

Florida Power & Light Company

2016

Planning and Budgeting Process Guideline

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2016 Planning and Budgeting Process Calendar

Item	Date	Day	Time	Action / Deliverable / Event	Comments
1	1-May	Fri	NA	Open SAP/IP Planning Templates	Performed by Corporate Budgets
2	25-Jun	Thu	NA	Planning Guidelines and Assumptions issued	Provided by Corporate Budgets
3	18-Aug	Tue	8:00 AM	<ul style="list-style-type: none"> • Presentation materials for the Budget Review Meeting with E. Silagy due to Corporate Budgets <ul style="list-style-type: none"> – See Section 1 of the Guideline for requirements • All required data loaded into SAP/IP <ul style="list-style-type: none"> – See Section 2 of the Guideline for requirements – Detail forecast for remaining 2015 (R08) – Detail budgets for 2016 - 2018, plus 2019 - 2020 for capital – O&M FERC Functionalization percentages – Capital Installation / Removal / Demolition percentages 	Applies to all business units Note: detail budgets include <ul style="list-style-type: none"> • O&M Base • O&M Clauses (incl Fuel) • Non-clause Fuel • Below the Line • Revenue Enhancement • Capital Base • Capital Clauses • Cost Pools • Intercompany • Gas Reserves • Work Force
4	19-Aug to 21-Aug	Wed To Fri	NA	Preliminary review of WBS Level 4 Plan Distribution Template percentages <ul style="list-style-type: none"> – O&M FERC Functionalization – Run FERCalator, revise, re-run, – Capital Installation / Removal / Demolition 	<ul style="list-style-type: none"> – Percentages provided by business units – Corporate Budgets and BUs to review O&M and Capital percentages
5	25-Aug	Tue	5:00 PM	Deliver Budget Meeting Books to Budget Review Committee	Provided by Corporate Budgets
6	1-Sep	Tue	8:00 AM to 5:00 PM	<ul style="list-style-type: none"> • Initial Budget Review Meetings with E. Silagy • Business units present to Budget Review Committee 	Participant BUs will be notified of their date and time
	2-Sep	Wed	1:00 PM to 5:00 PM		
	4-Sep	Fri	10:00 AM to 12:00 PM		
7	14-Sep	Mon	1:00 PM to 3:00 PM	Follow up Session with E. Silagy if needed	Participant BUs will be notified of their date and time
8	16-Sep	Wed	5:00 PM	<ul style="list-style-type: none"> • Final data submissions in IP due to Corporate Budgets: <ul style="list-style-type: none"> – See Section 2 of the Guideline for requirements – Detail forecast for remaining 2015 (R09) – Detail budgets for 2016 - 2018, plus 2019 - 2020 for capital – O&M FERC Functionalization percentages – Capital Installation / Removal / Demolition percentages 	Applies to all business units. Note: detail budgets include <ul style="list-style-type: none"> • O&M Base • O&M Clauses (incl Fuel) • Non-clause Fuel • Below the Line • Revenue Enhancement • Capital Base • Capital Clauses • Cost Pools • Intercompany • Gas Reserves • Work Force

9	17-Sep to 2-Oct	Thu To Fri	NA	<p>REFER TO e-Web CALENDAR FOR DETAILS</p> <ul style="list-style-type: none"> Review and finalize Master Data Calculate and apply overheads (PR, EO, Stores, etc.) Calculate and apply AMF percentages Run FERCalator, revise, re-run, finalize 	<ul style="list-style-type: none"> Corporate Budgets Cost Measurement & Allocations Business Units as required
10	2-Oct	Fri	Noon	<ul style="list-style-type: none"> Presentation materials for the Budget Review Meeting with J. Robo and E. Silagy due to Corporate Budgets – See Section 1 of the Guideline for requirements 	Applies to all business units
11	30-Sep	Wed	5:00 PM	Hand off Five Year Capital Forecast and O&M Forecast to Forecasting Group	Provided by Corporate Budgets
12	7-Oct	Wed	5:00 PM	Forecasting provides Preliminary Financial Plan to Corporate Budgets	Provided by Forecasting Group
13	9-Oct	Fri	5:00 PM	UI Model update: final plan inputs based on September actuals (for financial statement preparation, excludes O&M and capex)	Applies to those business units that enter plans directly into the UI model
14	12-Oct	Mon	5:00 PM	Deliver Budget Meeting Books to J. Robo and Budget Review Committee	Provided by Corporate Budgets
15	19-Oct	Mon	9:00 AM to 11:00 AM	Final Budget Review Meeting with J. Robo and E. Silagy	No business unit participation required
16	21-Oct	Wed	5:00 PM	<ul style="list-style-type: none"> Final-Final data submissions in IP due to Corporate Budgets: <ul style="list-style-type: none"> See Section 2 of the Guideline for requirements Detail forecast for remaining 2015 (R09) Detail budgets for 2016 - 2018, plus 2019 - 2020 for capital O&M FERC Functionalization percentages Capital Installation / Removal / Demolition percentages 	Applies to all business units. Note: detail budgets include <ul style="list-style-type: none"> O&M Base O&M Clauses (incl Fuel) Non-clause Fuel Below the Line Revenue Enhancement Capital Base Capital Clauses Cost Pools Intercompany Gas Reserves Work Force
17	22-Oct to 29-Oct	Thu To Thu	NA	<ul style="list-style-type: none"> Review and finalize Master Data Calculate and apply overheads (PR, EO, Stores, etc.) Calculate and apply AMF percentages Run FERCalator, revise, re-run, finalize 	<ul style="list-style-type: none"> Corporate Budgets Cost Measurement & Allocations Business Units as required
18	27-Oct	Tue	5:00 PM	Hand off of Five Year Capital Forecast to Forecasting Group	Provided by Corporate Budgets
19	30-Oct	Fri	5:00 PM	Hand off of O&M Forecasts to Forecasting Group	Provided by Corporate Budgets
20	15-Feb 2016	Mon	5:00 PM	Final version of budget presentation due to Corporate Budgets updated with 2015 actuals and final approved budgets and forecast	Applies to all business units

Overview of 2016 Planning and Budgeting Process

GENERAL:

This document contains instructions for preparing the required presentations for each budget review meeting and loading detail budget data into SAP/IP.

