

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

**DATE:** July 22, 2010

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economic Regulation (P. Lee, Draper, Kummer, Maurey, Gardner, Slemkewicz, Prestwood, Lester) *For PSL*  
Office of the General Counsel (Bennett) *EDD ALM BH*  
*IS PZ CP*  
*ALB JSC*

**RE:** Docket No. 080677-EI – Petition for increase in rates by Florida Power & Light Company.

Docket No. 090130-EI – 2009 depreciation and dismantlement study by Florida Power & Light Company.

**AGENDA:** 08/03/10 – Regular Agenda – Interested Persons May Participate in Issue 9 Only. Oral argument has not been requested for Issues 1-8. Participation of parties for Issues 1-8 is at the discretion of the Commission.

**COMMISSIONERS ASSIGNED:** Argenziano, Edgar Skon

**PREHEARING OFFICER:** Skop

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** Motion for Reconsideration. Oral Argument not requested. Oral Argument at the discretion of the Commission

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\080677.RCM.DOC

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### Case Background

On March 17, 2010, the Commission issued Order No. PSC-10-0153-FOF Granting in Part and Denying in Part, Florida Power and Light Company's Request for a Permanent Rate Increase and Setting Depreciation and Dismantlement Rates and Schedules (Final Order) in

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FPSC-ADMINISTRATIVE CLERK

Docket Nos. 080677-EI and 090130-EI. The Final Order was issued as a result of the Commission's vote on Florida Power & Light Company's (FPL) revenue requirements and rates at the Commission's January 13 and January 29, 2010, Special Agenda Conferences. The Final Order was a culmination of the rate case proceedings which commenced on March 18, 2009, with the filing of a petition for a permanent rate increase by FPL. While the Office of Public Counsel (OPC), the Office of the Attorney General (AG), the Florida Industrial Power Users Group (FIPUG), The Florida Retail Federation (FRF), the Florida Association for Fairness in Rate Making (AFFIRM), the Federal Executive Agencies (FEA), South Florida Hospital and Healthcare Association (SFHHA), the Associated Industries of Florida (AIF), the City of South Daytona, Florida (South Daytona), the I.B.E.W. System Council U-4 (SCU-4), the FPL Employees Intervenors (Employee Intervenors), Thomas Saporito (Saporito), and Richard Unger (Unger) intervened in this proceeding, only FPL, OPC, FIPUG, SFHHA, and Saporito filed post-decision motions.

On April 1, 2010, both FPL and FIPUG filed Motions for Reconsideration. FPL included in its motion a Motion for Clarification. On April 8, 2010, OPC, SFHHA, and FIPUG filed responses to FPL's Motion for Reconsideration and for Clarification. On that same date, FPL filed a response to FIPUG's Motion for Reconsideration. On April 15, 2010, FPL filed a Motion for Leave to File Response to SFHHA's Response to FPL's Motion for Reconsideration and Clarification. On January 19, 2010, Saporito, who withdrew from the docket three days prior to the Prehearing Conference, filed a petition for a base rate proceeding, asking that the Commission use the evidentiary record from this docket to reach a different decision. Since Saporito's petition was filed after the Commission's decision setting forth the revenue requirements, his petition is addressed in this recommendation.

The standard of review for a motion for reconsideration is whether the motion identifies a point of fact or law which was overlooked or which this Commission failed to consider in rendering its Order. See Stewart Bonded Warehouse, Inc. v. Bevis, 294 So. 2d 315 (Fla. 1974); Diamond Cab Co. v. King, 146 So. 2d 889 (Fla. 1962); and Pingree v. Quaintance, 394 So. 2d 162 (Fla. 1st DCA 1981). In a motion for reconsideration, it is not appropriate to reargue matters that have already been considered. Sherwood v. State, 111 So. 2d 96 (Fla. 3rd DCA 1959); citing State ex. Rel. Jaytex Realty Co. v. Green, 105 So. 2d 817 (Fla. 1st DCA 1958). Furthermore, a motion for reconsideration should not be granted "based upon an arbitrary feeling that a mistake may have been made, but should be based upon specific factual matters set forth in the record and susceptible to review." Stewart Bonded Warehouse, Inc. v. Bevis.

Neither the Uniform Rules of Procedure nor Commission rules specifically make provision for a motion for clarification. However, the Commission has typically applied the Diamond Cab standard in evaluating a pleading titled a motion for clarification when the motion actually sought reconsideration of some part of the substance of the Commission's order. See Diamond Cab Co. v. King. In cases where the motion sought only explanation or clarification of a Commission order, the Commission has typically considered whether the order required further explanation or clarification to fully make clear its intent.

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With respect to Saporito's petition, a petition such as Saporito's must comply with Rule 28-106.201, Florida Administrative Code (F.A.C.) Failure to comply with the rule should result in dismissal of the petition, without prejudice.

No party has requested oral argument pursuant to Rule 25-22.0022, F.A.C. Accordingly, oral argument on these dispositive motions is at the discretion of the Commission pursuant to Rule 25-22.0022, F.A.C.

The Commission has jurisdiction over this matter pursuant to Chapter 366, Florida Statutes, (F.S.), including Sections 366.041, 366.06, 366.07, and 366.076, F.S.

**Discussion of Issues**

**Issue 1:** Should the Commission grant FPL's Motion for Leave to file a Response to SFHHA's Response?

**Recommendation:** No. FPL's Motion for Leave to file a Response to SFHHA's Response is not permitted pursuant to Rule 25-22.060, F.A.C. (Bennett)

**Staff Analysis:** FPL asserts that a portion of SFHHA's Response to FPL's Motion for Reconsideration and Clarification is in the nature of a cross-motion for reconsideration. As such, FPL requests leave to file a response to SFHHA's response. The portion of SFHHA's response that FPL asks to respond to is as follows:

Alternatively, if the Commission authorizes [the] FPL's request to decelerate the amortization of the theoretical depreciation reserve surplus, FPL should be required to compute and defer as a regulatory liability interest at its grossed-up rate of return on the overrecoveries compounded on a monthly basis.

The need for FPL to respond to what FPL calls a cross-motion is only applicable if the Commission agrees with FPL that the depreciation reserve was incorrectly calculated. As discussed in Issue 6, staff has not found a need to clarify the Final Order as it relates to test year depreciation expense. If the Commission agrees with staff's recommendation for Issue 6, this point is moot.

