

Marguerite McLean

080677-EI

From: Butler, John [John.Butler@fpl.com]
Sent: Thursday, May 20, 2010 2:58 PM
To: Filings@psc.state.fl.us
Subject: Electronic Filing / Docket 080677-EI / FPL's Accounting Changes in Compliance with Order No. PSC-10-0153-FOF-EI

Attachments: 5.20.10 FPL Letter re Earnings Surveillance Report.pdf

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 080677-EI
In re: Petition for rate increase by Florida Power & Light Company

c. Documents are being filed on behalf of Florida Power & Light Company.

d. There are a total of 6 pages in the attached document.

e. The document attached for electronic filing is Florida Power & Light Company's letter describing accounting changes in compliance with Order No. PSC-10-0153-FOF-EI

Thank you for your attention and cooperation to this request.

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DOCUMENT NUMBER-DATE

04287 MAY 20 09

FPSC-COMMISSION CLERK

5/20/2010



May 20, 2010

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

Re: Docket No. 080677-EI – Petition for rate increase by Florida Power & Light Company
Order No. PSC-10-0153-FOF-EI

Dear Ms. Cole:

On March 17, 2010, the Florida Public Service Commission issued Order No. PSC-10-0153-FOF-EI in the Florida Power & Light Company rate case, Docket No. 080677-EI. Page 196 of the Order states:

ORDERED that Florida Power & Light Company shall file, within 90 days after date of the Final Order in this docket, a description of all entries or adjustments to its annual report, earnings surveillance report, and books and records that will be required as a result of the findings made in this docket.

Following is a description of the changes to FPL's books and records and adjustments to the Company's Earnings Surveillance Report filed monthly with the Commission as a result of the Order.

I. Changes to Books and Records

The following represents changes that are being made to the Company's books and records as a result of the Order. The term 'books and records' is meant to include annual reports, financial statements, general ledger and accounting systems of the Company.

1. Depreciation Expense Changes – the Order requires the use of new depreciation rates and the amortization of the theoretical reserve surplus net of capital recovery schedules starting January 1, 2010. This will affect the Company's depreciation and amortization accruals and reserves starting January 2010.

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FPSC-COMMISSION CLERK

2. Dismantlement – The Order made a series of changes to FPL’s requested dismantlement accruals and reduced FPL’s overall request by \$2.6 million. FPL made the required changes to its dismantlement accrual and corresponding dismantlement reserves starting January 2010.
3. Nuclear Fuel Assets – The Order approved FPL’s request to change the accounting treatment of its nuclear fuel from leasing the nuclear fuel to FPL ownership of the nuclear fuel assets. Starting in March, the nuclear fuel assets are recorded in FERC accounts 120.1 through 120.5 instead of account 120.6 and the nuclear fuel capital lease obligations are no longer recorded in account 227.2.
4. Capacity Charges – The Order approved FPL’s request to recover the costs associated with its SJRPP purchased power contract through the capacity clause rather than base rates. Starting in March, FPL discontinued its past practice of transferring its SJRPP purchase power costs from a capacity clause recoverable general ledger account to base rate recoverable account. FPL did not reflect recovery of the SJRPP purchase power costs in the projected capacity clause recovery for 2010 that was approved in November 2009, but will reflect recovery of those costs starting in March as part of its capacity clause estimated/actual true-up for 2010 that will be filed in August 2010.
5. Historical Museum – FPL intends to transfer the FPL Historical Museum to an affiliate during 2010. Until such transfer, FPL will remove the costs associated with maintaining its historical museum as an adjustment in surveillance reporting.
6. Aviation Costs – FPL intends to transfer its aviation assets and associated costs to FPL Group in May 2010. Only the specific operating costs that are charged to FPL by FPL Group for FPL’s use of the aviation assets will be recorded on FPL’s books beginning May 2010.
7. FiberNet Charges – The return on investment difference between FPL’s approved rate of return and FiberNet’s rate of return which is embedded in FiberNet’s billing is being charged to FPL Group Capital and is no longer reflected on FPL’s books starting March 2010.
8. Transfer of FPL-NED Assets – FPL intends to transfer its New England Division (NED) assets to an affiliate in June 2010, subject to completion of all regulatory approvals.
9. Rate Case Expense – Rate case expense of \$801,750 is amortized to O&M over a four year period beginning March 2010.
10. Glades Power Park – Pursuant to the Order, and consistent with Order No. PSC-09-0013-PAA-EI, issued January 5, 2009, in Docket No. 070432-EI, FPL began amortizing the \$34.1 million in costs associated with the Glades Power Park Project over a 5 year period starting January 2010.