Throughout the budget review process all business unit budget presentation materials must be submitted through the Corporate Budgets e-Web page. The web site is designed to facilitate the entire budget process and includes reference materials, data templates, presentation templates, and path references to BW reports.

Corporate budgets will rely upon the business unit level data in BW to roll up the total corporate funds request for each budget review meeting. Therefore, it is required that all business unit budget review meeting presentations tie to the data on the system.

Section 1 of this document contains instructions for preparing the presentations. Please note the treatment of Momentum savings in the Base O&M and the Employee "walks".

Section 2 of this document contains the detailed requirements for entering data into the SAP-IP planning tool. There are specific cost elements that must be used in order to facilitate the overhead loading processes built into the IP tool. It is important to review and understand the details of these overhead allocations as they impact the business unit's budget totals.

To assist with the development of budgets, BW reporting tools are available in the "Budget Cycle" Folder within BW. These reports are referenced throughout the guideline.

SPECIAL CONSIDERATIONS:

The results of this year's planning and budgeting process (2016 through 2020) will be used as the basis for the 2016 rate case.

Many elements of the annual budgeting process are similar to the monthly forecasting process. The following elements require special attention in the annual process and are highlighted here as a reminder. See Section 2 of this document for more specific instructions on both requirements.

- All business units are required to follow the four steps for planning payroll:
 1. Enter all project payroll at the WBS element level (due August 18)
 2. Enter your unit's gross payroll in the Home Cost Center (due September 16)
 3. Perform a reconciliation between items 1 and 2 (due September 16)
 4. Shape your Payroll and related Headcount budget to reflect when positions are added and vacancies are created and filled

- WBS element Level 4 Plan Distribution Templates must be finalized by September 16, to support timing requirements for updating the Financial Forecasting Model.
 1. Review / adjust O&M FERC Functionalization percentages
 2. Review / adjust Capital Installation / Removal / Demolition percentages

Preliminary reviews of the assigned Level 4 percentages will be conducted by Corporate Budgets per the calendar.

Note:

Owing to the timing of the budget review meetings, it will be necessary to use the July MOPR version R08 for the 2015 Year End Forecast, for the first round of presentation submittals. For the second round of presentation submittals, we will use the August MOPR version R09 for the 2015 Year End Forecast. See also the Calendar on pages 3 and 4 and the reference Tables on page 8.

When planning payroll, 2017 has only 260 payroll days, rather than the 261 payroll days we have been experiencing since the business units first began budgeting by payroll days per month, during the 2012 planning cycle. Because 2017 will have fewer payroll days than 2016 one would expect the 2017 payroll budget to be lower than the 2016 budget, assuming everything else were held equal between years, that is, assuming no change in the composition of the payroll budget and no merit increases. To recognize the impact of one fewer payroll days in the 2017 payroll budget, see the special instructions in the "FPL-2016 Payroll Work Days Reference" file located in the "Reference Material" section of the Corporate Budgets e-Web page.

Any severance associated with Momentum ideas should be budgeted / forecasted at the business unit level.

Based on the current SAP/BPC project implementation timeline, SAP/BPC will be the system of record beginning with the January 2016 MOPR cycle. For rate case discovery responses, existing BW reports will still be available to the business units, including the comparative FERC report. In order to generate accurate rate case reporting data, these reports will continue to be able to access SAP/IP plan data after the implementation of SAP/BPC.

Overview of Available Planning Tools and Resources

- **Corporate Budgets e-Web Link**

<http://eweb.fpl.com/bunit/finance/FunctGroups/BgtFcst/budgetsubmissionportal2016-2020.shtml>

- This website is structured to help both the business units and corporate budgets streamline the preparation of budget process deliverables
 - Each deliverable is outlined as well as the due date
 - This website contains the following items:
 - ◇ Planning and Budgeting Process Guidelines
 - ◇ Planning and Budgeting Process Calendar
 - ◇ Sample templates for developing presentations
 - Excel
 - PowerPoint
 - ◇ Folders for submitting budget process deliverables
 - ◇ Reference Materials
- **SAP Financial BW – IP Templates**
 - All budget details are required to be on system throughout the schedule of deliverables
 - Business units will use the following template to meet the corporate requirement for years 2016 through 2020:
 - ◇ WV1 – Working Version 1 (Project Planning Template)
- **SAP Financial BW – Budget Cycle Reports**
 - Reports specific to the annual planning process are available in the “Budget Cycle” sub-folder within BW
 - The following reports will help the business unit verify its on-system data aligns with its presentation material:
 - ◇ Expense Forecast
 - ◇ Capital Forecast
 - ◇ Between Year Variances
 - ◇ Payroll/Headcount Shaping
 - ◇ Gross Payroll Reconciliation Report

- See Tables below for versions to use throughout the planning process

First Deliverable - Due August 18

Time Frame	Version
Prior Year Actuals	0
Current Year Forecast	R08
Future Years Fund Requests	WV1
Final Approved Budget	PCY

Second Deliverable - Due September 23

Time Frame	Version
Prior Year Actuals	0
Current Year Forecast	R09
Future Years Fund Requests	WV1
Final Approved Budget	PCY

Section 1

Instructions for Preparing Budget Presentations

Budget Presentation Development Overview

- All business units are required to prepare a Budget Presentation deliverable for submittal to Corporate Budgets in advance of each scheduled budget review meeting (see calendar pages 3 and 4).
- The required budget presentation materials must be tied out to the on-system data at each submittal point during the planning process. For detailed instructions on updating IP, see Part 2 of the Guideline: Instructions for Entering Detail Budgets in SAP / IP.
- Use the reports in the BW “Budget Cycle” folder to verify the data loaded into IP is correct. See “Step 2: Prepare / Review Budget Submission in SAP Financial BW” on the e-Web page for the paths to the various reports.
- Once IP has been updated and funds request totals verified in BW, the results need to be transferred to the required Excel templates. The templates should then be pasted into the business unit’s Power Point presentation. Blank Excel and PowerPoint templates can be found on the e-Web page under “Step 3: Prepare Budget Submission Documents in Microsoft Office.”
- The PowerPoint presentation is the final deliverable due to Corporate Budgets. See “Step 4: Submit Budget Deliverables in Business Unit SharePoint Folder” on the e-Web page for links to the business unit folders where the presentations are to be deposited.