If the Commission disagrees with staff's recommendation for Issue 6, it should deny FPL's request for leave to respond to SFHHA's response. FPL proposes a method of dealing with any errors in the Final Order. SFHHA merely offers an alternative proposal in response to FPL's Motion for Clarification. As stated by FPL, Rule 25-22.060, F.A.C., permits a Motion for Reconsideration within 15 days of the issuance of the Final Order. The rule allows a party to file a response to a motion for reconsideration and to file a cross-motion for reconsideration. It does not permit a party to file a response to a response. FPL's proposal would permit it to file a response to a response. The Motion for Leave should therefore be denied.

**Issue 2:** Should the Commission reconsider Issue 46 because the Commission ordered a one-time refund of the over-recovery in the fuel docket?

**Recommendation:** Yes. The Commission should reconsider Issue 46 and recognize the impact on the 2010 test year of the fuel docket decision to refund the 2009 over-recovery in one month rather than ratably over a twelve-month period. As a result, the \$101,971,000 adjustment to reduce working capital should be revised to \$73,827,000, a change of \$28,144,000. (Slemkewicz, Lester)

**Staff Analysis:**

**FPL'S ARGUMENT**

In its Motion, FPL requests the Commission reconsider a portion of the \$101,971,000 working capital adjustment for cost recovery clause over-recoveries. Specifically, FPL contends the computation of the over-recovery overlooks and is inconsistent with a recent Commission decision in the 2009 fuel adjustment proceeding,<sup>1</sup> thereby overstating the impact on test year working capital of the projected 2010 fuel cost over-recovery. In its base rate filing, FPL assumed the established practice for fuel clause true-ups of over-recoveries and under-recoveries: the projected over-recovery from 2009 would be reflected in the 2010 fuel clause factor and hence the refund would occur ratably throughout calendar year 2010. This practice resulted in FPL forecasting an average balance due customers over the course of the test year totaling \$94.5 million, which reduces working capital requirements by that amount. However, the Commission directed FPL to refund the full amount of its 2009 net true-up over-recovery as a one-time credit in January 2010.

Had FPL forecasted in the minimum filing requirements (MFRs) for 2010 that the fuel cost over-recovery would be refunded in January 2010 instead of ratably over the calendar year, the average fuel cost over-recovery balance would be reduced from \$94.5 million to \$66.3 million, which has the effect of increasing FPL's test year working capital requirements, and thereby rate base, by \$28.1 million

**INTERVENORS' POSITIONS**

None of the Intervenors has taken a position on the appropriateness of FPL's request for reconsideration of the adjustment made in Issue 46.

**STAFF ANALYSIS**

In Issue 46, the Commission approved an adjustment that decreased the 2010 test year rate base by \$101,971,000 to include the effects of the cost recovery clause over-recoveries. The fuel clause portion of that adjustment amounted to \$94,461,000. As of December 31, 2009, FPL projected it would have a year-end fuel clause over-recovery balance of \$66,404,000 that would be refunded ratably throughout calendar year 2010. Subsequent to the rate case hearings and the

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<sup>1</sup> Order No. PSC-09-0795-FOF-EI, issued December 2, 2009, in Docket No. 090001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

submittal of briefs, the Commission made a determination in Docket No. 090001-EI that FPL was to refund its actual 2009 fuel clause over-recovery amount of \$364.8 million to its customers in January 2010.

Staff agrees with FPL that refunding the over-recovery in one month, rather than ratably over twelve months, could not have been anticipated by FPL when the 2010 test year MFRs were developed and subsequently filed in March 2009. Therefore, staff recommends that the Commission reconsider Issue 46 and recognize the impact on the 2010 test year of the fuel docket decision to refund the 2009 over-recovery in one month rather than ratably over a twelve-month period. As a result, the \$101,971,000 adjustment to reduce working capital should be revised to \$73,827,000, a change of \$28,144,000.

**Issue 3:** Should the Commission reconsider Issue 89 regarding the impact of the minimum late payment charge?

**Recommendation:** Yes. The Commission should reconsider its decision on Issue 89 regarding the level of late payment charge (LPC) revenue. This adjustment will result in a decrease in the projected test year LPC revenues of \$25,776,146. (Prestwood, Slemkewicz)

**Staff Analysis:**

**FPL'S ARGUMENT**

FPL proposed to add a minimum payment of \$10 to its Commission-approved LPC of 1.5% of the unpaid balance. This would have impacted all late-paying customers with bills that are less than or equal to \$667. The Commission did not approve FPL's proposed minimum LPC in Issue 145.

In its Motion, FPL claims that the Commission overstated FPL's projected LPC revenues in the test year and thereby understated its revenue requirement, because the Commission failed to synchronize its decisions on Issue 89 (projected LPC revenues) and Issue 145 (approval of proposed \$10 minimum LPC).

According to FPL's Motion:

. . . the Office of Public Counsel ("OPC") disputed FPL's projection of the revenue impact of the \$10 minimum LPC, claiming that the revenue impact would be \$25,024,251 higher than FPL's projection. This incremental alleged revenue impact was only applicable and was only to be considered in the event that the \$10 minimum was approved.

**INTERVENORS' POSITIONS**

None of the Intervenors has taken a position on the appropriateness of FPL's request for reconsideration of the adjustment made in Issue 89.

**STAFF ANALYSIS**

In addition to the \$25,024,251 increase to LPC revenue recommended by OPC, FPL found it necessary to adjust its LPC revenue due to forecasting errors. FPL witness Ousdahl explained that during the course of the proceeding, FPL identified adjustments to the Company's original filing. Witness Ousdahl sponsored Exhibit 358 which summarized the Company's proposed adjustments to its original filing.

Item 6a of Exhibit 358 shows FPL's proposed adjustments due to an over-statement of LPC revenue. According to FPL, LPC revenues were overstated because they were based on an older version of the revenue forecast than what was used to develop the final projections. Item 6a results in an adjustment to decrease LPC revenue by \$7,386,000 for the 2010 test year. Item 6a of Exhibit 358 specifically states:

Late payment fee revenues at the current rate of 1.5% are calculated based on a percent of total revenue and are overstated because they were based on an older version of the revenue forecast than what was used to develop the final projections of the Test Years' forecast. As a result, late payment fee revenues at current rates are overstated by \$7.4 million in 2010...

(Emphasis Added)

In addition to the \$7,386,000 (\$7.4 million) adjustment discussed above, Item 10 of Exhibit 358 shows FPL's proposed adjustment to increase LPC revenue by \$751,895. This adjustment is necessary to apply FPL's projected bad debt percentage only to incremental LPC revenues resulting from the proposed \$10 minimum.

