed through the AMF.

   a. Where distinct cost "drivers" are identified, the cost of ongoing services shared jointly to support utility and affiliate operations are allocated using specific factors. These factors have a direct relationship to the causation of the expense and the effect this activity has on the operations of the benefiting entity. Examples of these cost pools include corporate systems applications, support for computer mainframe operations, payroll processing, benefit programs and corporate security. The drivers to allocate these costs are carefully selected in order to properly allocate between FPL and its affiliates; ensuring that customers are not subsidizing affiliate activities. AMF Specific Cost Drivers for 2011, 2012 and 2013 are provided on Exhibit KO-12.

b. Cost pools which do not have distinct cost drivers are allocated using the Massachusetts Formula, a methodology widely accepted by utility regulators as a fair and reasonable way to allocate common costs among affiliates. The Massachusetts Formula has three components: (1) property, plant and equipment; (2) revenue; and (3) payroll. The annual amounts forecasted for each of these components are used as the basis in calculating the percentage to be charged to each affiliate. Averaging the percentages for property, plant and equipment, revenues and payroll has proven to be a reasonable means of allocating corporate governance and general support services. Examples of activities allocated using the Massachusetts formula include strategic and governance costs, board of director fees, budgeting and planning, external financial reporting, corporate communications and investor relations. Exhibit KO-13 depicts the Massachusetts Formula ratios that were used in forecasting the Affiliate Management Fee for the years 2012 Prior Year and 2013 Test Year.

Q. Please describe the controls that FPL designs, maintains and uses to ensure that FPL retail customers do not subsidize the operation of an affiliate.

A. FPL has documented the practices and procedures that must be adhered to by each employee in the conduct of shared services and appropriate billings.

These procedures may be found in the CAM, which can be accessed readily by each and every employee through the internal NEE corporate website. In addition, each employee's supervisor is responsible under the Company's Sarbanes Oxley ("SOX") processes to review the biweekly payroll distribution to ensure that any payroll related to shared services is appropriately charged. Also, the Company maintains a Cost Measurement and Allocations department whose responsibilities include the monitoring of the affiliate billing process. These employees perform the following functions: 1) annually review services that should be allocated to the affiliates during the budgeting and forecasting process for the upcoming year with each corporate staff group; 2) perform the calculation of the Mass formula allocation percentages included in the Affiliate Management Fee; 3) analyze actual provider results compared to budget to insure that costs expected to be included in the cost pools appear reasonable; and 4) prepare and review intercompany billing reports to ensure costs are billed as planned and results are reasonable. This group is the primary control and oversight organization whose mission is to ensure that FPL complies with Rule 25-6.1351. Lastly, affiliate billings are subject to internal audits as well.

Q. Is FPL subject to reporting requirements to its regulators with respect to its affiliate transactions?

A. Yes. FPL's affiliate reporting provides a high degree of transparency concerning all of its dealings with its affiliates. FPL complies with strict affiliate accounting and reporting requirements mandated by the Commission.

That reporting includes annual filing of the Diversification Report outlining transactions with affiliates.

Q. Does FPL conduct self-assessments of its affiliate transactions to ensure that they are properly documented and comply with the Commission's rule?

A. Yes. The affiliate billing process is included in the Company process of internal control review for SOX 404 compliance. The objectives of that review are to insure that adequate controls are in place to insure that:

1) Intercompany charges are appropriately estimated and accurately recorded;
2) Intercompany charges are recorded in the proper accounting period; and
3) The current intercompany charge process provides reasonable assurance that all costs with affiliate benefit are included in the charges to affiliates.

Q. Is the shared service and fleet operating structure utilized by FPL in serving the broader enterprise providing benefit to its customers?

A. Yes. FPL is committed to delivering superior value in the form of high reliability, low bills and excellent customer service. Consistent with that commitment, FPL has used its current fleet operating model for more than ten years, which has resulted in a lower overall cost to FPL customers. In addition to reduced costs overall, the opportunity to manage the construction and operations of the larger fleet of assets brings scale, breadth and depth of knowledge and experience that could not be achieved by FPL on a standalone basis. FPL customers have also benefited in real terms from the enhanced purchasing power of the larger enterprise, which allows FPL to achieve greater economies of scale and bargaining power in purchasing decisions than would be if FPL were making purchases only for the needs of its own system. This too results in tangible savings realized by customers. In summary, FPL's operating model for affiliate support continues to provide cost advantages that benefit FPL customers each and every year.

Q. Are affiliate costs subsidized by FPL customers?

A. No. The Company engages in active oversight of the controls associated with its affiliate billing responsibilities, to ensure that all affiliate transactions occur consistent with Rule 25-6.1351, which is intended to avoid such subsidies. FPL has worked hard to earn the trust of its customers and regulators. Maintaining good affiliate cost allocation practices is vital to continuing to earn and maintain that trust. In order to achieve good affiliate cost allocation practices, FPL commits the necessary time and resources to ensure that customers of FPL do not bear costs associated with support of affiliates.

Q. Does this conclude your direct testimony?

A. Yes.

Florida Power & Light Company

MFRs AND SCHEDULES SPONSORED AND CO-SPONSORED BY KIM OUSDAHL

MFR Schedule	Period	Title	Sponsorship
SOLE SPONSOR:			
B-1	Historic Prior Test	ADJUSTED RATE BASE	Entire Schedule
B-3	Historic	13 MONTH AVERAGE BALANCE SHEET - SYSTEM BASIS	Entire Schedule
B-4	Historic	TWO YEAR HISTORICAL BALANCE SHEET	Entire Schedule
B-18	Historic	FUEL INVENTORY BY PLANT	Entire Schedule
B-19	Test	MISCELLANEOUS DEFERRED DEBITS	Entire Schedule
B-20	Test	OTHER DEFERRED CREDITS	Entire Schedule
B-21	Historic	ACCUMULATED PROVISION ACCOUNTS - 228.1, 228.2 AND 228.4	Entire Schedule
B-25	Prior Test	ACCOUNTING POLICY CHANGES AFFECTING RATE BASE	Entire Schedule
C-1	Historic Prior Test	ADJUSTED JURISDICTIONAL NET OPERATING INCOME	Entire Schedule
C-2	Historic Prior Test	NET OPERATING INCOME ADJUSTMENTS	Entire Schedule
C-3	Historic Prior Test	JURISDICTIONAL NET OPERATING INCOME ADJUSTMENTS	Entire Schedule
C-7	Test	OPER & MTCE EXPENSES - TEST YEAR	Entire Schedule
C-9	Historic	FIVE YEAR ANALYSIS - CHANGE IN COST	Entire Schedule
C-13	Historic	MISCELLANEOUS GENERAL EXPENSES	Entire Schedule
C-17	Historic Prior Test	PENSION COSTS	Entire Schedule
C-18	Historic Test	LOBBYING EXPENSES, OTHER POLITICAL EXPENSES AND CIVIC/CHARITABLE CONTRIBUTIONS	Entire Schedule
C-20	Historic	TAXES OTHER THAN INCOME TAXES	Entire Schedule
C-22	Historic Test	STATE AND FEDERAL INCOME TAX CALCULATION	Entire Schedule

Florida Power & Light Company

MFRs AND SCHEDULES SPONSORED AND CO-SPONSORED BY KIM OUSDAHL

MFR Schedule	Period	Title	Sponsorship
SOLE SPONSOR:			
C-24	Historic Test	PARENT(S) DEBT INFORMATION	Entire Schedule
C-25	Historic Prior Test	DEFERRED TAX ADJUSTMENT	Entire Schedule
C-26	Historic	INCOME TAX RETURNS	Entire Schedule
C-27	Test	CONSOLIDATED TAX INFORMATION	Entire Schedule
C-28	Historic	MISCELLANEOUS TAX INFORMATION	Entire Schedule
C-30	Test	TRANSACTIONS WITH AFFILIATED COMPANIES	Entire Schedule
C-31	Test Historic	AFFILIATED COMPANY RELATIONSHIPS	Entire Schedule
C-32	Test Historic	NON-UTILITY OPERATIONS UTILIZING UTILITY ASSETS	Entire Schedule
C-38	Test	O & M ADJUSTMENTS BY FUNCTION	Entire Schedule
C-39	Historic	BENCHMARK YEAR RECOVERABLE O&M EXPENSES BY FUNCTION	Entire Schedule
C-44	Test	REVENUE EXPANSION FACTOR	Entire Schedule
D-1a	Historic	COST OF CAPITAL - 13 MONTH AVERAGE	Entire Schedule
D-1b	Historic Prior Test	COST OF CAPITAL - ADJUSTMENTS	Entire Schedule
D-4a	Historic	LONG TERM DEBT OUTSTANDING	Entire Schedule
D-4b	Test Prior	REACQUIRED BONDS	Accounting Treatment
F-1	Historic	ANNUAL AND QUARTERLY REPORT TO SHAREHOLDERS	Entire Schedule
F-2	Historic	SEC REPORTS	Entire Schedule

