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August 10, 2015

**-VIA ELECTRONIC DELIVERY -**

Ms. Carlotta Stauffer  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

**Re: Docket No. 150075-EI**

Dear Ms. Stauffer:

Enclosed for filing on behalf of Florida Power & Light Company are its responses to Staff's First Data Request and Second Data Request, both dated August 5, 2015.

Please contact me at 561-304-5639, if you or your Staff have any questions regarding this filing.

Sincerely,

*/s/ John T. Butler*

John T. Butler

Enclosures

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

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic delivery on the 10<sup>th</sup> day of August 2015, to the following:

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By: /s/ John T. Butler  
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**Q.**

**Please provide the proposed annual amortization amount journal entries broken down between the amounts to be recovered through base rates and the amounts to be recovered through the capacity clause. (See EXH 9 [Exhibit KO-1], Page 2 of 2)**

**A.**

See Attachment I for the requested information related to the amortization of the net regulatory asset per the proposed Cedar Bay Settlement Agreement.

**Florida Power and Light Company  
Cedar Bay Transaction  
Settlement Agreement Amortization Entries**

Line No	Description	FERC Account	Amount (\$ Millions)		
			Base	Capacity Clause	Total
1	Regulatory Asset - Loss on PPA	182	\$ 85.0	\$ 435.5	\$ 520.5
2	Regulatory Asset - Tax Gross-Up	182	53.4	273.5	326.9
3	Regulatory Liability - Deferred Taxes on Plant Book/Tax Diff	254	-	(4.9)	(4.9)
4					
5	Net Regulatory Asset		\$ 138.4	\$ 704.0	\$ 842.4
6	Remaining Months of PPA Contract as of September 30, 2015		111	111	111
7	Monthly Amortization <sup>(1)</sup>		\$ 1.2	\$ 6.3	\$ 7.6
8					
9	Annual Amortization <sup>(1)</sup>		<u>\$ 15.0</u>	<u>\$ 76.1</u>	<u>\$ 91.1</u>
10					
11					
12	<b><u>Annual Amortization</u></b>				
13					
14	Other Expenses	557	\$ 15.0	\$ 76.1	\$ 91.1
15	Regulatory Liability - Def Tax on Plant Book/tax Diff	254	-	0.5	0.5
16	Regulatory Asset - Loss on PPA	182	\$ 9.2	\$ 47.1	\$ 56.3
17	Regulatory Asset - Deferred Taxes on Loss	182	5.8	29.5	35.3
18					
19					
20	<i>To record annual amortization of the net regulatory asset on FPL's books and records prior to FPL's next test year.</i>				
21					
22					
23					
24					
25					
26					
27					
28	Notes:				
29	(1) Retail jurisdictional amount to be recovered through the capacity clause will be based on the retail				
30	separation factor approved by the FPSC in each year of amortization.				

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**Q.** Please provide the total amount that would be amortized to base rates for 2015 and 2016 by year broken down between the amounts for the amortization, ARO, interest expense, return on equity, and income tax.

**A.** See section titled "Retail Rate Base" in Attachment I in FPL's response to Staff's First Data Request No. 3 for the requested information.

**Q. Please provide a revised economic evaluation excluding the amounts that would be recovered through base rates assuming that 2017 is the test year for the next general base rate proceeding. (See EXH 5 [TLH-4])**

**A.** Refer to Attachment I for a revised economic evaluation taking into account the \$85 million that will be recovered through base rates. The economic analysis continues to result in an overall customer benefit of \$70 million. However, as base rates are frozen under the 2012 Settlement Agreement, shifting recovery on \$85 million of the regulatory asset to base rates results in a reduction of Capacity Clause charges by about \$30 million, such that the clause revenue requirement in 2015-2016 (row R) for the Cedar Bay Transaction is roughly zero, using the same cost of capital assumptions as in FPL Exhibit TLH-4 (Hearing Exhibit 5).