Budget Presentation Content

The Budget Presentation must contain the following sections:

1) Base O&M Schedules

- a) Prepare a schedule identifying your business unit’s major projects and activities for the years indicated. **Select a level of detail appropriate for a thorough senior executive review.**

Utilize the following BW report to stratify your O&M budgets: Roles -> FPL Planning and Forecasting -> Managerial Reporting -> Budget Cycle -> “Expense Forecast (8Yr -2/+6 PY/FcFc)”

Base O&M					
Business Unit: _____					
(\$millions) or (\$thousands)					
Project / Activity	2014 Actual	2015 Forecast ⁽¹⁾	2016 Funds Request	2017 Forecast	2018 Forecast
Project 1					
Activity A					
Activity B					
Activity C					
Project 2					
Activity A					
Activity B					
Project 3					
Activity A					
Activity B					
Total Base O&M					

⁽¹⁾ Deliverables due August 18, 2015, should use July MOPR Year End Forecast (version R08)
 Deliverables due September 23, 2015, should use August MOPR Year End Forecast (version R09)

- b) Prepare a year to year “walk” patterned after the following example for each of the following comparisons:
- 2015 MOPR Year End Forecast to 2016 Funds Request
 - 2016 Funds Request to 2017 Forecast
 - 2017 Forecast to 2018 Forecast

Include an explanation for each step-up and step-down in each of the categories shown on the table.

The Inflation category should include merit increases and any other cost increases related to inflation. When applying inflation, be sure not to inflate any cost that will be identified as a non-recurring cost in the Changes in the Business category.

As you “walk” from year to year, be sure to add back all of the Momentum savings in the prior year, in anticipation of removing a full year of Momentum savings in each forecasted year. This will ensure the same savings are not deducted twice in the same year, and will allow the Full Year Momentum Savings category in the “walk” to be reconciled with Momentum source information, which is expressed in terms of annual savings, not incremental savings.

The Changes in the Business category should include cost increases for new work, including increased levels of activity such as from customer growth, and also should include cost reductions for non-recurring events. Do not include Momentum cost changes in the Changes in the Business category.

Base O&M Business Unit	
(\$millions) or (\$thousands)	
2015 Year End Forecast ⁽¹⁾	\$100.0
Inflation	2.2
2015 Estimated/Actual Momentum Savings - Add Backs	
2015 Estimated/Actual Savings - item 1	4.0
2015 Estimated/Actual Savings - item 2	<u>2.0</u>
	6.0
Changes in the Business - Increase / (Decrease)	
New Activity - item 3	2.0
Non-recurring - item 4	<u>(1.0)</u>
	1.0
2016 Full Year Momentum Savings - (Reductions)	
2016 Full Year Savings - item 1	(9.0)
2016 Full Year Savings - item 2	(5.0)
2016 Full Year Savings - item 5	<u>(10.0)</u>
	(24.0)
2016 Funds Request	\$85.2
Repeat 2015 to 2016 Walk Elements	
2017 Forecast	\$XXX.X
Repeat 2015 to 2016 Walk Elements	
2018 Forecast	\$XXX.X

⁽¹⁾ Deliverables due August 18, 2015, should use July MOPR Year End Forecast (version R08)
Deliverables due September 23, 2015, should use August MOPR Year End Forecast (version R09)

2) Below the Line O&M Schedules

- a) Prepare a schedule identifying your business unit’s major projects and activities for the years indicated.

Utilize the following BW report to stratify your Below the Line budgets: Budget Cycle Folder > Expense Forecast (8Yr -2/+6 PY/FcFc).

Below the Line
Business Unit: _____
(\$Millions) or (\$thousands)

Project / Activity	2014 Actual	2015 Forecast ⁽¹⁾	2016 Funds Request	2017 Forecast	2018 Forecast
Project 1					
Activity A					
Activity B					
Project 2					
Activity A					
Activity B					
Total Below the Line					

⁽¹⁾ Deliverables due August 18, 2015, should use July MOPR Year End Forecast (version R08)
Deliverables due September 23, 2015, should use August MOPR Year End Forecast (version R09)

b) Prepare a year to year walk patterned after the following example for each of the following comparisons:

- 2015 MOPR Year End Forecast to 2016 Funds Request
- 2016 Funds Request to 2017 Forecast
- 2017 Forecast to 2018 Forecast

Include a brief explanation for each step-up and step-down on the table.

Below the Line
Business Unit _____
(\$Millions) or (\$thousands)

2015 Year End Forecast ⁽¹⁾		\$1,000
Additional ...	\$100	
Required....	\$50	
Non-recurring ...	(\$30)	
2016 Funds Request		\$1,120
Additional ...	\$100	
Required....	\$50	
2017 Forecast		\$1,270
Additional ...	\$50	
2018 Forecast		\$1,320

⁽¹⁾ Deliverables due August 18, 2015, should use July MOPR Year End Forecast (version R08)
Deliverables due September 23, 2015, should use August MOPR Year End Forecast (version R09)

3) Capital Schedules

Prepare a schedule identifying your business unit's major projects and activities for the years indicated. **Select a level of detail appropriate for a thorough senior executive review.**

The Total Capital schedule should be stratified into two categories:

- Earning Projects
 - o Project receives AFUDC
 - o Project receives Carrying Charges at AFUDC rate (Extended Power Uprate project only)
 - o Clause projects (indicate which clause)
 - o Automated MeterReading Infrastructure project (Customer Service only)

- Infrastructure Projects
 - o All other capital expenditures not included in Earning Projects

Utilize the following BW report to stratify your capital budgets into the two categories below: Roles -> FPL Planning and Forecasting -> Managerial Reporting -> Budget Cycle -> "Capital Forecast (8Yr -2/+6 PY/FcFc)."

