

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Consideration of the tax impacts associated with Tax Cuts and Jobs Act of 2017 for Florida Power & Light Company.

Docket No: 20180046-EI

Filed: May 31, 2018

**PETITION FOR REVIEW OF  
FLORIDA POWER & LIGHT COMPANY'S  
PROPOSED TREATMENT OF TAX IMPACTS  
ASSOCIATED WITH TAX CUTS AND JOBS ACT OF 2017**

Florida Power & Light Company (“FPL” or the “Company”) hereby petitions the Florida Public Service Commission (“Commission”) for review and approval of FPL’s proposed treatment of tax impacts associated with the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), as set forth in this petition and in the direct testimony and exhibits of FPL witness Bores. In support of this petition, FPL states as follows:

**INTRODUCTION**

1. FPL is an investor-owned utility with headquarters at 700 Universe Boulevard, Juno Beach, Florida 33408, operating under the jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes. FPL provides generation, transmission, and distribution service to more than 4.9 million retail customer accounts.

2. Any pleading, motion, notice, order or other document required to be served upon the petitioner or filed by any party to this proceeding should be served upon the following individuals:

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3. The Commission has jurisdiction pursuant to Sections 366.04, 366.05 and 366.06.

4. This Petition is being filed consistent with Rule 28-106.201, F.A.C. The agency affected is the Commission, located at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore, subparagraph (c) and portions of subparagraphs (b), (e), (f) and (g) of subsection (2) of that rule are not applicable to this Petition. In compliance with subparagraph (d), FPL states that it is not known which, if any, of the issues of material fact set forth in the body of this Petition, or the supporting testimony and exhibits, may be disputed by any others who may plan to participate in this proceeding.

### **BACKGROUND**

5. By Order No. PSC-16-0560-AS-EI, issued on December 15, 2016, the Commission approved a Stipulation and Settlement that resolved all issues in FPL's 2016 rate case and related dockets (the "Settlement Agreement"). While the settlement had many components, four paragraphs are particularly relevant here.

a. First, the Settlement Agreement provides a mechanism to help ensure that FPL will keep its earnings (i.e., return on equity, or “ROE”) within the range of reasonableness approved by the Commission throughout the settlement term, even as various factors impact its revenues and revenue requirements. To facilitate this objective, Paragraph 12 provides FPL flexibility to vary the amortization of the Reserve Amount, as either a credit or debit to depreciation expense, in order to offset impacts on earnings and thus keep the ROE within the prescribed limits. Consistent with the flexibility afforded by Paragraph 12, Paragraphs 11 and 22 provide that no party to the Settlement Agreement may challenge the approved base rates during the settlement term so long as the ROE remains within the approved range.

b. Second, Paragraph 6 of the Settlement Agreement provides a mechanism for interim recovery of incremental storm restoration costs and, on a limited basis, to replenish the storm reserve for future storms. Specifically, Paragraph 6 allows FPL to collect a storm surcharge up to an equivalent to \$4.00 per 1,000 kWh on a monthly residential bill for a year, starting 60 days after FPL petitions for interim recovery, with the opportunity for additional recovery in subsequent years if a large storm causes unusually high costs.

6. In September 2017, almost all of FPL’s service territory was impacted by Hurricane Irma, an extremely large and strong storm. Shortly after restoration was complete, FPL estimated the total amount of incremental storm restoration costs associated with Hurricane Irma (“Irma Costs”) under the Commission’s Incremental Cost and Capitalization Approach to be approximately \$1.3 billion and charged those costs to the storm reserve that it maintains pursuant to Rule 25-6.0143, Florida Administrative Code, putting the storm reserve in a large

deficit position.<sup>1</sup> FPL had available to it Paragraph 6 of the Settlement Agreement for recovery of the Irma Costs and replenishment of the storm reserve via an interim storm charge in order to restore funding to the reserve at the level approved by the Commission per the Settlement Agreement. Under this recovery mechanism, customers would have begun paying on March 1, 2018 a monthly storm charge equivalent to \$4.00 per 1,000 kWh on a residential bill. That monthly storm charge would have increased to the equivalent of about \$5.50 per 1,000 kWh on a residential bill, covering the two-year period from January 2019 through December 2020.

7. However, when the Tax Act was signed into law, FPL concluded that it had the opportunity to combine expected tax savings with the flexible amortization of the Reserve Amount under the Settlement Agreement, in order to avoid an interim storm charge due to Hurricane Irma entirely. This would provide customers with a nearly immediate economic benefit from the tax savings, and the benefit of avoiding an interim storm charge which would increase for customers through 2019 and 2020.

8. FPL was able to achieve this result by writing off the incremental Irma Costs that had been initially charged to the storm reserve to operation and maintenance expense in 2017 and then amortizing all of the Reserve Amount available at the time. The amortization offset most, but not all, of the incremental Irma Costs, resulting in a one-time reduction in FPL's earnings for 2017. FPL expects that from 2018-2020, tax savings under the Tax Act will enable FPL to partially reverse the one-time amortization of all available Reserve Amount, while staying within the authorized ROE range. Not only does this approach enable customers to receive the benefits of tax reduction almost immediately, but it will allow FPL and its customers

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<sup>1</sup> The final amount of Hurricane Irma restoration costs will be provided when FPL files its petition for Irma Costs in Docket No. 20180049-EI.

to continue to operate under the Settlement Agreement for up to two additional years beyond the minimum term that expires at the end of 2020, thus further deferring any increase in the Settlement Agreement's base rates.

9. In sum, customers are seeing three major benefits from FPL's approach to recovering the incremental Irma Costs:

- Customers do not have to pay a multi-year storm charge for recovery of Irma Costs and replenishment of the storm reserve.
- Customer bills were reduced by approximately \$3.35 per 1,000 kWh starting on March 1, 2018. This is because the interim storm charge that FPL collected related to Hurricane Matthew from March 1, 2017 through February 28, 2018 expired and there was no need to replace it with an interim storm charge for Hurricane Irma.
- Rate stability under the Settlement Agreement will continue for up to two additional years past the end of 2020.

10. The settlement agreements of other investor-owned electric utilities provide for base rate adjustments in the event of tax-reform legislation. FPL's Settlement Agreement contains no such provision; rather, it contemplates that FPL will account for unexpected changes in its business – no matter how they arise – within the framework of the Settlement Agreement. To alter that framework would be to alter fundamental terms of the Settlement Agreement itself. As discussed above, FPL already has taken appropriate steps within the approved framework of the Settlement Agreement to address the impact of the Tax Act promptly and appropriately.

11. In furtherance of its approach, FPL requests that the Commission confirm that FPL has correctly and appropriately calculated the impacts of the Tax Act consistent with the

relevant accounting guidance. FPL is filing this petition and FPL witness Bores' testimony and exhibits in order to provide the Commission with the basis for that evaluation.

### **DETERMINING THE IMPACT OF THE TAX ACT**

12. On March 15, 2018, FPL filed with the Commission its 2018 forecasted earnings surveillance report (the "2018 FESR"). A copy of the 2018 FESR is attached to FPL witness Bores' testimony as Exhibit SRB-1. The 2018 FESR reflects the full implementation of the provisions of the Tax Act effective as of January 1, 2018, and their projected impacts on the Company's 2018 financial results. By itself, however, the 2018 FESR does not and cannot show where those tax impacts occur or their dollar amount. Rather, such impacts can be seen only by comparing the financial results reflected on the 2018 FESR to what the results would have been absent the Tax Act.

13. Exhibit SRB-2 is a pro forma forecast of FPL's 2018 financial results, under the assumption that the Tax Act had not been enacted.<sup>2</sup> Exhibit SRB-2 presents FPL's financial results in the same format as the 2018 FESR. FPL witness Bores quantifies the differences between the corresponding values on the 2018 FESR and the pro forma forecast of FPL's 2018 financial results and provides a brief explanation of those differences in Exhibits SRB-3 through SRB-6.

14. FPL witness Bores' testimony has three purposes: (a) he confirms that the impacts of the Tax Act on the 2018 FESR were calculated consistent with all relevant guidance,

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<sup>2</sup> It is important to note that the forecasted financial results in Exhibit SRB-2 reflect revising the tax provisions to those in effect prior to the Tax Act but changing no other assumptions. It should not be assumed that this would have been the Company's FESR had the Tax Act not been enacted. The Company's financial plan for 2018 certainly would have been different than that shown in Exhibit SRB-2; however, to assist in isolating the financial impacts of the Tax Act, FPL has kept all other assumptions the same.

including the requirements of the Tax Act, the Internal Revenue Service's ("IRS") tax normalization requirements, the Uniform System of Accounts, and generally accepted accounting principles; (b) he describes how the pro forma financial forecast in Exhibit SRB-2 was prepared; and (c) he provides a narrative overview of the impacts of the Tax Act on FPL's forecasted 2018 financial results.