Florida Power & Light Company

MFRs AND SCHEDULES SPONSORED AND CO-SPONSORED BY KIM OUSDAHL

MFR Schedule	Period	Title	Sponsorship
CO-SPONSOR:			
A-1	Test	FULL REV REQUIREMENTS INCREASE REQUESTED	Excluding Rate of Return and Revenue Increase Requested
B-2	Historic Prior Test	RATE BASE ADJUSTMENT	Entire Schedule except for Jurisdictional Separation Factors
B-5	Test & Prior	CHANGES IN RATE BASE	Variance Explanation on FERC Account 236 - Taxes Accrued - Income Taxes
B-6	Historic	JURISDICTIONAL SEPARATION FACTORS - RATE BASE	Everything Except Jurisdictional Separation Factors
B-6	Test	JURISDICTIONAL SEPARATION FACTORS - RATE BASE	Everything Except Jurisdictional Separation Factors and Per Book Forecast Amounts
B-15	Test Prior	PROPERTY HELD FOR FUTURE USE - 13 MONTH AVG	Accounting Treatment and Calculation of Jurisdictional Amounts (Column 5) & General Plant Future Use
B-17	Test Prior	WORKING CAPITAL - 13 MONTH AVERAGE	Accounting Treatment and Jurisdictionalization
B-22	Historic Prior Test	TOTAL ACCUMULATED DEFERRED INCOME TAXES	History
B-23	Historic Prior Test	INVESTMENT TAX CREDITS - ANNUAL ANALYSIS	History
C-4	Historic	JURISDICTIONAL SEPARATION FACTORS - NOI	Everything Except Jurisdictional Separation Factors
C-4	Test	JURISDICTIONAL SEPARATION FACTORS - NOI	FPSC Jurisdictional Amounts only
C-6	Historic Prior Test	BUDGETED VS ACTUAL OPERATING REV & EXP	Actual Revenues and Expenses
C-8	Test Prior	DETAIL OF CHANGES IN EXPENSES	Variance Calculation
C-10	Test	DETAIL OF RATE CASE EXPENSES FOR OUTSIDE CONSULTANTS	Accounting Treatment

Florida Power & Light Company

MFRs AND SCHEDULES SPONSORED AND CO-SPONSORED BY KIM OUSDAHL

MFR Schedule	Period	Title	Sponsorship
CO-SPONSOR:			
C-12	Test Prior	ADMINISTRATIVE EXPENSES	History
C-14	Historic	ADVERTISING EXPENSES	Entire Schedule, except for average number of customers
C-15	Historic	INDUSTRY ASSOCIATION DUES	Co-sponsor line 6 for $13K, Line 7 Co-sponsor line 8 for $17K, Line 9 Co-sponsor line 10 for $275, Lines 23 - 34, Lines 38 - 42, Lines 44 - 45 & Lines 49 - 53
C-16	Historic	OUTSIDE PROFESSIONAL SERVICES	Detail of historical data. Lines 1 - 5, Lines 14 - 15, Line 20 Lines 32 - 39.
C-21	Historic Prior Test	REVENUE TAXES	History
C-23	Test Historic	INTEREST IN TAX EXPENSE CALCULATION	History
C-29	Historic Prior Test	GAINS AND LOSSES ON DISPOSITION OF PLANT AND PROPERTY	History
C-33	Historic Prior Test	PERFORMANCE INDICES	Historical Data, Calculation for Lines 1-9 and Lines 20-24
C-36	Historic Prior Test	NON-FUEL OPERATION AND MAINTENANCE EXPENSE COMPARED TO CPI	Everything except Percent Change in CPI & Forecasted Data
C-37	Test	O & M BENCHMARK COMPARISON BY FUNCTION	Everything, except Columns 2 & 6
C-41	Test	O & M BENCHMARK VARIANCE BY FUNCTION	Calculation of Variance Amounts and A&G Variance Explanations Except for Employee Pensions and Benefits
C-42	Historic Prior Test	HEDGING COSTS	Sponsoring Historic 2010 and 2011
C-43	Historic Prior Test	SECURITY COSTS	Historic data
D-1a	Prior Test	COST OF CAPITAL - 13 MONTH AVERAGE	Calculation of Jurisdictional Adjusted Weighted Cost of Capital
D-6	Historic	CUSTOMER DEPOSITS	Everything Except for the Active Customer Deposit Balances at 6.00% and 7.00%
F-5	Test	FORECASTING MODELS	Jurisdictional Adjusted Results
F-8	Test	ASSUMPTIONS	Assumptions related to CWIP, AFUDC, Depreciation, Decommissioning, Taxes

Florida Power & Light Company

MFRs AND SCHEDULES SPONSORED AND CO-SPONSORED BY KIM OUSDAHL

MFR Schedule	Period	Title	Sponsorship
2013 CANAVERAL STEP INCREASE SPONSOR OR CO-SPONSOR:			
A-1	2013	FULL REV REQUIREMENTS INCREASE REQUESTED	Everything, Except Rate of Return and Revenue Increase Requested
B-1	2013	ADJUSTED BASE RATE	Entire Schedule
B-6	2013	JURISDICTIONAL SEPARATION FACTORS-RATE BASE	Everything Except Jurisdictional Separation Factors
C-1	2013	ADJUSTED JURISDICTIONAL NET OPERATING INCOME	Entire Schedule
C-4	2013	JURISDICITIONAL SEPARATION FACTORS-NET OPERATING INCOME	Everything Except Jurisdictional Separation Factors and Per Book Forecast Amounts
C-22	2013	STATE AND FEDERAL INCOME TAX CALCULATION	Entire Schedule
C-23	2013	INTEREST IN TAX EXPENSE CALCULATION	Historic data
C-44	2013	REVENUE EXPANSION FACTOR	Entire Schedule
D-1a	2013	COST OF CAPITAL- 13 MONTH AVG	Calculation of Jurisdictional Adjusted Weighted Cost of Capital

SCHEDULE A-1 — **FULL REVENUE REQUIREMENTS INCREASE REQUESTED**

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES

DOCKET NO. 120015-EI

EXPLANATION:
PROVIDE THE CALCULATION OF THE REQUESTED FULL REVENUE REQUIREMENTS INCREASE

TYPE OF DATA SHOWN:
X PROJECTED TEST YEAR ENDED 12/31/2013
___ PRIOR YEAR ENDED 12/31/2012
___ HISTORICAL YEAR ENDED 12/31/2011

WITNESS: Kim Ousdahl, Moray Dewhurst

LINE NO.	(1) DESCRIPTION	(2) SOURCE	(3) AMOUNT ($000)
2	JURISDICTIONAL ADJUSTED RATE BASE (1)	SCHEDULE B-1	$ 21,036,823
4	RATE OF RETURN ON RATE BASE REQUESTED	SCHEDULE D-1A	x 7.00%
6	JURISDICTIONAL NET OPERATING INCOME REQUESTED	LINE 2 X LINE 4	$ 1,472,878
8	JURISDICTIONAL ADJUSTED NET OPERATING INCOME (1)	SCHEDULE C-1	1,156,359
10	NET OPERATING INCOME DEFICIENCY (EXCESS)	LINE 6 - LINE 8	$ 316,520
12	EARNED RATE OF RETURN	LINE 8 / LINE 2	5.50%
14	NET OPERATING INCOME MULTIPLIER	SCHEDULE C-44	x 1.63188
16	REVENUE REQUIREMENT (2)	LINE 10 X LINE 14	$ 516,521

NOTES: (1) INCLUDES AMOUNTS ASSOCIATED WITH WEST COUNTY ENERGY CENTER UNIT 3, CONSISTENT WITH FPL'S 2010 RATE SETTLEMENT APPROVED IN FPSC ORDER NO. PSC-11-0089-S-EI AND MONTHLY EARNINGS SURVEILLANCE REPORTING.
(2) TOTAL REQUESTED INCREASE, EXCLUDING THE EFFECT OF PROPOSED COMPANY ADJUSTMENTS RELATED TO COST RECOVERY CLAUSES SHOWN ON MFR C-2, IS $519.3 MILLION.

