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November 8, 2012

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-VIA HAND DELIVERY -

Ms. Ann Cole, Director
 Division of the Commission Clerk and Administrative Services
 Florida Public Service Commission
 2540 Shumard Oak Blvd.
 Tallahassee, FL 32399-0850

Re: Docket No. 120015-EI; Pre-Filed Rebuttal Testimony and Exhibits for Settlement Agreement Hearing

Dear Ms. Cole:

Pursuant to Order No. PSC-12-0529-PCO-EI, on behalf of Florida Power & Light Company ("FPL"), I am enclosing for filing in the above docket the original and fifteen (15) copies of the following witnesses' pre-filed rebuttal testimony and exhibits for the settlement agreement hearing: Robert E. Barrett, Jr., Terry Deason, Moray P. Dewhurst, and Sam A. Forrest.

Please contact me should you or your Staff have any questions regarding this filing.

Barrett - DN 07549-12
 Deason - DN 07550-12
 Dewhurst - DN 07551-12
 Forrest - DN 07552-12

Sincerely,

John T. Butler
 John T. Butler

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Enclosure
 cc: Counsel for Parties of Record (w/encl.)

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by hand delivery*, and electronic delivery this 8th day of November, 2012, to the following:

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**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**

REBUTTAL TESTIMONY OF:

ROBERT E. BARRETT, JR.

(PROPOSED SETTLEMENT AGREEMENT)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
FLORIDA POWER & LIGHT COMPANY
REBUTTAL TESTIMONY OF ROBERT E. BARRETT, JR.
(PROPOSED SETTLEMENT AGREEMENT)
DOCKET NO. 120015-EI
NOVEMBER 8, 2012

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1 I. INTRODUCTION

2

3 **Q. Please state your name and business address.**

4 A. My name is Robert E. Barrett, Jr. My business address is Florida Power &
5 Light Company (“FPL” or “the Company”), 700 Universe Boulevard, Juno
6 Beach, Florida 33408.

7 **Q. Did you previously submit direct testimony regarding the proposed**
8 **Stipulation and Settlement that was filed on August 15, 2012 in this**
9 **proceeding (the “Proposed Settlement Agreement”)?**

10 A. Yes.

11 **Q. Are you sponsoring any rebuttal exhibits related to the Proposed**
12 **Settlement Agreement?**

13 A. Yes. I am sponsoring the following exhibits:

- 14 • REB-13 – Expanded OPC Witness Ramas Exhibit DR-8 – Adjusted
15 Earned ROE
- 16 • REB-14 – Projected Capital Expenditures (2014 – 2016) Excluding
17 New Generation
- 18 • REB-15 – FPL’s response to OPC’s Sixteenth Set of Interrogatories,
19 Question No. 275
- 20 • REB-16 – Total Project Construction Costs for TP5 and WCEC 1&2 -
21 Need vs. Actual

22 **Q. What is the purpose of your rebuttal testimony?**

23 A. The purpose of my rebuttal testimony is to demonstrate that the principal

1 arguments in the direct testimonies of the Office of Public Counsel’s (“OPC”)
2 witnesses Ramas and Pous, and *pro se* intervenor John W. Hendricks,
3 regarding the Proposed Settlement Agreement are incorrect and should be
4 rejected. I will show that the settlement is fair, just, and reasonable, and in the
5 public interest. I will also address those witnesses’ inaccurate contentions
6 about the Generation Base Rate Adjustment (“GBRA”) mechanism, the
7 amortization of the dismantlement reserve, and the deferral of FPL’s next
8 depreciation and dismantlement studies provisions of the Proposed Settlement
9 Agreement.

10 **Q. Please summarize your rebuttal testimony.**

11 A. In large part, the intervenor testimony that I address is nothing more than hand
12 waving. No new evidence is provided to support their positions; they either
13 want to revisit the 2010 base rate decision or reiterate their earlier testimony
14 in this docket. In my rebuttal testimony, I will clearly demonstrate why the
15 Proposed Settlement Agreement is in the best interest of all parties and should
16 be considered by the Commission in the aggregate rather than piecemeal. My
17 rebuttal testimony makes the following specific points in response to the
18 intervenor arguments against the Proposed Settlement Agreement:

- 19 1) OPC witness Ramas incorrectly asserts that the proposed settlement rates
20 will not be fair, just and reasonable;
- 21 2) The intervenor arguments against the GBRA should be rejected; GBRA is
22 necessary to accommodate a four-year term and ensures cost protection for
23 customers;

1 Moreover, FPL has provided voluminous support for the costs that are the
2 basis for its rate request. The base rate filing is based on cost as required in
3 Commission Minimum Filing Requirements (“MFRs”). This cost-based filing
4 formed the basis or starting point of FPL and intervenor negotiations, which
5 resulted in settlement rates that provided a clear discount from FPL’s 2013
6 cost of service. Given the voluminous discovery, the detailed updates and
7 corrections provided by FPL, comprehensive testimony, lengthy hearings and
8 depositions, it is difficult to imagine the Commission could ever have a more
9 robust record to assess cost of service.

10 **Q. OPC witness Ramas calculates revised revenue requirements on her**
11 **Exhibits DR-7 and DR-8 in an effort to show that the base rate increase of**
12 **\$378 million in the Proposed Settlement Agreement is unreasonable. Do**
13 **her exhibits raise any valid concerns about the proposed base rate**
14 **increase?**

15 A. No. Witness Ramas’ Exhibit DR-7 inappropriately cherry picks the FPL
16 adjustments that it reflects. Her Exhibit DR-8, on the other hand, properly
17 reflects all of FPL’s adjustments in Hearing Exhibit 399 and its post-hearing
18 brief filed on September 21, 2012. With those adjustments, witness Ramas
19 calculates a 2013 revenue requirement deficiency of \$398 million, which is
20 \$20 million more than the base rate increase included in the Proposed
21 Settlement Agreement. Additionally, on Exhibit REB-13, I have expanded
22 witness Ramas’ Exhibit DR-8 to show a comparison of her calculated revenue
23 deficiency of \$398 million and earned ROE of 10.70% versus the Proposed

1 Settlement Agreement revenue increase of \$378 million and calculated earned
2 ROE of 10.58%. This comparison demonstrates that rates established under
3 the Proposed Settlement Agreement result in an earned ROE below the ROE
4 midpoint for the 2013 test year.

5

6

III. GBRA MECHANISM

7

8 **Q. Is the GBRA mechanism for the Canaveral Modernization Project**
9 **substantially the same as the Canaveral Step Increase requested by FPL**
10 **in its March 2012 base rate petition?**

11 A. Yes. The GBRA mechanism in the Proposed Settlement Agreement reflects
12 the same revenue requirement included in the Canaveral Step Increase. In her
13 direct testimony on the Proposed Settlement Agreement, OPC witness Ramas
14 agrees that an increase in base rates associated with the Canaveral
15 Modernization Project is reasonable because it falls within FPL's 2013 test
16 year.

17 **Q. OPC witness Ramas believes that the revenue requirements associated**
18 **with the Canaveral Modernization Project should be no more than \$121.5**
19 **million. Do you agree with her calculation?**

20 A. No. Witness Ramas is simply rehashing OPC litigation positions from the
21 technical hearings in August 2012 and advocating an average embedded cost
22 of capital approach. The incremental cost of capital approach is the
23 appropriate method to determine revenue requirements for the Canaveral Step

1 Increase and was negotiated and agreed to by the parties to the Proposed
2 Settlement Agreement to apply to the Canaveral Modernization Project and
3 the other GBRA plants.

4 **Q. Are additional base rate increases necessary during the term of the**
5 **Proposed Settlement Agreement in order to provide FPL an opportunity**
6 **to recover the revenue requirements for the Riviera and Port Everglades**
7 **Modernization Projects?**

8 A. Yes. Notwithstanding OPC witness Ramas' position, the reality is that
9 increases in FPL's base rates are necessary for these modernization projects.
10 Her vague references to other potential changes in FPL's costs and revenues
11 that might offset those revenue requirements are simply too speculative for
12 FPL or any prudently managed utility to rely upon as a basis for agreeing to
13 the four-year term of the Proposed Settlement Agreement. Witness Ramas is
14 basically asking the Commission to offset revenue increases for the
15 Modernization Projects that are certain to occur with uncertain, speculative
16 increases in revenues or decreases in expense that may or may not materialize.