15. For the most part, there is little discretion in how the tax impacts of the Tax Act were calculated. As discussed in FPL witness Bores' testimony, FPL's handling of those tax impacts is dictated by the relevant accounting guidance and the Tax Act. The one exception has to do with what are referred to as "unprotected" excess deferred income taxes, as to which the Tax Act and IRS normalization requirements do not specify the time period over which they are to be turned around for the benefit of customers.<sup>3</sup> As explained in FPL witness Bores' testimony, FPL proposes to utilize two methods for the unprotected excess deferred income taxes, both of which are an approved methodology to turn around "protected" excess deferred income taxes under the Tax Act. First, for the unprotected excess deferred income taxes related to depreciation timing differences, FPL proposes to utilize the Average Rate Assumption Method ("ARAM"). FPL is proposing ARAM to be consistent with the treatment of depreciation-related timing differences for the protected excess deferred income taxes, which are required under IRS normalization requirements to follow ARAM. Second, for the unprotected excess deferred income taxes related to other assets and liabilities, FPL proposes the Reverse South Georgia

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<sup>3</sup> The Tax Act has resulted in excess deferred income taxes (protected and unprotected) associated with assets that are recovered via both base rates and adjustment clauses. FPL proposes to turn around excess deferred income taxes for the benefit of customers in the same manner, regardless of whether they relate to base rate or adjustment clause assets. In all cases, the reversal will be via base rates, over the turnaround periods specified by the normalization requirements where the excess deferred income taxes are protected and as approved by the Commission where they are not.

Method (“RSGM”). The RSGM provides for the turnaround of the unprotected excess deferred income taxes on a straight-line basis over the estimated remaining life of the assets and liabilities. FPL is proposing the RSGM as a straightforward approach that is simple to administer. The RSGM will turn around the excess deferred income taxes to customers in a manner and over a time period similar to how deferred income taxes would reverse absent tax reform. Under both the ARAM and RSGM, customers will benefit from an increased level of reversal throughout the turnaround period as a result of the reduced income taxes under the Tax Act.

16. In addition to the impacts of the Tax Act on base rate financial results, the reduced federal corporate income tax rate also impacts the revenue requirements associated with assets recovered through adjustment clauses. The tax impacts on 2018 revenue requirements for the Capacity Clause and Environmental Clause are significant enough to affect the currently approved factors that customers are paying under those clauses.<sup>4</sup> Accordingly, FPL has filed a separate petition in this docket and Docket Nos. 20180001-EI and 20180007-EI for approval of mid-course corrections that will reduce the 2018 Capacity Clause and Environmental Clause factors, effective July 1, 2018, for the tax impacts.

WHEREFORE, FPL respectfully requests that the Commission (i) confirm that FPL’s proposed treatment of the tax impacts of the Tax Act are consistent with applicable accounting

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<sup>4</sup> The reduced tax rate has only a *de minimis* impact on FPL’s 2018 Conservation Clause revenue requirements, which FPL proposes to handle through the regular true up process. There is no tax impact associated with the Fuel Clause.



guidance; and (ii) approve FPL's proposed treatment of unprotected excess deferred income taxes as reasonable and appropriate.

Respectfully submitted,

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By: *s/ John T. Butler*  
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**CERTIFICATE OF SERVICE**  
**Docket No. 20180046-EI**

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished  
by electronic service on this 31st day of May 2018 to the following:

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

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF SCOTT R. BORES**

4 **DOCKET NO. 20180046-EI**

5 **MAY 31, 2018**

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

2       A.     My name is Scott R. Bores. My business address is Florida Power & Light  
3            Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

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

5       A.     I am employed by Florida Power & Light Company (“FPL” or the  
6            “Company”) as the Senior Director of Financial Planning and Analysis.

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

8       A.     I am responsible for FPL’s corporate budgeting, financial forecast, analysis of  
9            financial results and resource analytics.

10      **Q.     Please describe your educational background and professional  
11            experience.**

12      A.     I graduated from the University of Connecticut in 2003 with a Bachelor of  
13            Science degree in Accounting. I received a Master of Business  
14            Administration from Emory University in 2011. I joined FPL in 2011 and  
15            have held several positions of increasing responsibility, including Manager of  
16            Property Accounting, Director of Property Accounting, and my current  
17            position as Senior Director of Financial Planning and Analysis. Prior to FPL,  
18            I held various accounting roles with Mirant Corporation, which was an  
19            independent power producer in Atlanta, Georgia, as well as worked for  
20            PricewaterhouseCoopers, LLP. I am a Certified Public Accountant (“CPA”)  
21            licensed in the State of Georgia and a member of the American Institute of  
22            CPAs. I have previously filed testimony before the Florida Public Service

1 Commission (“FPSC” or the “Commission”), most recently in the City of  
2 Vero Beach Transaction, Docket No. 20170235-EI.

3 **Q. Are you sponsoring any exhibits in this case?**

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

- 5 • SRB-1 – FPL’s 2018 Forecasted Earnings Surveillance Report (“FESR”);
- 6 • SRB-2 – FPL’s Pro forma 2018 FESR Excluding the Impacts of the Tax  
7 Act;
- 8 • SRB-3 – Differences in Rate Base;
- 9 • SRB-4 – Differences in Net Operating Income;
- 10 • SRB-5 – Differences in Capital Structure; and
- 11 • SRB-6 – Forecast Change in 2018 FPSC Adjusted Revenue Requirement.

12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is threefold: 1) to confirm that FPL’s 2018  
14 FESR, as reflected in Exhibit SRB-1, properly incorporates the impacts of the  
15 Tax Cuts and Jobs Act of 2017 (the “Tax Act”) and was prepared in  
16 accordance with the Internal Revenue Code (“IRC”), all relevant Internal  
17 Revenue Service (“IRS”) guidance, the Uniform System of Accounts, and  
18 generally accepted accounting principles (“GAAP”); 2) to describe how the  
19 pro forma 2018 FESR excluding the impacts of the Tax Act (“pro forma 2018  
20 FESR”), as reflected on Exhibit SRB-2, was prepared; and 3) to provide an  
21 overview of the Tax Act’s impact on FPL’s forecasted 2018 financial results  
22 that can be seen by comparing Exhibits SRB-1 and SRB-2.

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1 **Q. Please summarize your testimony.**

2 A. After the passage of the Tax Act in December 2017, FPL appropriately  
3 incorporated the impacts from the Tax Act in accordance with IRS guidelines  
4 and U.S. GAAP. On March 15, 2018, FPL filed its 2018 FESR with the  
5 Commission that reflects the relevant adjustments effective as of January 1,  
6 2018. This is my Exhibit SRB-1. FPL also prepared a pro forma 2018 FESR,  
7 my Exhibit SRB-2, which excludes the effects of the Tax Act. Comparing  
8 Exhibits SRB-1 and SRB-2 shows the differences in FPL's rate base, net  
9 operating income, and capital structure, which represent the impact of the Tax  
10 Act on FPL's forecasted 2018 financial results, as detailed on Exhibits SRB-3,  
11 SRB-4, and SRB-5. The total impact of the Tax Act on FPL's forecasted  
12 2018 base revenue requirements of approximately \$684.8 million is  
13 summarized on Exhibit SRB-6.

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15 The lower federal corporate income tax rate under the Tax Act results in the  
16 creation of excess deferred income taxes. FPL is turning around the  
17 "protected" excess deferred income taxes in the manner prescribed by the IRC  
18 and IRS regulations and is proposing to turn around the "unprotected" excess  
19 deferred income taxes using reasonable methodologies that track the lives of  
20 the assets and liabilities to which the excess deferred income taxes relate.

21 **Q. Please describe how the passage of the Tax Act in December 2017**  
22 **impacted FPL's business.**

23 A. The passage of the Tax Act impacted FPL's business in three primary ways:  
24 1) reduced the federal corporate income tax rate from 35% to 21%;

1 2) eliminated bonus depreciation eligibility for assets purchased and/or  
2 contracted for after September 27, 2017; and 3) eliminated the  
3 manufacturer's deduction (IRC Section 199) for income produced by FPL's  
4 generating facilities.

5 **Q. Does FPL's 2018 FESR fully and properly reflect the effects of the Tax**  
6 **Act?**

7 A. Yes. The 2018 FESR included a reduction in the federal corporate income tax  
8 rate from 35% to 21%, the reclassification of excess deferred income taxes to  
9 a net regulatory liability contained within FPL's capital structure, the  
10 elimination of bonus depreciation for assets purchased and/or contracted for  
11 after September 27, 2017, and the elimination of the manufacturer's  
12 deduction. In addition, as discussed below, the 2018 FESR properly reflects  
13 the turnaround of excess deferred income taxes.

14 **Q. Did the reduction in the federal corporate income tax rate result in FPL**  
15 **having to remeasure its deferred income tax balances under U.S. GAAP?**  
16 **If so, please explain how FPL met these requirements.**

17 A. Yes. In December 2017, after the enactment of the Tax Act, FPL was  
18 required under GAAP to remeasure all its deferred income tax balances as a  
19 result of the change in the federal corporate income tax rate. This  
20 remeasurement resulted in FPL recognizing excess deferred income taxes  
21 which were reclassified from FPL's deferred income tax balances to either a  
22 regulatory asset (FERC account 182.3) or regulatory liability (FERC account  
23 254). As a result, FPL reclassified approximately \$3.231 billion of excess

1 deferred income taxes (\$4.329 billion including the income tax gross-up) to a  
2 net regulatory liability.