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.

SUPPORTING SCHEDULES: B-1, C-1, D-1a, C-44

RECAP SCHEDULES:

Docket No. 120015-EI
MFR A-1 for the 2013 Test Year
Exhibit KO-2, Page 1 of 1

Florida Power & Light Company
January 2013 Base Rate Increase

MFR #	MFR Description	Comment
A-1	Full Revenue Requirements Increase Requested	Derivation and calculation of our full revenue requirement increase requested of $516.5 Million and resulting jurisdictional rate of return at December 31, 2013
B-1	Adjusted Rate Base	Projected December 31, 2013 thirteen month average jurisdictional adjusted rate base of $21 Billion
B-2	Rate Base Adjustments	Includes those necessary, in the opinion of the Company, to fairly present rate base and working capital
B-17	Working Capital - 13 Month Average	Adjusted working capital calculation using the balance sheet approach approved by the FPSC (adjustments are explained on MFR B-2)
C-1	Adjusted Jurisdictional Net Operating Income	Projected adjusted net operating income of $1.2 Billion for the year ended December 31, 2013
C-2	Net Operating Income Adjustments	Explanations are on MFR C-3. Includes details of net operating income adjustments on MFR C-1
C-3	Jurisdictional Net Operating Income Adjustments	Explanations of net operating income adjustments found on MFR C-2
C-44	Revenue Expansion Factor	Calculation of the factor used for the 2013 revenue requirement calculation. The factor as of December 31, 2013 is 1.63188
D-1a	Cost of Capital - 13 Month Average	Includes Jurisdictional Capital Structure and Required Rate of Return by Class of Capital. The overall rate of return and requested ROE as of December 31, 2013 is 7% and 11.5%, respectively
D-1b	Cost of Capital - Adjustments	Includes Details for Cost of Capital Adjustments listed on MFR D-1a

Canaveral Step Increase

MFR #	MFR Description	Comment
A-1	Full Revenue Requirements Increase Requested	Derivation and calculation of the first full year annualized revenue requirement increase requested of $173.9 Million as of May 31, 2014
B-1	Adjusted Rate Base	Projected May 31, 2014 thirteen month average jurisdictional adjusted rate base of $821.3 Million
C-1	Adjusted Jurisdictional Net Operating Income	Projected adjusted net operating loss of $32.1 Million for the year ended May 31, 2014
C-2	Net Operating Income Adjustments	Explanations are on MFR C-3. Includes details of net operating income adjustments on MFR C-1.
C-44	Revenue Expansion Factor	Calculation of the factor used for the 2013 revenue requirement calculation. The factor as of May 31, 2014 is 1.63188
D-1a	Cost of Capital - 13 Month Average	Includes Jurisdictional Capital Structure and Required Rate of Return by Class of Capital. The overall rate of return and requested ROE as of May 31, 2014 is 9.1% and 11.5%, respectively.

Florida Power & Light Company
2013 RETURN ON EQUITY CALCULATION
WITHOUT RATE RELIEF

Line No.		MFR Reference	Test Year 2013
1	Adjusted Jurisdictional Net Operating Income	C-1	$ 1,156,359
2	Adjusted Jurisdictional Rate Base	B-1	21,036,823
3	**Estimated Earned Rate of Return (Line 1 / Line 2)**		**5.50%**
4			
5	Adjusted Jurisdictional Non-Equity Component of Weighted Average Cost of Capital	D-1a	1.71%
6	**Earnings Available for Common (Lines 3 - 5)**		**3.79%**
7			
8	Adjusted Jurisdictional Common Equity Ratio	D-1a	46.03%
9			
10	**Jurisdictional Return on Common Equity (Line 6 / Line 8)**		**8.23%**

Florida Power & Light Company

Canaveral Step Increase - Removal of Rate Base and Net Operating Income Items

Line No.	Description		2013 TEST YEAR PER BOOK [a]		2013 TEST YEAR JURISDICTIONAL
1	Rate Base				
2	PLT IN SERV-CAPE CANAVERAL	$	(599,921,669)	$	(588,480,847)
3	ACC PROV DEPR - CAPE CANAVERAL		5,761,525		5,653,603
4					
5	**Total Rate Base Removed as a Company Adjustment**	$	(594,160,144)	$	(582,827,244)
6					
7					
8	Net Operating Income (NOI)				
9	O&M EXPENSE - INCREMENTAL O&M	$	(7,328,624)	$	(7,196,270)
10	PROPERTY INSURANCE		(743,750)		(728,297)
11	DEPRECIATION EXPENSE - OTHER PROD		(18,574,773)		(18,239,315)
12	PROPERTY TAXES		(10,513,511)		(10,307,746)
13	DEPRECIATION EXPENSE - TRANS		(152,975)		(174,543)
14	TAXES OTHER THAN INCOME TAXES		(177,238)		(136,870)
15	FEDERAL INCOME TAXES		12,400,106		12,169,049
16	STATE INCOME TAXES		2,061,998		2,023,576
17	**Total NOI items removed as a Company Adjustment**	$	(23,028,768)	$	(22,590,416)
18					
19					
20	Notes:				
21	[a] Rate Base items are reflected as a 13-Month Average				