While it is reasonable to use the cost of capital assumptions from TLH-4 for the purpose of providing an “apples to apples” comparison of the Capacity Clause of the proposed Cedar Bay Settlement Agreement to FPL’s original petition, the net impact of approving the proposed Cedar Bay Settlement Agreement will actually be more favorable for customers. If one uses the clause capital structure by Order No. PSC-12-0425-PAA-EI (which is what is actually used for all clause return calculations), then Capacity Clause charges to customers in 2015-2016 will actually be about \$28 million *less* than they would be if the proposed Cedar Bay Settlement Agreement did not go forward and FPL continued to make payments under the existing Cedar Bay PPA. While Fuel Clause charges are projected to increase over that period by about \$10 million when the Cedar Bay PPA is terminated, the net result is that customers will pay about \$15-\$20 million less under the proposed Cedar Bay Settlement Agreement than they would if the PPA remained in effect. Thus, the proposed Cedar Bay Settlement Agreement not only will deliver substantial NPV savings to customers, it will start delivering those savings from Year 1. Please refer to Attachment II for the clause cost of capital structure (45.9% equity, 32.8% debt and 21.3% deferred taxes).

Attachment I

**Assumes \$85 MM of Regulatory Asset is Held in Retail Base through 2016**  
**Results of FPL's Economic Evaluation<sup>(1)</sup>**

<i>(dollars in millions)</i>		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Nominal Total	Present Value <sup>(10)</sup>
A	Discount Factor <sup>(2)</sup>	0.99	0.94	0.88	0.81	0.76	0.70	0.66	0.61	0.57	0.53		
<b>Retail Rate Base</b>													
B	Amortization <sup>(3)</sup>	\$ 5	\$ 14	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ 15	\$ 15
C	Operating Expenses <sup>(4)</sup>	8	17	1	1	1	1	1	1	1	1	30	27
D	Asset Retirement Obligation <sup>(5)</sup>	1	3	-	-	-	-	-	-	-	-	4	4
E	Interest Expense <sup>(6)</sup>	1	2	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	2	2
F	Return on Equity <sup>(7)</sup>	2	5	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	6	6
G	Income Tax	1	3	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	4	4
H	<b>Base Revenue Requirement</b>	<b>17</b>	<b>44</b>	<b>1</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62</b>	<b>59</b>
<b>Clause</b>													
I	Amortization <sup>(8)</sup>	\$ 25	\$ 76	\$ 91	\$ 91	\$ 91	\$ 91	\$ 91	\$ 91	\$ 91	\$ 91	\$ 828	\$ 597
J	Interest Expense <sup>(6)</sup>	3	8	8	7	6	5	4	3	2	1	47	38
K	Return on Equity <sup>(7)</sup>	8	25	26	23	19	16	12	9	5	2	144	115
L	Income Tax	5	16	16	14	12	10	8	5	3	1	91	72
M	Subtotal	41	124	141	135	128	121	115	108	101	94	1,110	823
N	FPL System Impact <sup>(9)</sup>	3	9	3	15	11	9	15	18	22	22	127	86
O	Capacity Payment	(42)	(129)	(134)	(139)	(144)	(149)	(155)	(161)	(167)	(173)	(1,393)	(993)
P	Capacity Bonus	(2)	(6)	(6)	(6)	(6)	(7)	(7)	(7)	(7)	(8)	(62)	(44)
Q	Total Avoided Costs of PPA	(43)	(135)	(140)	(145)	(151)	(156)	(162)	(168)	(174)	(181)	(1,455)	(1,038)
R	<b>Clause Revenue Requirement</b>	<b>1</b>	<b>(1)</b>	<b>4</b>	<b>5</b>	<b>(11)</b>	<b>(25)</b>	<b>(32)</b>	<b>(42)</b>	<b>(51)</b>	<b>(65)</b>	<b>(218)</b>	<b>(129)</b>
S	<b>Net Customer Costs/(Savings)</b>	<b>17</b>	<b>43</b>	<b>5</b>	<b>5</b>	<b>(11)</b>	<b>(25)</b>	<b>(32)</b>	<b>(42)</b>	<b>(51)</b>	<b>(64)</b>	<b>(156)</b>	<b>(70)</b>