3 **Q. What are the two categories for classifying excess deferred income taxes,**  
4 **and how are those defined?**

5 A. Excess deferred income taxes can be classified into two categories:  
6 “protected” and “unprotected.” Protected deferred income taxes relate to  
7 method and life timing differences in depreciable property and are subject to  
8 IRC normalization requirements that govern the time over which the excess  
9 must be reversed for the benefit of customers. Excess deferred income taxes  
10 that are not subject to normalization requirements are referred to as  
11 “unprotected.”

12 **Q. Please explain the method for how FPL will turn around protected**  
13 **excess deferred income taxes to customers.**

14 A. As described above, the protected excess deferred income taxes are subject to  
15 normalization pursuant to the IRC requirements, and therefore, will be turned  
16 around using the Average Rate Assumption Method (“ARAM”). ARAM  
17 turns around the protected excess deferred income taxes over the remaining  
18 book depreciable life of the underlying assets.

19 **Q. Please explain FPL’s proposal to turn around unprotected excess**  
20 **deferred income taxes to customers.**

21 A. FPL is proposing to utilize two different methodologies to turn around  
22 unprotected excess deferred income taxes, both of which are permitted  
23 methods under the Tax Act for protected excess deferred income taxes. First,  
24 for the unprotected excess deferred income taxes related to depreciation



1 timing differences due to basis differences, FPL proposes to utilize ARAM,  
2 similar to the treatment for the method and life depreciation timing differences  
3 for protected excess deferred income taxes. Second, for the unprotected  
4 excess deferred income taxes related to other assets and liabilities, FPL  
5 proposes to utilize the Reverse South Georgia Method (“RSGM”). The  
6 RSGM provides for the turnaround of the unprotected excess deferred income  
7 taxes on a straight-line basis over the estimated remaining life of the related  
8 assets and liabilities. FPL is proposing the RSGM as a straightforward  
9 approach that is simple to administer and treats the turnaround of the excess  
10 unprotected deferred income taxes in a manner and over a time period similar  
11 to how those deferred income taxes would reverse absent the Tax Act.

12 **Q. Did FPL also prepare a pro forma 2018 FESR that excludes the impacts**  
13 **of the Tax Act?**

14 A. Yes. Exhibit SRB-2 is FPL’s pro forma 2018 FESR that excludes the impacts  
15 of the Tax Act.

16 **Q. Is the pro forma 2018 FESR fully representative of what FPL’s 2018**  
17 **forecasted financial results would be if the Tax Act had not been**  
18 **enacted?**

19 A. No. If the Tax Act had not been enacted, the Company’s financial plan for  
20 2018 certainly would have been different from that shown in the pro forma  
21 2018 FESR. However, to assist in isolating the financial impacts of the Tax  
22 Act, FPL has kept all other assumptions the same. Thus, the pro forma 2018  
23 FESR is appropriate for its intended purpose, but one should not view the

1 financial results it depicts as representative of what would have happened had  
2 the Tax Act not been enacted.

3 **Q. Please describe the differences between FPL’s pro forma 2018 FESR and**  
4 **FPL’s 2018 FESR filed with the Commission on March 15, 2018.**

5 A. FPL’s pro forma 2018 FESR, as reflected in Exhibit SRB-2, was prepared in  
6 the same manner as FPL’s 2018 FESR filed with the Commission on March  
7 15, 2018; however, it includes several differences related to the Tax Act.  
8 These differences include maintaining the 35% federal corporate income tax  
9 rate that was in effect prior to the Tax Act as well as the continuation of bonus  
10 depreciation and the inclusion of the manufacturer’s deduction, both of which  
11 were eliminated by the Tax Act. Comparing the 2018 FESR to the pro forma  
12 2018 FESR yields several differences, which can be categorized into three  
13 distinct areas: rate base (reflected on Exhibit SRB-3), net operating income  
14 (“NOI”) (reflected on Exhibit SRB-4), and capital structure (reflected on  
15 Exhibit SRB-5). The summary of the forecast change in 2018 FPSC adjusted  
16 revenue requirements is reflected on Exhibit SRB-6 and is described later in  
17 my testimony.

18 **Q. Please describe the differences in the rate base category.**

19 A. As shown on Exhibit SRB-3, the FPSC Adjusted Rate Base is \$154.5 million  
20 lower in the 2018 FESR than in the pro forma 2018 FESR, as a result of two  
21 items. First, in the 2018 FESR, FPL has projected to reverse \$301.0 million  
22 of the Reserve Amount (as defined in paragraph 12 of FPL’s 2016 Stipulation  
23 and Settlement Agreement) amortization that it had taken during 2017, which  
24 lowered the 13-month average rate base by \$64.2 million. That reversal

1 would not be feasible in the pro forma 2018 FESR because of the higher  
2 federal corporate income tax expense associated with excluding the impacts of  
3 the Tax Act. Second, FPL's working capital balance is \$90.3 million lower in  
4 the 2018 FESR primarily because of an \$80.4 million increase in accrued  
5 income taxes compared to the pro forma 2018 FESR, due to the higher taxable  
6 income in the 2018 FESR. This higher taxable income is the result of the  
7 elimination of bonus depreciation. In addition, there is a \$9.9 million increase  
8 in the over-recovered clause revenues as a result of the lower federal corporate  
9 income tax rate and thus, lower income tax expense in the 2018 FESR  
10 compared to the pro forma 2018 FESR.

11 **Q. Please describe the differences in the NOI category.**

12 A. As shown on Exhibit SRB-4, comparing the FPSC Adjusted NOI between the  
13 2018 FESR and the pro forma 2018 FESR shows that NOI is \$230.2 million  
14 higher in the 2018 FESR. This increase is being driven by a \$531.2 million  
15 decrease in FPSC adjusted income tax expense, which is primarily the result  
16 of a \$435.0 million decrease in income tax expense associated with the lower  
17 federal corporate income tax rate under the Tax Act. In addition, the 2018  
18 FESR includes an estimated NOI benefit of \$115.6 million related to the  
19 amortization of the excess deferred income taxes. The \$115.6 million is  
20 comprised of approximately \$82.2 million for the turnaround of protected  
21 excess deferred income taxes and \$33.4 million for the turnaround of  
22 unprotected excess deferred income taxes. The final amount of the excess  
23 deferred income taxes will not be known until after FPL files its 2017 federal  
24 corporate income tax return in October 2018.

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Partially offsetting the reduction in income tax expense in the 2018 FESR is the exclusion of the manufacturer’s deduction of approximately \$19.4 million. In addition, the decreased income tax expense in the 2018 FESR is partially offset by an increase in depreciation and amortization expense of \$301.0 million. As described previously, this increase in depreciation and amortization expense is the result of the reversal of a portion of the one-time amortization of all the available Reserve Amount in 2017 to partially offset the expensing of incremental Hurricane Irma storm restoration costs in that year.

**Q. Please describe the differences in the capital structure category.**

A. As shown on Exhibit SRB-5, there are several changes to the capital structure between the 2018 FESR and pro forma 2018 FESR. The overall FPSC adjusted capital structure is reduced in the 2018 FESR by \$154.5 million, consistent with the decrease in FPSC adjusted rate base described above. The largest change in the components of the capital structure is to deferred income taxes, which decreases by \$303.1 million. This decrease is being driven by: 1) the loss of bonus depreciation under the Tax Act; 2) deferred income taxes related to depreciation timing differences for plant that is forecasted to enter utility service in 2018 at the lower 21% federal corporate income tax rate; 3) the effects of turning around excess deferred income taxes; and 4) lower deferred income taxes associated with the \$64.2 million reduction of FPSC adjusted rate base as a result of Reserve Amount amortization reversal. As a result of the decrease in deferred income taxes, both the equity and debt

1 components of capital structure increase as reflected in FPL's 2018 FESR. I  
2 should note that, in both the 2018 FESR and the pro forma 2018 FESR, FPL  
3 targeted an investor sources capital structure that was 59.6% equity and 40.4%  
4 debt.

5 **Q. Please summarize the overall change in FPSC adjusted revenue**  
6 **requirements as a result of the Tax Act.**

7 A. As shown on Exhibit SRB-6, the overall forecast change in 2018 FPSC  
8 adjusted revenue requirements as a result of the Tax Act is a reduction of  
9 \$684.8 million. The change is comprised of five primary items: 1) a \$582.7  
10 million reduction in base revenue requirements as a result of the lower federal  
11 corporate income tax rate (this represents the \$435.0 million decrease in  
12 income tax expense described above grossed-up to the revenue requirement  
13 equivalent); 2) a \$154.9 million reduction as a result of the amortization of the  
14 excess deferred income taxes (this represents the revenue requirement  
15 equivalent of the \$115.6 million of amortization expense described above); 3)  
16 a \$26.0 million increase which represents the revenue requirement equivalent  
17 of the \$19.4 million increase in tax expense related to the loss of the  
18 manufacturer's deduction; 4) a \$10.3 million increase due to higher sources of  
19 investor capital resulting from the loss of bonus depreciation; and 5) a \$16.5  
20 million increase resulting from higher sources of investor capital due to less  
21 deferred income taxes related to depreciation timing differences on plant that  
22 went into service in 2018, the effects of turning around excess deferred  
23 income taxes, and lower deferred income taxes associated with the rate base  
24 reduction as a result of Reserve Amount amortization reversal.