Florida Power & Light Company
CAPITAL RECOVERY SCHEDULE

Line No.		(1) Original Cost	-	(2) Book Reserve	+	(3) Estimated Cost of Removal	=	(4) Total Unrecovered Cost	÷	(5) Amortization Period	=	(6) Annual Accrual Amounts
1												
2												
3	CAPITAL RECOVERY ACCOUNTS											
4												
5	**Steam Plant Retirements**											
6	*Cutler Common*											
7	310 Land	71,255		-		-		71,255		4		17,814
8	311 Structures & Improvements	5,966,745		5,425,872		-		540,873		4		135,218
9	312 Boiler Plant Equipment	1,231,258		832,546		-		398,712		4		99,678
10	314 Turbogenerator Units	1,215,540		1,062,011		-		153,529		4		38,382
11	315 Accessory Electric Equipment	1,041,051		974,588		-		66,463		4		16,616
12	316 Miscellaneous Equipment	502,886		433,861		-		69,025		4		17,256
13	316.7 Misc Power Plt Equipt - 7Yr	137,729		105,041		-		32,688		4		8,172
14	*Cutler Common Total*	*10,166,464*		*8,833,919*		-		*1,332,545*				*333,136*
15												
16	*Cutler Unit 5*											
17	311 Structures & Improvements	417,237		380,997		-		36,240		4		9,060
18	312 Boiler Plant Equipment	5,444,889		5,177,898		-		266,991		4		66,748
19	314 Turbogenerator Units	5,906,779		5,169,942		-		736,837		4		184,209
20	315 Accessory Electric Equipment	2,303,944		2,193,595		-		110,349		4		27,587
21	316 Miscellaneous Equipment	229,935		203,610		-		26,325		4		6,581
22	*Cutler Unit 5 Total*	*14,302,784*		*13,126,042*		-		*1,176,742*				*294,186*
23												
24	*Cutler Unit 6*											
25	311 Structures & Improvements	405,945		369,054		-		36,891		4		9,223
26	312 Boiler Plant Equipment	17,471,342		16,309,919		-		1,161,423		4		290,356
27	314 Turbogenerator Units	8,456,372		7,339,646		-		1,116,726		4		279,182
28	315 Accessory Electric Equipment	3,008,318		2,844,113		-		164,205		4		41,051
29	316 Miscellaneous Equipment	296,076		46,054		-		250,022		4		62,506
30	*Cutler Unit 6 Total*	*29,638,053*		*26,908,786*		-		*2,729,267*				*682,317*
31	***Total for Cutler Unit 5 & 6***	***54,107,301***		***48,868,747***				***5,238,554***				***1,309,639***
32												
33	*Port Everglades Common*											
34	311 Structures & Improvements	27,429,617		21,303,718		-		6,125,899		4		1,531,475
35	312 Boiler Plant Equipment	3,233,170		2,529,312		-		703,858		4		175,965
36	314 Turbogenerator Units	4,650,744		3,678,263		-		972,481		4		243,120
37	315 Accessory Electric Equipment	5,671,677		5,366,912		-		304,765		4		76,191
38	316 Miscellaneous Equipment	2,154,292		1,771,140		-		383,152		4		95,788
39	316.3 Misc Power Plt Equipt - 3Yr	50,616		50,616		-		-		4		-
40	316.5 Misc Power Plt Equipt - 5Yr	11,339		5,557		-		5,782		4		1,446
41	316.7 Misc Power Plt Equipt - 7Yr	854,269		579,677		-		274,592		4		68,648
42	*Port Everglades Common Total*	*44,055,724*		*35,285,195*		-		*8,770,529*				*2,192,632*
43												
44	*Port Everglades Unit 1*											
45	310 Land	305,750		-		-		305,750		4		76,438
46	311 Structures & Improvements	1,430,847		1,602,067		-		(171,220)		4		(42,805)
47	312 Boiler Plant Equipment	22,023,975		27,911,805		-		(5,887,830)		4		(1,471,958)
48	314 Turbogenerator Units	16,211,106		14,704,957		-		1,506,149		4		376,537
49	315 Accessory Electric Equipment	5,344,884		6,961,013		-		(1,616,129)		4		(404,032)
50	316 Miscellaneous Equipment	165,721		414,278		-		(248,557)		4		(62,139)
51	*Port Everglades Unit 1 Total*	*45,482,283*		*51,594,120*		-		*(6,111,837)*				*(1,527,959)*
52												
53	*Port Everglades Unit 2*											
54	311 Structures & Improvements	1,067,845		1,495,427		-		(427,582)		4		(106,896)
55	312 Boiler Plant Equipment	26,233,046		31,405,910		-		(5,172,864)		4		(1,293,216)
56	314 Turbogenerator Units	18,306,886		14,666,453		-		3,640,433		4		910,108
57	315 Accessory Electric Equipment	4,998,808		8,201,206		-		(3,202,398)		4		(800,600)
58	316 Miscellaneous Equipment	192,585		428,001		-		(235,416)		4		(58,854)
59	*Port Everglades Unit 2 Total*	*50,799,170*		*56,196,997*		-		*(5,397,827)*				*(1,349,457)*
60												
61	*Port Everglades Unit 3*											
62	311 Structures & Improvements	685,272		4,618,031		-		(3,932,759)		4		(983,190)
63	312 Boiler Plant Equipment	66,942,187		67,836,136		-		(893,949)		4		(223,487)
64	314 Turbogenerator Units	23,873,918		20,814,726		-		3,059,192		4		764,798
65	315 Accessory Electric Equipment	9,685,186		11,419,414		-		(1,734,228)		4		(433,557)
66	316 Miscellaneous Equipment	396,413		337,165		-		59,248		4		14,812
67	*Port Everglades Unit 3 Total*	*101,582,976*		*105,025,472*		-		*(3,442,496)*				*(860,624)*
68												
69	*Port Everglades Unit 4*											
70	311 Structures & Improvements	775,218		724,988		-		50,230		4		12,558
71	312 Boiler Plant Equipment	70,513,977		81,910,492		-		(11,396,515)		4		(2,849,129)
72	314 Turbogenerator Units	21,911,415		19,039,808		-		2,871,607		4		717,902
73	315 Accessory Electric Equipment	11,747,751		13,400,544		-		(1,652,793)		4		(413,198)
74	316 Miscellaneous Equipment	161,700		152,322		-		9,378		4		2,345
75	*Port Everglades Unit 4 Total*	*105,110,061*		*115,228,154*		-		*(10,118,093)*				*(2,529,523)*
76	***Total for Port Everglades Units 1-4***	***347,030,214***		***363,329,938***		-		***(16,299,724)***				***(4,074,931)***
77												
78	*Sanford U3*											
79	311 Structures & Improvements	5,091,747		4,185,067		-		906,680		4		226,670
80	312 Boiler Plant Equipment	10,761,084		9,669,505		-		1,091,579		4		272,895
81	314 Turbogenerator Units	13,763,230		10,976,786		-		2,786,444		4		696,611
82	315 Accessory Electric Equipment	4,843,770		4,142,116		-		701,654		4		175,414
83	316 Miscellaneous Equipment	478,213		355,937		-		122,276		4		30,569
84	316.3 Misc Power Plt Equipt - 3Yr	4,081		4,081		-		-		4		-
85	316.5 Misc Power Plt Equipt - 5Yr	12,965		8,751		-		4,214		4		1,054
86	316.7 Misc Power Plt Equipt - 7Yr	59,467		50,338		-		9,129		4		2,282
87	*Sanford U3*	*35,014,557*		*29,392,581*		-		*5,621,976*				*1,405,494*
88	***Total for Sanford Unit 3***	***35,014,557***		***29,392,581***		-		***5,621,976***				***1,405,494***
89												
90	TOTAL CAPITAL RECOVERY ACCOUNTS	436,152,072		441,591,266		-		(5,439,194)				(1,359,799)

Florida Power & Light Company

Calculation of Capitalized Executive Incentive Adjustment

Line No.		(1) 2008 ($000)	(2) 2009 ($000)	(3) 2010 ($000)	(4) 2011 [(1)] ($000)	(5) 2012 [(2)] ($000)	(6) 2013 [(2)] ($000)	(7) 5-Yr Avg ($000)
1	Total Capitalized Share-Base & Annual Executive Incentives	$3,439	$4,316	$4,096	$4,014	$4,286	$3,414	$4,713
2								
3	Total Company Capital Expenditures	$2,451,000	$2,702,000	$2,510,000	$3,650,000	$3,661,000	$2,384,000	$3,471,600
4	Base Capital Expenditures	$2,235,000	$2,086,000	$2,088,000	$3,507,300	$3,509,500	**$2,261,000**	$3,137,360
5								
6	Percentage of Total (Line 1 / Line 3)	0.1403%	0.1597%	0.1632%	0.1100%	0.1171%	0.1432%	**0.136%**
7								
8								
9				Total Base Capital Expenditures 2013			$2,261,000	
10				5-Year Average Percent of Total (Column 7, Line 1 / Line 3)			0.136%	
11								
12				Estimated Amount Included in 2013 Plant in Service (Line 9 x Line 10)			$3,069	
13				**13-Month Average Plant in Service Adjustment**			**$1,535**	
14								

15 **Notes:**

16 [(1)] Total amounts shown for 2011 contain actual data through November and December forecast.

17 [(2)] Forecast data.

FLORIDA POWER & LIGHT COMPANY
REVENUE REQUIREMENT IMPACT OF ROE PERFORMANCE ADDER

Line No.	(1) January 2013 Base Rate Increase	MFR Reference	(2) Without ROE Performance Adder [a]	(3) With ROE Performance Adder [b]	(4) Revenue Requirement Impact
1	Jurisdictional Adjusted Rate Base	A-1	$21,036,823	$21,036,823	$21,036,823
2	Rate of Return on Rate Base	D-1A	6.89%	7.00%	0.115%
3	Required Jurisdictional Net Operating Income		$ 1,448,668	$ 1,472,878	$ 24,210
4	Jurisdictional Adjusted Net Operating Income	A-1	1,156,359	1,156,359	-
5	Net Operating Income Deficiency (Excess)		(292,309)	(316,520)	(24,210)
6	Net Operating Income Multiplier	C-44	1.63188	1.63188	1.63188
7	Revenue Requirement		$ (477,013)	$ (516,521)	$ (39,508)
8					
9					
10					

