**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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| In re: Petition for rate increase by Florida Power & Light Company | Docket No. 120015-EI |

**FLORIDA POWER & LIGHT COMPANY'S**
**NOTICE OF IDENTIFIED ADJUSTMENTS**

Florida Power & Light Company ("FPL" or the "Company") hereby files this Notice of Identified Adjustments, to advise the Commission, Staff and intervenors of minor adjustments to certain information contained in its rate case filing that have been identified early in this proceeding. FPL is filing this Notice for informational purposes and is not seeking to revise the total revenue requirements above that which has been requested for final rates in this proceeding.

There are two sets of adjustments referenced below: Adjustments Affecting Revenue Requirements, and Adjustments Affecting Cost Allocations and the Estimated 2013 Bill. The Adjustments Affecting Cost Allocations have no impact on revenue requirements. The Adjustments Affecting Revenue Requirements, if made, would produce a net increase in FPL's overall 2013 test year revenue requirements of less than one percent; however, FPL is not revising total revenue requirements above that which has been requested in this proceeding. FPL will include all the adjustments described below in exhibits to be filed with rebuttal testimony, along with any other adjustments that may be identified between now and then. Final rates as determined by the Commission would include such adjustments as may be determined appropriate through this proceeding, subject to the aforementioned limitation. FPL included similar exhibits with the rebuttal testimony of FPL witness Kim Ousdahl in its 2009 rate case (Exhibit KO-16; Docket No. 080677-EI) and FPL witness K. Michael Davis in its 2005 rate case (Exhibit KMD-10; Docket No. 050045-EI). Each of FPL's identified adjustments is discussed briefly below.

**Adjustments Affecting Revenue Requirements**

1. Cost of Removal. FPL has identified two adjustments affecting the cost of removal, as explained below.

a. Extended Power Uprate ("EPU") Project. FPL has excluded EPU costs from the calculation of test year revenue requirements for this proceeding, because they are recovered through the Nuclear Cost Recovery ("NCR") process. In doing so, the removal cost charges related to nuclear property that was retired early in connection with the EPU project were inadvertently excluded as well. As these removal cost charges are properly base rate costs, not a part of the EPU NCR recoveries, the charges should have remained in the calculation of base rates. Because they were inadvertently excluded, FPL's rate base was understated by approximately $72 million. Correcting this exclusion would increase 2013 test year revenue requirements by approximately $7.4 million.

b. Smart Meter project. In addition, $9.9 million of Smart Meter-related removal costs were inadvertently reflected as an increase to plant in service instead of a decrease to depreciation reserve in FPL's forecast. This had no impact on rate base but resulted in an overstatement of depreciation expense in the test year of approximately $0.6 million.

Making these two cost-of-removal adjustments would increase FPL's 2013 test year revenue requirements by approximately $6.8 million.

2. Amortization of Gains. In 2011, FPL transferred the corporate aviation fleet to its parent. Also in 2011, FPL sold its Miami General Office Building ("GO"). FPL's 2013 test year forecast properly reflects amortization of FPL's gain on the transfer of the aviation fleet and sale of the GO. In doing so, however, the gain amortization was inadvertently double-counted, resulting in an overstatement of FERC Account 411 by approximately $2 million and an understatement of the regulatory liability in FERC Account 254 by the same amount. Eliminating this double counting would have the effect of increasing 2013 test year revenue requirements by approximately $1.9 million.

3. Water Reclamation Capital Lease. The incorrect account was used in eliminating accumulated amortization from 2013 test year revenue requirements for this capital lease. Making an adjustment to eliminate the accumulated amortization from the correct account would increase 2013 test year revenue requirements by approximately $0.6 million.

4. Compensation. While calculating the Commission adjustment to remove executive incentive compensation from the 2013 test year, the non-executive performance shares portion of the adjustment was inadvertently retained, thus overstating compensation expense. Making this correction would lower compensation expense and increase net operating income, thereby reducing FPL's revenue requirements by approximately $0.7 million.

5. Allocation of Coincident Peaks in Calculation of Jurisdictional Separation Factors. The retail rate classes were under-allocated coincident peak responsibility in the calculation of jurisdictional separation factors. As a result, the retail jurisdiction's share

of total Company revenue requirements was understated. Correction of this item would increase retail jurisdictional revenue requirements by approximately \$0.4 million.