1     **Q.     Does FPL’s pro forma 2018 FESR show a different return on equity than**  
2           **the return on equity projected in FPL’s 2018 FESR?**

3     A.     Yes. FPL’s pro forma 2018 FESR shows that FPL would earn a 10.27%  
4           return on equity as compared to the 11.60% return on equity projected in  
5           FPL’s 2018 FESR, if nothing were changed about the 2018 forecasted  
6           operations other than excluding the impacts of the Tax Act.

7     **Q.     Does this conclude your direct testimony?**

8     A.     Yes.



March 15, 2018

Mr. Andrew L. Maurey, Director  
Division of Accounting and Finance  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399

*Re: 2018 Forecasted Earnings Surveillance Report*

Dear Mr. Maurey:

On February 16, 2018, you granted Florida Power & Light Company's ("FPL's") request for an extension of time to March 15, 2018 to file its 2018 forecasted earnings surveillance report ("FESR"). Consistent with that extension, I am enclosing FPL's 2018 FESR. Please note that the forecast results contained in the FESR reflect the Company's 2018 planning assumptions and the impacts of the Tax Cuts and Jobs Act of 2017.

The balance of the Reserve Amount as of December 31, 2017 was \$0 because FPL used all of the available Reserve Amount to partially offset Hurricane Irma storm restoration costs that were expensed in 2017. However, FPL expects to add back to the Reserve Amount during 2018 as shown on Schedule 5. In accordance with the Stipulation and Settlement Agreement that the Commission approved Order No. PSC-16-0560-AS-EI, the Company will vary the portion of Reserve Amount amortized in 2018 to maintain its actual return on equity within a range of 9.6% to 11.6%.

Sincerely,

A handwritten signature in blue ink that reads "Robert Barrett".

Robert E. Barrett  
Vice President, Finance

Enclosures

Cc: Office of Commission Clerk  
J. R. Kelly, Office of Public Counsel

FLORIDA PUBLIC SERVICE COMMISSION  
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
 (\$000'S)

SCHEDULE 1  
 PAGE 1 OF 1

Company: Florida Power & Light Company and Subsidiaries  
 YEAR: 2018

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1)	(2)	(3)
	PER BOOKS	FPSC ADJUSTMENTS	FPSC ADJUSTED
NET OPERATING INCOME	\$2,644,182 (A)	(\$238,623) (B)	\$2,405,559
AVERAGE RATE BASE	\$36,236,608	(\$73,337)	\$36,163,272
AVERAGE RATE OF RETURN	7.30%		6.65%

(A) INCLUDES AFUDC EARNINGS (B) INCLUDES REVERSAL OF AFUDC EARNINGS

AVERAGE CAPITAL STRUCTURE  
 (FPSC ADJUSTED BASIS)

LOW	5.73%
MIDPOINT	6.17%
HIGH	6.66%

IV. FINANCIAL INTEGRITY INDICATORS

A. TIMES INTEREST EARNED WITH AFUDC	6.05 (SYSTEM PER BOOK BASIS)
B. TIMES INTEREST EARNED WITHOUT AFUDC	5.83 (SYSTEM PER BOOK BASIS)
C. AFUDC AS PERCENT OF NET INCOME	5.11% (SYSTEM PER BOOK BASIS)
D. PERCENT OF CONSTRUCTION GENERATED INTERNALLY	94.64% (SYSTEM PER BOOK BASIS)
E. LTD TO TOTAL INVESTOR FUNDS	36.45% (FPSC ADJUSTED BASIS)
F. STD TO TOTAL INVESTOR FUNDS	3.96% (FPSC ADJUSTED BASIS)
G. RETURN ON COMMON EQUITY (AVERAGE)	11.60% (FPSC ADJUSTED BASIS)



FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
AVERAGE RATE OF RETURN  
RATE BASE (\$000's)

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(6) NUCLEAR FUEL (NET)	(7) NET UTILITY PLANT	(8) WORKING CAPITAL	(9) TOTAL RATE BASE
1. SYSTEM PER BOOKS	\$49,021,523	\$15,512,188	\$33,509,335	\$339,908	\$3,529,854	\$607,606	\$37,986,704	(\$271,138)	\$37,715,566
2. JURISDICTIONAL PER BOOKS	46,946,240	12,307,985	34,638,256	320,383	3,365,746	582,790	38,907,175	(2,670,567)	36,236,608
<u>FPSC ADJUSTMENTS:</u>									
3. ACCUM. PROV. DECOMMISSIONING COSTS		(4,358,448)	4,358,448				4,358,448		4,358,448
4. CAPITALIZED EXECUTIVE COMPENSATION	(22,701)		(22,701)				(22,701)		(22,701)
5. ENVIRONMENTAL	(1,254,353)	(264,561)	(1,259,791)				(1,259,791)		(1,259,791)
6. FUEL AND CAPACITY	(147,454)	(40,559)	(106,895)				(106,895)		(106,895)
7. LOAD CONTROL	(54,562)	(26,452)	(28,110)				(28,110)		(28,110)
8. ASSET RETIREMENT OBLIGATION	(439,108)	4,056,644	(4,495,752)				(4,495,752)		(4,495,752)
9. CAPITAL LEASES	(57,537)	(9,201)	(48,336)				(48,336)		(48,336)
10. CONSTRUCTION WORK IN PROGRESS					(2,044,668)		(2,044,668)		(2,044,668)
11. CWIP - CLAUSE PROJECTS					(67,203)		(67,203)		(67,203)
12. ACCOUNTS RECEIVABLE - ASSOC COS							(25,797)		(25,797)
13. NET UNDERRECOVERED FUEL, CAPACITY, ECCR, ECCR, ECCR							(17,027)		(17,027)
14. NUCLEAR COST RECOVERY							250,215		250,215
15. OTH REG ASSETS - CLAUSES							(5,015)		(5,015)
16. MISC. DEFERRED DEBIT - CLAUSES							(5,195)		(5,195)
17. CEDAR BAY TRANSACTION							(559,945)		(559,945)
18. ICL TRANSACTION							(359,888)		(359,888)
19. STORM DEFICIENCY RECOVERY							(120,903)		(120,903)
20. ACCUM. PROV. - PROPERTY & STORM INSURANCE							112,693		112,693
21. ASSET RETIREMENT OBLIGATION							4,493,794		4,493,794
22. SJRPP ACCELERATED RECOVERY							8,238		8,238
23. SJRPP TRANSACTION							(75,190)		(75,190)
24. OTHER MISCELLANEOUS WORKING CAPITAL							(54,309)		(54,309)
25. TOTAL FPSC ADJUSTMENTS	(2,245,714)	(642,578)	(1,603,136)	0	(2,111,871)	0	(3,715,007)	3,641,670	(73,337)
26. FPSC ADJUSTED	\$44,700,526	\$11,665,406	\$33,035,120	\$320,383	\$1,253,875	\$582,790	\$35,192,168	\$971,104	\$36,163,272

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
AVERAGE RATE OF RETURN  
INCOME STATEMENT (\$000's)

SCHEDULE 2  
PAGE 2 OF 2

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATING REVENUES	OPERATION & NET FUEL & NET INTERCHANGE	OPERATION & MAINTENANCE OTHER O&M	DEPRECIATION AND AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES AND INVESTMENT TAX CREDIT	GAIN LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
1 SYSTEM PER BOOKS	\$11,264,200	\$3,140,927	\$1,474,238	\$2,147,805	\$1,312,869	\$555,224	(\$5,955)	\$8,625,108	\$2,639,092
2 JURISDICTIONAL PER BOOKS	10,859,737	3,008,178	1,425,892	2,079,173	1,291,314	531,353	(5,955)	8,329,955	2,529,782
<u>FPSC ADJUSTMENTS:</u>									
3 CAPACITY COST RECOVERY	(253,470)	(158,538)	(32,889)	10,345	(357)	(18,256)		(199,695)	(53,775)
4 CONSERVATION COST RECOVERY	(62,371)		(48,982)	(10,531)	(1,209)	(418)		(61,140)	(1,231)
5 ENVIRONMENTAL COST RECOVERY	(200,183)		(52,471)	(43,327)	(283)	(26,385)	0	(122,466)	(77,717)
6 FUEL COST REC RETAIL	(2,839,321)	(2,827,396)	(16)	(249)	(2,029)	(2,441)		(2,832,131)	(7,190)
7 STORM DEFICIENCY RECOVERY	(163,089)		(43,508)	(114,088)		(1,392)		(158,988)	(4,101)
8 FRANCISE REVENUE & EXPENSE	(475,488)				(475,488)	(0)		(475,488)	
9 GROSS RECEIPTS TAX	(250,659)				(250,659)			(250,659)	
10 MISCELLANEOUS O&M EXPENSES			(3,038)			770		(2,268)	2,268
11 AVIATION - EXPENSES			(163)			41		(122)	122
12 EXECUTIVE COMPENSATION			(32,326)			8,193		(24,133)	24,133
13 INTEREST TAX DEFICIENCIES			351			(89)		262	(262)
14 INTEREST SYNCHRONIZATION						6,469		6,469	(6,469)
15 TOTAL FPSC ADJUSTMENTS	(4,244,580)	(2,985,934)	(213,043)	(157,849)	(730,025)	(33,507)	0	(4,120,358)	(124,223)
16 FPSC ADJUSTED	\$6,615,157	\$22,244	\$1,212,850	\$1,921,324	\$561,289	\$497,845	(\$5,955)	\$4,209,597	\$2,405,559