17 **Q. Can you please elaborate?**

18 A. Yes. There are several reasons why it is unlikely that FPL will be able to
19 avoid base rate increases, either in whole or in part, for these modernizations
20 projects:

21 • First, the magnitude of the revenue requirements is such that minor,
22 incremental offsets are simply not going to be adequate. As stated in my
23 direct testimony and included on Exhibit REB-10, absent rate adjustments,

1 FPL will experience declines in its earned ROE of 148 and 136 basis
2 points, respectively, when the Riviera and Port Everglades Modernization
3 Projects go into service. Absent the GBRA mechanism to recover the
4 costs of these modernization projects, such substantial deterioration in
5 earnings likely would force FPL to petition the Commission for multiple
6 base rate increases to recover the costs associated with these projects. As
7 such, FPL could not have agreed to a settlement without the GBRA
8 provision.

9 • Second, OPC witness Ramas ignores the fact that FPL's 2013 test year
10 assumes FPL will amortize \$191 million in 2013. Barring unforeseen
11 events, FPL cannot realistically expect to amortize less than this amount in
12 2013 and still achieve reasonable earnings for the year. Thus, any analysis
13 of the revenue requirements over the remaining term of the Proposed
14 Settlement Agreement (i.e., 2014-2016) must take into account the
15 expectation that FPL will only have \$209 million left to amortize over
16 three years (i.e., \$400 million of Reserve Amount that FPL may amortize
17 under the Proposed Settlement Agreement, less \$191 million amortized in
18 2013. This clearly would be insufficient to maintain the 2013 earnings
19 position even if all of FPL's other revenue requirements remain flat, which
20 is unlikely to be the case.

21 • Third, given the modest recent customer growth rates, any increase in
22 revenues will likely not be sufficient to offset the cost of these
23 modernizations. In addition, FPL expects to experience the usual

1 inflationary pressures on its operations costs, with no mechanism under
2 the settlement agreement to address inflation.

3 • Fourth, it is highly unlikely that a utility already operating as efficiently as
4 FPL could produce productivity gains to fully offset the need for a base
5 rate increase. However, to the extent gains in productivity are achieved
6 during the settlement period, monthly earnings surveillance reporting will
7 reflect that cost reduction.

8 • Finally, FPL will be adding substantial investment in infrastructure other
9 than power plants, and there is no mechanism under the Proposed
10 Settlement Agreement for rate increases to recover those investments. As
11 reflected on Exhibit No. REB-14, FPL indicated in its 2012 Third Quarter
12 10-Q filing that it will spend approximately \$4.7 billion between 2014 and
13 2016 for capital expenditures *excluding* new generation. This is
14 equivalent to at least four new \$1.0 billion generating units, for which no
15 base rate relief is provided under the Proposed Settlement Agreement. For
16 all the reasons above, it is clear that FPL must have base rate relief for its
17 modernization investments during the settlement term.

18 **Q. OPC witness Ramas argues that need determination proceedings do not**
19 **provide a sufficient opportunity to evaluate the estimated cost of**
20 **proposed generating units. Do you agree with this statement?**

21 A. No. As FPL witness Deason demonstrates in his rebuttal testimony on the
22 Proposed Settlement Agreement, the Commission undertakes a robust analysis
23 of the costs of generating units in its need determination proceedings. History

1 demonstrates the accuracy of FPL's need determination cost estimates. FPL
2 has demonstrated repeatedly over many years, its strong performance in
3 engineering and construction of fossil generation. This is a competency that
4 can be counted on to deliver new fossil generation on time and on budget. It
5 is also important to note that GBRA's protect customers if the in-service cost
6 of a unit declines from the need determination estimate, a protection that does
7 not exist in the conventional base rate setting process.

8
9 As described on page 9 of my direct testimony on the Proposed Settlement
10 Agreement, the actual costs for Turkey Point Unit 5 were lower than
11 estimated in its need determination and a credit of \$9.3 million was returned
12 to customers. In addition, the actual costs associated with West County
13 Energy Center Units 1 and 2, which were also recovered through GBRA, are
14 right in line with the estimates provided in FPL's need determination filing.
15 The comparison of need determination and actual capital costs for all these
16 generating units is contained in FPL's response to OPC's Sixteenth Set of
17 Interrogatories, Question No. 275 (Exhibit REB-15). As reflected on Exhibit
18 REB-16, over the period that FPL implemented GBRA for three generating
19 units, the actual cost in the aggregate was within 1% of the need determination
20 estimate.