Total Capital							
Business Unit: _____							
(\$Millions) or (\$thousands)							
Project / Activity	2014 Actual	2015 Forecast ⁽¹⁾	2016 Funds Request	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
AFUDC / Carrying Charges / Clause / AMI							
Project / Activity 1							
Project / Activity 2							
Project / Activity 3							
Total AFUDC / Carrying Charges / Clause / AMI							
Infrastructure							
Project / Activity 1							
Project / Activity 2							
Project / Activity 3							
Total Infrastructure							
Total Capital							

⁽¹⁾ Deliverables due August 18, 2015, should use July MOPR Year End Forecast (version R08)
Deliverables due September 23, 2015, should use August MOPR Year End Forecast (version R09)

4) FPL Employees Schedules

- a) Prepare a schedule of your business unit’s FPL Employee count for the years indicated. Count all positions as 1.0 each. Do not count any positions as fractional (e.g. 0.5).

Utilize the following BW report to stratify your employee budgets into the format below: Roles -> FPL Planning and Forecasting -> Managerial Reporting -> Budget Cycle -> “Headcount (6Yr -2/+4 A/Fc/Fc).”

FPL Employees Business Unit: _____										
FPL Employees	2014 Actual	2015 Actual ⁽²⁾	2015 Forecast ⁽¹⁾	B/(W) than 2015 Actual	2016 Request	B/(W) than 2015 Forecast	2017 Forecast	B/(W) than 2016 Forecast	2018 Forecast	B/(W) than 2017 Forecast
Full Time (excluding Temporaries)										
FPL Exempt										
FPL Non-Exempt										
FPL Bargaining Unit										
Total FPL Full Time Employees										
Part Time (count each as 1.0)										
FPL Exempt										
FPL Non-Exempt										
FPL Bargaining Unit										
Total FPL Part Time Employees										
Total FPL Employees (excl Temporaries)										

⁽¹⁾ Deliverables due August 18, 2015, should use July MOPR Year End Forecast (version R08)
 Deliverables due September 23, 2015, should use August MOPR Year End Forecast (version R09)

⁽²⁾ Deliverables due August 18, 2015, should use July Actual
 Deliverables due September 23, 2015, should use August Actual.

- b) Prepare a year to year walk patterned after the example for each of the following comparisons:

- 2015 Actual to 2015 MOPR Year End Forecast
- 2015 August MOPR Year End Forecast to 2016 Request
- 2016 Request to 2017 Forecast
- 2017 Forecast to 2018 Forecast

Include a brief explanation for each step-up and step-down on the table. Include the month of action and the number of positions associated with the addition / reduction.

Regarding changes due to Momentum, please note that the employee “walk” is on an incremental basis, not an annual basis. Unlike the Base O&M “walk,” the employee “walk” does not add back the prior year’s reductions related to Momentum.

FPL Employees			
Business Unit _____			
		<u>Month - Year</u>	<u>Increment</u>
2015 Actual ⁽²⁾			1,000
Momentum ...		Sep-15	(2)
Replace open position ...		Oct-15	1
Momentum ...		Dec-15	(3)
2015 Year End Forecast ⁽¹⁾			996
Replace open position ...		Feb-16	1
Momentum ...		Mar-16	(5)
Momentum ...		Jul-16	(3)
2016 Request			989
Momentum ...		Mar-17	(2)
2017 Forecast			987
Momentum ...		Jun-18	(1)
2018 Forecast			986

⁽¹⁾ Deliverables due August 18, 2015, should use July MOPR Year End Forecast (version R08)
Deliverables due September 23, 2015, should use August MOPR Year End Forecast (version R09)

⁽²⁾ Deliverables due August 18, 2015, should use July Actual
Deliverables due September 23, 2015, should use August Actual.

5) IM Funded Business Cases

Each business unit must prepare a summary of the business cases it is sponsoring that will be presented by the IM business unit for funding in the IM budget for 2016 through 2020. Each summary must contain at least the following information:

- a) Description of Business Case
- b) Momentum Idea #, if applicable
- c) Project Benefits
 - Estimated cost savings
 - Productivity gains, etc.
- d) Project Costs
 - O&M and/or capital components
 - Annual / total project costs

6) Other

Business units may include other supplemental materials in the presentation, as appropriate.

Final Approved Budget Presentation Development

This section provides the requirements for the development of the Final Approved Budget Presentation deliverable.

At the conclusion of the budget review and approval process, each business unit will prepare a final approved version of its Budget Presentation for submittal to Corporate Budgets. ***The due date for this deliverable is Feb 15, 2016.***

Include all templates and walks used during the budget review process.

- **Base O&M Schedules**
- **Below the Line Schedules**
- **Capital Schedules**
- **FPL Employee Schedules**

Revise the 2015 year-end estimates (version R09) to the year-end actuals (version 0). Ensure all budgets and forecast amounts are final approved and tie to SAP / BW (version PCY). Revise all walks as necessary to support the changed annual amounts.

At the discretion of the business unit, the final approved Budget Presentation may be expanded to include elements such as the following.