- 1) Totals may not sum due to rounding
- 2) Discount Factor is based on weighted average cost of capital of 7.51% discounted to September 1, 2015
- 3) Reflects amortization of the \$85 million regulatory asset associated with the loss on the PPA allocated to retail base rates through 2016 and respective income tax gross up, less the regulatory liability associated with the plant book/tax difference
- 4) Operating Expenses include operations and maintenance, land lease, rail lease, and change in net working capital
- 5) Reflects amortization of ARO Asset and accretion of ARO Liability
- 6) Interest expense assumes cost of debt of 5.05%
- 7) Assumes after-tax return on equity of 10.5%
- 8) Reflects amortization of the \$435.5 million regulatory asset associated with loss on the PPA and respective income tax gross up
- 9) Includes incremental system fuel costs, start-up costs, variable O&M, environmental compliance costs, and short-term purchases
- 10) Present value is calculated as the sum the annual values multiplied by the respective discount factor

FLORIDA POWER & LIGHT COMPANY					
COST RECOVERY CLAUSES					
CAPITAL STRUCTURE AND COST RATES PER MAY 2015 EARNINGS SURVEILLANCE REPORT					
Equity @ 10.50%	ADJUSTED		MIDPOINT	WEIGHTED	PRE-TAX
	RETAIL	RATIO	COST RATES	COST	WEIGHTED
					COST
LONG_TERM_DEBT	7,868,539,536	29.834%	4.80%	1.43%	1.43%
SHORT_TERM_DEBT	346,840,443	1.315%	2.03%	0.03%	0.03%
PREFERRED_STOCK	0	0.000%	0.00%	0.00%	0.00%
CUSTOMER_DEPOSITS	421,524,845	1.598%	2.04%	0.03%	0.03%
COMMON_EQUITY	12,106,290,409	45.901%	10.50%	4.82%	7.85%
DEFERRED_INCOME_TAX	5,629,438,935	21.344%	0.00%	0.00%	0.00%
INVESTMENT_TAX_CREDITS					
ZERO COST	0	0.000%	0.00%	0.00%	0.00%
WEIGHTED COST	2,138,560	0.008%	8.25%	0.00%	0.00%
TOTAL	\$26,374,772,728	100.00%		6.31%	9.34%



**Q.**

**Please provide the annual premiums for the existing \$20 million environmental liability insurance policy and the proposed \$40 million environmental liability insurance policy related to the Cedar Bay Transaction.**

**A.**

The three-year premium for the existing \$20 million environmental liability insurance policy is \$116,181. FPL has not contracted for the proposed \$40 million policy, but after discussion with risk managers believes the policy premium will likely not be more than \$233,000.

**Q.**

**After the closure of the Cedar Bay facility, the Settlement Agreement provides for a limit on the amount recovered through the fuel clause related to the rail car lease payment. Will FPL attempt to recover the excess amount through base rates?**

**A.**

No. FPL will recover the rail car lease payments only through the fuel clause and will limit its recovery to the lesser of the actual net payments (including any credits for a sublease) or 50% of the amount of the lease payments.

**Q.**

**After the closure of the Cedar Bay facility, the Settlement Agreement provides for a limit on the amount recovered through base rates related to the ground lease payment. If the entire amount of the ground lease payment is included in base rates in the next general base rate proceeding, how does FPL propose to credit the ratepayers for any amount that exceeds the recovery limit set in the Settlement Agreement?**

**A.**

FPL will not include the entire amount of the ground lease payment in base rates in the next general base rate proceeding. Rather, FPL will include only the net amount of ground lease payments less any sublease revenues (with the net amount not to exceed 50% of the ground lease payments).