21 **Q. OPC witness Ramas discusses concerns that the prior Commission**
22 **expressed in 2010 when it denied FPL's request for permanent GBRA**
23 **authority. Does the Proposed Settlement Agreement address those**

1 **concerns?**

2 A. Yes. The primary concern the previous Commission expressed regarding the
3 GBRA mechanism in FPL’s last rate case arose from FPL’s request to
4 institute GBRA authority on a permanent, prospective basis which the
5 Commission felt would require a policy change. This is not the case in the
6 Proposed Settlement Agreement. As described in my direct testimony
7 regarding the Proposed Settlement Agreement, the GBRA mechanism is only
8 applicable to specifically identified generating units (i.e., the Canaveral,
9 Riviera, and Port Everglades Modernization Projects). The remaining
10 concerns expressed by the prior Commission in FPL’s last rate case are
11 addressed in my direct testimony regarding the Proposed Settlement
12 Agreement.

13 **Q. Does OPC witness Ramas mischaracterize the significance of a GBRA**
14 **being “mid-point seeking?”**

15 A. Yes. FPL is not discarding the concept of an ROE range of reasonableness,
16 but rather pointing out that the GBRA will help ensure that FPL can stay
17 within it. The mid-point ROE is an appropriate goal, and GBRA helps
18 achieve it. GBRA will bring the ROE down if earnings are above the mid-
19 point before the plant goes into service, and it will help pull the ROE up (to
20 the midpoint) if the Company were earning below the mid-point. Thus,
21 implementation of a GBRA by itself cannot cause an over-earnings situation.

22 **Q. OPC witness Ramas rejects FPL’s concern for administrative efficiency**
23 **and argues that the goal should not be to reduce the burden on FPL,**

1 **Commission Staff or Commissioners. Do you agree with her?**

2 A. No. While it is true that administrative efficiency should not be the sole
3 rationale for promoting settlements, it is an important consideration in the
4 evaluation of individual settlement agreements and settlement provisions as a
5 whole. As a regulated enterprise, the Company accepts that base rate filings
6 are a necessary part of doing business. At the same time, all parties must
7 recognize that base rate proceedings require a tremendous amount of
8 resources on the part of all parties and the Commission, and frankly, can be a
9 distraction from pursuing efficient utility operations. Where a reasonable
10 alternative such as GBRA is offered that adequately protects customer
11 interests while reducing those distractions, it is in the interest of all to take
12 advantage of it. FPL has demonstrated year after year its continued
13 commitment to low rates and superior reliability. Coupled with the
14 confidence from past experience that FPL has the ability to bring plants into
15 service at or below its need-determination estimates of construction costs, the
16 GBRA is an ideal win-win opportunity.

17 **Q. *Pro se* intervenor Hendricks asserts that the GBRA mechanism would not**
18 **incorporate changes in either the federal or state income tax rates. Is this**
19 **correct?**

20 A. No. Pursuant to Paragraph 8 of the Proposed Settlement Agreement, FPL's
21 base rates will be increased by the annualized base revenue requirement for
22 the first 12 months of operations for each GBRA. The federal and state
23 income tax rates in effect when a plant goes in service will be used to

1 calculate the revenue requirement associated with the GBRA for that plant.
2 Regardless of the income tax rates in effect at the time, the revenue
3 requirement will be calculated to produce an after-tax ROE of 10.7%. If the
4 tax rates were reduced, this would mean that the GBRA revenue requirements
5 to generate the 10.7% ROE would be reduced accordingly.

6

7 **IV. AMORTIZATION OF DISMANTLEMENT RESERVE**

8

9 **Q. Does the dismantlement reserve amortization included in the Proposed**
10 **Settlement Agreement violate the matching principle as asserted by**
11 **witness Pous?**

12 **A.** No. FPL's dismantlement reserve for the Modernization Project sites contains
13 amounts collected for dismantlement costs that have now been deferred
14 substantially beyond the timeframe assumed in the currently authorized
15 accruals. Thus, it does not violate the matching principle to provide an
16 accelerated return of a portion of the dismantlement reserve to the customers
17 who have been funding it. That is, in fact, precisely the effect of the
18 dismantlement reserve amortization in the Proposed Settlement Agreement.
19 The use of an accelerated amortization coupled with a reserve surplus position
20 was advocated by OPC in FPL's last rate case proceeding (Docket No.
21 080677-EI). Furthermore, the dismantlement amortization is so modest in
22 size relative to FPL's overall revenue requirement that it cannot realistically
23 be characterized as leading to significant intergenerational differences. My

1 direct testimony on the Proposed Settlement Agreement and Exhibit REB-11
2 show the likely impact on the post-settlement dismantlement reserve accrual is
3 only about \$7 million per year. This is 0.1% of FPL's total 2013 revenue
4 requirements and would constitute an impact on a 1,000 kWh residential bill
5 of only about seven cents per month, after the end of the settlement term.