11. Incremental Fuel Hedging Costs – Starting in March, incremental fuel hedging costs previously booked to a fuel clause recoverable O&M account are booked to a base rate recoverable O&M account.
12. Rates and Charges – Effective March 1, 2010, FPL's billing system was changed to reflect the changes in rates and charges specified in the Order.
13. AFUDC Accruals – Effective in April, 2010, subsequent to receiving Commission approval, the Company will reset its AFUDC rate consistent with the return on common equity approved in the Commission order.

II. Cost Recovery Clause Return on Investment Calculations

Effective March 2010, FPL began calculating the return on investment for assets recovered through the fuel, conservation, capacity and environmental cost recovery clauses using the weighted cost of capital approved by the Commission in this docket. FPL will recover a return in the environmental clause on the solar plant-related investment tax credits (ITC's).

III. Earnings Surveillance Report Changes

The following changes will be reflected on FPL's Earnings Surveillance Report beginning with the March 2010 report when new base rates go into effect.

1. Nuclear Fuel Assets – Nuclear fuel balances will be capitalized and included in rate base. Per the revised book treatment, the nuclear fuel lease rate base adjustment will be discontinued starting March 2010.
2. Unamortized Rate Case Expense – An adjustment will be made to remove the unamortized balance for rate case expense from rate base working capital.
3. SJRPP Purchase Power Costs – The \$56.9 million capacity charge associated with St. Johns River Power Park will be included along with other capacity charges and recovered in the capacity cost recovery clause. The NOI adjustments used to transfer these charges to base rates will be discontinued starting March 2010.
4. Incremental Fuel Hedging Costs – Effective March 2010, these costs will be recovered in base rates. Fuel clause NOI adjustments will no longer reflect these costs starting March 2010.
5. Historical Museum – FPL intends to transfer the FPL Historical Museum to an affiliate during 2010. Until such transfer occurs, FPL will remove the costs associated with maintaining its historical museum as an adjustment in the surveillance report beginning in March 2010.

6. Atrium O&M Expense and Orange Grove Revenues – NOI adjustments for atrium O&M expense and orange grove revenues will no longer be made.
7. Return on Equity (ROE) Change – FPL's Earnings Surveillance Report will be changed to reflect the 10.0% return on common equity approved in the Order. The cost rate for the investment tax credit capital structure component will also be changed to reflect the new common equity cost rate.
8. Incentive Compensation Adjustment – FPL understands that the Commission reduced FPL's revenue request for executive and non-executive incentive compensation in the rate order because it found FPL's requested compensation levels to be excessive in light of current economic conditions. In addition, the Company voluntarily removed forecasted executive raises. Therefore, FPL does not believe a surveillance report adjustment is appropriate.
9. Aviation Costs – The Commission approved FPL's motion to withdraw aviation costs from its revenue request. Because the Commission made no findings as to the appropriate level of aviation costs, no surveillance report adjustment is appropriate. As noted in item 6 in the Changes to Books and Records section, Aviation fleet and operations will be transferred out of FPL to FPL Group.

Regards,



Kim Ousdahl
Vice President, Controller and Chief Accounting Officer

C.C.
Marshall Willis,
Director Division of Economic Development,
Florida Public Service Commission

Counsel for parties on record.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished electronically this 20th day of May, 2010, to the following:

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