The adjustments discussed above can be summarized as follows: 1) OPC's proposed increase in LPC revenue of \$25,024,251, less 2) FPL's proposed adjustment of a decrease of \$7,386,000, plus 3) FPL's proposed adjustment of an increase of \$751,895 results in a net increase of \$18,390,146 in LPC revenue. This net adjustment was accepted by the Commission in Issue 89. However, in Issue 145 the Commission denied FPL's \$10 minimum LPC.

Based on staff's review of the record, the OPC-recommended adjustment of \$25,024,251 and FPL's adjustment of \$751,895 were based on the assumption that the Commission would approve the \$10 minimum LPC. Staff recommends that these adjustments which total \$25,776,146 (\$25,024,251+\$751,895) be reversed because the \$10 minimum LPC was not approved by the Commission. However the \$7,386,000 adjustment was based on present rates and does not need to be reversed.

In summary staff recommends that the Commission accept FPL's recommendation in its petition for reconsideration and decrease FPL's present revenues from LPC by \$25,776,146.



**Issue 4:** Should the Commission reconsider Issue 103 regarding salaries and employee benefits?

**Recommendation:** Yes. The Commission should reconsider Issue 103 regarding the executive incentive compensation of \$12,700,000 that had been removed through the allocation to affiliates. As a result, the \$49,510,136 net adjustment decrease to the 2010 test year operating and maintenance (O&M) expenses should be revised to a \$36,810,136 net adjustment decrease. This represents a \$12,700,000 million reduction to the approved adjustment of \$49,510,136. (Slemkewicz, Prestwood)

**Staff Analysis:**

FPL'S ARGUMENT

In its Motion, FPL requests the Commission reconsider a portion of the \$49,510,136 adjustment to salaries and employee benefits approved in Issue 103. FPL contends that the Commission removed approximately \$12,700,000 of executive incentive compensation expense from FPL's test year revenue requirements that had already been removed through allocation to affiliates.

INTERVENORS' POSITIONS

None of the Intervenors has taken a position on the appropriateness of FPL's request for reconsideration of the adjustment made in Issue 103.

STAFF ANALYSIS

In Issue 103, the Commission decreased 2010 test year O&M expenses by \$49,510,136. This adjustment consisted of six separate amounts as follows:

Executive Incentive Compensation Payout Target	\$(12,226,189)
Executive Incentive Compensation 50% of Total	(30,565,472)
Non-Executive Incentive Compensation Payout Target	(2,122,947)
Non-Executive Incentive Compensation 50% of Total	(3,538,246)
Executive Raises	(757,282)
Commission Adjustment	(300,000)
Total 2010 Adjustment	\$(49,510,136)

The executive incentive compensation adjustments total \$42,791,661 (12,226,189 + 30,565,472).

FPL contends that approximately \$12,700,000 of the \$42,791,661 had already been allocated to affiliates, thereby removing it from 2010 test year operations. Staff has reviewed the executive incentive compensation calculations and agrees that the \$12,700,000 had been removed. Therefore, staff recommends that the Commission reconsider Issue 103 to account for the executive incentive compensation of \$12,700,000 that had been removed through the allocation to affiliates. As a result, the \$49,510,136 net adjustment decrease to the 2010 test year

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O&M expenses should be revised to a \$36,810,136 net adjustment decrease. This represents a \$12,700,000 reduction to the approved adjustment of \$49,510,136.

**Issue 5:** Should the Commission reconsider Issue 109 regarding the 2010 test year charge from FiberNet to FPL?

**Recommendation:** Yes. The Commission should reconsider its decision on the FiberNet equipment lease charge to FPL. This adjustment will result in an increase in the allowed lease payment of \$585,000 and a corresponding increase of the same amount in FPL's 2010 test year revenue requirements. (Maurey, Prestwood)

**Staff Analysis:**

**FPL'S ARGUMENT**

In its Motion, FPL requests the Commission reconsider that portion of Issue 109 related to its decision on the FiberNet equipment lease charge to FPL. In its decision, the Commission reduced O&M expenses by \$1,182,224 as recommended by OPC. Without regard to whether the rationale for the Commission's decision was appropriate, FPL asserts that the amount of this adjustment is overstated.

The purpose of this adjustment was to address an issue raised by OPC regarding the lease charge allocated to FPL by its affiliate, FiberNet. OPC recommended that the amount of the lease charge be reduced by the incremental difference between the lease charge based on the return on investment (ROI) proposed by FPL for its affiliate and the ROI recommended by OPC for FPL for purposes of the rate case. OPC testimony stated that the amount of the adjustment was determined by applying the OPC-recommended pre-tax overall cost of capital to the FiberNet asset base allocated to FPL. However, the workpapers and other evidence in the record show that OPC applied the after-tax overall cost of capital in the calculation of the amount of the adjustment. FPL contends that correcting this error would reduce the amount of the adjustment to O&M expenses related to this issue from the \$1,182,224 reflected in the Final Order to \$597,316. Thus, FPL requests the Commission increase the allowed lease charge by the difference between these two amounts, or approximately \$585,000, and recognize a commensurate increase in FPL's 2010 test year revenue requirements.

**INTERVENORS' POSITIONS**

In its Response to FPL's Motion, OPC states that it "leaves to the Commission and its staff the determination of whether FPL has identified any computational errors in any of the items to which FPL refers as 'Reconsideration Errors' in its Motion." While SFHHA opposes the treatment requested by FPL regarding how any change in 2010 test year revenue requirements as a result of the Company's Motion should be implemented, SFHHA did not take a position on the appropriateness of FPL's request for reconsideration of the adjustment made in Issue 109. FIPUG did not address this matter in its Response to FPL's Motion.

**STAFF ANALYSIS**

Issue 109 is a broad issue dealing with whether any adjustments should be made related to transactions between FPL and any affiliated companies. FPL's Motion is limited to only the

adjustment related to the lease charge allocated to FPL by its affiliate, FiberNet. Moreover, FPL's Motion is further limited to the calculation of the amount of the adjustment and does not address the rationale for the adjustment.