6 **Q. OPC witness Pous attempts to distinguish this amortization from the**
7 **similar amortization of depreciation surplus by arguing that FPL will**
8 **amortize a portion of the dismantlement reserve without customers**
9 **getting a corresponding rate benefit. Do you agree?**

10 A. No. The dismantlement reserve amortization is one of the provisions in the
11 Proposed Settlement Agreement that is needed to keep the size of the rate
12 increase modest and to facilitate the four-year settlement term. Without it,
13 settlement rates would be higher, and/or the settlement term would be shorter.
14 Customers clearly benefit from the settlement rates and from having them
15 "locked in" for four years. It should be noted that depreciation reserve
16 amortization has been used as a mechanism to help facilitate favorable
17 settlements previously for both FPL and Progress Energy Florida.

18 **Q. Is there anything in the Commission rules or precedent that precludes**
19 **FPL from amortizing a portion of its fossil dismantlement reserve?**

20 A. No. There is no requirement in the Commission's rules or precedent for an
21 imbalance to be demonstrated as a prerequisite to amortizing a portion of the
22 dismantlement reserve.

23

1 **Q. Under the Proposed Settlement Agreement, is it reasonable to allow FPL**
2 **to amortize a portion of its dismantlement reserve?**

3 A. Yes. As I discussed previously, there is evidence of over-accrual of certain
4 costs based on changed circumstances since FPL's dismantlement rates were
5 last determined in 2010. FPL's Modernization Projects, resulting in the
6 deferral of greenfield costs, provides evidence that some amounts accrued and
7 recorded in the dismantlement reserve will be further deferred into the future.
8 Witness Pous himself testifies that, if "...the initial dismantlement studies
9 anticipated full green fielding of the sites rather than repowering, then the
10 fossil dismantlement reserve will undoubtedly be *materially* over accrued."
11 (Emphasis added). Therefore, given witness Pous' statement, it should be
12 reasonable to amortize a portion of FPL's dismantlement reserve as provided
13 in the Proposed Settlement Agreement.

14

15 **V. DEFERRAL OF DEPRECIATION STUDY**

16

17 **Q. OPC witness Pous asserts that FPL will have another depreciation**
18 **reserve surplus as a result of its next depreciation study. Do you agree**
19 **with his assertion?**

20 A. No. Witness Pous provides no evidence for his assertion. This is an example
21 of witness Pous wanting to judge the Proposed Settlement Agreement on what
22 might occur rather than what we actually know. Authorized service lives for
23 combined cycle plant were set and a reserve surplus calculated by the

1 Commission in FPL's 2010 rate case order after considering all evidence,
2 including the evidence of both FPL's depreciation witness and witness Pous.
3 Since that time, FPL has been making substantial additional capital
4 investments, primarily in assets with fixed life spans, which will tend to
5 increase depreciation accrual requirements and hence tilt the imbalance
6 toward a deficit.

7 **Q. In support of the Proposed Settlement Agreement, is it reasonable for**
8 **FPL to defer its next depreciation study?**

9 A. Yes. OPC wholeheartedly endorsed deferral of the depreciation and
10 dismantlement studies in the recent Progress Energy Florida settlement. No
11 mention of intergenerational inequity was made by OPC. Their positions in
12 this docket are completely inconsistent with that recent endorsement, and
13 witness Pous offers nothing to reconcile the inconsistency.

14
15 In an effort to provide stability and predictability in rates to the benefit of
16 customers over the next four years, it is reasonable to defer the depreciation
17 study. A new depreciation study is not simply a continuation of an old study,
18 but is instead a new study that develops depreciation rates based on updated
19 analysis of depreciation parameters (which may or may not change) which are
20 then applied to vintage, historical data using current plant and reserve
21 balances. The illustrative examples on Exhibit REB-12 to my direct
22 testimony provide evidence as to how significant additional spending using
23 current authorized rates can result in deficit-trending reserve imbalances.