- **Objectives and Goals**
- **Key Initiatives**
- **Assumptions**
- **Benchmarking and Performance Indicators**

Section 2

Instructions for Entering Detail Budgets in SAP / IP

General Instructions for Entering Detail Budget Data

- **All budget details are required to be on system beginning August 18, unless otherwise noted**
 - Corporate Budgets will rely on data entered into the planning system to roll up corporate totals to support the various budget review meetings

- **Integrated Planning (IP) will be the input tool for all budgeted dollars and headcount**
 - IP can be accessed through the SAP Financial BW Role > FPL IP Templates
 - The following two templates are mandatory inputs for all business units
 - ◇ Project Planning Template 6 Years - This template will be used to input all payroll and non-payroll costs within a business unit's budget for all project type/business area combinations
 - ◇ Cost Center Planning Template – This template will be used to input all headcount and gross payroll budgets

- **Plan values are entered using level 3 WBS elements**
 - A level 3 WBS element represents a budget activity and segregates costs between Expense and Capital, or Base and Clause, or designates the costs for a cost pool
 - For assistance creating new Level 3 WBS elements, please contact the SAP/CO Master Data Team (SharedMailbox, FPL-Utility-SAP-Accounting-Control)

- **Plan values must be entered in whole dollars; inclusion of decimals is permitted**

- **Planned expenditures must be cash flowed to represent the nature of the activity**
 - It is not acceptable to budget total annual expenditures in one month (e.g., December), unless that is how the actual costs will be booked

- **During the planning cycle, budget data will be saved in WV1 (Working Version 1)**
 - This version is reportable and updated real time in all SAP Financial BW reports
 - From time to time during the planning and budgeting process, Corporate Budgets will take snapshots of WV1, using the naming convention B01, B02, etc.

Business Area/Project Types To Be Budgeted

- Monthly detail cash flows must be prepared for each of the following business area/project type combinations, as appropriate

<u>Project Type</u>	<u>Business Area</u>	<u>Description</u>
Operating Expenses		
E	A01	Base O&M
E	A02	ECCR (Energy Conservation Cost Recovery Clause)
E	A04	O&M Fuel (Clause)
E	A05	O&M Capacity (Clause)
E	A06	Below the Line
E	A08	ECRC (Environmental Cost Recovery Clause)
E	A09	O&M NR Fuel (not recoverable through the Fuel Clause)
E	A12	Clearing/Overheads (Benefits, EO, Non Productive, Worker's Comp, Stores)
E	A22	Inter-company Expenses
E	A20	Revenue Enhancement Expense
Capital Expenditures		
C	A01	Capital Base
C	A02	Capital ECCR (Energy Conservation Cost Recovery Clause)
C	A08	Capital ECRC (Environmental Cost Recovery Clause)
C	A18	Capital New Nuclear
C	A21	Capital Gas Reserves
Deferred Expenditures		
D	A10	Budgeted Deferred Projects (Considered a capital expenditure)
Revenues		
E	A20	Revenue Enhancement Revenue (budgeted as a credit)

- **Special Notes Regarding Revenue Enhancement:**
 - The assignment of **revenue enhancement expense business area A20** is determined solely by the accounting treatment the actual transaction receives when recorded in the general ledger
 - Use of business area A20 is limited to existing revenue enhancement programs in the Engineering and Construction and the Energy Marketing and Trading business units
 - Business unit proposals for **new revenue enhancement programs** should be submitted to Accounting and Corporate Budgets prior to the commitment of any corporate resources, implementation of any programs, or inclusion of required resources in 2016 budgeting and planning deliverables

How to Budget the Home Cost Center

- **Payroll and Headcount**

- A payroll and headcount budget must be prepared in the Home Cost Center (HCC) for 2016, 2017 and 2018 using the SAP - IP Cost Center Planning Template

- **Home Cost Center Payroll – *Due on system starting Sept 16***

- **Definition – Business unit native payroll that corresponds to the business unit’s FPL employee headcount; it does not include payroll from other business units or affiliate companies**
- All of a unit’s gross payroll must be fully budgeted in one or more HCCs using the IP Cost Center Planning Template
- Gross payroll entered in the HCC(s) must have a meaningful month-to-month relationship to the headcount / workforce budgeted in that HCC. Payroll Shaping should be applied, consistent with headcount shaping.
- Gross payroll entered in the HCC(s) must include payroll that will be charged, via timesheets, to the cost elements shown below

Home CC Payroll

<u>Cost Element</u>	<u>Description</u>
5202000	FPL N-Exempt ST
5203000	FPL Exempt ST
5204000	FPL Bargaining Fixed ST
5201000	FPL Bargaining Variable ST
5207000	FPL Exempt OT
5206000	FPL N-Exempt OT
5205000	FPL Bargaining Variable OT
5208000	FPL Bargaining Fixed OT

- **Home Cost Center Headcount - *Due on system starting Aug 18***

- **Definition – Business unit FPL headcount that corresponds to the business unit’s native payroll; it does not include headcount from other business units or affiliate companies.**
- At a minimum, units must prepare a headcount detail budget at the business unit level; **units are encouraged to prepare the detail work force budget at lower organization levels to provide adequate variance analysis and forecasting.**
- Using the IP Cost Center Planning Template, enter the number of FPL utility employees that will be employed by your business unit on the last day of each month for the following work force types:
 - Full Time
 - SK200 - FPL Exempt
 - SK202 - FPL Non- Exempt
 - SK204 - FPL Bargaining Unit Fixed
 - SK205 - FPL Bargaining Unit Variable

- Part Time
 - o SK201 - FPL Exempt Part-Time
 - o SK203 - FPL Non-Exempt Part-Time
- Temporary
 - o SK206 - FPL Exempt Full-Time Temporary
 - o SK208 - FPL Non-Exempt Full-Time Temporary
 - o SK207 - FPL Bargaining Unit Full-Time Temporary
 - o SK211 – FPL Non-Exempt College Intern
- Budget all FPL Full Time, Part Time and Temporary employees in whole numbers; do not budget fractional equivalents
- The HCC workforce budget must have a meaningful month-to-month relationship to the corresponding expenditure budget for that work force type (see table below). Headcount Shaping should be applied, consistent with payroll shaping.