Based on staff's review of the record, the OPC-recommended adjustment of approximately \$1.2 million was based on the difference between FPL's proposed pre-tax overall cost of capital for FiberNet (confidential) and OPC's recommended after-tax overall cost of capital of 7.41 percent, not the difference between the FiberNet pre-tax ROI and the 10.65 percent pre-tax ROI as stated in the testimony. Thus, staff agrees with FPL that the adjustment to O&M expenses reflected in the Commission's decision was overstated by approximately \$0.6 million. As a result, staff recommends that the Commission reconsider that portion of the Final Order regarding the adjustment to the lease charge from FiberNet to FPL. Specifically, staff recommends that O&M expenses be increased by \$585,000 and 2010 test year revenue requirements be increased by the same amount.

**Issue 6:** Should the Commission clarify its Final Order as it relates to the computation of test year depreciation expense?

**Recommendation:** No. The Commission should not clarify its Final Order as it relates to the computation of test year depreciation expense. (Gardner, P. Lee)

**Staff Analysis:**

#### FPL'S ARGUMENT

In its Motion, FPL requests the Commission clarify an apparent inconsistency in the Final Order as it relates to the computation of the test year depreciation expense. FPL asserts that applying the depreciation and dismantlement rates approved in the Final Order to the test year adjusted plant balances results in depreciation and amortization expense of about \$624 million rather than the approximate \$753 million shown in Schedule 3 of the Final Order. FPL asserts that clarification of the test year depreciation expense is appropriate to avoid a deterioration of its cash flow.

#### INTERVENORS' POSITIONS

OPC asserts that given the lack of information in FPL's Motion regarding the alleged \$129 million depreciation expense discrepancy, it is unable to formulate a position on the correct resolution of this item. No other intervenor specifically responded to FPL's request for clarification.

#### STAFF ANALYSIS

In its Motion, FPL states that it "describes and seeks clarification of an apparent inconsistency in the computation of depreciation expense set forth in [the Final Order]," and that it requests that the "apparent inconsistencies in the computation of depreciation expense" be clarified. The Company asserts that "applying the depreciation and dismantlement rates approved by the Commission in [the Final Order], FPL estimates that test year Depreciation and Amortization Expense would be approximately \$624 million" as compared to the Commission's \$753 million. FPL requests the Commission "re-evaluate the application of its depreciation and dismantlement adjustments" and "clarify the appropriate amount of Depreciation and Amortization Expense for the test year."

FPL's Motion did not include its calculation of test year depreciation and amortization expense. FPL did not allege that the Commission made an error in its computation of test year depreciation and amortization expense. FPL simply seeks clarification of an apparent inconsistency, although the specific inconsistency is not detailed. FPL did not identify specific inconsistencies and discrepancies it believes exist in the Final Order with respect to the computation of test year depreciation and amortization expense.

Staff agrees with OPC that the lack of information in FPL's Motion supporting the alleged \$129 million depreciation expense discrepancy makes it difficult to formulate a position on the correct resolution of this item. Therefore, staff requested that FPL: (1) identify and

provide all record evidence, including FPL's workpapers, in Excel format with formulas intact, that relate to the depreciation expense inconsistencies, and (2) provide all record evidence supporting the Company's calculation, in Excel format with formulas intact, of the depreciation and dismantlement expense in the amount of \$624 million.<sup>2</sup>

In its April 23, 2010 response to staff's data request, FPL stated that the inconsistencies it identified related to the calculation of test year depreciation expense contained on Schedule 3 of the Final Order. FPL stated that it discovered the inconsistencies in preparing to book depreciation expense for January 2010 under the newly-approved depreciation rates and reached significantly different results from what it expected based on the test year depreciation expense shown in the Final Order. FPL asserted that it calculated test year depreciation and amortization expense of approximately \$624 million by applying the Commission-approved depreciation and dismantlement rates and adjustments to the test year plant balances.

On April 28, 2010, staff requested additional information from FPL concerning the computation of test year depreciation expense inconsistencies and discrepancies for which FPL requests clarification. Specifically, staff requested (1) FPL's workpapers detailing its calculation of test year depreciation and amortization expense of approximately \$624 million and (2) the specific application of depreciation and dismantlement adjustments that FPL requests the Commission re-evaluate.

In its May 3, 2010 response, FPL provided its derivation of test year depreciation and amortization expense of approximately \$624 million. FPL's computations used the projected plant balances for the 2010 test year from its forecast model. FPL stated that its forecast model utilizes depreciation rates by functional plant account that are composites of the plant account rates approved by the Commission. FPL asserted that its composite rates produced results that were generally not significantly different from the results using the rates approved in the Final Order. In addition, FPL stated that it was merely notifying the Commission of an inconsistency it found between the test year depreciation and amortization expense in Schedule 3 of the Final Order and the amount it calculated when it applied the depreciation rates and adjustments approved to the test year balances.

Noticed, informal meetings were held with all interested parties on May 5 and 11, 2010, to discuss the alleged inconsistencies in the computation of test year depreciation expense. FPL was unable to specifically state where the alleged inconsistencies occurred that resulted in test year depreciation and amortization expense of approximately \$129 million less than the amount determined by the Commission on Schedule 3 of the Final Order. Staff discussed the breakdown of the Commission-approved adjustments to depreciation expense identified on Table 24 and Schedule 3 of the Final Order. Staff also provided the supporting workpapers showing the calculations it performed in developing the composite depreciation rates used in the development of the test year depreciation expense.

Staff has reviewed FPL's supporting calculations and has been unable to verify or replicate the composite depreciation rates used in the calculations or the adjustments which resulted in the alleged \$624 million in depreciation and amortization test year expense. FPL

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<sup>2</sup> See Data Request to FPL dated April 19, 2010.

explained in its May 3, 2010 response that its forecast model utilizes depreciation rates by function that are composites of the plant account rates approved by the Commission. These composite rates are somewhat different from those used in the development of the Commission's test year depreciation and amortization expense. The Commission's composite rates were developed on a functional basis (steam production, nuclear production, other production, transmission, distribution, and general plant) using investment amounts from the depreciation study filing. FPL's composite rates were developed for each production plant site and include such groupings as Minor Steam Generation, Minor Nuclear Generation, Minor Other Generation, Future-Use Plant Transmission, Future Use Plant Distribution, and Future Use Plant General Structures, for which staff is unable to replicate. Based on FPL's workpapers, staff believes that the differences in compositing mechanics account for about \$4 million of FPL's \$129 million alleged inconsistency in the computation of depreciation and amortization expense. Staff believes that the remaining \$125 million difference between FPL's computation and that contained in the Final Order is due to FPL not using depreciation and amortization expense as filed in the rate case on MFR Schedule C2 in the amount of \$1.074 billion. Also, staff notes that the adjustments used in the Company's workpapers which resulted in \$624 million were applied to its total booked depreciation expense, in the amount of approximately \$905 million, instead of the amount filed on MFR Schedule C2. Staff's rate case adjustments from Schedule 3 of the Final Order were applied to the \$1.074 billion depreciation and amortization expense to calculate the approximately \$753 million approved by the Commission.