- 1 **Q.** Does this conclude your rebuttal testimony?
- 2 **A.** Yes.

**Expanded OPC Witness Ramas Exhibit DR-8 – Adjusted Earned ROE
(\$ thousands)**

Line No.	Description	Per FPL Post-Hrg Brief Amts (A)	Per FPL With Revised ROR (B)	Source/Reference	Per Proposed Settlement Agreement
1	JURISDICTIONAL ADJUSTED RATE BASE	\$ 21,220,083	\$ 21,220,083	(1)	
2	REQUIRED RATE OF RETURN	6.9009%	6.5326%	See Page 2 of 2 of DR-8	
3	JURISDICTIONAL INCOME REQUIRED	1,464,382	1,386,223	Line 1 x Line 2	
4	JURISDICTIONAL ADJ. NET OPERATING INCOME	1,142,605	1,142,605	(1)	
5	INCOME DEFICIENCY (SUFFICIENCY)	321,778	243,618	Line 3 - Line 4	
6	EARNED RATE OF RETURN	5.38%	5.38%	Line 5 / Line 1	
7	NET OPERATING INCOME MULTIPLIER	1.63188	1.63188		
8	REVENUE DEFICIENCY (SUFFICIENCY)	<u>\$ 525,100</u>	<u>\$ 397,554</u>	Line 5 x Line 7	<u>\$ 378,000</u>
9	INCOME DEFICIENCY (SUFFICIENCY)		243,618	Line 8 / Line 7, Col (B)	231,635
10	JURISDICTIONAL ADJUSTED NET OPERATING INCOME		1,386,223	Line 4, Col (B) + Line 9	1,374,240
11	EARNED RATE OF RETURN		6.53%	Line 10 / Line 1, Col (B)	6.48%
12	NON EQUITY COST OF CAPITAL		1.61%	(1)	1.61%
13	EARNINGS AVAILABLE FOR COMMON		4.93%	Line 11 - Line 12	4.87%
14	COMMON EQUITY RATIO		46.03%	(1)	46.03%
15	JURISDICTIONAL ADJUSTED EARNED RETURN ON COMMON EQUITY (ROE)		10.70%	Line 13 / Line 14	10.58%

Note:

(1) Amounts from FPL's Post Hearing Brief, Appendix I

Projected Capital Expenditures (2014 - 2016)
Excerpt from FPL's Third Quarter Form 10-Q
(\$ in millions)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Generation:				
Existing Generation	\$ 655.0	\$ 550.0	\$ 440.0	\$ 1,645.0
Transmission & Distribution ⁽¹⁾	690.0	660.0	705.0	2,055.0
Nuclear Fuel	205.0	245.0	245.0	695.0
General & Other	120.0	80.0	85.0	285.0
Total Excluding New Generation	<u>\$ 1,670.0</u>	<u>\$ 1,535.0</u>	<u>\$ 1,475.0</u>	<u>\$ 4,680.0</u>

⁽¹⁾ Includes Storm Secure and Advanced Metering Infrastructure.

Florida Power & Light Company
Docket No. 120015-EI
OPC's Sixteenth Set of Interrogatories
Interrogatory No. 275
Page 1 of 1

Q.

Please refer to the Direct Testimony of Robert Barrett, Jr. (Proposed Settlement Agreement), page 8, lines 15 through 20, which indicates that historically FPL's "actual capital costs for plants placed into rates using GBRA have been no more than, and in most cases less than, the need determination revenue requirement which form the basis for the cumulative present value revenue requirements ("CPVRR") analysis upon which the need determination was based." For each of FPL's plants that have been placed into rates using GBRA referenced in this testimony, please provide the following:

- a. The projected plant in service amounts included in the need determinations by FPL and the actual plant in service amounts, by plant type.
- b. The projected rate base included in the need determinations by FPL and the actual rate base amount, by each component of rate base.
- c. The projected net operating income (loss) reflected in the need determinations by FPL and the actual net operating income (loss), by each component of net operating income (i.e., O&M expenses, depreciation expenses, property taxes, etc.).

A.

In response to this request, FPL has assumed that the period in question relates to the first year of operations for the units subject to the GBRA mechanism approved in the 2005 Rate Order (Order No. PSC-05-0902-S-EI), which are Turkey Point Unit 5 (TP5), West County Energy Center Unit 1 (WCEC1), and West County Energy Center Unit 2 (WCEC2).