Line No.	Canaveral Step Increase		Without ROE Performance Adder [c]	With ROE Performance Adder [d]	Revenue Requirement Impact
11	Jurisdictional Adjusted Rate Base	A-1	$ 821,325	$ 821,325	$821,325
12	Rate of Return on Rate Base	D-1A	8.911%	9.064%	0.152%
13	Required Jurisdictional Net Operating Income		$ 73,190	$ 74,442	$ 1,252
14	Jurisdictional Adjusted Net Operating Income	A-1	(32,092)	(32,092)	-
15	Net Operating Income Deficiency (Excess)		(105,282)	(106,534)	(1,252)
16	Net Operating Income Multiplier	C-44	1.63188	1.63188	1.63188
17	Revenue Requirement		$ (171,808)	$ (173,851)	$ (2,043)
18					
19					
20					
21					
22					
23					

24 **Notes:**
25 [a] **Amounts, except for rate of return, are as reflected on FPL MFR A-1 for the 2013 Test Year.**
26 **Rate of return assumes an ROE of 11.25%.**
27 [b] **Amounts are as reflected on FPL MFR A-1 for the 2013 Test Year.**
28 [c] **Amounts, except for rate of return, are as reflected on FPL MFR A-1 for the Canaveral Step**
29 **Increase. Rate of return assumes an ROE of 11.25%.**
30 [d] **Amounts are as reflected on FPL MFR A-1 for the Canaveral Step Increase.**

Florida Power & Light Company
Cost of Capital - 13 Month Average
With and Without ROE Performance Adder

Line No.	(1) January 2013 Base Rate Increase	(2) Ratio	(3) Cost Rate	(4) Weighted Cost Rate
1	**WITHOUT ROE PERFORMANCE ADDER**			
3	Long Term Debt	29.47%	5.26%	1.55%
4	Preferred Stock	0.00%	0.00%	0.00%
5	Customer Deposits	2.03%	5.99%	0.12%
6	Common Equity	46.03%	**11.25%**	5.18%
7	Short Term Debt	1.71%	2.11%	0.04%
8	Deferred Income Tax	20.75%	0.00%	0.00%
9	Investment Tax Credits	0.00%	9.06%	0.00%
10	**TOTAL**	**100.00%**		**6.89%**
11				
12				
13	**WITH ROE PERFORMANCE ADDER** [a]			
15	Long Term Debt	29.47%	5.26%	1.55%
16	Preferred Stock	0.00%	0.00%	0.00%
17	Customer Deposits	2.03%	5.99%	0.12%
18	Common Equity	46.03%	**11.50%**	5.29%
19	Short Term Debt	1.71%	2.11%	0.04%
20	Deferred Income Tax	20.75%	0.00%	0.00%
21	Investment Tax Credits	0.00%	9.06%	0.00%
22	**TOTAL**	**100.00%**		**7.00%**

Line No.	Canaveral Step Increase	Ratio	Cost Rate	Weighted Cost Rate
23	**WITHOUT ROE PERFORMANCE ADDER**			
24	Long Term Debt	39.03%	5.26%	2.05%
25	Common Equity	60.97%	**11.25%**	6.86%
26	**TOTAL**	**100.00%**		**8.91%**
27				
28				
29	**WITH ROE PERFORMANCE ADDER** [b]			
30	Long Term Debt	39.03%	5.26%	2.05%
31	Common Equity	60.97%	**11.50%**	7.01%
32	**TOTAL**	**100.00%**		**9.06%**
33				
34				
35				
36				
37				
38	**Notes:**			
39	[a] **Amounts are as reflected on FPL MFR D-1a for the 2013 Test Year.**			
40	[b] **Amounts are as reflected on FPL MFR D-1a for the Canaveral Step Increase.**			

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INTRODUCTION

This Cost Allocation Manual (CAM) documents cost allocation policies and practices, and provides guidelines to employees regarding the application of those policies for affiliate transactions.

The over-riding principle of this process is that resources shared between Florida Power and Light (FPL) and its affiliates cannot result in subsidization by the regulated entity on behalf of its affiliates. This manual describes the standard services provided between FPL and its affiliates, as well as FPL's inter-company process for charging direct and indirect costs, the Affiliate Management Fee (AMF), and other apportionment methods. The costing concepts and principles described herein are applied consistently to all subsidiaries billed by FPL.

When affiliates procure goods from common vendors of FPL, they should do so directly under separate affiliate purchase orders. This ensures invoicing and product delivery will be processed directly to the affiliate, and the affiliate will not be billed for FPL's loading costs. It also ensures that the contract terms (warranties and liabilities) of the purchase order(s) are placed with the affiliate, not with FPL. In some cases, the affiliate has the ability to take advantage of master agreements established between FPL and the vendor. FPL's strategy is to evaluate fleet wide (multi-site) agreements category by category with a focus on total value for FPL and supplier quality, taking advantage of leverage opportunities to consolidate the spend across the entire fleet, establish long term contracts with a limited number of suppliers of proven experience and quality, and to negotiate terms that provide for shared risks and shared benefits for improved performance.

When affiliates request services from FPL personnel, FPL employees should direct charge for services to the benefiting affiliate. This manual describes processes to direct charge those costs, as well as the allocation processes used when direct charging is not practical.

BACKGROUND

FPL supports enterprise and affiliate operations through direct project activities and shared governance, compliance and other support functions. Direct activities are charged to affiliates through specific Internal Orders. Shared support functions are allocated through the following management fees (which are described in detail in a later section of this manual):

1. Affiliate Management Fee (AMF)
2. Energy Marketing & Trading Service Fee
3. Nuclear Division Service Fee
4. Information Management Service Fee

All services provided to affiliates, either direct or allocated, are billed at actual embedded cost using fully loaded rates. Payroll is charged by using the employee actual payroll rate plus loaders, which cover benefits and administrative costs.

COST ACCOUNTING CONCEPTS

Costs are apportioned among entities based on three cost characteristics:

- **Direct** – Costs of resources used exclusively for the provision of services that are readily identifiable to an activity. An example of inter-company direct costs would be the fully-loaded salary of an engineer working on an affiliate's power plant.

- **Assigned** – Costs of resources used jointly in the provision of both regulated and non-regulated activities that are apportioned using direct measures of cost causation. The square footage cost of office space used by affiliates would be an example of assignable costs.

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- **Unattributable (Management Fee)** – Cost of resources shared by both regulated and non-regulated activities for which no causal relationship exists. These costs are accumulated and allocated to both regulated and non-regulated activities through the use of the AMF for inter-company transactions. The costs associated with NextEra Energy, Inc.'s board of directors is an example of unattributable costs allocated using the Affiliate Management Fee (See Affiliate Management Fee section for more details on unattributable charges).

REGULATORY REQUIREMENTS AND REPORTING

FERC Accounting Guidelines

The Uniform System of Accounts (USOA), as prescribed by the Federal Energy Regulatory Commission (FERC), and adopted by the Florida Public Service Commission (FPSC), is found in the Code of Federal Regulations, Title 18, Subchapter C. Part 101. Application of these guidelines indicates that:

- Inter-company transactions are to be recorded in account 146.XXX
- Intra-Utility direct charge transactions are to be recorded in the appropriate account(s) within the operational function receiving the goods or services.
- Intra-Utility allocations of corporate center costs for business unit financial reporting are to be recorded in the Administrative and General (A&G) range of accounts. Administrative and general accounts should contain charges not chargeable directly to a particular operating function.

FERC recognizes explicitly in Order 707-A that the "at cost" pricing rules would be extended to single state holding companies that do not have centralized shared services companies. An important condition to this rule, however, is that such services may not be provided to unaffiliated third parties. The reason for this condition is that a market price is determinable in cases where such services are provided to third parties. FPL's affiliate transactions comply with this Order.

FPSC Rule

The Florida Public Service Commission has adopted rules concerning cost allocation and affiliate transactions (25-6.1351). The purpose of these rules is to establish cost allocation requirements to ensure proper accounting for affiliate transactions and non-regulated utility activities so that these transactions and activities are not subsidized by utility ratepayers. This cost allocation manual addresses processes for compliance under this rule.

NARUC Guidelines

The National Association of Regulatory Utility Commissioners (NARUC) has developed a set of guidelines to assist regulated utilities and their affiliates in the development of procedures for recording transactions for services and products between a regulated entity and its affiliates. The prevailing premise of these guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities.

