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October 12, 2012

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-VIA HAND DELIVERY –

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. 120015-EI; Pre-Filed Direct Testimony and Exhibits for Settlement Agreement Hearing

Dear Ms. Cole:

Pursuant to Order No. PSC-12-0529-PCO-EI, on behalf of Florida Power & Light Company ("FPL"), I am enclosing for filing in the above docket the original and fifteen (15) copies of the following witnesses' pre-filed direct testimony and exhibits: Robert E. Barrett, Jr., Terry Deason, Renae B. Deaton, Moray P. Dewhurst, and Sam A. Forrest.

Please contact me should you or your Staff have any questions regarding this filing.

Barrett Jr - DN 06946-12
Deason - DN 06947-12
Deaton - DN 06948-12
Dewhurst - DN 06949-12
Forrest - DN 06950-12

Sincerely,

John T. Butler

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

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by hand delivery*, and electronic delivery this 12st day of October, 2012, to the following:

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By: ______________________
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BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION

DOCKET NO. 120015-EI
FLORIDA POWER & LIGHT COMPANY

IN RE: PETITION FOR RATE INCREASE BY
FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY & EXHIBITS OF:

ROBERT E. BARRETT, JR.

(PROPOSED SETTLEMENT AGREEMENT)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF ROBERT E. BARRETT, JR.

(PROPOSED SETTLEMENT AGREEMENT)

DOCKET NO. 120015-EI

OCTOBER 12, 2012

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Robert E. Barrett, Jr. My business address is Florida Power & Light Company ("FPL" or "the Company"), 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. Did you previously submit direct and rebuttal testimony in this proceeding?

A. Yes.

Q. Are you sponsoring any exhibits related to the Stipulation and Settlement in this case?

A. Yes. I am sponsoring the following exhibits:

- REB-9 – GBRA ROE Midpoint Illustrative Example
- REB-10 – MFR A-1 Canaveral, Riviera, and Port Everglades
- REB-11 – Dismantlement Reserve - Illustrative Example of Impact of Amortization on Future Accruals
- REB-12 – Depreciation Accrual - Illustrative Example of Effect of Nuclear Plant Additions on Accrual

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address three of the issues identified in the Third Order Revising Order Establishing Procedure, Order No. PSC-12-0529-PCO-EI. Specifically, I will explain why the following provisions of the

Stipulation and Settlement filed on August 15, 2012 (the "Proposed Settlement Agreement") are appropriate and in the public interest: (1) the Generation Base Rate Adjustment ("GBRA") for the Canaveral, Riviera and Port Everglades Modernization Projects (Issue 1); (2) the amortization of a portion of FPL's dismantlement reserve (Issue 2); and (3) the deferral of FPL's filing of its depreciation and dismantlement studies (Issue 3).

Q. Please summarize your testimony.

A. The Proposed Settlement Agreement has a four-year term, which provides an extended period of rate certainty and avoids the need for expensive and disruptive base rate proceedings during that term. The three measures that I address in my testimony are essential elements of the Proposed Settlement Agreement that make the four-year term feasible. These provisions are consistent with good ratemaking principles, they have been deployed by this Commission previously, and they work together in the context of the overall settlement for the benefit of customers as well as the investors who provide the financial platform for the Company's investment and operations. Therefore, approving the Proposed Settlement Agreement with those provisions would be in the public interest.

II. GBRA (ISSUE 1)

Q. Please briefly describe the GBRA that is included in the Proposed Settlement Agreement.

A. As was the case in FPL's 2005 rate case settlement agreement (Docket No. 050045-EI), the GBRA would provide a streamlined procedure to permit FPL to recover revenue requirements for new generating units that have been previously approved by the Commission in need determination proceedings, when those units come into service. The GBRA relies on projected costs for the generating units that have been previously reviewed by the Commission, and it gives customers the added protection of automatically lowering rates if the actual construction costs for a generating unit turn out to be lower than projected while requiring FPL to petition for a limited proceeding before the Commission if it seeks to recover higher revenue requirements due to actual construction costs exceeding the projections.

The GBRA in the Proposed Settlement Agreement would apply during the settlement term and exclusively to the Canaveral, Riviera and Port Everglades Modernization Projects, which are the three generating units that FPL expects to bring into service during the settlement term. Paragraph 8 of the Proposed Settlement Agreement describes the contemplated application of the GBRA in greater detail.

