

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 17, 2020

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Andrew L. Maurey, Director, Division of Accounting & Finance *ALM*

RE: Docket No. 20180046-EI

Please include the attached documents in the docket file for In re: Consideration of the tax impacts associated with the Tax Cuts and Jobs Act of 2017 for Florida Power & Light Company (Docket No. 20180046-EI). These documents were filed pursuant to the requirements of Order No. PSC-2019-0225-FOF-EI.

cc: Mark Cicchetti
Suzanne Brownless

Attachments



August 14, 2020

Mr. Bart Fletcher
Public Utilities Supervisor
Division of Accounting and Finance
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

Re: June 2020 Forecasted Earnings Surveillance Report

Dear Mr. Fletcher:

Pursuant to FPSC Order No. PSC-2019-0225-FOF-EI, FPL is providing its June 2020 Forecast Earnings Surveillance Report ("FESR") for the proceeding rolling 12 months. The forecast results contained in the FESR reflect the Company's June 2020 forecast assumptions and actual results are subject to change. In accordance with the Stipulation and Settlement Agreement that the Commission approved in Order No. PSC-16-0560-AS-EI, the Company will vary the portion of Reserve Amount amortized over the next 12 months to maintain its actual return on equity within the range of 9.6% to 11.6%.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott Bores', written over a horizontal line.

Scott Bores
Senior Director-Financial Planning & Analysis

Enclosures

cc: J. R. Kelly, Office of Public Counsel
Andrew Maurey, Florida Public Service Commission

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: JUNE 2021

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED
NET OPERATING INCOME	\$3,266,369 (A)	(\$187,402) (B)	\$3,078,967
AVERAGE RATE BASE	\$44,232,458	\$1,093,483	\$45,325,941
AVERAGE RATE OF RETURN	7.38%		6.79%

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

AVERAGE CAPITAL STRUCTURE
 (FPSC ADJUSTED BASIS)

LOW	5.84%
MIDPOINT	6.30%
HIGH	6.80%

IV. FINANCIAL INTEGRITY INDICATORS

A. TIMES INTEREST EARNED WITH AFUDC	6.50	(SYSTEM PER BOOK BASIS)
B. TIMES INTEREST EARNED WITHOUT AFUDC	6.36	(SYSTEM PER BOOK BASIS)
C. AFUDC AS PERCENT OF NET INCOME	3.02%	(SYSTEM PER BOOK BASIS)
D. PERCENT OF CONSTRUCTION GENERATED INTERNALLY	54.16%	(SYSTEM PER BOOK BASIS)
E. LTD TO TOTAL INVESTOR FUNDS	38.81%	(FPSC ADJUSTED BASIS)
F. STD TO TOTAL INVESTOR FUNDS	2.07%	(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)