Home CC Headcount		Payroll		
<u>SKF</u>	<u>Description</u>	<u>Gross Payroll</u>	<u>Project Payroll</u>	
		<u>Cost Element</u>	<u>Cost Element</u>	<u>Description</u>
SK203	FPL Non-Exempt Part-Time Employees	5202000	5992201	FPL N-Exempt ST
SK200	FPL Exempt Employees	5203000	5992200	FPL Exempt ST
SK201	FPL Exempt Part -Time Reg Employees	5203000	5992200	FPL Exempt ST
SK202	FPL Non-Exempt Employees	5202000	5992201	FPL N-Exempt ST
SK204	FPL Bargaining Unit - Fixed Employees	5204000	5992203	FPL Bargaining Fixed ST
SK205	FPL Bargaining Unit - Variable Employees	5201000	5992202	FPL Bargaining Variable ST
SK206	FPL Exempt Full-Time Temp Employees	5203000	5992200	FPL Exempt ST
SK207	FPL Barg Full-Time Temp Fixed Employees	5204000	5992203	FPL Bargaining Fixed ST
SK208	FPL Non-Exempt Full-Time Temp Employees	5202000	5992201	FPL N-Exempt ST
SK211	FPL Non-Exempt College Intern	5202000	5992201	FPL N-Exempt ST

• Budgeting for FPL Overtime Equivalent Headcount and Contractors

- FPL Overtime Equivalent Headcount and Contractor Headcount are not entered into the Home Cost Center, but are included in this section to complete the discussion of budgeting for headcount
- Using the IP Project Planning Template, enter the expected utilization for each calendar month, for the following work force types
 - o SK209 - FPL Overtime Equivalent Employees
 - FTE formula = (total hours to be worked in the month) ÷ (the number of workdays in the month x 8 hours)
 - o SK210 - Contractor Non-employee
 - Use this SKF for all contractors (the non-FPL workforce)
- The FPL OT Equivalent/Contractor workforce budget must have a meaningful month-to-month relationship to the corresponding expenditure budget for that work force type (see following table)

- The labor costs for staff augmentation contractor resources (i.e. contingent labor) must be budgeted in the three GL accounts established specifically for these costs:
 - 5750550 – Outside Services: Contractor Straight Time Labor
 - 5750560 – Outside Services: Contractor Other Labor (Overtime and Other pay)
 - 5750570 – Outside Services: Contractor Non Labor

Project Headcount		Payroll		
SKF	Description	Gross Payroll Cost Element	Project Payroll Cost Element	Description
SK209	FPL Overtime Equivalent Employees	5207000	5992204	FPL Exempt OT
		5206000	5992205	FPL N-Exempt OT
		5205000	5992206	FPL Bargaining Variable OT
		5208000	5992207	FPL Bargaining Fixed OT
SK210	Contractor Employees	<u>Contingent Labor</u>		
		5750550 – Outside Services: Contractor Straight Time Labor		
		5750560 – Outside Services: Contractor Other Labor (Overtime and Other pay)		
		5750570 – Outside Services: Contractor Non Labor		
		All Others - Various Outside Services GL Accounts		

How to Budget Project Payroll

- **Project Payroll – Due on system starting Aug 18**
 - **Definition – FPL Payroll that is charged to a business unit’s budget which should include payroll from other business units; however, should not include payroll from other legal entities of NEE, Inc. (see Payroll Charges from Affiliates below)**
 - Using the IP Project Planning template, all of a business unit’s expected payroll charges must be entered on system, under a Level 3 WBS element, by the first deliverable date of Aug. 18; this includes all project types and business areas (see page 20 for a complete list)
 - When entering project payroll a sending/partner cost center must be referenced, this cost center represents the source of the payroll resource
 - When entering project payroll include all payroll charged to the cost elements below via timesheets, plus Other Earnings paid through the payroll system

Project Payroll Cost

<u>Element</u>	<u>Description</u>
5992201	FPL N-Exempt ST
5992200	FPL Exempt ST
5992203	FPL Bargaining Fixed ST
5992202	FPL Bargaining Variable ST
5992204	FPL Exempt OT
5992205	FPL N-Exempt OT
5992206	FPL Bargaining Variable OT
5992207	FPL Bargaining Fixed OT
5992008	Other Payroll
5992208	FPL - Other Labor

Reconciliation of Home Cost Center Payroll and Project Payroll

- **Reconciliation - Due on system starting Sept 16**
- 100% of a business unit’s gross payroll resources entered into the SAP IP - Cost Center Planning Template must be accounted for in the project payroll entered in the SAP IP – Project Planning Template
- Using the Gross Payroll Reconciliation report in BW, gross payroll can be analyzed at the business unit level to verify that all payroll resources have been accounted for
- For payroll being charged to other business units, coordination will need to occur to determine the proper Level 3 WBS element(s) and cost centers to use for budgeting

Payroll Reconciliation		
<u>Home CC Payroll</u>	<u>Project Payroll Cost</u>	
<u>Cost Element</u>	<u>Element</u>	<u>Description</u>
5202000	5992201	FPL N-Exempt ST
5203000	5992200	FPL Exempt ST
5204000	5992203	FPL Bargaining Fixed ST
5201000	5992202	FPL Bargaining Variable ST
5207000	5992204	FPL Exempt OT
5206000	5992205	FPL N-Exempt OT
5205000	5992206	FPL Bargaining Variable OT
5208000	5992207	FPL Bargaining Fixed OT
N/A	5992008	Other Payroll
N/A	5992208	FPL - Other Labor

How to Budget Payroll Monthly Cash Flows

- Budget both Home Cost Center and Project payroll based on the number of work days in each month
- Do not budget payroll based on the number of pay period closings per month
- A table of the number of work days in each month is available in the “Reference Material” section of the Corporate Budgets e-Web page
- See special instructions for budgeting 2017 Payroll in the “FPL-2016 Payroll Work Days Reference” file in the “Reference Material” section of the Corporate Budgets e-Web page

Methods for Transferring Payroll from the Home Cost Center to Projects

There are three ways to transfer payroll expenses that are under the control of one organizational entity to a different organizational entity

- Business Unit to Business Unit
- Within a business unit (Responsible Cost Center to Responsible Cost Center)
- Company to Company