Q. What is the impact of implementing GBRA on the Company's earned return?

A. Mathematically, the GBRA *cannot* increase FPL's earned return on common equity ("ROE") above the mid-point approved by the Commission and, in fact, if FPL were earning above the mid-point at the time that a GBRA were implemented, it would tend to bring FPL's earned ROE down toward the mid-point. I describe this in more detail later in my testimony and have provided an illustrative example on Exhibit REB-9.

Q. For what generating units has FPL previously utilized the GBRA mechanism?

A. FPL successfully utilized the GBRA mechanism under the 2005 rate settlement agreement to recover the costs associated with Turkey Point Unit 5 in 2007 and West County Units 1 and 2 in 2009.

Q. Why is it appropriate for FPL to recover the costs associated with the Cape Canaveral, Riviera, and Port Everglades Modernization Projects through a GBRA mechanism?

A. The GBRA is an appropriate mechanism to provide prudent cost recovery associated with the in-service of new generating plants for the following reasons:

1) Necessary to deliver four year rate certainty;
2) Mirrors the step increase approach utilized in base rates to recover generating plant costs;
3) Retains appropriate cost oversight capability for the Commission;

4) Provides cost protection for customers;

5) Synchronizes fuel savings with non-fuel costs thereby minimizing the total bill impact; and

6) Provides for administrative efficiency.

I will describe each of these in more detail below.

Four Year Rate Certainty

The GBRA mechanism is an integral part of the Proposed Settlement Agreement, and is required in order to facilitate four years of base rate certainty to our customers while affording the Company the opportunity to recover its prudently incurred costs. Without GBRA, the Company could not commit to a four-year period of no base rate increases because it would be unable to absorb the costs of the new units. For instance, the approximate impact to ROE for Cape Canaveral, Riviera, and Port Everglades without a change to base rates would be a reduction in ROE of 103 bps, 148 bps, and 136 bps, respectively. The cumulative impact of all three units would be a reduction in ROE of nearly 400 bps, quite clearly requiring supplemental rate relief. These amounts are reflected on Exhibit REB-10.

GBRA Mirrors a Base Rate Step Increase Approach

The concept of the proposed GBRA mechanism is consistent with the Canaveral base rate step increase filing and is consistent with other step increases approved by this Commission. Like the Canaveral Step Increase, it uses incremental costs to calculate revenue requirements and synchronizes the increase with the in-service date of the facility. GBRA and step increase methods properly reflect the incremental cost of financing the new generating plant and therefore provide a proper matching of costs and rates, and is consistent with how past GBRAs were calculated. It would be inappropriate to use an embedded cost of capital, including such items as existing short term debt and customer deposits (which will vary independent of the existence of the new plant) to calculate revenue requirements for new generating plants which will require new long term debt and equity for permanent financing.

Proper Cost Oversight

GBRA increases are based on the economic analysis that the Commission thoroughly reviewed and approved as part of the need determination for each plant. The first 12 months revenue requirements of each new plant are implicitly validated by that overall economic review. Historically, FPL's actual capital costs for plants placed in rates using GBRA have been no more than, and in most cases less than, the need determination revenue requirements which form the basis for the cumulative present value revenue requirements ("CPVRR") analysis upon which the need determination was based. Therefore, history shows that the need determination estimates have served as a reasonable basis for setting future rates. In addition, as has been the process in the past, the Commission confirms the revenue requirements and base rate impacts for the GBRA prior to implementation through a formal filing made by FPL as a part of the Capacity Clause proceedings and submittals. No rate change is made without proper regulatory oversight. In fact, historically no party (including the Office of Public Counsel and the Florida Retail Federation) has ever objected to the calculations submitted as a part of this efficient and well understood process.

Cost Protection for Customers

The use of a GBRA mechanism affords substantial additional protection to the customer because the initial rate adjustment allows for recognition of cost decreases only. This provides additional protection for customers. Should the final capital costs be less than the need determination estimates, the customer is assured a timely refund and a prospective rate reduction, which would not be the case with a traditional base rate filing. This protection has been clearly demonstrated as the actual costs for Turkey Point Unit 5 were lower than estimated in its need determination, and customers' rates were promptly revised to reflect this lower cost. In that instance, FPL reduced the GBRA factor for Turkey Point Unit 5 to recognize that the actual construction costs for that unit came in below the estimate. The factor was reduced from 3.271% to 3.129%, and a credit of $9.3 million was returned to customers through FPL's capacity clause for the period in which the higher GBRA factor had been in effect.