In conclusion, the Commission's adjustments to the test year depreciation expense are based on the documentation provided in the record and presented on Table 24 and Schedule 3 in the Final Order. Staff believes it has addressed FPL's concern as it relates to the calculation of the test year depreciation and amortization expense. Also, staff believes FPL failed to identify any factual or legal point the Commission overlooked or failed to consider when it rendered the Final Order in this proceeding. Based on the above, staff recommends that there is no need for the Commission to clarify its Final Order as it relates to the computation of test year depreciation expense.

**Issue 7:** How should FPL be required to implement any change to the 2010 test year revenue requirements?

**Recommendation:** FPL should implement the \$41,902,170 net change in revenue requirements identified in Issues 2 through 6 by offsetting the increase or decrease against the depreciation reserve surplus. In order to offset the calculated \$41,902,170, both the remaining \$894,600,000 reserve surplus and the test year depreciation expense should be reduced by \$43,851,218 and the test year accumulated depreciation should be increased by \$21,925,609. (Bennett, P. Lee, Maurey, Prestwood, Slemkewicz)

**Staff Analysis:**

**FPL'S PROPOSAL**

FPL proposes that for any increase or decrease in FPL's approved 2010 test year revenue requirements resulting from computational errors in Issues 2 through 6, the Commission make a commensurate adjustment to the annual amortization of the theoretical depreciation reserve surplus (reserve surplus) that was approved in the Final Order. FPL's proposal would result in no change to the base rates which were approved for implementation effective March 1, 2010. FPL states that the benefits of this approach are that there will be no change in rates charged to customers and no change in revenues to FPL.

**FIPUG AND OPC'S POSITIONS**

FIPUG agrees with FPL that an adjustment to the reserve surplus is sufficient to make any correction for a revenue imbalance. OPC also states that it does not object to FPL's proposal to use the reserve surplus to offset any change in revenue requirements due to computational errors.

**SFHHA'S PROPOSAL**

SFHHA proposes that if the Commission agrees with FPL on all of FPL's Motions there will be a reduction in revenue requirements. According to SFHHA, ratepayers should receive the benefits of the reduction in revenue requirements either by 1) a rate reduction and a refund to ratepayers of the excessive recoveries realized since FPL's base rate increase was placed into effect; or 2) if the Commission authorizes FPL's request to decelerate the amortization of the reserve surplus, FPL should be required to compute and defer as a regulatory liability the amount of the rate reduction with interest at its grossed-up rate of return on the over-recoveries compounded on a monthly basis.

**STAFF ANALYSIS**

If the Commission agrees with each of staff's recommendations in Issues 2 through 6, there will be a net increase in FPL's revenue requirements, which could result in a base rate increase to be paid by consumers beginning in 2010. FPL's proposal to use the reserve surplus to offset a change in revenue requirements would mean that customers would not see a base rate increase. However, using the reserve surplus to offset the increased revenue requirements could



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more rapidly increase rate base, potentially resulting in a larger base rate increase in the future. Staff agrees with the approaches of FPL, FIPUG and OPC to offset the change in revenue requirements against the reserve surplus. In staff's opinion, the stability of rates for FPL customers and the stability of revenue to FPL are beneficial to both customers and to the Company in this case.

#### CONCLUSION

Staff recommends that the Commission direct FPL to use the reserve surplus to offset the net change to its revenue requirements made as a result of the Commission's decisions in Issues 2 through 6 above. If all of staff's recommendations in Issues 2 through 6 are adopted by the Commission, the net change will be an increase in 2010 test year revenue requirements of \$41,902,170. In order to offset this amount, both the remaining \$894,600,000 reserve surplus and the test year depreciation expense should be reduced by \$43,851,218 and the test year accumulated depreciation should be increased by \$21,925,609. (See Schedules 1 – 3).

**Issue 8:** Should the Commission grant FIPUG's motion for reconsideration?

**Recommendation:** No. FIPUG's Motion for Reconsideration should be denied. (Draper)

**Staff Analysis:**

FIPUG'S MOTION

In its Motion, FIPUG requests that the Commission reconsider that portion of the order in which it bases the application of its gradualism policy, which limits rate increases to the rate classes to no greater than 1.5 times the system average, on total revenues rather than base revenues. FIPUG argues that the matter raised in its motion was not considered or brought to the Commission's attention.

To support its motion, FIPUG raises three points. First, FIPUG contends the Commission's decision is inconsistent with the Commission's decisions in more recent electric rate cases, which limited the base rate increase to 1.5 times the system average base rate increase, i.e., excluding adjustment clause revenues. FIPUG refers to the recent Tampa Electric Company (TECO) rate case as the most recent decision to address this issue, and states that a review of TECO's approved cost of service study illustrates that the 1.5 times policy was applied only to base revenues.<sup>3</sup> FIPUG also asserts that in the recent Progress Energy Florida, Inc. (PEF) rate case, PEF intended its proposed increase to apply only to the base rate increase.

Second, FIPUG asserts that clause revenues should not be included in the gradualism calculation since rate cases occur sporadically, while clause factors change every year and are highly volatile. FIPUG states that the Commission agreed, finding that in the Final Order that cost recovery clauses can have a positive or negative impact on bills, and FPL's projection of a decrease in fuel prices for 2010 is not a valid reason to not apply the concept of gradualism.

Finally, FIPUG contends that the decision to apply the 1.5 times policy to clause adjustment revenues is in contrast to and inconsistent with other Commission decisions. FIPUG states that in the PEF rate case, the Commission allocated the approved interim increase only across base rates. And in the 2001 Gulf Power Company (Gulf) rate case, FIPUG states that no customer class received a base rate increase more than 1.4 times the system average base rate increase.

FPL'S RESPONSE

In its response, FPL contends that no point of fact or law was overlooked by the Commission and that FIPUG's motion merely reargues points already considered by the Commission. FPL notes that the effect of approving FIPUG's motion would be to change rates that took effect on March 1, 2010, and shift costs from large commercial and industrial customers to residential and small general service business customers. FPL further states that

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<sup>3</sup> See Order No. PSC-09-0283-FOF-EI, issued April 30, 2009, in Docket No. 080317-EI, In re: Petition for rate increase by Tampa Electric Company.

because the largest commercial and industrial customers already pay rates below parity, FPL opposes FIPUG's suggestion that some of the rate increase should be moved from those large customers onto residential and small business customers.