**Q.** Please provide a revision of line C “Operating Expenses” of EXH 5 (TLH-4) assuming that the recovery of the rail car lease and the ground lease payments are capped at 50 percent after the closure of the Cedar Bay facility.

**A.** There will be no impact on Exhibit TLH-4 (hearing Exhibit 5). The previously filed Exhibit TLH-4 (hearing Exhibit 5) assumed that FPL could sublease the rail cars for 50% of the contracted lease payments as well as sublease the ground lease for 100% of the contracted payments. As a result, there would be no revisions to line C “Operating Expenses” in Exhibit TLH-4 (hearing Exhibit 5).

**Q.**

**Please refer to Item 3(c)(iii), page 5 of Exhibit 1 Stipulation and Settlement of the Joint Motion for Approval of Settlement Agreement filed on July 24, 2015, for the following questions.**

**Please clarify under what type of cost recovery mechanism FPL would seek recovery of environmental cleanup liability costs associated with FPL's ownership of the Facility and/or occupancy of the Facility site and FPL's accompanying assumption of the Facility ground lease.**

**A.**

To the extent any prudently incurred environmental cleanup costs are not covered by insurance or through indemnification provisions, FPL would seek recovery through base rates. However, FPL does not envision any scenarios whereby it would need to seek additional recovery for amounts not covered by insurance or indemnification provisions, other than possibly amounts incurred up to the \$100,000 insurance deductible if they were for some reason not subject to indemnification.

**Q.**

**In conformance with the proposed settlement, what are examples of scenarios in which FPL may seek cost recovery of environmental cleanup liabilities that are not ultimately covered by insurance (for example, the cost below the deductible amount, if any, set in the policy) or indemnification?**

**A.**

Refer to Staff's First Data Request No. 8. FPL does not envision any scenarios whereby it would need to seek additional recovery for amounts not covered by insurance or indemnification provisions, other than any amounts incurred up to the \$100,000 insurance deductible if they were for some reason not subject to indemnification.

**Q.**

Staff understands the \$400 million Reserve Surplus as specified in the 2012 Settlement to consist of both a depreciation and a dismantlement component. The 2012 Settlement, beginning on page 10, states that the depreciation component at the end of 2012 was estimated to be approximately \$191 million, and by inference, \$209 million of dismantlement reserve.

- a. What was the final amount of depreciation-only reserve available for amortization if different than \$191 million?
- b. Has the amount identified in response (a.) been fully amortized?
- c. If the response to (b) is negative, please specify the remaining balance.
- d. At the time of 2012 Settlement approval, what was the total amount of dismantlement reserve available for amortization net of the amount specified in (a)?
- e. What is the remaining balance (not withstanding section 3(b) of the 2015 Settlement Agreement), i.e., total dismantlement reserve currently available for amortization of the amount identified in (d)?

**A.**

- a. The actual amount of the depreciation reserve surplus available for amortization as of 12/31/2012 was \$223,985,766.
- b. No, the amount identified in part a. has not been fully amortized.
- c. The remaining depreciation reserve surplus available for amortization as of June 30, 2015 is \$68,649,224.
- d. As of 12/31/2012, the total amount of dismantlement reserve available for amortization was \$176,014,234.
- e. The amount of dismantlement reserve currently available for amortization is \$176,014,234.

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**Q.**

**Has the Company recorded, then later reversed any reserve amounts available to it from the 2012 Settlement Agreement? If so, please detail the amount(s) and fiscal year(s) which the entries were initially recorded, and which fiscal year the associated entry(s) were reversed.**

**A.**

Yes. Please see Attachment I for the requested information for January 2013 through June 2015.