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
CAPITAL STRUCTURE (\$000'S)  
FPSC ADJUSTED BASIS

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

AVERAGE	SYSTEM PER BOOKS	RETAIL PER BOOKS	ADJUSTMENTS PRORATA	ADJUSTMENTS SPECIFIC	ADJUSTED RETAIL	RATIO	LOWPOINT COST RATE	LOWPOINT WEIGHTED COST	MIDPOINT COST RATE	MIDPOINT WEIGHTED COST	HIGHPOINT COST RATE	HIGHPOINT WEIGHTED COST
LONG TERM DEBT	\$10,527,830	\$10,113,643	\$120,987	(\$130,776)	\$10,103,854	27.94%	4.14%	1.16%	4.14%	1.16%	4.14%	1.16%
SHORT TERM DEBT	1,128,620	1,083,856	13,136	\$0	1,096,992	3.03%	3.83%	0.12%	3.83%	0.12%	3.83%	0.12%
PREFERRED STOCK	0	0	0	\$0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	392,283	391,293	4,742	\$0	396,035	1.10%	2.04%	0.02%	2.04%	0.02%	2.04%	0.02%
COMMON EQUITY	16,994,130	16,320,096	197,805	\$0	16,517,901	45.68%	9.60%	4.38%	10.55%	4.82%	11.60%	5.30%
DEFERRED INCOME TAXES (1)	8,266,292	7,940,561	93,266	(\$245,042)	7,788,784	21.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS WEIGHTED COST	404,410	387,160	3,110	(\$130,564)	259,706	0.72%	7.53%	0.05%	8.12%	0.06%	8.77%	0.06%
TOTAL	\$37,715,566	\$36,236,608	\$433,046	(\$506,382)	\$36,163,272	100.00%		5.73%		6.17%		6.66%

NOTES:

(1) INCLUDES APPROXIMATELY \$3.2 BILLION OF EXCESS DEFERRED TAXES

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
FINANCIAL INTEGRITY INDICATORS  
(\$000's)

SCHEDULE 4  
PAGE 1 OF 1

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

<b>A. TIMES INTEREST EARNED WITH AFUDC</b>			
EARNINGS BEFORE INTEREST	\$2,717,593		
AFUDC - DEBT	26,075		
INCOME TAXES	545,899		
TOTAL	\$3,289,367		
INTEREST CHARGES (BEFORE DEBT AFUDC)	543,727		
TIE WITH AFUDC	6.05		
<b>B. TIMES INTEREST EARNED WITHOUT AFUDC</b>			
EARNINGS BEFORE INTEREST	\$2,717,593		
AFUDC - EQUITY	(92,930)		
INCOME TAXES	545,899		
TOTAL	\$3,170,362		
INTEREST CHARGES (BEFORE DEBT AFUDC)	\$543,727		
TIE WITHOUT AFUDC	5.83		
<b>C. PERCENT OF AFUDC TO NET INCOME AVAILABLE TO COMMON</b>			
AFUDC - DEBT	\$26,075		
X (1-INCOME TAX RATE)	0.7466		
SUBTOTAL	\$19,466		
AFUDC - EQUITY	92,930		
TOTAL	\$112,396		
NET INCOME AVAILABLE TO COMMON	\$2,199,942		
PERCENT AFUDC TO AVAILABLE NET INCOME	5.11%		
<b>D. PERCENT INTERNALLY GENERATED FUNDS</b>			
NET INCOME	\$2,199,942		
PREFERRED DIVIDENDS	0		
COMMON DIVIDENDS	0		
AFUDC (DEBT & OTHER)	(119,005)		
DEPRECIATION & AMORTIZATION	2,147,805		
DEFERRED INC TAXES & INVESTMENT CREDITS	173,950		
OTHER SOURCES/USES OF FUNDS	81,530		
TOTAL	\$4,484,222		
CONSTRUCTION EXPENDITURES			
(EXCLUDING AFUDC DEBT & EQUITY)	\$4,737,963		
PERCENT INTERNALLY GENERATED FUNDS	94.64%		
<b>E. &amp; F. LONG TERM AND SHORT TERM DEBT AS A PERCENT OF INVESTOR CAPITAL</b>			
RECONCILED AVERAGE RETAIL AMOUNTS:			
LONG TERM DEBT	\$10,103,854		
SHORT TERM DEBT	1,096,992		
PREFERRED STOCK	0		
COMMON EQUITY	16,517,901		
TOTAL	\$27,718,746		
% LONG TERM DEBT TO TOTAL	36.45%		
% SHORT TERM DEBT TO TOTAL	3.96%		
<b>G. AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY</b>			
		FPSC ADJUSTED	
AVERAGE JURISDICTIONAL EARNED RATE OF RETURN		6.65%	
LESS: RECONCILED AVERAGE RETAIL WEIGHTED COST RATES:			
LONG TERM DEBT		1.11%	
SHORT TERM DEBT		0.16%	
PREFERRED STOCK		0.00%	
CUSTOMER DEPOSITS		0.02%	
TAX CREDITS - WEIGHTED COST (MIDPOINT)		0.06%	
SUBTOTAL		1.35%	
TOTAL		5.30%	
DIVIDED BY COMMON EQUITY RATIO		45.68%	
JURISDICTIONAL RETURN ON COMMON EQUITY		11.60%	

Docket No. 20180046-EI  
FPL's 2018 FESR  
Exhibit SRB-1, Page 6 of 8

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
FORECAST ASSUMPTIONS

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

FORECASTED ASSUMPTIONS:

CUSTOMERS	FORECASTED YEAR	PRIOR YEAR
RESIDENTIAL	4,422,439	4,357,179
COMMERCIAL	556,840	549,458
INDUSTRIAL	12,470	10,989
OTHER	4,201	4,168
TOTAL	4,995,950	4,921,794

  

MWH SALES	FORECASTED YEAR (1)	PRIOR YEAR (2)
RESIDENTIAL	56,991,021	58,188,257
COMMERCIAL	46,266,049	47,150,843
INDUSTRIAL	3,052,189	2,961,188
OTHER	572,208	570,575
TOTAL	106,881,468	108,870,963

(1) Includes forecasted weather normal sales  
(2) 2017 actual sales

OTHER MAJOR FORECASTED ASSUMPTIONS:

- A. INFLATION FACTORS (ANNUAL RATE OF CHANGE):
- 1. CONSUMER PRICE INDEX (CPI) 2.4%
  - 2. GROSS DOMESTIC PRODUCT (GDP) DEFLATOR 2.0%
  - 3. PRODUCER PRICE INDEX (PPI) - ALL GOODS 1.9%
  - 4. PRODUCER PRICE INDEX (PPI) - INTERMEDIATE MATERIALS 1.9%
  - 5. PRODUCER PRICE INDEX (PPI) - FINISHED PRODUCT GOODS 2.0%
- B. CAPITAL OVERHEAD RATES
- 1. PENSION & WELFARE 5.1%
  - 2. PAYROLL TAXES & INSURANCE 7.5%
- C. OTHER CORPORATE ASSUMPTIONS
- INTEREST RATES -
    - 1) 30 DAY COMMERCIAL PAPER 2.0%
    - 2) LONG TERM DEBT 4.9%
  - DEPRECIATION RESERVE SURPLUS (UTILIZED)/REPLENISHED (\$000's) \$301,037

I AM THE PERSON RESPONSIBLE FOR PREPARATION OF THIS DOCUMENT AND I AM AWARE THAT SECTION 837.06, FLORIDA STATUTES, PROVIDES:

WHOEVER KNOWINGLY MAKES A FALSE STATEMENT IN WRITING WITH THE INTENT TO MISLEAD A PUBLIC SERVANT IN THE PERFORMANCE OF HIS OFFICIAL DUTY SHALL BE GUILTY OF A MISDEMEANOR OF THE SECOND DEGREE, PUNISHABLE AS PROVIDED IN S. 775.082 OR S. 775.083