FPL asserts that the orders cited by FIPUG do not support its argument that there was a departure from recent Commission practice to apply its gradualism policy to the total bill, as opposed to just the base rate portion. For example, FPL states that Order No. 10306 established the concept of gradualism and calculated the 1.5 times increases based on total revenues, not just base revenues.<sup>4</sup> FPL further states that Order No. 13537 stated that no class should receive an increase greater than 1.5 times the system average including base revenue, fuel, conservation, and oil-backout.<sup>5</sup> Finally, FPL cites the 2002 Gulf rate case, where the Commission stated that no class should receive an increase greater than 1.5 times the system average percentage increase in total.<sup>6</sup>

FPL explains that the effect of approving FIPUG's motion for reconsideration would be to change the rates that took effect on March 1, 2010. Rates would go down for about 2 percent of FPL customers, while going up for the remaining 98 percent. FPL further states that 18 large commercial customers in the CILC-1(T) rate class would see the largest per-customer benefits from approval of FIPUG's proposal: their bills would go down by an average of approximately \$34,000 per year.

FPL contends that applying the gradualism policy to the total customer bill is a more reasonable and realistic approach, because the base component may represent as little as 28 percent of a large commercial or industrial customer's bill. Thus, FPL states that applying the gradualism policy to only the base rate portion of the bill would render the likelihood of ever achieving full parity almost nil.

#### STAFF ANALYSIS

This issue addresses the allocation of the revenue increase to the various rate classes. As stated in the Final Order, when a rate increase limit is imposed on a rate class, the remaining classes will have to absorb that difference. Gradualism is a concept that is applied to prevent a class from receiving an overly large increase. The Final Order states that:

Consistent with our decision in more recent rate cases, we find that in this case no class shall receive an increase greater than 1.5 times the system average percentage increase in total, i.e., with adjustment clauses, and no class should receive a decrease. When calculating the percentage increase, FPL shall use the approved 2010 adjustment clause factors.

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<sup>4</sup> Order No. 10306, issued September, 23, 1981, Docket No. 810002-EU, In re: Petition of Florida Power & Light Company for authority to increase its rates and charges.

<sup>5</sup> Order No. 13537, issued July 24, 1984, Docket No. 830465-EI, In re: Petition of Florida Power & Light Company for an increase in its rates and charges.

<sup>6</sup> Order No. PSC-02-0787-FOF-EI, issued June 10, 2002, Docket No. 010949-EI, In re: Request for rate increase by Gulf Power Company.

The Commission considered the parties' positions in the record when making its determination and the language in the Final Order is clear on how to apply the gradualism policy. The record reflects that FPL proposed to set target revenues by rate class in order to obtain parity among the classes to the greatest extent possible without limiting any rate classes' increase to 1.5 times the system average. FPL testified that it has been 20 years since parity levels have been addressed and overall bills are projected to decrease in 2010 as a result of a reduction in fuel costs. FIPUG's position, as reflected in the record and in the Final Order, is that the Commission should continue to apply the principle of gradualism to any base revenue increase, notwithstanding any predictions about subsequent changes in cost recovery clauses. The Commission considered both FPL's and FIPUG's position and approved limiting any rate classes' increase to 1.5 times the system average as advocated by FIPUG.

FIPUG contends the Commission's decision is inconsistent with the Commission's decisions in more recent electric rate cases. Staff disagrees. The final order in the recent TECO rate case states that no class should receive an increase greater than 1.5 times the system average percentage increase in total, and no class should receive a decrease.<sup>7</sup> However, it appears from the compliance cost of service filing, that TECO applied the increase to only base revenues. Staff believes that the final order in this case clarifies that in total means to include the adjustment clauses.

The Final Order references the 2002 Gulf rate case order. The Gulf order states "that the allocation of the increase in revenues shown in Attachment 6 moves each rate class closer to parity, and does not impose an increase on any rate class that exceeds 1.5 times the system average increase, including adjustment clause revenues."<sup>8</sup> Also, as cited by FPL in its response, Order No. 13537 states that no class should receive an increase greater than 1.5 times the system average including base revenue, fuel, conservation, and oil-backout. Thus, the Commission has previously included adjustment clause revenues in the calculation of the increase.

Both FIPUG and FPL cited Order No. 10306 in the 1981 FPL rate case to support their position. FIPUG states that the Commission has a long-standing policy in rate cases of moving classes gradually to cost of service parity, and the Commission explained this policy in Order No. 10306. FPL states in its response that Order No. 10306 established the concept of gradualism and calculated the 1.5 times increase based on total revenues, not just base revenues. Staff reviewed Order No. 10306 and believes it is not clear how the increase was calculated. On page 3, the order states "that no class shall be increased by an amount exceeding 1.5 times the system average" which seems to indicate that the increase was only allocated based on base revenues. On page 42, the order states in the paragraph addressing the revenue allocation that "we feel the impact on customers' bills must be considered in allocating revenues." The revenue increase to the rate classes is shown on page 43, but it is not clear how those amounts were determined.

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<sup>7</sup> Order No. PSC-09-0283-FOF-EI, issued April 30, 2009, Docket No. 080317-EI, In re: Petition for rate increase by Tampa Electric Company.

<sup>8</sup> Order No. PSC-02-0787-FOF-EI, p 80.

FIPUG also asserts that in the recent PEF rate case, PEF intended its proposed increase to apply only to the base rate increase. However, the staff recommendation issued on November 20, 2009, is consistent with the Final Order in this case, stating that no class should receive an increase greater than 1.5 times the system average percentage increase in total, including cost recovery clauses. However, since the Commission approved no change in revenue requirement, the decision on the allocation of an increase became moot in the PEF rate case.<sup>9</sup>

FIPUG also cites the Commission's allocation of PEF's interim increase in its recent rate case only across base rates to support its position. That is not a valid point, as the allocation of an interim increase is done pursuant to Commission Rule 25-6.0435(2), F.A.C. The rule specifies that the Commission calculate a percentage increase factor, which is based on the interim increase, and the factor be applied uniformly to all existing base rates and charges. Since interim rates by nature are only in place for a limited time, the rule ensures that the increase is allocated in an equal percentage to all classes. The order approving PEF's interim rates reflects the fact that interim rates are set pursuant to Rule 25-6.0435, F.A.C.<sup>10</sup>

### CONCLUSION

For the reasons stated above, staff recommends that FIPUG's motion for reconsideration be denied. As discussed above, FIPUG failed to identify a point of law or fact that the Commission overlooked or failed to consider when it approved the allocation of the revenue increase.