Diversification Report

In addition to the FERC Form No. 1, Annual Report of Major Electric Utilities, Licenses and Others, the FPSC requires the Utility to file an Annual Diversification Report. This report contains:

- Summary of changes to the corporate structure
- Updated organizational charts of parent and affiliates

- Summary of new or amended contracts with affiliates
- All transactions between regulatory and non-regulatory activities
- Detail reports of all individual transactions over $500,000 between affiliates
- Summary of asset transfers between affiliates
- Employee transfers between affiliates
- Analysis of non-tariffed services and products provided by the utility

INTER-COMPANY BILLING PROCESS

Billings by FPL for Services to Affiliates

In accordance with FERC and FPSC requirements, FPL bills affiliates its fully loaded, embedded cost for services provided. See the section titled "Affiliate Direct Charges thru Specific Internal Orders" for process details. It is the responsibility of the employee and the employee's supervisor to ensure that any work performed for affiliates is properly charged.

Transfers of Assets from Affiliates to FPL

Billings from affiliates to FPL for assets transferred are based on the lower of cost or market. On certain occasions, FPL may record the asset at either market price or net book value if it maintains documentation to support and justify that such a transaction benefits regulated operations. An independent appraiser must verify the market value of a transferred asset with a net book value greater than $1,000,000. When these billings occur, notification must be given to Cost Measurement and Allocation to ensure proper reporting of these transactions as required by FERC and FPSC.

Transfer of Assets to Affiliate

When an asset used in FPL's regulated operations is transferred to an affiliate, FPL will charge the affiliate the greater of market price or net book value. On certain occasions, FPL may charge the affiliate either the market price or net book value if documentation is maintained to support and justify that such a transaction benefits regulated operations.

Affiliate Direct Charges thru Specific Internal Orders

1. **Affiliate Project Manager requests FPL employee services, or FPL requests Affiliate employee services**

   The applicable project manager contacts the necessary employee's supervisor and requests the services of the employee on a project for a specific amount of time or completion of a job.

2. **Affiliate Project Manager, or FPL Project Manager completes request form for an Affiliate Internal Order (IO)**

   After obtaining approval by the supervisor, the Project Manager requesting the service must contact the FPL Utility Master Data Group. This manager must fill out a request form for an Affiliate Internal Order that includes the following data elements:

   a) The Work Breakdown Structure (WBS) Element the order will be assigned to and settled to
   b) The settlement rule
   c) The functional area if required
   d) Requesting company code

e) Overhead Key related to long term assignments, if applicable (See discussion of Long Term Assignment Rates below).

3. Master Data Control Group reviews request form

The Master Data Group will review the form and make sure it has all the required information. The request form will include a box to explain the need for special priority if applicable. For example, an operational issue at a generation plant would be put at a greater priority than someone requesting personnel for routine maintenance. In order to expedite service, emergent work master data can be set up in advance.

4. Create Affiliate IO

The Master Data Group will create the Affiliate IO using the information obtained in the request form.

5. Inform Affiliate Project Manager of IO creation

After IO creation, the Master Data Group will inform the requester by email.

6. Provide IO to Utility company employee

Method of delivery will depend on the type of service requested.

7. Employee charges affiliate IO on the timesheet for specific hours worked

Charges to the Internal Orders are accumulated each month and loaded with the appropriate overheads billed by SAP during the month end closing process. Also included in the billable charges are any appropriate non-payroll charges.

Long Term Assignment Rates

When FPL employees are used exclusively for affiliate activities for extended periods of time, a reduced Long-Term Loading Rate should be used. This is due to two factors. First, non-productive time (sick, vacation, holiday) is already included in the salary being allocated since it is expected that a full year's salary is allocated. If non-productive time were also loaded, the affiliate would be charged twice. Secondly, the affiliate will be providing the necessary A&G support, such as supervision, office equipment, supplies, etc. therefore, FPL A&G expenses should not be included in the loading rate.

To qualify for reduced loading, the employee must reasonably expect to charge their time to Internal Orders for one full year, and be physically located at the affiliate offices. If an employee's charges during the year fall below 75%, they must be removed from the long-term loading rate.

Employees meeting the above requirements must charge a specific Internal Order that has been set up to accommodate long term assignments. When an IO is requested by the Affiliate Project Manager (see step 2 under "Affiliate Direct Charges thru Specific Internal Orders" above), the request must include a special Overhead Key "Z604: Long-Term No External Overheads on the IO Master Record". These inter-company IO's receive payroll taxes and benefits, but no external overheads. Once the employee's charges fall below 75%, they must charge an IO that has been set up to include the external overheads.

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MANAGEMENT FEES

Affiliate Management Fee

The Affiliate Management Fee was implemented to bill Corporate Staff shared services and capital benefiting both FPL and its affiliates. This management fee is based on a cost pool of shared services, which is allocated based on specific drivers or the Massachusetts formula.

Cost Pool – Corporate Shared Services

The Shared Service cost pool is determined annually through an extensive review of shared services and capital provided by FPL's Corporate Staff Departments to entities across the enterprise. The review is performed in conjunction with FPL's budget cycle and identifies products and services within each Work Breakdown Structure (WBS), along with certain capital benefiting affiliates. These budgeted costs, along with capitalized hardware and software, are combined to obtain an estimated shared cost pool for the subsequent year. These shared costs are allocated to affiliates using specific drivers (where available) or the Massachusetts Formula.

Allocation – Massachusetts Formula

FPL reviewed options for allocation of the cost pool(s) where there were no specific driver(s) and elected to use the average of Payroll, Revenues and average Gross Property Plant and Equipment. This methodology is commonly referred to as the "Massachusetts Formula" and has been an industry standard for rate regulated allocations. The forecasted amounts for each of the three components are estimated for all entities and given equal weight. An average is then computed for each operating entity, which when compared to the total, yields a ratio used to allocate its share of the cost pool.

The affiliate entities are billed monthly their share of the Affiliate Management Fee based on the ratio described above and the actual costs incurred that month by the department in FPL providing the service. Specifically, the fee amount is determined by charging the actual costs incurred by that cost center providing shared activities (accumulated in SAP each month by WBS) by the appropriate driver percentages and allocated out during the SAP CO close process as an inter-company charge.

Corporate Shared Services and Capital

Below is a list of shared services determined to be beneficial to affiliates and/or provided to serve the enterprise and included in the Affiliate Management Fee.

Shared Services Allocated via Specific Drivers

- **Information Management** (Specific drivers relating to workstations, mainframe time, etc.)
  - Corporate Applications – HR Employee Information System, Procurement, Financial Data Base, Email Systems
  - Communications & Technology – Telecommunications (excluding Long Distance) and Network Operating Centers (NOC)
  - Distributed Systems –Workstation, LAN and WAN Support
  - Mainframe Operations – GO and JB Computer Centers
  - PC Services – Help Desk and Workstation Support
  - Amortization and ROI – Shared Capitalized Hardware and Software

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- **Human Resources** (Specific drivers relating to FTE's)
  - Employee Relations – Safety Polices, Labor Relations Administration, and other employee related issues
  - Shared Services – Benefits Administration, Help Desk, Payroll, Educational Assistance, Recruiting, Equal Opportunity, Workforce Planning, Drug Testing and Group University
  - Benefit Programs
  - Health Centers

- **Engineering, Construction and Corporate Services** (Specific drivers relating to FTE's)
  - Cafeteria Operations – Shared Affiliate Cafeteria Operations (JB, GO, LFO, CSE, PTN & PSL)

- **Security (Specific drivers relating to square footage)**
  - Corporate and Shared Affiliate Facility (JB and GO)

- **Business Unit Leadership**
  - Power Generation Division drivers relating to megawatts
  - Nuclear Division drivers relating to number of units

Shared Services Allocated via Massachusetts Formula

- **Finance**
  - Executive and Governance – Salaries, Expenses, and Benefits
  - Corporate Transactions – Cash Management and Banking
  - Accounting – Cost Measurement & Allocation, Accounting Research & Financial Reporting
  - Corporate Tax
  - Finance and Trust Fund Investments
  - Planning and Analysis
  - Corporate Budgeting
  - Risk Management

- **Corporate Communications**
  - Internal Communications
  - External Media
  - Annual Report

- **General Counsel**
  - Shareholder Services
  - Board of Directors Fees

- **Engineering, Construction and Corporate Services**
  - Integrated Supply Chain – Administration of Corporate Travel and Integrated Supply Chain
  - Mail Services – Courier and Mail Services (GO, JB, LFO)

- **Internal Auditing Management and Compliance**

- **Strategy/Business Processes**
  - Quality, Planning, Analysis
  - Environmental Services
  - Security Administration – Facility Security, Data Security

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SERVICE FEES – Energy Marketing & Trading (EMT), Nuclear (NUC), IM Nuclear (IMNUC)

Service fees are utilized by many of the fleet support operations. FPL has leveraged its fleet construction, compliance and operating capabilities over the broader enterprise for many years in order to optimize results for its customers. The larger scale of the enterprise fleet has historically allowed for shared expertise and the resulting competitive advantage. Service fee charges are calculated by the Business Unit (Operating Business Unit or Staff Group) Budget Coordinators or Analysts and represent ongoing services provided or shared among affiliates. In general, services provided by EMT include Systems Support, Risk Management, Accounting Services, and Trade Support. The Nuclear Fee reflects support to NextEra Energy, Inc. (FPL and NextEra Energy Resources) nuclear plants, in the area of operations, licensing and training as examples. The IM Nuclear fee relates to specific system support for NextEra Energy Resources nuclear plants.