If instead the plant costs are higher than the need determination estimate, the Company could only implement GBRA at the lower amount. FPL, at its option, would then be allowed to petition the Commission, in a limited scope proceeding, to seek recovery of the higher revenue requirements due to actual construction costs exceeding the projections.

Synchronizes Fuels Savings with Plant Cost Recovery

The GBRA mechanism is the most efficient and effective way of providing for new generating plant recovery in base rates commensurate with the time fuel savings associated with new plant begin to be achieved, and the Company's expenses associated with operation of new units are incurred. As these modernization projects are providing a reduction in customer bills over the life of these assets on a present value basis, it is reasonable to seek a cost recovery method that matches those fuel savings to customers with base rate recovery to the Company.

Administrative Efficiency

The GBRA relies on Power Plant Siting Act ("PPSA") need determination cost estimates as a threshold for cost recovery (or, in the case of the Canaveral Modernization Project, the detailed schedules setting forth that unit's revenue requirements that were provided in support of the Canaveral Step Increase that FPL included in its original March 19, 2012 rate petition and that were the subject of scrutiny in the August 2012 technical hearing). These cost estimates are used to calculate the annualized base revenue requirement for the first 12 months of operation. The Company would calculate the revenue requirement reflecting the costs upon which the CPVRR were predicated. FPL would then submit this calculation along with the proposed tariff to the Commission for approval. The use of a GBRA for the Canaveral, Riviera and Port Everglades Modernization Projects will result in greater regulatory and administrative efficiency and avoid the tremendous expenditure of costs and distraction of resources associated with multiple back-to-back base rate proceedings.

Q. What risks do FPL and its investors continue to bear under GBRA?

A. FPL retains all the construction risk associated with building these new-generation, highly efficient technologies. It must independently finance the construction of these projects over long periods. GBRA does not provide for an automatic pass through - instead the rate change is well documented, capped at the need determination amount, formally filed for review by the public and all interested parties, and then implemented consistent with commercial operation timing.

Q. Would implementing a GBRA mechanism as a part of this settlement increase FPL's ROE above the mid-point of the authorized ROE range?

A. No, it would not. The GBRA mechanism is mathematically incapable of increasing the settlement ROE above the mid-point of the authorized range. If FPL is earning above the authorized mid-point prior to the GBRA for other reasons, the GBRA would actually drive the ROE down towards the authorized mid-point. Conversely, if FPL is earning below its authorized mid-point prior to the GBRA, implementation of the GBRA will move the ROE toward the authorized midpoint. Exhibit REB-9 demonstrates this mathematical certainty. Therefore, one could say that GBRA is "mid-point seeking."

Q. Does the proposed GBRA mechanism address concerns expressed by the Commission in Order No. PSC-10-0153-FOF-EI?

A. Yes. The proposed GBRA mechanism addresses the following concerns:

- The order expressed concern that the GBRA mechanism requested by FPL in its 2010 rate request, if approved, would have been permanent. This would not be the case under the Proposed Settlement Agreement. Rather, the GBRA mechanism is limited to the four-year settlement period and applies only to the three modernization projects that are expected to come into service during that period.
- The order also expressed concern that the Company might over earn its allowed ROE due to the application of a GBRA. As discussed above, this is mathematically impossible, as the GBRA is by its nature "mid-point seeking."
- Lastly, the order expressed concern for approval of GBRA in a rate case as a policy change without providing consideration of its use by other utilities. Here, however, the GBRA is a component of a time-

bound, negotiated settlement, so there would be no generally applicable precedent resulting from its approval.

Q. How will the first year Annualized Base Revenue Requirement for the Canaveral Modernization Project be calculated?

A. The first year annualized base revenue requirement is based on the following assumptions: the revised Cape Canaveral Modernization Project costs and expenses included in the Appendix to FPL's post hearing brief filed on September 21, 2012, the as-filed, incremental capital structure, the revised long term debt cost rate as described by FPL in its post hearing brief, and the settlement ROE of 10.7%.