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<sup>9</sup> Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, Docket No. 090079-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc.

<sup>10</sup> Order No. PSC-09-0413-PCO-EI, issued June 10, 2009, Docket No. 090079-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc.

**Issue 9:** Should the Commission grant Thomas Saporito's Petition for Base Rate Proceeding?

**Recommendation:** No. The Commission should not grant the Petition for Base Rate Proceeding. The petition does not meet the requirements of Rule 28-106.201, F.A.C., because it fails to allege any material issue of disputed facts. (Bennett)

**Staff Analysis:**

#### SAPORITO'S PETITION

On January 19, 2010, six days after the Commission voted on FPL's petition for a general rate case, Thomas Saporito filed a Petition for the Conduct of a General Rate Case and Request for Hearing and Leave to Intervene. Saporito asks that the Commission conduct a general investigation and/or a general rate case of FPL's rates as approved at the January 13, 2010, Agenda Conference. Saporito asks that the Commission determine whether FPL's rates effective as of that date should be reduced and/or refunded.

Saporito states that he intends to rely upon the evidence and testimony filed in Docket No. 080677-EI. He states that the disputed issues of material fact will include but will not be limited to, whether FPL's current electric rates should be decreased. Saporito states he reserves the right to identify and develop additional issues as the docket progresses.

#### STAFF ANALYSIS

Staff recommends the Commission deny Saporito's petition for base rate proceeding because it fails to meet the criteria established in Rule 28-106.201, F.A.C. Staff believes the petition fails to allege any disputed issues of material fact, which the Commission has not already resolved by the issuance of Order No. PSC-10-0153-FOF-EI.

It is staff's opinion that this petition would be nothing more than a rehearing of the prior proceeding. The Commission heard, considered, and rendered its decision based on the evidence in the record. Included in the record is testimony filed by Saporito, OPC, and other intervenors, arguing for a rate decrease. Mr. Saporito states he will rely on that same evidentiary record in the new proceeding for a rate decrease. Therefore, the Commission has already resolved all issues of disputed fact which were before it regarding the rates that FPL would charge.

Furthermore, Saporito's interests were represented in this docket. Saporito participated as a party in the FPL rate case docket. Saporito was granted intervenor status by Order No. PSC-09-0280-PCO-EI, issued April 29, 2010 in this docket. Saporito filed testimony and evidence in the docket, conducted discovery, and filed a prehearing statement. On August 13, 2009, 4 days prior to the Prehearing Conference, Saporito withdrew from the docket citing health reasons, and the withdrawal was accepted by the Prehearing Officer. The hearing was conducted over several weeks in August, September and October. On October 2, 2009, Saporito filed a Withdrawal of his Motion to Withdraw which was denied by the presiding officer as an untimely new petition to intervene. See Order No. PSC-09-0687-PCO-EI, issued October 14, 2009.

While Saporito was not physically present at the technical hearings in the proceeding, his and all other consumers' interests were represented by both OPC and AG. By statute, OPC provides "legal representation for the people of the state [of Florida] in proceedings before the [Public Service] commission . . .," Section 367.0611, F.S. The AG, as chief legal officer of the state of Florida, was granted intervention on behalf of the state of Florida. As part of his position in the request to intervene, the AG cited State ex. Rel. Shevin v. Yarborough, 257 So. 2d 891 (Fla. 1972) for the proposition that "there is no statute which prohibits the Attorney General from representing the State of Florida as a consumer, and offering such evidence and argument as will benefit its citizens." See Order No. PSC-09-0289-PCO-EI, issued May 1, 2009, in this docket.

#### CONCLUSION

The petition for a new base rate proceeding seeks a different decision, a reduction of base rates on the same factual record as was used by the Commission to reach its decision in the Final Order. Saporito participated in the issues that were ultimately decided by the Commission in the Final Order. Therefore, Saporito's petition fails to state any material issue of disputed fact and should be dismissed as failing to meet the requirements of Rule 28-106.201, F.A.C. It appears from Saporito's petition that he merely disagrees with the Commission's Final Order.

Docket Nos. 080677-EI, 090130-EI

Date: July 22, 2010

**Issue 10**: Should this docket be closed?

**Recommendation**: Yes. The docket should be closed upon the expiration of the time for appeal. (Bennett)

**Staff Analysis**: The docket should be closed upon the expiration of the time for appeal.



Docket Nos. 080677-EI, 090130-EI  
 Date: July 22, 2010

SCHEDULE 1

FLORIDA POWER & LIGHT COMPANY  
 DOCKET NO. 080677-EI  
**RECONSIDERATION**  
 DECEMBER 2010 PROJECTED TEST YEAR

	Staff Adjustments									Staff Adjusted
	Commission Approved*	ISSUE 2	ISSUE 3	ISSUE 4	ISSUE 5	ISSUE 6	ISSUE 7	Interest Synchronization	Total Adjustments	
		Issue 46 - Fuel Over-Recovery	Issue 89 - Minimum Rate Payment Charge	Issue 103 - Salaries and Employee Benefits	Issue 109- FiberNet Charges	Clarification of Depreciation Expense	Revenue Requirement Offset			
<b>RATE BASE</b>										
Plant in Service	27,036,862,606	0	0	0	0	0	0	0	0	27,036,862,606
Accumulated Depreciation	(11,489,632,688)	0	0	0	0	0	21,925,609	0	21,925,609	(11,467,707,079)
Net Plant in Service	15,547,229,918	0	0	0	0	0	21,925,609	0	21,925,609	15,569,155,527
Construction Work in Progress	686,815,000	0	0	0	0	0	0	0	0	686,815,000
Property Held for Future Use	70,302,000	0	0	0	0	0	0	0	0	70,302,000
Nuclear Fuel - No AFUDC (Net)	370,962,000	0	0	0	0	0	0	0	0	370,962,000
Net Plant	16,675,308,918	0	0	0	0	0	21,925,609	0	21,925,609	16,697,234,527
Working Capital	112,121,000	28,144,000	0	0	0	0	0	0	28,144,000	140,265,000
<b>Total Rate Base</b>	<b>16,787,429,918</b>	<b>28,144,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,925,609</b>	<b>0</b>	<b>50,069,609</b>	<b>16,837,499,527</b>
<b>Net Operating Income</b>										
Operating Revenues	4,136,447,146	0	(25,776,146)	0	0	0	0	0	(25,776,146)	4,110,671,000
Operating Expenses:										
Operations and Maintenance - Fuel	27,505,000	0	0	0	0	0	0	0	0	27,505,000
Operations and Maintenance - Other	1,475,020,037	0	0	12,700,000	585,000	0	0	0	13,285,000	1,488,305,037
Depreciation and Amortization	753,236,559	0	0	0	0	0	(43,851,218)	0	(43,851,218)	709,385,341
Taxes Other Than Income	344,962,130	0	(18,559)	0	0	0	0	0	(18,559)	344,943,571
Total Income Taxes and ITCs	466,546,072	0	(9,935,989)	(4,899,025)	(225,664)	0	16,915,607	(375,927)	1,479,002	468,025,074
(Gain)/Loss on Disposal of Plant	(1,002,000)	0	0	0	0	0	0	0	0	(1,002,000)
Total Operating Expenses	3,066,267,798	0	(9,954,548)	7,800,975	359,336	0	(26,935,611)	(375,927)	(29,105,775)	3,037,162,023
<b>Net Operating Income</b>	<b>1,070,179,348</b>	<b>0</b>	<b>(15,821,598)</b>	<b>(7,800,975)</b>	<b>(359,336)</b>	<b>0</b>	<b>26,935,611</b>	<b>375,927</b>	<b>3,329,629</b>	<b>1,073,508,977</b>