SCHEDULE 2
PAGE 1 OF 2

Company: Florida Power & Light Company and Subsidiaries
YEAR: JUNE 2021

	(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
1 SYSTEM PER BOOKS	\$58,669,718	\$17,210,991	\$41,458,727	\$447,796	\$4,059,951	\$657,579	\$46,624,053	(\$745,792)	\$45,878,261
2 JURISDICTIONAL PER BOOKS	56,434,044	14,161,788	42,272,256	427,873	3,848,278	626,049	47,174,457	(2,941,998)	44,232,458
<u>FPSC ADJUSTMENTS:</u>									
3 ACCUM PROV DECOMMISSIONING COSTS		(4,878,378)	4,878,378				4,878,378		4,878,378
4 CAPITALIZED EXECUTIVE COMPENSATION	(40,158)		(40,158)				(40,158)		(40,158)
5 ENVIRONMENTAL	(1,500,706)	(386,210)	(1,114,496)				(1,114,496)		(1,114,496)
6 FUEL AND CAPACITY	(173,386)	(46,520)	(126,865)				(126,865)		(126,865)
7 LOAD CONTROL	(39,935)	(20,665)	(19,270)				(19,270)		(19,270)
8 ASSET RETIREMENT OBLIGATION	(340,257)	4,510,204	(4,850,461)				(4,850,461)		(4,850,461)
9 CAPITAL LEASES	(99,034)	(38,219)	(60,815)				(60,815)		(60,815)
10 STORM PROTECTION CLAUSE	(58,932)	(231)	(58,701)				(58,701)		(58,701)
11 CONSTRUCTION WORK IN PROGRESS					(1,639,014)		(1,639,014)		(1,639,014)
12 CWIP - CLAUSE PROJECTS					(90,327)		(90,327)		(90,327)
13 ACCOUNTS RECEIVABLE - ASSOC COS								(34,756)	(34,756)
14 JOBBING ACCOUNTS								(442)	(442)
15 NET UNDERRECOVERED FUEL, CAPACITY, ECCR, ECRC								(45,852)	(45,852)
16 NUCLEAR COST RECOVERY								241,631	241,631
17 OTH REG ASSETS - CLAUSES								(5,268)	(5,268)
18 MISC. DEFFERED DEBIT - CLAUSES								(3,038)	(3,038)
19 CEDAR BAY TRANSACTION								(345,042)	(345,042)
20 ICL TRANSACTION								(240,242)	(240,242)
21 POLE ATTACHMENTS RENTS RECEIVABLE								(8,100)	(8,100)
22 MARGIN CALL CASH COLLATERAL								(481)	(481)
23 PREPAYMENTS - ECCR								(40,175)	(40,175)
24 PREPAYMENTS - INTEREST ON COMMERCIAL PAPER								(5,306)	(5,306)
25 STORM DEFICIENCY RECOVERY								-	-
26 TEMPORARY CASH INVESTMENTS								(455)	(455)
27 ACCUM DEFERRED RETIREMENT BENEFITS								184	184
28 ACCUM. PROV. - PROPERTY & STORM INSURANCE								115,547	115,547
29 ACCUM. PROV. - RATE REFUNDS								-	-
30 ASSET RETIREMENT OBLIGATION								4,850,461	4,850,461
31 GAIN ON SALE OF EMISSION ALLOWANCE								-	-
32 NOTES PAYABLE TO ASSOC. COMPANIES								(77,509)	(77,509)
33 SJRPP ACCELERATED RECOVERY								2,062	2,062
34 SJRPP CAPACITY/ECRC								(187,947)	(187,947)
36 INTEREST & DIV RECEIVABLE								(60)	(60)
37 TOTAL FPSC ADJUSTMENTS	(2,252,408)	(860,020)	(1,392,388)	-	(1,729,340)	-	(3,121,729)	4,215,212	1,093,483
38 FPSC ADJUSTED	\$54,181,636	\$13,301,768	\$40,879,868	\$427,873	\$2,118,938	\$626,049	\$44,052,728	\$1,273,213	\$45,325,941

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: JUNE 2021

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATING REVENUES	OPERATION & MAINTENANCE		DEPRECIATION AND AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES AND INVESTMENT TAX CREDIT	GAIN LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
		FUEL & NET INTERCHANGE	OTHER O&M						
1 SYSTEM PER BOOKS	\$11,437,382	\$2,862,392	\$1,450,360	\$1,726,953	\$1,399,518	\$688,421	(\$794)	\$8,126,850	\$3,310,532
2 JURISDICTIONAL PER BOOKS	11,015,198	2,742,850	1,402,646	1,651,083	1,377,719	660,559	(794)	7,834,063	3,181,136
<u>FPSC ADJUSTMENTS:</u>									
3 CAPACITY COST RECOVERY	(257,208)	(165,343)	(36,627)	(6,468)	(332)	(12,073)		(220,842)	(36,365)
4 CONSERVATION COST RECOVERY	(56,043)		(45,828)	(7,984)	(988)	(391)		(55,191)	(852)
5 ENVIRONMENTAL COST RECOVERY	(184,925)		(38,196)	(42,391)	(308)	(25,730)		(106,626)	(78,299)
6 FUEL COST REC RETAIL	(2,573,757)	(2,557,754)	(23)		(1,818)	(2,836)		(2,562,431)	(11,326)
7 STORM PROTECTION COST RECOVERY	(9,613)			(1,345)		(2,027)		(3,373)	(6,240)
8 STORM DEFICIENCY RECOVERY								-	-
9 FUEL CLAUSE - GAS RESERVES								-	-
10 FRANCHISE REVENUE & EXPENSE	(465,737)				(465,737)			(465,737)	-
11 GROSS RECEIPTS TAX	(252,559)				(252,559)			(252,559)	-
12 MISCELLANEOUS O&M EXPENSES			(2,787)			684		(2,104)	2,104
13 AVIATION - EXPENSES			(121)			30		(91)	91
14 EXECUTIVE COMPENSATION			(42,550)			10,434		(32,116)	32,116
15 INTEREST TAX DEFICIENCIES			319			(78)		241	(241)
16 INTEREST SYNCHRONIZATION						3,156		3,156	(3,156)
17 TOTAL FPSC ADJUSTMENTS	(3,799,842)	(2,723,097)	(165,814)	(58,188)	(721,742)	(28,833)	-	(3,697,674)	(102,168)
18 FPSC ADJUSTED	\$7,215,356	\$19,753	\$1,236,832	\$1,592,895	\$655,977	\$631,726	(\$794)	\$4,136,389	\$3,078,967