Q. How will the first year Annualized Base Revenue Requirements for the Riviera and Port Everglades Modernization Projects be calculated?

A. The first year annualized base revenue requirements for the Riviera and Port Everglades Modernization Projects are based on the following assumptions: the projected capital costs and expenses included in the projects' respective need determination filing, the as filed and revised incremental capital structure and cost rates for the Canaveral Modernization Project, and the settlement ROE of 10.7%, consistent with Paragraph 8(c) of the Proposed Settlement Agreement.

Q. What are the amounts for the estimated first year Annualized Base Revenue Requirements for these three projects?

A. Exhibit REB-10 provides Schedule MFR A-1 for Canaveral, Riviera and Port Everglades Modernization Projects.

Q. Is the GBRA mechanism in the public interest?

A. Yes. It allows for the Company to recover prudently incurred costs previously approved by the Commission in its need determination filings, and provides the Company the opportunity to earn a return on and of its investments. In addition, the GBRA utilizes the settlement ROE and provides a mechanism that avoids permanent severe degradation to FPL's ROE.

III. AMORTIZATION OF DEPRECIATION AND DISMANTLEMENT RESERVES (ISSUE 2)

Q. What does the Proposed Settlement Agreement provide as it relates to amortization of the depreciation and dismantlement reserves?

A. Paragraph 10 of the Proposed Settlement provides FPL with discretion as to amortization during the settlement term of the "Reserve Amount." In Paragraph 10(b), the Reserve Amount is the sum of (1) the higher of $191 million or the actual remaining portion of the total $894 million Depreciation Reserve Surplus that the Commission authorized FPL to amortize in Order No. PSC-10-0153-FOF-EI plus (2) a portion of FPL's fossil dismantlement reserve. The total Reserve Amount to be amortized cannot exceed $400 million over the settlement term.

Q. Why is this provision critical to the settlement?

A. It provides the Company the flexibility necessary to achieve reasonable financial results during the extended settlement period. Without this flexibility, base rates could not be held constant for such a long time due to the risk of weather, inflation, mandated cost increases and other factors affecting FPL's earnings that are beyond the Company's control. The $400 million Reserve Amount includes $191 million of remaining surplus depreciation that is included in the Company's 2013 Test Year request. Therefore, the incremental $209 million, an average of $70 million or 45 basis points of ROE per year, is all that is available during the three years of the Settlement Agreement beyond 2013 to provide flexibility to absorb revenue and cost uncertainty.

Q. Would FPL's customers be adversely affected by allowing FPL to amortize the Reserve Amount during the settlement term?

A. No. The Commission has already approved amortization of the Depreciation Reserve Surplus, so the Proposed Settlement Agreement provides nothing new in that regard. As to the dismantlement reserve, the proposed amortization is reasonable in relation to the current level of the reserve and the current projections of when dismantlement will need to occur.

Q. What is FPL's current assessment of the adequacy of its current fossil dismantlement reserve?

A. FPL's last dismantlement study was filed with the Commission in March 2009 in conjunction with its base rate petition in Docket No. 080677-EI, and the Company has not completed or finalized another dismantlement study since then. Therefore, FPL is unable to provide a precise calculation or updated estimate of the current present value of expected future dismantlement, or annual dismantlement accrual at this time. However, all other things equal, FPL's construction of the modernization projects will have a downward effect on the level of the necessary accrual and would provide a greater likelihood for a sufficient reserve due to the deferral of a portion of the necessary dismantlement of these facilities decades into the future.

Q. What does the Company forecast for amortization of its dismantlement reserve during the four year period?

A. The settlement caps the use of depreciation surplus and dismantlement, collectively the "Reserve Amount," to no more than $400 million over the term. The as filed remaining amount of FPL's Total Depreciation Reserve Surplus is $191 million, which would leave $209 million of dismantlement reserve for FPL to amortize ($400 million maximum Reserve Amount minus $191 million depreciation surplus amortization). During the term of the agreement, FPL will continue to accrue approximately $18.5 million annually to the dismantlement reserve. When future accruals are considered ($209 million minus $74 million), the reduction to the reserve, due to this provision of the agreement, should be no more than $135 million.

Q. What will be the impact on the dismantlement accrual in FPL's next study if it amortizes a net of $135 million during the next four years?