\*Order No. PSC-10-0153-FOF-EI, issued March 17, 2010

FLORIDA POWER & LIGHT COMPANY  
DOCKET NO. 080677-EI  
RECONSIDERATION  
13-MONTH AVERAGE CAPITAL STRUCTURE  
DECEMBER 2010 PROJECTED TEST YEAR

	(\$)		Cost	Weighted
	Amount	Ratio	Rate	Cost
Common Equity	7,889,967,199	47.00%	10.00%	4.70%
Long-term Debt	5,298,960,654	31.57%	5.49%	1.73%
Short-term Debt	156,113,805	0.93%	2.11%	0.02%
Preferred Stock	0	0.00%	0.00%	0.00%
Customer Deposits	544,711,775	3.24%	5.98%	0.19%
Deferred Income Taxes	2,892,247,084	17.23%	0.00%	0.00%
Tax Credits - Weighted Cost	5,429,401	0.03%	8.19%	0.00%
<b>Total</b>	<b>16,787,429,918</b>	<b>100.00%</b>		<b>6.65%</b>

Equity Ratio 59.12%

	(\$)		(\$)		(\$)		(\$)		Cost Rate	Weighted Cost
	Amount	Specific Adjustments	Adjusted Total	Ratio	Pro Rata Adjustments	Staff Adjusted	Ratio			
Common Equity	7,889,967,199	0	7,889,967,199	47.00%	23,532,344	7,913,499,543	47.00%	10.00%	4.70%	
Long-term Debt	5,298,960,654	0	5,298,960,654	31.57%	15,804,497	5,314,765,151	31.57%	5.49%	1.73%	
Short-term Debt	156,113,805	0	156,113,805	0.93%	465,620	156,579,425	0.93%	2.11%	0.02%	
Preferred Stock	0	0	0	0.00%	0	0	0.00%	0.00%	0.00%	
Customer Deposits	544,711,775	0	544,711,775	3.24%	1,624,639	546,336,414	3.24%	5.98%	0.19%	
Deferred Income Taxes	2,892,247,084	0	2,892,247,084	17.23%	8,626,316	2,900,873,400	17.23%	0.00%	0.00%	
Tax Credits - Weighted Cost	5,429,401	0	5,429,401	0.03%	16,194	5,445,595	0.03%	8.19%	0.00%	
<b>Total</b>	<b>16,787,429,918</b>	<b>0</b>	<b>#####</b>	<b>100.00%</b>	<b>50,069,609</b>	<b>16,837,499,527</b>	<b>100.00%</b>		<b>6.65%</b>	

Equity Ratio 59.12%

59.12%

	(\$)		(\$)		(\$)	
	Adjustment Amount	Cost Rate	Effect on Interest Exp.	Tax Rate	Effect on Income Tax	
Long-term Debt	15,804,497	5.49%	867,667	38.575%	(334,703)	
Short-term Debt	465,620	2.11%	9,825	38.575%	(3,790)	
Customer Deposits	1,624,639	5.98%	97,153	38.575%	(37,477)	
Tax Credits - Weighted Cost	16,194	8.19%	1,326	38.575%	(511)	
					<u>(375,969)</u>	

Cost Rate Change						
Long-term Debt	5,298,960,654	0.00%	0	38.575%	0	
Short-term Debt	156,113,805	0.00%	0	38.575%	0	
Tax Credits - Weighted Cost	5,429,401	0.00%	(108)	38.575%	42	
					<u>42</u>	

TOTAL (375,927)

\*Order No. PSC-10-0153-FOF-EI, issued March 17, 2010

FLORIDA POWER & LIGHT COMPANY  
 DOCKET NO. 080677-EI  
**RECONSIDERATION**  
 DECEMBER 2010 PROJECTED TEST YEAR  
OPERATING REVENUE INCREASE CALCULATION

Line No.	COMMISSION APPROVED <sup>1</sup>	Staff Adjusted	
		Before Depreciation Surplus Offset	After Depreciation Surplus Offset
1. Rate Base	\$ 16,787,429,918	\$16,815,573,918	\$16,837,499,527
2. Overall Rate of Return	<u>6.65%</u>	<u>6.65%</u>	<u>6.65%</u>
3. Required Net Operating Income (1)x(2)	1,116,364,090	1,118,235,666	1,119,693,719
4. Achieved Net Operating Income	<u>1,070,179,348</u>	<u>1,046,408,728</u>	<u>1,073,508,977</u>
5. Net Operating Income Deficiency (3)-(4)	46,184,742	71,826,938	46,184,742
6. Net Operating Income Multiplier	<u>1.63411</u>	<u>1.63411</u>	<u>1.63411</u>
7. Operating Revenue Increase (5)x(6)	<u>\$75,470,948</u>	<u>\$117,373,118</u>	<u>\$75,470,948</u>
8. Operating Revenue Increase Difference		<u>\$41,902,170</u>	<u>\$0</u>

<sup>1</sup>Order No. PSC-10-0153-FOF-EI, issued March 17, 2010