**Depreciation Reserve Surplus Amortization Activity**

2013	Beginning Balance	Amortization	Reversal of Amortization	Net Activity	Ending Balance
Jan-13	\$ (223,985,766)	\$ 69,634,204	\$ -	\$ 69,634,204	\$ (154,351,562)
Feb-13	(154,351,562)	21,188,545	-	21,188,545	(133,163,017)
Mar-13	(133,163,017)	46,092,067	-	46,092,067	(87,070,950)
Apr-13	(87,070,950)	-	(7,184,302)	(7,184,302)	(94,255,252)
May-13	(94,255,252)	71,130,950	-	71,130,950	(23,124,302)
Jun-13	(23,124,302)	17,894,131	-	17,894,131	(5,230,171)
Jul-13	(5,230,171)	5,230,171	-	5,230,171	-
Aug-13	-	-	-	-	-
Sep-13	-	-	(15,706,797)	(15,706,797)	(15,706,797)
Oct-13	(15,706,797)	-	(60,173,149)	(60,173,149)	(75,879,946)
Nov-13	(75,879,946)	14,284,668	-	14,284,668	(61,595,278)
Dec-13	(61,595,278)	-	(7,715,824)	(7,715,824)	(69,311,102)
<b>Total Activity 2013</b>		<b>\$245,454,736</b>	<b>(\$90,780,072)</b>	<b>\$154,674,664</b>	

2014	Beginning Balance	Amortization	Reversal of Amortization	Net Activity	Ending Balance
Jan-14	\$ (69,311,102)	\$ 69,311,102	\$ -	\$ 69,311,102	\$ -
Feb-14	-	-	-	-	-
Mar-14	-	-	-	-	-
Apr-14	-	-	-	-	-
May-14	-	-	-	-	-
Jun-14	-	-	-	-	-
Jul-14	-	-	-	-	-
Aug-14	-	-	-	-	-
Sep-14	-	-	(69,597,778)	(69,597,778)	(69,597,778)
Oct-14	(69,597,778)	-	(70,597,996)	(70,597,996)	(140,195,774)
Nov-14	(140,195,774)	28,298,576	-	28,298,576	(111,897,198)
Dec-14	(111,897,198)	9,797,550	-	9,797,550	(102,099,648)
<b>Total Activity 2014</b>		<b>\$107,407,228</b>	<b>(\$140,195,774)</b>	<b>(\$32,788,546)</b>	

2015	Beginning Balance	Amortization	Reversal of Amortization	Net Activity	Ending Balance
Jan-15	\$ (102,099,648)	\$ 96,786,785	\$ -	\$ 96,786,785	\$ (5,312,863)
Feb-15	(5,312,863)	5,312,863	-	5,312,863	-
Mar-15	-	-	(2,936,890)	(2,936,890)	(2,936,890)
Apr-15	(2,936,890)	-	(74,371,305)	(74,371,305)	(77,308,195)
May-15	(77,308,195)	16,545,103	-	16,545,103	(60,763,092)
Jun-15	(60,763,092)	-	(7,886,132)	(7,886,132)	(68,649,224)
<b>Total Activity 2015</b>		<b>\$118,644,751</b>	<b>(\$85,194,327)</b>	<b>\$33,450,424</b>	

**Dismantlement Reserve Amortization Activity**

2013	Beginning Balance	Amortization	Reversal of Amortization	Net Activity	Ending Balance
Jan-13	\$ (176,014,234)	\$ -	\$ -	\$ -	\$ (176,014,234)
Feb-13	(176,014,234)	-	-	-	(176,014,234)
Mar-13	(176,014,234)	-	-	-	(176,014,234)
Apr-13	(176,014,234)	-	-	-	(176,014,234)
May-13	(176,014,234)	-	-	-	(176,014,234)
Jun-13	(176,014,234)	-	-	-	(176,014,234)
Jul-13	(176,014,234)	55,847,913	-	55,847,913	(120,166,321)
Aug-13	(120,166,321)	1,090,410	-	1,090,410	(119,075,911)
Sep-13	(119,075,911)	-	(56,938,323)	(56,938,323)	(176,014,234)
Oct-13	(176,014,234)	-	-	-	(176,014,234)
Nov-13	(176,014,234)	-	-	-	(176,014,234)
Dec-13	(176,014,234)	-	-	-	(176,014,234)
<b>Total Activity 2013</b>		<b>\$56,938,323</b>	<b>(\$56,938,323)</b>	<b>\$0</b>	