A. The accrual of dismantlement reserve is not highly sensitive to the current level of the reserve because the use of the dismantlement reserve is targeted so far into the future. For example, an amortization of $209 million assumed to be spread ratably over all assets, all else equal, would increase the accrual by approximately \$7.0 million. This increase would be only 0.1% of FPL's total 2013 projected revenue requirements. This is illustrated on Exhibit REB-11.

Q. How would FPL provide for future dismantlement costs if FPL amortizes a portion of its dismantlement reserve over the term of the agreement?

A. Future dismantlement costs will be provided for through current and future dismantlement accruals determined by authorized amounts approved by the Commission after reviewing dismantlement studies filed periodically by the Company. All Commission authorized accruals are collected over the remaining life of the units to be dismantled.

Q. Does the amortization of the dismantlement reserve over the term of the agreement violate the regulatory principle of intergenerational equity?

A. No, it does not. First, we have demonstrated that even the highest possible amortization afforded under the Proposed Settlement Agreement is reasonably anticipated to have only a modest impact on the size of future accruals. Secondly, FPL's recent modernization projects have allowed for the construction of new generating plants at existing plant sites and thereby defer for 30 years or more the need to incur the full cost of green field dismantlement at those sites. Therefore, a portion of its currently accrued dismantlement reserve will not be needed until much later than previously anticipated, which would mitigate the effect of the dismantlement flow-back contemplated by the Proposed Settlement Agreement.

IV. DEFERRAL OF DEPRECIATION & DISMANTLEMENT STUDIES (ISSUE 3)

Q. Why is the Company proposing to defer filing the depreciation and dismantlement studies during the term of the Proposed Settlement Agreement?

A. One of the important features of this four year Proposed Settlement Agreement is rate stability and predictability. As I discussed above with respect to amortization of the Reserve Amount, the Company must be able to manage currently unknown and unanticipated cost and revenue changes during the extended term of the Proposed Settlement Agreement. It could not therefore, commit to a settlement with fixed base rates, while assuming the risk of depreciation and/or dismantlement accrual increases during the settlement term. Nor would it be reasonable to expect customers to have base rates remain constant if the Company's depreciation accruals were reduced. The base rate freeze contemplated by the Proposed Settlement Agreement must be sustainable if predictable, stable rates are to be maintained for customers. Therefore, Paragraph 11 of the Proposed Settlement Agreement provides that FPL will not be required to file a depreciation or dismantlement study, nor changes its depreciation rates or dismantlement accruals, during the settlement term.

Q. Has the Company calculated its expected 2013 depreciation accrual based on a new depreciation study utilizing capital expenditures through 2013

and updating for parameter changes through the most recent historical period?

A. No. Although the Company has begun the extended effort of preparing its next depreciation study, that work is currently in the preliminary stages with significant additional analysis remaining. It is important to note that the historical conditions that gave rise to the depreciation reserve surplus in FPL's last study are already fully reflected in the current approved depreciation rates, and FPL does not expect those conditions to be repeated. A significant driver of the historical surplus was recognition of the life extension of FPL's nuclear units. Now however, with incremental plant investment since the last study totaling over $9 billion and no indicator of significant increased life spans, we can reasonably anticipate that there likely will be a deficit in at least some functions of depreciation reserve.

As an example, $3 billion has been invested in the nuclear function since the last study, which must be recovered over the remaining lives of these units. Because the life spans of these units are fixed, the higher capital costs will quite obviously increase the annual accrual needed for those accounts. Exhibit REB-12 provides this illustrative example. The same general point would apply to the other $6 billion of incremental non-nuclear plant, but the impact of those investments is not as readily illustrated in a simplified example due to differences in life spans and other parameters for the various types of investment.

As shown on Exhibit REB-12, continuing the use of the current approved nuclear function depreciation rate of 2.0% and factoring in projected incremental activity through 2013 would result in an estimated depreciation accrual of $134 million for the nuclear function. If this accrual was further adjusted to reflect the remaining life beyond 2013, then the nuclear depreciation rate and accrual would increase to 3.1%, and $207 million, respectively. As such, by deferring FPL's next depreciation study until after the settlement term, FPL would experience an annual deficit, or shortfall, in its accrual of $73 million related to the incremental investment in the nuclear function, which would need to be incorporated into the next depreciation study. This would then result in an increase to FPL's nuclear depreciation rate and accrual to 3.3% and $224 million, respectively. This is only an increase of 0.2% in the accrual rate, or about $17 million in the annual accrual, due to the four year delay.