The Nuclear, IM and EMT Service Fees do not receive the non-productive piece of the loader because full salaries are allocated based on relevant drivers to each entity served. These three fees are the only inter-company charges that do not receive the non-productive loader of the affiliate rates.

EMT Service Fee

The EMT Service Fee uses actual costs allocated based on factors determined in an annual time study, performed at the time of budget development. Costs are also charged to the affiliate based on actual costs incurred each month. The fee may be revised during the year to reflect significant changes such as level of service, and/or merger and acquisition activities. There are two (2) groups within the Back-Office portion of the fee: 1. System Group for computer support, and 2. Risk Management. Both the Systems Group and Risk Management are allocated based on a time-study. The EMT Service Fee includes the following shared services:

- Operations and Administration – Support of EMT systems infrastructure
- Risk Management – Compliance with risk management policies and procedures

Nuclear Service Fee

The Nuclear Service Fee is billed using actual monthly charges accumulated and then allocated using the number of generating units as the driver. The Nuclear Service Fee includes the following shared services:

- Nuclear Operations Support
- Nuclear Fuels Support
- Nuclear Training Support
- Nuclear Business & Regulatory Support
- Nuclear Engineering Support
- Nuclear Assurance Support
- Nuclear Licensing Support

Specific services not included in the Service Fee, which are direct charged NextEra Energy Resources by FPL Nuclear, are:

- Due Diligence
- Construction Projects
- Transition Teams
- Support of NextEra Energy Resources Capital Projects
- Outage Support

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Information Management Nuclear Service Fee

The Information Management Nuclear Service Fee is also billed using actual monthly charges that are accumulated and then allocated based on the number of generating units in place. The Information Management Nuclear Service Fee includes the following shared services:

- Nuclear Asset Management System (NAMS) Support
- IM Management
- Data Services
- IMO Nuclear Lead (Infrastructure Support)
- Nuclear Web Applications Support

In addition to the IM Nuclear Service Fee described above, FPL-IM is charged for shared support services performed by IM personnel located at the Seabrook facility. These employees support Nuclear applications shared by all units in the fleet and charge back a portion of the support costs, based on the number of nuclear units.

FACILITY AND EQUIPMENT CHARGES

Cost Measurement and Allocation is responsible for monthly entries to bill the following activities:

Systems Charges:
A small number of affiliates utilize various FPL systems on a limited basis for printing, mailing and payment processing of various items. These systems include the SAP and Payment Processing Center (PPC) systems. The use of these systems is billed on a transactional basis. A cost study is performed by the Customer Service organization in conjunction with the Cost Measurement and Allocation department to determine the cost to FPL per transaction for these systems. The number of transactions is collected monthly and billed to the affiliates at those rates.

Furniture and Computers:
Affiliates are billed monthly for office furniture based on the higher of cost or market value. A market rate study is performed periodically by Corporate Real Estate and was last prepared in 2010. Affiliates are also billed monthly for personal computers based on cost. All charges are based on the number of FPL owned units utilized by the affiliates.

Long Distance Telephone Charges:
The affiliates are billed monthly for their long distance service. This is tracked by telecommunications based on employee long distance IDs. Rates are based on actual contracted rates with the phone companies.

Office Space:
Space is available to the affiliates in FPL buildings only when vacancies exist. The affiliates are charged for the square feet they occupy based on the higher of cost or a market rate. A market rate study is performed by Corporate Real Estate every five years and was last prepared in 2010. Currently occupying space in FPL buildings are: NextEra Energy Resources; FPL Energy Services; FPL Readi Power, LLC; Fibernet, LLC; NextEra Energy Capital Holdings, Inc.; NextEra Energy Infrastructure, LLC; Lone Star Transmission, LLC; and New Hampshire Transmission, LLC.

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DEFINITIONS

Affiliates – Companies that are related to each other due to common ownership or control.

Cost Allocators – The methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).

Common Costs – Cost associated with services or products that are of joint benefit to both regulated and non–regulated business units.

Cost Driver – A measurable event or quantity which influences the level of costs incurred and which can be directly traced to an origin of the costs themselves.

Fully Allocated – Services or products bear the sum of the cost drivers plus an appropriate share of the indirect costs.

Incremental – Pricing services or products on a basis of only the incremental costs added by their operations while one or more pre-existing services, or products, support the fixed costs.

Non-regulated – Refers to services or products not subject to regulation by regulatory authorities.

Prevailing Market Rate – A generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.

Regulated – Refers to services or products subject to regulation by regulatory authorities.

Subsidization – The recovery of costs from one class of customers, business unit or entity, that are attributable to another.

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Exhibit A – NARUC Guidelines for Cost Allocations and Affiliate Transactions

Guidelines for Cost Allocations and Affiliate Transactions:

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to Federal and state law. Each state or Federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service and the National Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.

2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.

3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.

4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).

5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.

6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

7. Direct Costs - costs which can be specifically identified with a particular service or product.

8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.

9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.

10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative and general, and taxes.

11. Non-regulated - that which is not subject to regulation by regulatory authorities.

12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.

13. Regulated - that which is subject to regulation by regulatory authorities.

14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

B. COST ALLOCATION PRINCIPLES

The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.

2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.

3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.

4. The allocation methods should apply to the regulated entity's affiliates in order to prevent

subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.

5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.

6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.

7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

C. COST ALLOCATION MANUAL (NOT TARIFFED)

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.

2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.

3. A description of all assets, services and products provided by the regulated entity to non-affiliates.

4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

D. AFFILIATE TRANSACTIONS (NOT TARIFFED)

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.

4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

E. AUDIT REQUIREMENTS

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.

2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.

3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM, should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.

4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.

5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

F. REPORTING REQUIREMENTS

1. The regulated entity should report annually the dollar amount of non-tariffed transactions

associated with the provision of each service or product and the use or sale of each asset for the following:

a. Those provided to each non-regulated affiliate.

b. Those received from each non-regulated affiliate.

c. Those provided to non-affiliated entities.