2014	Beginning Balance	Amortization	Reversal of Amortization	Net Activity	Ending Balance
Jan-14	\$ (176,014,234)	\$ 27,901,016	\$ -	\$ 27,901,016	\$ (148,113,218)
Feb-14	(148,113,218)	2,366,250	-	2,366,250	(145,746,968)
Mar-14	(145,746,968)	25,501,600	-	25,501,600	(120,245,368)
Apr-14	(120,245,368)	-	(52,763,279)	(52,763,279)	(173,008,647)
May-14	(173,008,647)	23,744,872	-	23,744,872	(149,263,775)
Jun-14	(149,263,775)	34,601,664	-	34,601,664	(114,662,111)
Jul-14	(114,662,111)	14,461,992	-	14,461,992	(100,200,119)
Aug-14	(100,200,119)	-	(43,685,531)	(43,685,531)	(143,885,650)
Sep-14	(143,885,650)	-	(32,128,584)	(32,128,584)	(176,014,234)
Oct-14	(176,014,234)	-	-	-	(176,014,234)
Nov-14	(176,014,234)	-	-	-	(176,014,234)
Dec-14	(176,014,234)	-	-	-	(176,014,234)
<b>Total Activity 2014</b>		<b>\$128,577,394</b>	<b>(\$128,577,394)</b>	<b>\$0</b>	

2015	Beginning Balance	Amortization	Reversal of Amortization	Net Activity	Ending Balance
Jan-15	\$ (176,014,234)	\$ -	\$ -	\$ -	\$ (176,014,234)
Feb-15	(176,014,234)	11,136,416	-	11,136,416	(164,877,818)
Mar-15	(164,877,818)	-	(11,136,416)	(11,136,416)	(176,014,234)
Apr-15	(176,014,234)	-	-	-	(176,014,234)
May-15	(176,014,234)	-	-	-	(176,014,234)
Jun-15	(176,014,234)	-	-	-	(176,014,234)
<b>Total Activity 2015</b>		<b>\$11,136,416</b>	<b>(\$11,136,416)</b>	<b>\$0</b>	

**Q.**

**Does Section 3(b) of the 2015 Settlement Agreement imply that the (new) maximum reserve amount available for amortization during the term of the 2012 Settlement is now \$370 (not withstanding bottom-of-the-range ROE provision in 3(b))?**

**A.**

Yes, the proposed Cedar Bay Settlement Agreement implies that the new maximum reserve amount is \$370 million over the term of the 2012 Settlement Agreement, unless FPL were to otherwise earn below the bottom-end of the allowed ROE range, at which point the additional \$30 million would be utilized as needed to allow FPL to earn at the bottom of the allowed range consistent with the requirement of Paragraph 10(b)(ii) of the 2012 Settlement Agreement.

**Q.**

**Please refer to Section 3(b) of the 2015 Settlement Agreement. This question pertains to the \$400 million reserve amount as defined and permitted under the 2012 Settlement Agreement. For purposes of this question, please assume the proposed settlement is approved and FPL's amortization of its Reserve Amount is limited to \$370 million through the term of the 2012 Settlement Agreement, thereby ensuring there will be a remaining Reserve Amount of at least \$30 million on FPL's books after the term of the settlement. Assuming there is a recalculation of depreciation and/or dismantlement expenses at the time of the next rate case, what is the likely general impact of the remaining Reserve Amount, \$30 million, on base rates on January 1st of the rate case test year?**

**A.**

Assuming that the balance of the Reserve Amount remaining after the term of the 2012 Settlement Agreement is \$30 million, that amount will remain in the dismantlement reserve and factor into the dismantlement accrual that is to be calculated as part of the next rate case. There will be no impact on depreciation expense as the amount of depreciation reserve available for amortization would have been fully utilized under this scenario with all of the remaining \$30 million attributed to the dismantlement reserve.