This illustrative example shows that a delay in filing a depreciation study would not be expected to materially impact FPL's annual depreciation accruals. In fact, less than 20% of the $90 million increase in accruals for the nuclear function from 2013 to 2017 in this example (i.e., $224 million minus $134 million) would be due to the delay in the filing. And in exchange for that delay, customers would have avoided a $73 million annual increase in depreciation accruals for the nuclear function over the four-year settlement term. Of course, the $6 billion in incremental non-nuclear infrastructure investment would also affect the acquired accruals in this time period.

Q. Does the anticipated deficit trend indicate that deferring the next depreciation study would create intergenerational inequity, as future customers bear the increased accruals?

A. No. Although there is a possibility that accruals may need to increase at the end of the settlement period, the benefits of the settlement for customers more than offset that possibility. Utility assets are long lived. Their costs are recovered prospectively, usually over very long periods of time, because regulatory accounting is designed to spread changes in those estimates over future periods. Therefore, a deferral of four years would not be expected to create intergenerational inequities.

Q. What changes does FPL expect in its dismantlement accrual requirements over the term of the Proposed Settlement Agreement?

A. For the reasons I discussed above, FPL does not expect significant increases in the dismantlement accrual to be required when a new study is filed at the end of the settlement term. The Modernization Projects will result in deferring for many years a significant portion of the dismantlement costs for those sites.

Q. Is FPL aware of any other Florida investor-owned electric utilities that have been authorized to defer the filing of their depreciation and/or dismantlement studies?

A. Yes. In Paragraph 18 of the current Progress Energy Florida settlement agreement, all signatories agreed to defer the filing of Progress' depreciation, dismantlement, and decommissioning studies.

V. SUMMARY

Q. Please summarize your testimony.

A. The Proposed Settlement Agreement is a reasonable balance among the interests of the Company and its customers. The GBRA, flexible amortization of the Reserve Amount, and FPL's ability to defer the depreciation and dismantlement studies during the settlement term are integral parts of that balance. For the reasons I have explained, each of those provisions is reasonable, will not adversely affect customers, and is in the public interest.

Q. Does this conclude your testimony?

A. Yes.

GBRA ROE Midpoint Illustrative Example

	Before Incremental GBRA Plant			Incremental GBRA Plant			After Incremental GBRA Plant		
Rate base	$20,000			$1,000			$21,000		
Capital structure	**Amount**	**Cost Rate**	**Weighted Average**	**Amount**	**Cost Rate**	**Weighted Average**	**Amount**	**Cost Rate**	**Weighted Average**
Debt	$6,800	5.30%	1.80%	$404	4.10%	1.66%	$7,204	5.23%	1.80%
Equity	9,200	10.70%	4.92%	596	10.70%	6.38%	9,796	10.70%	4.99%
Deferred taxes	4,000	0.00%	0.00%	0	0.00%	0.00%	4,000	0.00%	0.00%
Total	**$20,000**		**6.72%**	**$1,000**		**8.03%**	**$21,000**		**6.79%**

	Before Incremental GBRA Plant	Incremental GBRA Plant	After Incremental GBRA Plant
FPL Earning at 10.7%, GBRA is at 10.7%			
Net operating income	$1,345	$80	$1,425
Rate of return	6.72%	8.03%	6.79%
Non equity costs	1.80%	1.66%	1.80%
Available to equity	4.92%	6.38%	4.99%
Equity ratio	46.00%	59.60%	46.65%
Earned return on equity	**10.70%**	**10.70%**	**10.70%**
FPL Earning at 10.5%, GBRA is at 10.7%			
Net operating income	$1,326	$80	$1,407
Rate of return	6.63%	8.03%	6.70%
Non equity costs	1.80%	1.66%	1.80%
Available to equity	4.83%	6.38%	4.90%
Equity ratio	46.00%	59.60%	46.65%
Earned return on equity	**10.50%**	**10.70%**	**10.51%**
FPL Earning at 10.9%, GBRA is at 10.7%			
Net operating income	$1,363	$80	$1,444
Rate of return	6.82%	8.03%	6.87%
Non equity costs	1.80%	1.66%	1.80%
Available to equity	5.01%	6.38%	5.08%
Equity ratio	46.00%	59.60%	46.65%
Earned return on equity	**10.90%**	**10.70%**	**10.89%**