As discussed in FPL's response to OPC's Sixteenth Set of Interrogatories No. 273, at the time a project is complete and transferred from FERC account 107 (CWIP) to account 106 (completed construction not classified) and then unitized to account 101 (plant-in-service), it is identifiable in the accounting records from a capital cost standpoint. This point in time is referred to as COD. However, after COD and once a project is in service, many of the cost components are not tracked separately such as deferred taxes, operating expenses and property taxes because base rates are set on a total system embedded cost basis and many support costs serve more than one asset. The assets associated with the units subject to the GBRA mechanism are included as part of FPL's jurisdictional adjusted rate base, and their operating expenses are included as part of FPL's jurisdictional adjusted net operating income. This treatment is consistent with how the units are reflected for monthly earnings surveillance reporting purposes. FPL has provided what is readily identifiable for the requested GBRA plants along with all need determination amounts in Attachment No. 1.

Turkey Point Unit 5 (TP5) and West County Energy Center (WCEC) Units 1 & 2
(\$ millions)

Rate Base	Need Determination				Actuals				Notes
	TP5 as of 4/30/08	WCEC1 as of 7/31/10	WCEC2 as of 10/31/10	Total for WCEC1 and WCEC2	TP5 as of 4/30/08	WCEC1 as of 7/31/10	WCEC2 as of 10/31/10	Total for WCEC1 and WCEC2	
Production Plant	\$ 580.3	\$ 688.6	\$ 632.4	\$ 1,321.0	\$ 546.7	\$ 712.0	\$ 537.3	\$ 1,249.3	Amounts represent total project construction costs. The need amounts included transmission plant and such amounts were not specifically identified. The actual costs incurred for TP5, WCEC1 and WCEC2 are based on the underlying fixed asset records of the company. Actuals for TP5 are consistent with the actual costs incurred through June 30, 2008 as reported in the true-up calculation filed in on September 2, 2008 in Docket No. 080001-EI. The actual amounts depicted for WCEC 1 and 2 are consistent with the actual costs incurred through July 31, 2012 as reported in FPL's cost update letter provided to the Commission on September 19, 2012. Note, the cost of land for the entire WCEC site of \$44.7M and WCEC site common costs of \$41.4M are included in actuals for WCEC1. The site common costs include, but are not limited to, the admin building, storm ponds, water tanks, injection well, and waste water system.
Transmission Plant	-	-	-	-	12.3	29.6	41.3	70.9	For actuals, see notes included in production plant above.
Production Reserve	(23.2)	(27.5)	(25.3)	(52.8)	(25.5)	(24.7)	(18.0)	(43.8)	Need amounts include transmission plant. Actual amounts are based on plant-in-service balances for these periods, which include retirements, not the total project construction costs as reported for plant above.
Transmission Reserve	-	-	-	-	N/A	N/A	N/A	N/A	FPL's depreciation expense and reserve are calculated at a depreciation group level and not at the individual asset level. For transmission assets, FPL's depreciation groups are not specific to site and unit, therefore, the transmission depreciation expense and reserve cannot be separated and reported at the level requested.
Deferred Taxes	12.3	7.2	0.5	7.7	N/A	N/A	N/A	N/A	FPL's actual deferred taxes are not calculated nor tracked at a unit/project level.
Rate Base	\$ 569.4	\$ 658.3	\$ 607.6	\$ 1,275.8					
Average Rate Base	\$ 583.8	\$ 688.1	\$ 627.6	\$ 1,313.7					Amounts represent the simple average of the estimated beginning rate base balance when the unit went into service and the ending rate base balance at the end of first year of operations
Interest Expense	18.8	21.3	18.5	40.8					
Income Tax - Interest Expense	(6.5)	(8.2)	(7.5)	(15.7)					

Turkey Point Unit 5 (TP5) and West County Energy Center (WCEC) Units 1 & 2
(\$ millions)