- **Business Unit to Business Unit**

- The business unit providing payroll resources should first budget the Gross Payroll expense in a **Home Cost Center**, using the correct cost elements (see table below)
- The business unit receiving the actual payroll costs should budget the project payroll expense using Level 3 WBS elements, with the appropriate business area/project type (Base O&M, ECCR O&M, etc.), and the correct cost elements (see table below)
- When entering the project payroll a partner cost center must be entered identifying the business unit providing the payroll resources
- It is a corporate requirement that all between-unit transfers be budgeted by both the providing business unit (as gross payroll) and the receiving business units (as project payroll)
- The Gross Payroll Reconciliation report should be run, at least at the Business Unit Level, to ensure all payroll resources are properly accounted for

Payroll		
Gross Payroll	Project Payroll	
Cost Element	Cost Element	Description
5202000	5992201	FPL N-Exempt ST
5203000	5992200	FPL Exempt ST
5204000	5992203	FPL Bargaining Fixed ST
5201000	5992202	FPL Bargaining Variable ST
5207000	5992204	FPL Exempt OT
5206000	5992205	FPL N-Exempt OT
5205000	5992206	FPL Bargaining Variable OT
5208000	5992207	FPL Bargaining Fixed OT

- **Within a business unit (Responsible CC to Responsible CC)**

- Within-unit transfers are budgeted in the same manner as unit-to-unit transfers described above, using the Home Cost Center and the Project Payroll templates
- Planning and tracking of within-unit transfers is **optional**; a unit may elect to eliminate internal transfers, limit transfers to certain roll-up levels and above, or allow transfers to occur at the Responsible Cost Center level

- **Company to Company**

- Direct charges to any NextEra Energy Inc subsidiaries are accomplished by charging an intercompany internal order (SO15 Order Type).
- Such charges should be budgeted in a manner similar to the unit-to-unit transfers described above, except that the receiver of the payroll cost will be a WBS element with a business area of A22 – Inter-company Expenses
- Budgeting the payroll to be charged across companies is part of the corporate requirement to fully account for the gross payroll resources in the Home Cost Center

How to Budget Project Non- Payroll

- **Non Payroll – Due on system starting Aug 18**

- Non-payroll project costs for **all** project type / business area combinations are due on system starting Aug. 18
- **Note:** in prior years, the completion of project type / business area combinations was staggered over several weeks, but this is not the case for this planning cycle
- See also the Calendar on pages 3 and 4

- **Payroll Overheads**

- Payroll overheads will be applied automatically, based on the payroll amounts entered in the project planning template
- Do not enter budget dollars for payroll overheads
- To ensure payroll overheads are applied accurately, it is imperative that a business unit's payroll is fully budgeted under the appropriate business area/project type combinations using the appropriate cost elements
- Applied payroll overheads are visible in all BW Variance reports, as well as on the "total expenses" report within the project planning template, giving visibility to fully loaded costs and total budget responsibility
 - See the "Overhead and Loader Rates" document in the "Reference Material" section of the e-Web page for the current rates being applied by the system for each year

- **Corporate Performance Incentives**

- Corporate performance incentives will be applied automatically as an overhead to all budgeted exempt payroll, cost element 5992200 FPL Exempt ST.
- Do not enter budget dollars for the March payout of corporate performance incentives
- To ensure payroll overheads are applied accurately, it is imperative that a business unit's payroll is fully budgeted under the appropriate business area/project type combinations, using the appropriate cost elements
- **Note:** the actual payout of the incentive will be booked to a balance sheet account; the payout will have no impact on business unit's operating or capital budgets

- **Other Forms of Compensation**

- To differentiate the payroll associated with hours worked from other forms of compensation, use the following payroll Cost elements as appropriate:
 - ◇ 5220000 – Overtime Meals

- ◇ 5250000 – Payroll Expense Other Earnings
- ◇ 5260000 – Lump Sum Increases
- ◇ 5240000 – Employee Incentive (Do Not Use – for HR use ONLY)

● **Payroll Charges from Affiliates**

- Payroll being charged to FPL from any NEE subsidiaries should be budgeted within the SAP-IP Project Planning Template on the “Non Payroll” tab as a fully loaded cost
- These non-FPL payroll costs are not part of the business unit’s Home Cost Center Gross Payroll
- Use any of the following Cost Elements to budget for payroll charges from affiliates:
 - ◇ 5992006 – Corporate Payroll
 - ◇ 5992008 – Other Payroll
 - ◇ 5992007 – Plant Payroll
 - ◇ 5992058 – Corp P/R OT
 - ◇ 5992066 – Plant P/R OT

How to Budget Workers Compensation (Acct 5450100)

- Business units that currently budget for workers compensation premiums should continue to do so
- Each workers compensation budget will serve as a cost pool from which the unit’s workers compensation premiums will be applied to the unit’s payroll as an overhead
- The overhead will be unit specific to reflect only the unit’s annual premium
- See the “Overhead and Loader Rates” document in the “Reference Material” section of the e-Web page for the current rates being applied by the system for each year
- Below is a schedule of those business units with a worker’s compensation pool. The pool must be budgeted in project type E, business area A12, using the WBS Level 3 shown and Account 5450100:

▼ Resp. cost cntr	▼ WBS-Reporting WBS-L3	▼	▼ WBS-Requesting CC	▼
▶ Power Generation Division FPL	UPGD.00000637.01.01	PGD WORKER'S COMPENSATION	619990	PGD:Workers Comp
▶ Nuclear Division	UNUC.00000432.01.01	Workers Comp Cost Pool	620407	Dir: Nuc WC Pool-12
▶ Transmission	UTRN.00000207.01.01	T&S Workers Comp	639900	Trn Workers Comp-12
▶ Distribution	UDST.00000278.01.01	O&M Workers Compensation Pool - Dsbn	648003	Dist Work Comp Pool
▶ Customer Service	UCUS.00000073.01.01	CUST SERV WORKERS COMPENSATION	669000	CS Workers Comp-12
▶ Human Resources	UHRS.00000001.03.01	Monthly Premium - HR/Corp Svcs	670905	HR - Workers Comp