CANAVERAL MODERNIZATION PROJECT
ESTIMATED FIRST YEAR REVENUE REQUIREMENTS

Revenue Requirement Calculation	FIRST YEAR OPERATIONS ($000)
Jurisdictional Adjusted Rate Base	$811,809
Rate of Return on Rate Base	8.550%
Required Jurisdictional Net Operating Income	69,411
Required Net Operating Income	69,411
Jurisdictional Adjusted Net Operating Income (Loss)	(31,876)
Net Operating Income Deficiency (Excess)	101,287
Net Operating Income Multiplier	1.63188
Revenue Requirement (1)	$165,289
ROE Impact of Revenue Requirements (2)	103 bps

Notes:

(1) Based on the following assumptions: the revised Cape Canaveral Modernization Project costs and expenses included in the Appendix to FPL's post hearing brief filed on September 21, 2012, the as-filed, incremental capital structure, the revised long term debt cost rate as described by FPL in its post hearing brief, and the settlement ROE of 10.7%.

(2) Based on $160M in Revenue Requirement change per 100 basis points (bps).

RIVIERA MODERNIZATION PROJECT
ESTIMATED FIRST YEAR REVENUE REQUIREMENTS

Revenue Requirement Calculation	FIRST YEAR OPERATIONS ($000)
Jurisdictional Adjusted Rate Base	$1,220,926
Rate of Return on Rate Base	8.550%
Required Jurisdictional Net Operating Income	104,392
Required Net Operating Income	104,392
Jurisdictional Adjusted Net Operating Income (Loss)	(40,253)
Net Operating Income Deficiency (Excess)	144,645
Net Operating Income Multiplier	1.63188
Revenue Requirement (1)	$236,043
ROE Impact of Revenue Requirements (2)	148 bps

Note:
(1) Based on the following assumptions: the projected capital costs and expenses included in the Riviera Modernization project need determination filing, the as filed and revised incremental capital structure and cost rates for the Canaveral Modernization Project, and the settlement ROE of 10.7%, consistent with Paragraph 8(c) of the Proposed Settlement Agreement.

(2) Based on $160M in Revenue Requirement change per 100 basis points (bps).

PORT EVERGLADES MODERNIZATION PROJECT
ESTIMATED FIRST YEAR REVENUE REQUIREMENTS

Revenue Requirement Calculation	FIRST YEAR OPERATIONS ($000)
Jurisdictional Adjusted Rate Base	$1,144,824
Rate of Return on Rate Base	8.550%
Required Jurisdictional Net Operating Income	97,885
Required Net Operating Income	97,885
Jurisdictional Adjusted Net Operating Income (Loss)	(35,618)
Net Operating Income Deficiency (Excess)	133,503
Net Operating Income Multiplier	1.63188
Revenue Requirement [(1)]	$217,862
ROE Impact of Revenue Requirements [(2)]	136 bps

Note:

(1) Based on the following assumptions: the projected capital costs and expenses included in the Port Everglades Modernization project need determination filing, the as filed and revised incremental capital structure and cost rates for the Canaveral Modernization Project, and the settlement ROE of 10.7%, consistent with Paragraph 8(c) of the Proposed Settlement Agreement.

(2) Based on $160M in Revenue Requirement change per 100 basis points (bps).

Dismantlement Reserve

Illustrative Example of Impact of Amortization on Future Accruals

($ millions)

Table 1: Computation of Net Accrual Activity (2013 - 2016)

Description: This table summarizes the 4-year activity for current authorized accrual adjusted for an illustrative dismantlement flowback.

	2013	2014	2015	2016	Total	Comments
Authorized Accruals	$ 18.3	$ 18.3	$ 18.3	$ 18.3	$ 73.2	Current authorized accrual
Annual Flowback	(52.3)	(52.3)	(52.3)	(52.3)	(209.0)	Maximum flowback to dismantlement expense spread ratably over 2013 - 2016
Net Accrual Impact	**$ (34.0)**	**$ (34.0)**	**$ (34.0)**	**$ (34.0)**	**$ (135.8)**	Net impact on accrual activity during 2013 - 2016

Table 2: Computation of Recollection Due to Illustrative Flowback

Description: This table summarizes the recollection of flowback over remaining life and the potential impact on the 2017 proposed accrual.