	Need Determination				Actuals				
	TP5 5/1/07 - 4/30/08	WCEC1 8/1/09 - 7/31/10	WCEC2 11/1/09 - 10/31/10	Total for WCEC1 and WCEC2	TP5 5/1/07 - 4/30/08	WCEC1 8/1/09 - 7/31/10	WCEC2 11/1/09 - 10/31/10	Total for WCEC1 and WCEC2	
Operating Expenses									
Operations and Maintenance	\$ 5.2	\$ 7.0	\$ 5.3	\$ 12.3	\$ 4.3	\$ 10.4	\$ 8.8	\$ 19.3	In regards to actuals for WCEC1 and WCEC2, FPL's accounting and budgeting systems have the capability to budget and track certain costs associated with operating and maintaining WCEC Units 1, 2 and 3. The company utilized this capability for tracking overhaul expenditures. Overhaul expenditures are unit specific whereas other components of the site's cost structure are shared across units. Daily work and variable operating and maintenance costs (i.e. chemicals, water) are utilized similarly for each unit at the site. The company does not believe the benefits of segregating similar non-overhaul expenditures by unit outweigh the effort required to budget and track actual costs at this level of detail. For purposes of this request, FPL has split the cost of operations equally between the two units for daily work and variable O&M costs starting at the point in time when both units were in operation.
Property Insurance	2.1	3.3	3.1	8.4	N/A	N/A	N/A	N/A	In regards to the actual amounts, the company purchases property insurance at the FPL level and does not allocate premium by FPL site. The only time there may be premium that is specific to a site is when it is initially added to an existing policy during the policy term. For TP5, the project was added during the policy period and received a nominal premium charge for one month of coverage of \$0.1 million until renewal. For WCEC1 and 2, the projects were included in the respective year's renewal and subject to changes in FPL's entire portfolio as well as market conditions at that time. As such, these projects were included in the respective year's renewal and no project specific premium was identified or allocated when these projects were added.
Capital Replacement Costs	7.5	8.8	8.7	17.3	-	-	-	-	All capital replacement costs are included as part of plant-in-service.
Depreciation	23.2	27.5	25.3	52.8	26.5	24.8	19.0	43.8	Need amounts include depreciation for both production and transmission plant. For actuals, amounts represent depreciation expense for production assets based on the amount included in plant-in-service, which include retirements (not total project construction costs). For transmission assets, the depreciation groups are not specific to site and unit, therefore, the transmission depreciation expense cannot be separated and reported at the level requested.
Property Taxes	12.0	-	-	-	9.1	-	-	20.6	Actuals for TP5 represents what was paid in 2008 for the calendar year 2008. For WCEC1 and WCEC2 actuals, the amount paid was for both units, therefore, we can not split out the amount. The total paid in 2010 for the calendar year 2010 for both units was \$20,578,314.
Total Operating Expenses	\$ 50.1	\$ 46.5	\$ 42.3	\$ 88.8					
Not Operating Income (System)									
Operating Expenses	\$ (50.1)	\$ (46.5)	\$ (42.3)	\$ (88.8)					
Income Tax - Operating Expenses	19.3	17.9	15.3	34.2					
Income Tax - Interest Expense	6.5	8.2	7.5	15.7					
Other Income Taxes	(0.8)	(1.2)	(1.3)	(2.5)					
Total Not Operating Income (Loss)	\$ (25.1)	\$ (21.8)	\$ (19.8)	\$ (41.3)					

**Total Project Construction Costs
 Turkey Point Unit 5 (TP5) and
 West County Energy Center (WCEC) Units 1 & 2**

(\$ millions)

	Need Determination Estimates	Actual Costs ⁽¹⁾	Difference	% Difference
TP5	\$ 580.3	\$ 559.0	\$ 21.3	-3.68%
WCEC1	688.6	741.6	(53.0)	7.69%
WCEC2	632.4	578.6	53.8	-8.50%
Total for WCEC 1&2	\$ 1,321.0	\$ 1,320.2	\$ 0.8	-0.06%
Total	\$ 1,901.3	\$ 1,879.2	\$ 22.1	-1.16%

Notes

(1) Actuals for TP5 are consistent with the actual costs incurred through June 30, 2008 as reported in the true-up calculation filed in on September 2, 2008 in Docket No. 080001-EI.

The actual amounts depicted for WCEC 1 and 2 are consistent with the actual costs incurred through July 31, 2012 as reported in FPL's cost update letter provided to the Commission on September 19, 2012. Note, the cost of land for the entire WCEC site of \$44.7M and WCEC site common costs of \$41.4M are included in actuals for WCEC1. The site common costs include, but are not limited to, the admin building, storm ponds, water tanks, injection well, and waste water system.