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

SCHEDULE 3
PAGE 1 OF 1

Company: Florida Power & Light Company and Subsidiaries
YEAR: JUNE 2021

AVERAGE	SYSTEM PER BOOKS	RETAIL PER BOOKS	ADJUSTMENTS		ADJUSTED RETAIL	RATIO	LOWPOINT		MIDPOINT		HIGHPOINT	
			PRORATA	SPECIFIC			COST RATE	WEIGHTED COST	COST RATE	WEIGHTED COST	COST RATE	WEIGHTED COST
LONG TERM DEBT	\$14,130,823	\$13,620,692	\$425,905	(\$66,121)	\$13,980,476	30.84%	3.88%	1.20%	3.88%	1.20%	3.88%	1.20%
SHORT TERM DEBT	750,019	722,923	22,715	(\$0)	745,638	1.65%	0.77%	0.01%	0.77%	0.01%	0.77%	0.01%
PREFERRED STOCK	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	408,015	407,753	12,812	\$0	420,565	0.93%	2.04%	0.02%	2.04%	0.02%	2.04%	0.02%
COMMON EQUITY	21,423,957	20,649,958	648,853	(\$0)	21,298,811	46.99%	9.60%	4.51%	10.55%	4.96%	11.60%	5.45%
DEFERRED INCOME TAXES	8,381,748	8,077,034	250,487	(\$105,198)	8,222,324	18.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TAX CREDITS WEIGHTED COST	783,699	754,099	20,049	(\$116,021)	658,127	1.45%	7.33%	0.11%	7.91%	0.11%	8.54%	0.12%
TOTAL	\$45,878,261	\$44,232,458	\$1,380,823	(\$287,340)	\$45,325,941	100.00%		5.84%		6.30%		6.80%

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: JUNE 2021

A. TIMES INTEREST EARNED WITH AFUDC

EARNINGS BEFORE INTEREST	\$3,370,014
AFUDC - DEBT	20,132
INCOME TAXES	679,452
TOTAL	<u>\$4,069,598</u>
INTEREST CHARGES (BEFORE DEBT AFUDC)	625,814
TIE WITH AFUDC	<u>6.50</u>

B. TIMES INTEREST EARNED WITHOUT AFUDC

EARNINGS BEFORE INTEREST	\$3,370,014
AFUDC - EQUITY	(68,184)
INCOME TAXES	679,452
TOTAL	<u>\$3,981,281</u>
INTEREST CHARGES (BEFORE DEBT AFUDC)	\$625,814
TIE WITHOUT AFUDC	<u>6.36</u>

C. PERCENT OF AFUDC TO NET INCOME AVAILABLE TO COMMON

AFUDC - DEBT	\$20,132
X (1-INCOME TAX RATE)	0.7548
SUBTOTAL	<u>\$15,195</u>
AFUDC - EQUITY	68,184
TOTAL	<u>\$83,379</u>
NET INCOME AVAILABLE TO COMMON	<u>\$2,764,332</u>
PERCENT AFUDC TO AVAILABLE NET INCOME	<u>3.02%</u>

D. PERCENT INTERNALLY GENERATED FUNDS

NET INCOME	\$2,764,332
PREFERRED DIVIDENDS	-
COMMON DIVIDENDS	(1,857,079)
AFUDC (DEBT & OTHER)	(88,316)
DEPRECIATION & AMORTIZATION	1,726,953
DEFERRED INC TAXES & INVESTMENT CREDITS	566,794
OTHER SOURCES/USES OF FUNDS	199,075
TOTAL	<u>\$3,311,759</u>
CONSTRUCTION EXPENDITURES (EXCLUDING AFUDC DEBT & EQUITY)	\$6,114,673
PERCENT INTERNALLY GENERATED FUNDS	54.16%

E. & F. LONG TERM AND SHORT TERM DEBT AS A PERCENT OF INVESTOR CAPITAL

RECONCILED AVERAGE RETAIL AMOUNTS:	
LONG TERM DEBT	\$13,980,476
SHORT TERM DEBT	745,638
PREFERRED STOCK	-
COMMON EQUITY	21,298,811
TOTAL	<u>\$36,024,925</u>
% LONG TERM DEBT TO TOTAL	38.81%
% SHORT TERM DEBT TO TOTAL	2.07%

G. AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY

	FPSC ADJUSTED
AVERAGE JURISDICTIONAL EARNED RATE OF RETURN	6.79%
LESS: RECONCILED AVERAGE RETAIL WEIGHTED COST RATES:	
LONG TERM DEBT	1.20%
SHORT TERM DEBT	0.01%
PREFERRED STOCK	0.00%
CUSTOMER DEPOSITS	0.02%
TAX CREDITS - WEIGHTED COST (MIDPOINT)	0.11%
SUBTOTAL	<u>1.34%</u>
TOTAL	5.45%
DIVIDED BY COMMON EQUITY RATIO	<u>46.99%</u>
JURISDICTIONAL RETURN ON COMMON EQUITY	<u>11.60%</u>

	AMOUNT	RELATED ORDER
Rollover Reserve Amount - 12/31/2016 ⁽¹⁾	\$ 252,100,355	
Depreciation Reserve Surplus Approved by FPSC - 1/1/2017	\$ 1,000,000,000	PSC-16-0560-AS-EI
Total Reserve Amount Available Under Current Settlement Agreement	\$ 1,252,100,355	
Actual Amortization from 1/1/2017 - 12/31/2017:		
January, 2017	\$ (125,223,511)	
February, 2017	\$ (35,682,879)	
March, 2017	\$ (52,328,640)	
April, 2017	\$ 26,451,730	
May, 2017	\$ (36,038,470)	
June, 2017	\$ (7,408,419)	
July, 2017	\$ 25,671,697	
August, 2017	\$ 22,847,456	
September, 2017	\$ 75,509,428	
October, 2017	\$ 54,523,942	
November, 2017	\$ (52,119,437)	
December, 2017 ⁽²⁾	\$ (1,148,303,252)	
Total Amortization from 1/1/2017 - 12/31/2017	\$ (1,252,100,355)	
Remaining Reserve Amount - 12/31/2017	<u>\$0</u>	
Actual Amortization from 1/1/2018 - 12/31/2018:		
January, 2018	\$ -	
February, 2018	\$ -	
March, 2018	\$ -	
April, 2018	\$ -	
May, 2018	\$ -	
June, 2018	\$ -	
July, 2018	\$ 51,958,256	
August, 2018	\$ 55,277,885	
September, 2018	\$ 193,713,805	
October, 2018	\$ 125,007,557	
November, 2018	\$ 14,253,285	
December, 2018	\$ 100,738,501	
Total Amortization from 1/1/2018 - 12/31/2018	\$ 540,949,289	
Remaining Reserve Amount - 12/31/2018	<u>\$540,949,289</u>	
Actual Amortization from 1/1/2019 - 12/31/2019:		
January, 2019	\$ (84,875,022)	
February, 2019	\$ (33,423,808)	
March, 2019	\$ (37,487,852)	
April, 2019	\$ (1,238,828)	
May, 2019	\$ 48,530,293	
June, 2019	\$ 173,309,107	
July, 2019	\$ 86,035,009	
August, 2019	\$ 52,771,234	
September, 2019	\$ 172,044,151	
October, 2019	\$ 157,733,862	
November, 2019	\$ (657,986)	
December, 2019	\$ (176,076,008)	
Total Amortization from 1/1/2019 - 12/31/2019	\$ 356,664,152	
Actual Amortization from 1/1/2020 - 12/31/2020:		
January, 2020	\$ (114,482,970)	
February, 2020	\$ (45,574,339)	
March, 2020	\$ 11,911,325	
April, 2020	\$ 5,861,698	
May, 2020	\$ (5,982,714)	
June, 2020	\$ (9,495,711)	
Total Amortization from 1/1/2020 - 12/31/2020	\$ (157,762,711)	
Reduction in Total Reserve Amount Available Under Current Settlement Agreement	\$ (5,000,000)	PSC-2019-0319-S-EI
Remaining Reserve Amount - 6/30/2020	<u>\$734,850,730</u>	

Notes:

- (1) Rollover Reserve Amount provided pursuant to Order No. PSC-16-0560-AS-EI, Docket Nos. 160021-EI, 160061-EI, 160062-EI, and 160088-EI.
(2) The December 2017 amortization amount is a partial offset to the \$1.3 billion Hurricane Irma restoration cost write-off.
(3) Available Reserve Amount reduction pursuant to Order No. PSC-2019-0319-S-EI, Docket No. 20180049-EI.