6. Cape Canaveral Plant In Service Balance. The starting Plant In Service balance in the Canaveral Step Increase Schedules was overstated by approximately \$10 million. (Note: Even with this overstatement, the Plant in Service balance in the Canaveral Step Increase Schedules is approximately \$150 million below the estimated construction cost used for the Canaveral need determination.) Correcting for this overstatement would reduce the Canaveral Step Increase revenue requirements by approximately \$1.8 million.

7. Pension Expense. FPL's 2013 test year forecast assumed Section 420 pension transfers would be made for purposes of payment of retiree medical costs based on consistent historical experience. FPL does not intend, however, to make Section 420 transfers for at least the next few years. Removing the assumed Section 420 pension transfers from the 2013 test year would decrease revenue requirements by approximately \$2.9 million. There is no impact of this adjustment on FPL's pension asset, as the amount reflected in the 2013 rate filing was correct.

8. FPL's Proposed Treatment for the Revenue Requirements Adjustments. The cumulative effect of the foregoing adjustments on FPL's requested January 2013 Base Rate Increase would be to increase that request by approximately \$6.1 million, while the impact on the requested Canaveral Step Increase would be a reduction of approximately \$1.8 million. Because the impact that the foregoing adjustments would have is modest, FPL does not propose to revise its rate request for those adjustments and is simply providing this information in an effort to keep the Commission, Staff and

intervenors informed. Please note all of the adjustments above reflect retail jurisdictional amounts.

**Adjustments Affecting Cost Allocations to Rate Classes and 2013 Estimated Typical Residential 1000 kWh Bill**

9. Allocation of Canaveral Step Increase to Rate Classes. An incorrect line item of the production cost demand and energy revenue requirements shown on MFR E-6b was inadvertently used in determining the rate classes' respective cost responsibilities for the Canaveral Step Increase. Adjusting the cost allocation calculation to reflect values from the correct line items of Other Production revenue requirements would not change the overall Canaveral Step Increase but would result in slightly raising the portion of the Canaveral Step Increase to be collected from residential and small commercial customer classes, with offsetting reductions in the portion of the Canaveral Step Increase to be collected from the remaining rate classes. The impact of this adjustment on the various rate classes is shown on Attachment 1. The adjustment would affect the rate schedules that appear in Canaveral Step Increase Schedules A-2, A-3, E-8, E-13a and E-14, the bill-impact analysis for a 1,000 kWh typical residential bill that is FPL witness Renae Deaton's Exhibit RBD-2 and witness Eric Silagy's Exhibit ES-2, and the typical CI bill comparisons that are also shown on Exhibit RBD-2.

10. Allocation of Projected 2013 EPU Base Rate Increase to Rate Classes. Similar to the adjustment just described, an incorrect production cost allocator was used in determining the rate classes' respective cost responsibilities for the projected 2013 EPU base rate increase. The projected 2013 EPU base rate increase is not part of FPL's requested rate relief in this proceeding, but it is included for informational purposes as an

element of the 1,000 kWh typical residential bill on Exhibits RBD-2 and ES-2 as well as the Commercial/Industrial bill comparisons shown on Exhibit RBD-2.

11. <u>FPL's Proposed Treatment of the Cost Allocation Adjustments.</u>

a. <u>Canaveral Step Increase Schedules.</u> As shown on Attachment 1, the impact of the cost allocation adjustments on the rate classes' respective cost responsibilities for the Canaveral Step Increase is small. Accordingly, FPL does not propose to revise and re-file the rate schedules in the Canaveral Step Increase Schedules A-2, A-3, E-8, E-13a and E-14. Rather, FPL will use the corrected production cost allocations when it prepares and files Canaveral Step Increase rate schedules as part of the compliance filing that will be made after the Commission determines FPL's new revenue requirements.

b. <u>Prescribed Customer Notices</u>. In order to meet the deadlines imposed in Rule 25-22.0406, F.A.C., FPL has already prepared and submitted to the required locations the rate case synopsis and has begun the process of mailing notice to customers in the form of a bill insert. Because FPL discovered the cost allocation adjustments only very recently, it was not feasible to change the comparison of rates in the synopsis or the bill inserts to reflect those cost allocation adjustments, while still meeting the applicable deadlines. However, FPL will include an updated bill impact comparison for the typical, 1,000-kWh residential bill (described in Paragraph 12 below) in the service hearing advertisements that it will publish pursuant to Rule 25-22.0406. FPL also plans to update its bill calculator software that is available on the FPL.com website to ensure that customers have access to the most up-to-date information.