Robert E. Barrett, Jr.  
NAME

SIGNATURE

Vice President - Finance  
TITLE

3/15/2018  
DATE

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
INDIVIDUAL PROJECTS COMMENCING DURING 2018 WHICH EXCEED \$10 MILLION  
(AMOUNTS IN \$000'S)

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

Schedule of individual projects that commence during 2018 and exceed a gross cost of \$10 million:

Project	Estimated Total Cost	Estimated Construction Commencement Date	Estimated In-Service Date
COMBINED CYCLE TURBINE UPGRADES	365,000	Feb - 2018	Dec - 2018
DANIA BEACH ENERGY CENTER	888,000	Sep - 2018	May - 2022
HOWARD INJECTION 138KV	19,350	Jan - 2018	Dec - 2021

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
(\$000'S)

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1)	(2)	(3)
	PER BOOKS	FPSC ADJUSTMENTS	FPSC ADJUSTED
NET OPERATING INCOME	\$2,415,613 (A)	(\$240,227) (B)	\$2,175,386
AVERAGE RATE BASE	\$36,405,725	(\$87,981)	\$36,317,744
AVERAGE RATE OF RETURN	6.64%		5.99%

(A) INCLUDES AFUDC EARNINGS (B) INCLUDES REVERSAL OF AFUDC EARNINGS

AVERAGE CAPITAL STRUCTURE  
(FPSC ADJUSTED BASIS)

LOW	5.68%
MIDPOINT	6.12%
HIGH	6.60%

IV. FINANCIAL INTEGRITY INDICATORS

A. TIMES INTEREST EARNED WITH AFUDC	6.67	(SYSTEM PER BOOK BASIS)
B. TIMES INTEREST EARNED WITHOUT AFUDC	6.45	(SYSTEM PER BOOK BASIS)
C. AFUDC AS PERCENT OF NET INCOME	5.58%	(SYSTEM PER BOOK BASIS)
D. PERCENT OF CONSTRUCTION GENERATED INTERNALLY	97.51%	(SYSTEM PER BOOK BASIS)
E. LTD TO TOTAL INVESTOR FUNDS	36.66%	(FPSC ADJUSTED BASIS)
F. STD TO TOTAL INVESTOR FUNDS	3.75%	(FPSC ADJUSTED BASIS)
G. RETURN ON COMMON EQUITY (AVERAGE)	10.27%	(FPSC ADJUSTED BASIS)

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
AVERAGE RATE OF RETURN  
RATE BASE (\$000's)

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NUCLEAR FUEL (NET)	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
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<u>FPSC ADJUSTMENTS:</u>									
3 ACCUM PROV DECOMMISSIONING COSTS		(4,358,498)	4,358,498				4,358,498		4,358,498
4 CAPITALIZED EXECUTIVE COMPENSATION	(22,701)		(22,701)				(22,701)		(22,701)
5 ENVIRONMENTAL	(1,524,353)	(264,561)	(1,259,791)				(1,259,791)		(1,259,791)
6 FUEL AND CAPACITY	(147,454)	(40,559)	(106,895)				(106,895)		(106,895)
7 LOAD CONTROL	(54,562)	(26,452)	(28,110)				(28,110)		(28,110)
8 ASSET RETIREMENT OBLIGATION	(439,108)	4,056,644	(4,495,752)				(4,495,752)		(4,495,752)
9 CAPITAL LEASES	(57,537)	(9,201)	(48,336)				(48,336)		(48,336)
10 CONSTRUCTION WORK IN PROGRESS					(2,044,668)		(2,044,668)		(2,044,668)
11 CWIP - CLAUSE PROJECTS					(67,203)		(67,203)		(67,203)
12 ACCOUNTS RECEIVABLE - ASSOC COS								(25,797)	(25,797)
14 NET UNDERRECOVERED FUEL, CAPACITY, ECCR, ECR								(23,274)	(23,274)
15 NUCLEAR COST RECOVERY								250,215	250,215
16 OTH REG ASSETS - CLAUSES								(5,015)	(5,015)
17 MISC. DEFERRED DEBIT - CLAUSES								(5,195)	(5,195)
18 CEDAR BAY TRANSACTION								(559,945)	(559,945)
19 ICL TRANSACTION								(359,888)	(359,888)
20 STORM DEFICIENCY RECOVERY								(120,903)	(120,903)
21 ACCUM. PROV. - PROPERTY & STORM INSURANCE								112,659	112,659
22 ASSET RETIREMENT OBLIGATION								4,493,794	4,493,794
23 SJRPP ACCELERATED RECOVERY								8,238	8,238
24 SJRPP TRANSACTION								(75,190)	(75,190)
25 OTHER MISCELLANEOUS WORKING CAPITAL								(62,722)	(62,722)
26 TOTAL FPSC ADJUSTMENTS	(2,245,714)	(642,628)	(1,603,086)	0	(2,111,871)	0	(3,714,958)	3,626,976	(87,981)
27 FPSC ADJUSTED	\$44,700,526	\$11,601,213	\$33,099,313	\$320,383	\$1,253,875	\$582,790	\$35,256,361	\$1,061,383	\$36,317,744



FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
AVERAGE RATE OF RETURN  
INCOME STATEMENT (\$000's)

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATING REVENUES	FUEL & NET INTERCHANGE	OPERATION & MAINTENANCE OTHER O&M	DEPRECIATION AND AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES AND INVESTMENT TAX CREDIT	GAIN LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
1 SYSTEM PER BOOKS	\$11,283,349	\$3,128,736	\$1,474,238	\$1,846,769	\$1,312,883	\$1,134,971	(\$5,955)	\$8,891,642	\$2,391,707
2 JURISDICTIONAL PER BOOKS	10,878,886	2,995,988	1,425,892	1,778,136	1,291,328	1,092,283	(5,955)	8,577,673	2,301,213
<u>FPSC ADJUSTMENTS:</u>									
3 CAPACITY COST RECOVERY	(253,470)	(146,348)	(32,889)	10,345	(357)	(32,485)		(201,733)	(51,737)
4 CONSERVATION COST RECOVERY	(62,757)		(48,982)	(10,531)	(1,209)	(785)		(61,507)	(1,250)
5 ENVIRONMENTAL COST RECOVERY	(218,946)		(52,471)	(43,327)	(297)	(47,390)	0	(143,485)	(75,461)
6 FUEL COST REC RETAIL	(2,839,321)	(2,827,396)	(16)	(249)	(2,029)	(3,715)		(2,833,405)	(5,916)
7 STORM DEFICIENCY RECOVERY	(163,089)		(43,508)	(114,088)		(2,119)		(159,715)	(3,375)
8 FRANCHISE REVENUE & EXPENSE	(475,488)				(475,488)	(0)		(475,488)	
9 GROSS RECEIPTS TAX	(250,659)				(250,659)			(250,659)	
10 MISCELLANEOUS O&M EXPENSES			(3,038)			1,172		(1,866)	1,866
11 AVIATION - EXPENSES			(163)			63		(100)	100
12 EXECUTIVE COMPENSATION			(32,326)			12,470		(19,856)	19,856
13 INTEREST TAX DEFICIENCIES			351			(135)		215	(215)
14 INTEREST SYNCHRONIZATION						9,696		9,696	(9,696)
15 TOTAL FPSC ADJUSTMENTS	(4,263,730)	(2,973,744)	(213,043)	(157,849)	(730,039)	(63,229)	0	(4,137,903)	(125,827)
16 FPSC ADJUSTED	\$6,615,157	\$22,244	\$1,212,850	\$1,620,287	\$561,289	\$1,029,055	(\$5,955)	\$4,439,770	\$2,175,386

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
CAPITAL STRUCTURE (\$000'S)  
FPSC ADJUSTED BASIS

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

AVERAGE	SYSTEM PER BOOKS	RETAIL PER BOOKS	ADJUSTMENTS PRORATA	ADJUSTMENTS SPECIFIC	ADJUSTED RETAIL	RATIO	LOWPOINT COST RATE	MIDPOINT COST RATE	HIGHPOINT COST RATE
LONG TERM DEBT	\$10,534,215	\$10,120,835	\$116,417	(\$130,776)	\$10,106,477	27.83%	4.14%	4.14%	4.14%
SHORT TERM DEBT	1,064,448	1,022,340	11,896	(\$0)	1,034,236	2.85%	3.94%	3.94%	3.94%
PREFERRED STOCK	0	0	0	\$0	0	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	392,283	391,293	4,742	\$0	396,035	1.09%	2.04%	2.04%	2.04%
COMMON EQUITY	16,909,352	16,240,445	188,985	(\$0)	16,429,430	45.24%	9.60%	10.55%	11.60%
DEFERRED INCOME TAXES <sup>(1)</sup>	8,583,019	8,243,652	93,211	(\$245,003)	8,091,860	22.28%	0.00%	0.00%	0.00%
TAX CREDITS WEIGHTED COST	404,410	387,160	3,110	(\$130,564)	259,706	0.72%	7.52%	8.11%	8.76%
TOTAL	\$37,887,727	\$36,405,725	\$418,361	(\$506,342)	\$36,317,744	100.00%	5.68%	6.12%	6.60%