		Comments
Assumed Recollected Accrual		
Total	$ 135.8	Due to 2013 - 2016 flowback
Present Value	75.4	Using compounding rate
Compounding Rate	4%	Current compounding inflation based on cost escalations (most plants between 3 and 5%)
Average Remaining Life	15.0	Estimated after 4 years passage (current is 19)
Annualized Recollection	**$ 7.2**	Annual recollection amount (most recent 4-year average from Table 4)

Table 3: Comparison of Authorized (2010) and Potential Accruals (2017)

Description: This table summarizes the comparison of the 2010 authorized accrual and the estimate on the 2017 potential accrual.

Current Authorized Accrual	$ 18.3	
Potential 2017 Accrual	25.5	
Accrual Net Change	**$ 7.2**	Assume no other changes in assumptions during 2013 - 2016

Table 4: Flowback PV of $75.4M

Year	Amount
2017	$ 6.8
2018	7.1
2019	7.3
2020	7.6
2021	7.9
2022	8.3
2023	8.6
2024	8.9
2025	9.3
2026	9.7
2027	10.0
2028	10.4
2029	10.9
2030	11.3
2031	11.7
	$ 135.8

4 year average = $7.2M

Depreciation Accrual

Illustrative Example of Effect of Nuclear Plant Additions on Accrual[I]

(Dollars in Millions)

Line No.			2009 Approved Depreciation Rate and Parameters with 2009 Forecast Plant and Commission Ordered Reserve	2010 - 2013 Incremental Spending and Reserve	2009 Approved Depreciation Rate and Forecast Spending through 2013	2009 Parameters (Updated Remaining Life) and Forecast Spending through 2013	Annual Deficit in Depreciation Accrual (2013 and beyond) from Additional Spending in 2010-2013 and Passage of Time	2017 Amounts Assuming Continued Use of 2009 Parameters and No Additional Spending Beyond 2013	2017 Amounts Assuming use of Updated Remaining Life [E]	Diff in Annual Accrual [F]
1	Plant Balance [G]		$ 3,970	$ 2,806	$ 6,776	$ 6,776		$ 6,776	$ 6,776	
2	Net Salvage	Line 1 x 1.2%	48	34		82		82	82	
3	Total Cost	Lines 1 + 2	$ 4,018	$ 2,840		$ 6,858		$ 6,858	$ 6,858	
4	Reserve [H]		(1,994)	(304)		(2,298)		(2,834)	(3,127)	
5	Future Accruals (NBV)	Lines 3 - 4	2,024	2,536		4,560		4,024	3,731	
6	Average Remaining Life		26		26	22		18	18	
7	Annual Accrual		$ 78	$ 56	$ 134	$ 207	$ 73	$ 224	$ 207	$ 17
8	Accrual Rate	Lines 7 ÷ 1	2.0%		2.0% A	3.1% B	C	3.3% D	3.1%	

Notes:

A: Continued use of 2% (2009 approved accrual rate) would result in an annual accrual in 2013 of $134 million ($6,776*2%)

B: The accrual should be $207 million (rate of 3.1%) beginning in 2013 if it is recalculated by taking the NBV of $4,560 over the remaining life of 22 years

C: The annual deficit, or shortfall, in the accrual is $73 million if the Company kept using an accrual rate of 2% rather than 3.1% based on remaining life

D: Deferring the study until 2017 means the accrual would now need to be $224 million (rate of 3.3%) - $17 million higher than if it had been adjusted in 2013.

E: Represents the resulting amounts had the accrual for 2013 through 2016 been $207 million (see note B)

F: Represents the difference in the annual accrual between the $207 million (see Note E) and the $224 million (see Note D).

G: Total system 13-month average nuclear plant balance of $6,776 million at December 31, 2013 agrees to MFR B-6, page 1.

H: Total system 13-month average nuclear reserve balance of $2,298 million at December 31, 2013 agrees to MFR B-6, page 5.

I: In this illustrative example, of the total required increase in the annual accrual of $90 million in 2017 (D - A), delaying the study for four years accounts for less than 20% of the increase, or $17 million (D - B)