12. Updated Bill Impact Comparison. Attachment 2 to this Notice is an updated bill impact comparison for a typical, 1,000-kWh residential bill as it appears in Exhibits RBD-2 and ES-2. This update reflects the following changes from those exhibits:

- The Canaveral Step Increase is $1.86 instead of $1.74 (an increase of $0.12), as a result of the cost allocation adjustment described in Paragraph 9 above.
- The projected 2013 EPU base rate increase is $2.24 instead of $1.94, which reflects a decrease of $0.03 as a result of the cost allocation adjustment described in Paragraph 10 above, and an increase of $0.33 as a result of updated estimates of the 2013 revenue requirements for the 2013 EPU base rate increase. This remains a preliminary estimate. The final updated projection will be filed with the Commission later this year.
- The projected June 2013 fuel adjustment charge is $25.72 instead of $27.18 (a decrease of $1.46), as a result of using a more current fuel forecast (April 2, 2012) than was available at the time that FPL's rate case filing was prepared.

Attachment 2 shows that the total effect of these changes is to increase the 1,000-kWh residential base rate impact of FPL's rate requests by $0.12 in June 2013, but decrease the typical 1,000-kWh residential total bill for June 2013 by $1.07 compared with the projection filed as Exhibit RBD-2 (*i.e.*, $96.03 vs. $97.10). Under the current projection, the typical 1,000-kWh residential total bill would reflect a net increase in June 2013 (as compared to January 2012) of $1.41.

## Conclusion

13. As noted, FPL intends to file exhibits with its rebuttal testimony that will include each of the revenue requirements adjustments and cost allocation adjustments identified above, as well as any other corrections that might be identified between now and the preparation of rebuttal testimony. The typical, 1,000-kWh monthly residential bill, taking into account the cost allocation adjustments to the Canaveral Step Increase and the updated 2013 EPU base rate estimated increase, as well as the updated April 2012 fuel price projections, will be lower by $1.07 than the projection reflected in Exhibit RBD-2 as filed in March. Thus, whereas RBD-2 reflected an increase in the total bill of $2.48 in June 2013 (as compared to January 2012), the updated bill estimate in Attachment 2 to this Notice reflects an increase of only $1.41.

Respectfully submitted this 27th day of April, 2012.

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By: */s/ John T. Butler*
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## CERTIFICATE OF SERVICE

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished electronically this 27th day of April 2012, to the following:

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# ATTACHMENT 1

# Changes to Cape Canaveral Rates due to Revised Allocation Factors

| Line | Rate Class | Total Sales kWh | Canaveral Revenue Requirement Allocation - As Filed | Canaveral Revenue Requirement Allocation - Revised | Canaveral Revenue Requirement - As Filed | Canaveral Revenue Requirement Revised | Difference | 2013 Canaveral Energy Factor As Filed | 2013 Canaveral Energy Factor Revised | Difference | % Difference |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | $000s | $000s | $000s | $ / kWh | $ / kWh | $ / kWh | |
| 1 | CILC-1D | 2,865,110,154 | 2.5% | 2.1% | 4,384 | 3,622 | -762 | 0.00153 | 0.00126 | -0.00027 | -17.6% |
| 2 | CILC-1G | 177,812,951 | 0.2% | 0.1% | 278 | 233 | -45 | 0.00156 | 0.00131 | -0.00025 | -16.0% |
| 3 | CILC-1T | 1,342,962,457 | 1.1% | 0.9% | 1,979 | 1,600 | -378 | 0.00147 | 0.00119 | -0.00028 | -19.0% |
| 4 | GS(T)-1 | 5,851,293,153 | 5.7% | 5.8% | 9,967 | 10,004 | 37 | 0.00170 | 0.00171 | 0.00001 | 0.6% |
| 5 | GSCU-1 | 37,911,020 | 0.0% | 0.0% | 58 | 47 | -12 | 0.00154 | 0.00123 | -0.00031 | -20.1% |
| 6 | GSD(T)-1 | 25,106,278,915 | 23.6% | 22.1% | 41,042 | 38,504 | -2,538 | 0.00163 | 0.00153 | -0.00010 | -6.1% |
| 7 | GSLD(T)-1 | 11,323,169,609 | 10.5% | 9.8% | 18,253 | 17,008 | -1,245 | 0.00161 | 0.00150 | -0.00011 | -6.8% |
| 8 | GSLD(T)-2 | 2,453,405,165 | 2.2% | 1.9% | 3,784 | 3,244 | -540 | 0.00154 | 0.00132 | -0.00022 | -14.3% |
| 9 | GSLD(T)-3 | 199,703,548 | 0.2% | 0.1% | 301 | 255 | -46 | 0.00151 | 0.00128 | -0.00023 | -15.2% |
| 10 | MET | 92,800,603 | 0.1% | 0.1% | 151 | 152 | 0 | 0.00163 | 0.00163 | 0.00000 | 0.0% |
| 11 | OL-1 | 99,468,089 | 0.1% | 0.0% | 127 | 44 | -82 | 0.00127 | 0.00045 | -0.00082 | -64.6% |
| 12 | OS-2 | 12,592,879 | 0.0% | 0.0% | 19 | 16 | -3 | 0.00151 | 0.00130 | -0.00021 | -13.9% |
| 13 | RS(T)-1 | 53,081,851,668 | 53.3% | 56.8% | 92,615 | 98,703 | 6,087 | 0.00174 | 0.00186 | 0.00012 | 6.9% |
| 14 | SL-1 | 532,201,007 | 0.4% | 0.1% | 674 | 233 | -441 | 0.00127 | 0.00044 | -0.00083 | -65.4% |
| 15 | SL-2 | 32,761,953 | 0.0% | 0.0% | 52 | 41 | -10 | 0.00158 | 0.00126 | -0.00032 | -20.3% |
| 16 | SST-DST | 7,621,954 | 0.0% | 0.0% | 11 | 8 | -3 | 0.00144 | 0.00103 | -0.00041 | -28.5% |
| 17 | SST-TST | 97,718,947 | 0.1% | 0.1% | 157 | 137 | -20 | 0.00161 | 0.00141 | -0.00020 | -12.4% |
| 18 | | | | | | | | | | | |
| 19 | | | | | | | | | | | |
| 20 | Total | 103,314,664,074 | 100.0% | 100.0% | 173,851 | 173,851 | 0 | 0.00168 | 0.00168 | 0.00000 | 0.0% |
| 21 | | | | | | | | | | | |
| 22 | | Revenue from Billed Sales | | Billed | 173,659 | | | | | | |
| 23 | | Revenue from Unbilled Sales | | Unbilled | 192 | | | | | | |
| 24 | | Total | | Total | 173,851 | | | | | | |

# ATTACHMENT 2

| CHANGE IN EXHIBIT RBD-2 TYPICAL RESIDENTIAL 1,000 kWh BILL DUE TO CANAVERAL AND EPU ALLOCATIONS, NCRC PROJECTION, AND UPDATED ESTIMATES FOR FUEL AND EPU BASE INCREASE | | | | | | | |
|---|---|---|---|---|---|---|---|
| | January 2012 | As Filed Jan. 2013 RBD-2 | Jan. 2013 Revised 4/27/12 | *Difference Jan. Revised vs. Jan. as Filed* | As Filed June 2013 RBD-2 | June 2013 Revised 4/27/12 | *Difference June Revised vs. June As Filed* |
| 1. Base | 43.26 | 48.49 | 48.49 | *0.00* | 50.23 | 50.35 | *0.12* |
| 2. Fuel | 33.43 | 28.17 | 26.76 | *(1.41)* | 27.18 | 25.72 | *(1.46)* |
| 3. WCEC3 | 1.69 | 1.71 | 1.71 | | 1.71 | 1.71 | |
| 4. 1/1/2013 EPU | 0.00 | 1.94 | 2.24 | *0.30* | 1.94 | 2.24 | *0.30* |
| 5. Other incl. GRT | 16.24 | 16.02 | 15.99 | *(0.03)* | 16.04 | 16.01 | *(0.03)* |
| 6. Total | 94.62 | 96.33 | 95.19 | *(1.14)* | 97.10 | 96.03 | *(1.07)* |
| 7. Total Bill Increase vs. Jan. 2012 | | 1.71 | 0.57 | | 2.48 | 1.41 | |