NOTES:

(1) INCLUDES APPROXIMATELY \$8.2 MILLION OF EXCESS DEFERRED TAXES ON A SYSTEM PER BOOKS BASIS

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
FINANCIAL INTEGRITY INDICATORS  
(\$000's)

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

<b>A. TIMES INTEREST EARNED WITH AFUDC</b>		
EARNINGS BEFORE INTEREST		\$1,952,798
AFUDC - DEBT	\$2,468,955	0
INCOME TAXES	26,075	0
TOTAL	1,120,502	(119,005)
INTEREST CHARGES (BEFORE DEBT AFUDC)	\$3,615,532	1,846,769
TIE WITH AFUDC	542,232	889,392
	6.67	50,191
<b>B. TIMES INTEREST EARNED WITHOUT AFUDC</b>		\$4,620,144
EARNINGS BEFORE INTEREST	\$2,468,955	
AFUDC - EQUITY	(92,930)	\$4,737,963
INCOME TAXES	1,120,502	97.51%
TOTAL	\$3,496,527	
INTEREST CHARGES (BEFORE DEBT AFUDC)	\$542,232	
TIE WITHOUT AFUDC	6.45	
<b>C. PERCENT OF AFUDC TO NET INCOME AVAILABLE TO COMMON</b>		
AFUDC - DEBT	\$26,075	\$10,106,477
X (1-INCOME TAX RATE)	0.6143	1,034,236
SUBTOTAL	\$16,017	0
AFUDC - EQUITY	92,930	16,429,430
TOTAL	\$108,947	\$27,570,143
NET INCOME AVAILABLE TO COMMON		36.66%
PERCENT AFUDC TO AVAILABLE NET INCOME		3.75%
<b>D. PERCENT INTERNALLY GENERATED FUNDS</b>		
NET INCOME		\$1,952,798
PREFERRED DIVIDENDS		0
COMMON DIVIDENDS		0
AFUDC (DEBT & OTHER)		(119,005)
DEPRECIATION & AMORTIZATION		1,846,769
DEFERRED INC TAXES & INVESTMENT CREDITS		889,392
OTHER SOURCES/USES OF FUNDS		50,191
TOTAL		\$4,620,144
CONSTRUCTION EXPENDITURES		
(EXCLUDING AFUDC DEBT & EQUITY)		\$4,737,963
PERCENT INTERNALLY GENERATED FUNDS		97.51%
<b>E. &amp; F. LONG TERM AND SHORT TERM DEBT AS A PERCENT OF INVESTOR CAPITAL</b>		
RECONCILED AVERAGE RETAIL AMOUNTS:		
LONG TERM DEBT		\$10,106,477
SHORT TERM DEBT		1,034,236
PREFERRED STOCK		0
COMMON EQUITY		16,429,430
TOTAL		\$27,570,143
% LONG TERM DEBT TO TOTAL		36.66%
% SHORT TERM DEBT TO TOTAL		3.75%
<b>G. AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY</b>		
AVERAGE JURISDICTIONAL EARNED RATE OF RETURN		FPSC ADJUSTED
LESS: RECONCILED AVERAGE RETAIL WEIGHTED COST RATES:		5.99%
LONG TERM DEBT		1.15%
SHORT TERM DEBT		0.11%
PREFERRED STOCK		0.00%
CUSTOMER DEPOSITS		0.02%
TAX CREDITS - WEIGHTED COST (MIDPOINT)		0.06%
SUBTOTAL		1.34%
TOTAL		4.65%
DIVIDED BY COMMON EQUITY RATIO		45.24%
JURISDICTIONAL RETURN ON COMMON EQUITY		10.27%

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
FORECAST ASSUMPTIONS

Company: Florida Power & Light Company and Subsidiaries  
YEAR: 2018

FORECASTED ASSUMPTIONS:

CUSTOMERS	FORECASTED YEAR	PRIOR YEAR
RESIDENTIAL	4,422,439	4,357,179
COMMERCIAL	556,840	549,458
INDUSTRIAL	12,470	10,989
OTHER	4,201	4,168
TOTAL	4,995,950	4,921,794

  

MWH SALES	FORECASTED YEAR (1)	PRIOR YEAR (2)
RESIDENTIAL	56,991,021	58,188,257
COMMERCIAL	46,266,049	47,150,843
INDUSTRIAL	3,052,189	2,961,188
OTHER	572,208	570,675
TOTAL	106,881,468	108,870,963

(1) Includes forecasted weather normal sales  
(2) 2017 actual sales

OTHER MAJOR FORECASTED ASSUMPTIONS:

- A. INFLATION FACTORS (ANNUAL RATE OF CHANGE):
- 1. CONSUMER PRICE INDEX (CPI) 2.4%
  - 2. GROSS DOMESTIC PRODUCT (GDP) DEFLATOR 2.0%
  - 3. PRODUCER PRICE INDEX (PPI) - ALL GOODS 1.9%
  - 4. PRODUCER PRICE INDEX (PPI) - INTERMEDIATE MATERIALS 1.9%
  - 5. PRODUCER PRICE INDEX (PPI) - FINISHED PRODUCT GOODS 2.0%
- B. CAPITAL OVERHEAD RATES
- 1. PENSION & WELFARE 5.1%
  - 2. PAYROLL TAXES & INSURANCE 7.5%
- C. OTHER CORPORATE ASSUMPTIONS
- INTEREST RATES -
    - 1) 30 DAY COMMERCIAL PAPER 2.0%
    - 2) LONG TERM DEBT 4.9%
  - DEPRECIATION RESERVE SURPLUS (UTILIZED)/REPLENISHED (\$000's) \$0

I AM THE PERSON RESPONSIBLE FOR PREPARATION OF THIS DOCUMENT AND I AM AWARE THAT SECTION 837.06, FLORIDA STATUTES, PROVIDES:  
WHOEVER KNOWINGLY MAKES A FALSE STATEMENT IN WRITING WITH THE INTENT TO MISLEAD A PUBLIC SERVANT IN THE PERFORMANCE OF HIS OFFICIAL DUTY SHALL BE GUILTY OF A MISDEMEANOR OF THE SECOND DEGREE, PUNISHABLE AS PROVIDED IN S. 775.082 OR S. 775.083

Robert E. Barrett, Jr.  
NAME  
Vice President - Finance  
TITLE

SIGNATURE  
4/15/2018  
DATE

FLORIDA PUBLIC SERVICE COMMISSION  
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
 INDIVIDUAL PROJECTS COMMENCING DURING 2018 WHICH EXCEED \$10 MILLION  
 (AMOUNTS IN 000'S)

Company: Florida Power & Light Company and Subsidiaries  
 YEAR: 2018

Schedule of Individual projects that commence during 2018 and exceed a gross cost of \$10 million:

Project	Estimated Total Cost	Estimated Construction Commencement Date	Estimated In-Service Date
COMBINED CYCLE TURBINE UPGRADES	365,000	Feb - 2018	Dec - 2018
DANIA BEACH ENERGY CENTER	888,000	Sep - 2018	May - 2022
HOWARD INJECTION 138Kv	19,350	Jan - 2018	Dec - 2021

RATE BASE VARIANCE (\$000s)				
Rate Base	2018 FESR	Pro Forma 2018 FESR	Variance	
<b><i>FPSC Adjusted Rate Base:</i></b>				
Accumulated Depreciation & Amortization	\$ (935,807) \$	(1,000,000) \$	64,193	
Net Plant	\$ 935,807 \$	1,000,000 \$	(64,193)	
Accrued Income Taxes	\$ (354,250) \$	(273,869) \$	(80,381)	
Overrecovered Environmental & ECCR Revenues	\$ (125,649) \$	(115,752) \$	(9,897)	
Working Capital Liabilities	\$ (479,900) \$	(389,621) \$	(90,279)	
<b>Total FPSC Adjusted Rate Base Changes</b>	<b>\$ 455,907 \$</b>	<b>610,379 \$</b>	<b>(154,472)</b>	
<b>Total FPSC Adjusted Rate Base Per Schedule 2, Page 1 of 2</b>	<b>\$ 36,163,272 \$</b>	<b>36,317,744 \$</b>	<b>(154,472)</b>	

NET OPERATING INCOME VARIANCE (\$000s)

Income Statement	2018 FESR	Pro Forma 2018 FESR	Variance
<b><u>FPSC Adjusted Income Statement:</u></b>			
Operating Revenues	\$ 6,615,157	\$ 6,615,157	\$ -
Fuel & Net Interchange	\$ 22,244	\$ 22,244	\$ -
Other O&M	\$ 1,212,850	\$ 1,212,850	\$ -
Depreciation and Amortization	\$ 1,921,324	\$ 1,620,287	\$ 301,037
Taxes other Than Income Taxes	\$ 561,289	\$ 561,289	\$ -
Income Taxes and Investment Tax Credit	\$ 497,845	\$ 1,029,055	\$ (531,210)
Gain Loss on Disposition	\$ (5,955)	\$ (5,955)	\$ -
Total Operating Expenses	\$ 4,209,597	\$ 4,439,770	\$ (230,173)
<b>FPSC Adjusted Net Operating Income</b>	<b>\$ 2,405,559</b>	<b>\$ 2,175,386</b>	<b>\$ 230,173</b>
<b>FPSC Adjusted Net Operating Income Per Schedule 2, Page 2 of 2</b>	<b>\$ 2,405,559</b>	<b>\$ 2,175,386</b>	<b>\$ 230,173</b>