2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

Cost Measurement & Allocation Department
Cost Allocation Manual (CAM)
Exhibit B – 2012 Overhead Loading Rates

Overhead Rates Applied to Direct Charges

Non-productive payroll	23.35
Performance Incentive	12.65
Pension and Welfare	11.61
Administrative and General Payroll	9.79
Administrative and General Expense	7.63
Payroll Taxes	6.85
Workers Compensation Insurance	Varies by BU

Overhead Rates Applied to Service Fees

Performance Incentive	12.65
Pension and Welfare	11.61
Administrative and General Payroll	9.79
Administrative and General Expense	7.63
Payroll Taxes	6.85
Workers Compensation Insurance	Varies by BU

Overhead Rates Applied to Shared Services Payroll Dollars Included in the AMF

Performance Incentive	12.65
Pension and Welfare	11.61
Payroll Taxes	6.85
Workers Compensation Insurance	Varies by BU

Overhead Rates Applied to Shared Services Payroll Dollars Included in the AMF

Performance Incentive	12.65
Pension and Welfare	11.61
Payroll Taxes	6.85
Workers Compensation Insurance	Varies by BU

Cost Measurement & Allocation Department
Cost Allocation Manual (CAM)
Exhibit C - 2012 MASS FORMULA RATIOS AND SPECIFIC DRIVERS

Description	FPL	NEER	FLORIDA FIBERNET	FPLES	Other	NHT	LST	UST	TEXAS FIBERNET	Total Affiliate %
MASS FORMULA RATIOS										
MF-Shared	66.04%	32.30%	0.78%	0.49%	0.04%	0.07%	0.15%	0.06%	0.07%	33.96%
MF-FPLES & Fibernet	98.04%		1.15%	0.70%					0.11%	1.96%
MF-NEER, UST, NHT & LST	66.97%	32.74%				0.08%	0.15%	0.06%		33.03%
MF-NEER, UST, NHT & LST + Fibernet	66.40%	32.46%	0.78%			0.07%	0.15%	0.06%	0.08%	33.60%
SPECIFIC DRIVERS										
Headcount Incl. Affiliates	66.02%	31.48%	1.15%	0.73%	0.28%		0.17%	0.09%	0.08%	33.98%
Sq Ft Avg Incl. Subs	81.47%	13.60%	1.47%	0.27%	3.11%		0.01%	0.09%		18.53%
Sq Ft - GO	91.97%	0.02%	3.82%	0.71%	3.47%					8.03%
Sq Ft - JB	69.04%	27.18%	0.02%		3.57%		0.01%	0.17%		30.96%
Average of Shared Benefit Capitalized Software Drivers	71.60%	28.40%								28.40%
Average of Shared Benefit Capitalized Hardware Drivers	88.63%	11.37%								11.37%
Affiliate Megawatts - NUC Executive	50.00%	50.00%								50.00%
Affiliate Megawatts - PGD Executive	57.13%	42.87%								42.87%
Actual number of workstations per Business Unit (including affiliates) across the enterprise	74.00%	24.02%	1.20%	0.70%			0.04%	0.04%		26.00%
Actual number of workstations per Business Unit (including affiliates) at FPL facilities	91.20%	6.60%	1.30%	0.90%						8.80%
Servers per Business Unit / Affiliate	79.00%	18.20%	2.00%	0.80%						21.00%
Actual number of mainframe MIPS CPU hours by Business Unit / Affiliate	98.70%	1.30%	0.00%	0.00%						1.30%
Database Administrator Resource - Business Intelligence Data Movement	95.10%	4.90%								4.90%
Database Administrator Resource - Technical Support	98.10%	0.00%	1.90%							1.90%
HR Systems Support Activities Based on Headcount	66.40%	31.70%	1.20%	0.70%						33.60%
SAP User count per Business Unit / Affiliate	58.60%	37.70%	2.50%	0.80%			0.20%	0.20%		41.40%
Corporate Business Unit resource supporting Affiliates	68.00%	22.00%	10.00%							32.00%

Florida Power & Light Company
Direct Charges to Affiliates

Line No.	Affiliate Name	2011 Historical Year	2012 Prior Year	2013 Test Year
1	NextEra Energy Resources [(1)]	$38,678,832	$38,697,100	$43,862,768
2	FPL Energy Services, Inc. [(2)]	7,185,001	662,073	686,468
3	FPL FiberNet, LLC [(3)]	4,013,250	2,616,147	3,034,559
4	NextEra Energy Infrastructure, LLC	82,054	-	-
5	Lone Star Transmission	1,409,924	293,939	361,876
6	New Hampshire Transmission	816,021	300,324	342,911
7	NextEra Energy, Inc. [(4)]	12,173,682	6,732,816	6,710,772
8	Palms Insurance Company, Ltd	5,346,685	6,050,000	6,231,500
9	Total [(5)]	$69,705,448	$55,352,399	$61,230,853

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11 **Notes:**

12 [(1)] Includes NextEra and related affiliates

13 [(2)] Includes FPL Readi Power

14 [(3)] Includes FPL Fibernet, LLC and NextEra Fibernet, LLC

15 [(4)] Includes NextEra Energy Capital Holdings, Inc and Alandco

16 [(5)] Direct charges decreased from 2011 actuals to 2012 and beyond primarily as a result of purchase orders being established
17 at the affiliates for several common vendors. This now enables the vendor to invoice the affiliates directly, by-passing FPL.

Florida Power & Light Company
Schedule of FPL Service Fees

Line No.	Service Fee	2011 Historical Year	2012 Prior Year	2013 Test Year
1	Nuclear	$8,390,350	$9,220,228	$9,587,801
2	Energy Marketing & Trading	2,373,407	1,688,019	1,770,227
3	Information Management	1,996,037	2,333,426	2,427,411
4	Total	$12,759,794	$13,241,672	$13,785,439

Florida Power & Light Company
Affiliate Management Fee Specific Cost Drivers

Line No.	Description	2011 Historical Year	2012 Prior Year	2013 Test Year
1	Headcount (including affiliates)	33.29%	33.98%	33.98%
2				
3	Square Footage (including affiliates)	13.29%	18.53%	18.53%
4	Square footage - General Office - Miami	3.41%	8.03%	8.03%
5	Square footage - Juno Beach	30.22%	30.96%	30.96%
6				
7	Capitalized software shared with affiliates	28.40%	28.40%	28.40%
8	Capitalized hardware shared with affiliates	12.11%	11.37%	11.37%
9				
10	Shared nuclear executives (allocated by # of units)	50.00%	50.00%	50.00%
11	Shared Power Generation Division executives (allocated by megawatts)	44.30%	42.87%	43.00%
12	Corporate Business Unit resource supporting affilliates	32.00%	32.00%	32.00%
13	Actual number of workstations per Business Unit (including affiliates) across the enterprise	27.60%	26.00%	26.00%
14	Actual number of mainframe MIPS CPU hours by Business Unit / affiliate for support activities	1.10%	1.30%	1.30%
15	Database administrator resource - Business Intelligence data movement	0.00%	4.90%	4.90%
16	Database administrator resource - Technical Support	0.00%	1.90%	1.90%
17	Actual number of workstations per Business Unit (includes affiliates) in FPL facilities for support activities	9.80%	8.80%	8.80%
18	SAP user count per Business Unit / affiliate for support activities	41.40%	41.40%	41.40%
19	Servers per Business Unit / affiliate for support activities	19.50%	21.00%	21.00%
20	Actual number of workstations per Business Unit (including affiliates) across the enterprise for project activities	24.80%	26.00%	26.00%
21	Actual number of workstations per business unit (includes affiliates) in FPL facilities for project activities	8.60%	8.80%	8.80%
22	Actual number of mainframe MIPS CPU hours by Business Unit / affiliate for project activities	1.10%	1.30%	1.30%
23	HR system support activities based on headcount	31.80%	33.60%	33.60%
24	SAP user count per Business Unit / affiliate for project activities	41.40%	41.40%	41.40%
25	Servers per Business Unit / affiliate for project activities	16.50%	21.00%	21.00%

Florida Power & Light Company

Affiliate Management Fee

Massachusetts Formula Ratios (1)

Line No.	Company Name	2011 Historical Year	2012 Prior Year	2013 Test Year
1	FPL Utility	66.40%	66.04%	64.00%
2	NextEra Energy Resources, LLC	32.24%	32.30%	33.82%
3	FPL FiberNet, LLC	0.69%	0.78%	0.83%
4	FPL Energy Services, Inc (2)	0.45%	0.49%	0.53%
5	NextEra Energy Capital Holdings, Inc. (3)	0.04%	0.04%	0.03%
6	New Hamphire Transmission, LLC	0.07%	0.07%	0.07%
7	Lone Star Transmission, LLC	0.06%	0.15%	0.57%
8	NextEra Energy Infrastructure, LLC	0.00%	0.06%	0.06%
9	NextEra FiberNet, Inc.	0.07%	0.07%	0.08%
10	Total	100.00%	100.00%	100.00%

11
12
13 **Notes:**
14 (1) The Massachusetts Formula ratios are calculated using the average of three factors for
15 each affiliate. These factors include forecasted gross payroll, gross revenues, and average
16 property, plant and equipment. The ratios shown are for the respective calendar years.
17 (2) Includes ReadiPower
18 (3) Includes Palms Insurance.