<u>Operating Income Tax Expense Detail:</u>	2018 FESR	Pro Forma 2018 FESR	Variance
Change in Federal Corporate Income Tax Rate	\$ 615,698	\$ 1,050,692	\$ (434,994)
Amortization of Excess Deferred Income Taxes	\$ (117,853)	\$ (2,240)	\$ (115,614)
Section 199 Deduction	\$ -	\$ (19,398)	\$ 19,398
<b>FPSC Adjusted Operating Income Tax Expense</b>	<b>\$ 497,845</b>	<b>\$ 1,029,055</b>	<b>\$ (531,210)</b>
<b>FPSC Adjusted Operating Income Tax Expense Per Schedule 2, Page 2 of 2</b>	<b>\$ 497,845</b>	<b>\$ 1,029,055</b>	<b>\$ (531,210)</b>

**CAPITAL STRUCTURE VARIANCE (\$000s)**

<b>AVERAGE - FPSC ADJUSTED RETAIL <sup>(1)</sup></b>	<b>2018 FESR</b>	<b>Pro Forma 2018 FESR</b>	<b>Variance</b>
LONG TERM DEBT	\$10,103,854	\$10,106,477	(\$2,623)
SHORT TERM DEBT	1,096,992	1,034,236	62,756
PREFERRED STOCK	0	0	0
CUSTOMER DEPOSITS	396,035	396,035	0
COMMON EQUITY	16,517,901	16,429,430	88,471
DEFERRED INCOME TAXES <sup>(2)</sup>	7,788,784	8,091,860	(303,076)
TAX CREDITS WEIGHTED COST	259,706	259,706	0
<b>TOTAL</b>	<b>\$36,163,272</b>	<b>\$36,317,744</b>	<b>(\$154,472)</b>

**Note:**

(1) Per FESR Schedule 3, Page 1 of 1

(2) Includes excess deferred income taxes reclassified to a net regulatory liability



Forecast Change in 2018 FPSC Adjusted Revenue Requirement - Tax Cut and Jobs Act		2018	Ref.
1	Reduction in Corporate Income Tax Rate to 21%	(582,672,156)	Line 21 + Line 24
2	Loss of Bonus Depreciation	10,313,430	Line 51
3	Impact of Lower Income Tax Rates on New Deferred Income Taxes	16,468,599	Line 52
4	Amortization of Excess Deferred Income Taxes <sup>1</sup>	(154,863,709)	Line 22
5	Loss of Section 199 Deduction	25,983,240	Line 23
6	<b>Total Forecast Change in FPSC Adjusted Revenue Requirement</b>	<b>(684,770,596)</b>	
<b>Notes:</b>			
(1) ARAM - Amortization of Excess Deferred Income Taxes. Includes the amortization of both protected and unprotected excess deferred income taxes			
<b>Operating Income Tax Expense</b>			
7	<b>Change in Per Book Tax Expense due to:</b>	<b>2018</b>	
8	Federal Reduction in Corporate Income Tax Rate to 21%	(502,993,482)	
9	Amortization of Excess Deferred Income Taxes	(115,613,502)	
10	Section 199 Deduction	19,397,787	
11	State Tax Expense/Other	18,171,806	
12	<b>Change in Per Book Tax Expense</b>	<b>(581,037,391)</b>	
13	<b>2018 Non-Jurisdictional, Per Book &amp; FPSC Adjustments Variance<sup>1</sup></b>	<b>49,827,778</b>	
14	<b>Change in FPSC Adjusted Tax Expense due to:</b>		
15	Federal Reduction in Corporate Income Tax Rate to 21% <sup>2</sup>	(453,165,704)	Line 8 + Line 13
16	Amortization of Excess Deferred Income Taxes	(115,613,502)	Line 9
17	Section 199 Deduction	19,397,787	Line 10
18	State Tax Expense/Other	18,171,806	Line 11
19	<b>Change in FPSC Adjusted Tax Expense</b>	<b>(531,209,612)</b>	Exhibit SRB-4
20	<b>Revenue Requirement Associated with the Change in FPSC Adjusted Operating Income Tax Expense<sup>3</sup></b>		
21	Federal Reduction in Corporate Income Tax Rate to 21%	(607,013,199)	Line 15 / 0.74655
22	Amortization of Excess Deferred Income Taxes	(154,863,709)	Line 16 / 0.74655
23	Section 199 Deduction	25,983,240	Line 17 / 0.74655
24	State Tax Expense/Other	24,341,043	Line 18 / 0.74655
25	<b>Revenue Requirement Associated with the Change in FPSC Adjusted Operating Income Tax Expense</b>	<b>(711,552,625)</b>	

- Notes:**
- 2018 FESR vs. Pro forma 2018 FESR Variance in Non-Jurisdictional, Per Book & FPSC Adjustments. Variance attributed to Federal Reduction in Corporate Income Tax Rate.
  - Change in Per Book Tax Expense due to reduction in Federal Corporate Income Tax Rate to 21% (Line 8) adjusted for the change in Non-Jurisdictional, Per Book & FPSC Adjustments (Line 13).
  - Change in FPSC Adjusted tax expense grossed up for taxes

**Accumulated Deferred Income Taxes**

26	<b>Decrease in Total Company Per Book, Year-End DTL:</b>	<b>2018</b>	
27	Decrease due to Loss of Bonus	(275,069,036)	
28	Decrease due to Income Tax Rate Change	(251,532,647)	
29	Decrease due to Loss of Surplus Depreciation/Other	(65,745,134)	
30	Decrease due to ARAM Amortization	(115,613,502)	
31	Decrease due to Changes in FL State Taxes & Federal Benefit of State	(6,342,005)	
32	<b>Decrease in Total Company Per Book, Year-End DTL</b>	<b>(714,302,324)</b>	
33	Variance in Non-Jurisdictional & FPSC Adjustments <sup>1</sup>	11,650,605	
34	Year-End vs. 13-month Average Adjustment <sup>2</sup>	399,575,991	
35	<b>Total Adjustments to Per Book, Year-End DTL</b>	<b>411,226,595</b>	
36	<b>Decrease in FPSC Adjusted, 13-Month Average DTL:</b> <sup>3</sup>		
37	Decrease due to Loss of Bonus	(116,710,734)	Line 27 + Line 35 (prorata allocation)
38	Decrease due to Income Tax Rate Change	(106,724,335)	Line 28 + Line 35 (prorata allocation)
39	Decrease due to Loss of Surplus Depreciation/Other	(27,895,407)	Line 29 + Line 35 (prorata allocation)
40	Decrease due to ARAM Amortization	(49,054,364)	Line 30 + Line 35 (prorata allocation)
41	Decrease due to Changes in FL State Taxes & Federal Benefit of State	(2,690,888)	Line 31 + Line 35 (prorata allocation)
42	<b>Decrease in FPSC Adjusted, 13-Month Average DTL</b>	<b>(303,075,729)</b>	Exhibit SRB-5
43	<b>WACC - Pro Forma FESR (high-point 11.6% ROE)</b>		<b>6.60%</b>
44	<b>Revenue Requirement Associated with the Decrease in FPSC Adjusted, 13-Month Average DTL:</b> <sup>4</sup>		
45	Decrease due to Loss of Bonus	(10,313,430)	(Line 37 * Line 43) / 0.74655
46	Decrease due to Income Tax Rate Change	(9,430,957)	(Line 38 * Line 43) / 0.74655
47	Decrease due to Loss of Surplus Depreciation/Other	(2,465,046)	(Line 39 * Line 43) / 0.74655
48	Decrease due to ARAM Amortization	(4,334,809)	(Line 40 * Line 43) / 0.74655
49	Decrease due to Changes in FL State Taxes & Federal Benefit of State	(237,787)	(Line 41 * Line 43) / 0.74655
50	<b>Revenue Requirement Associated with the Decrease in FPSC Adjusted, 13-Month Average DTL</b>	<b>(26,782,029)</b>	
51	<b>Revenue Requirement Decrease due to Loss of Bonus</b>	<b>(10,313,430)</b>	Line 45 above
52	<b>Revenue Requirement Decrease due to All Other DTL</b>	<b>(16,468,599)</b>	Lines 46 - 49 above

**Notes:**

1. Difference between 2018 FPSC Adjusted Retail and System Per Books deferred income taxes.
2. Difference between 2018 Company Per Book Year-End and Utility per Book 13-Month Average deferred income taxes
3. Pro-rata allocation to per book, year-end change in DTL balance.
4. Return on the change in FPSC Adjusted 13-Month Average DTA/DTL grossed up for taxes. The return is based on a 6.60% ROR.