How to Budget Outside Counsel for Capital Projects (Acct 5750100)

- Charges to “Account 5750100 – Outside Services: Legal” for use of outside legal counsel on capital projects are no longer re-routed to the General Counsel Business unit
- Each business unit should budget for its own expected cost of outside legal counsel for capital projects

How to Budget Relocation, Recruiting and Sign on Bonus Costs

- Each business unit is responsible for its own Relocation, Recruiting and Sign on Bonus costs
- Human Resources does not provide funding for these activities
 - ◊ 5320000 – Relocation
 - ◊ 5320100 – Employee Recruiting
 - ◊ 5250100 – Payroll Expense: Sign on Bonus

How to Budget Stores Loading

- Stores Loading is an automated overhead within IP for Customer Service, Power Delivery, Power Generation and Nuclear; the loadings should not be added manually
- **Power Delivery and Customer Service follow the instructions below:**
 - The following budgeted material accounts will receive the full stores loading rate in IP:
 - 5400101; 5400201; 5400311; 5400321; 5400331; 5400401; 5400601; 5401001; 5401101
 - For the Transmission budget, dollars under material account 5959997 are applied 1/2 the rate
 - For the Distribution and Customer Service budgets, dollars under material account 5959997 are applied the full rate
- **Power Generation and Nuclear follow the instructions below:**
 - The following budgeted material accounts will receive the full stores loading rate in IP:
 - 5400102
- See the “Overhead and Loader Rates” document in the “Reference Material” section of the e-Web page for the current rates being applied by the system for each year

How to Budget Charges to Affiliates

- **Service Fees**
 - Units with unit specific service agreement fee arrangements should budget the fee as a direct charge in the pre-determined A22 WBS element established to capture the actual costs
 - The appropriate affiliate overheads will be automatically applied to dollars budgeted within A22 to support a fully loaded view of budgeted service fees
 - All Service Fee activity should be budgeted in a separate and unique Level 3 WBS element; the Service Fee WBS elements require that the “WBS Activity” field be populated on the master data with the value of SERVICE FEE
- **Affiliate Management Fee**
 - Staff business unit expenditures that are allocable to non-utility entities through the Affiliate Management Fee (AMF) should be budgeted 100% in Base O&M
 - Costs that are applicable to the AMF should be budgeted in a level 3 WBS element that is marked with the appropriate AMF flags (Investment Reason and IM Services)

- Each AMF Level three WBS element is allocated 100 % to level 4 WBS elements based on driver percentages determined by Accounting's Cost Measurement and Allocations (CMA) department
 - CMA will work with the business units to determine if budgeted costs are applicable to the affiliate management fee
 - CMA will calculate the appropriate allocation percentages for these costs; however, it will be the responsibility of the business units to ensure that the correct allocation percentages are entered into IP using the Plan Distribution Template
 - Once a level 3 WBS is determined to be eligible for the AMF, any non-AMF costs should not be budgeted (or charged) to that WBS
- **Direct Charges**
 - A unit planning direct charges to non-utility entities should budget 100% of its cash expenditures in business area A22 (see Transfer Out / Transfer In above)
 - It is recommended that the costs budgeted and recorded in each level 3 WBS element within A22 be unique to a single receiving company. The IM Services field may be used for that purpose (example: 22 FiberNet, 23 FPLES, etc.)
 - The four affiliate overheads will be automatically applied to dollars budgeted within A22 to support a fully loaded view of budgeted direct charges

How to FERC Functionalize O&M

- Shortly after the Aug. 18 due date for completion of detail budgets in SAP/IP, Corporate Budgets will initiate the first FERC Functionalization of the O&M budgets loaded into WV1 for 2015 through 2018.
- Once the FERC Functionalization has been completed, each business unit will be asked to review, and if necessary adjust, the FERC Functionalization of all O&M project type / business area combinations entered by the business unit. This will ensure an accurate company forecast of O&M from a regulatory perspective. Use BW reports such as the "FERC O&M Trend Analysis (A/FFc/FFc)" report to perform the review.
- If your unit's O&M FERC allocations appear to be incorrectly allocated compared to historical FERC actuals or other plan years, update your Level 4 WBS element allocation percentages using the FERC Plan Distribution Template in IP. For further guidance on how to update the percentages, see the "FPL-2016-2018 - SAP BW IP FPL Budget Allocation Process Job Aid" file located in the "Reference Material" section of the Corporate Budgets e-Web page.
- When all business units have completed their changes to the percentage splits, Corporate Budgets will re-run the FERC Functionalization of the O&M budgets loaded into WV1 for 2015 through 2018, so the units can see the impact of the percentage changes on the budgeted / forecasted dollars.
- The above sequence will be iterated during the planning and budgeting process on a schedule to be announced.

Capital Budgeting

General

- Each business unit is required to provide five years of capital budget details (2016 – 2020), using the IP Project Planning template, and in accordance with the foregoing instructions for entering detail budgets and the following guidance specific to capital budgeting

- Enter monthly cash flows in whole dollars for all years: 2016 through 2020
 - For years 2019 and 2020
 - ◇ Do not budget annual amounts in December; provide monthly cash flows
 - ◇ Major projects should be cash flowed monthly based on the best information available
 - ◇ Minor projects may be budgeted using an even monthly spread if better information is not available

- Ensure all master data is correct for all capital WBS elements (see page 31)

- Review, and if necessary adjust, the FERC Plan Distribution Template percentage splits for installation, removal and demolition capital. This will ensure accurate cost detail is available to support depreciation calculations in the Financial Forecasting Model. ***The first due date for completing this deliverable is August 18. The final due date for completing this requirement is September 16.***
 - **All capital projects** must be classified as either installation, removal or demolition capital, by assigning percentages to the Level 4 WBS elements
 - In most cases a capital project will be assigned one or both of the following level 4 WBS elements
 - ◇ Install: FERC Indicator 9901
 - ◇ Remove: FERC Indicator 9902
 - When a plan represents the demolition of assets, such as in the case of the demolition of the retired Cutler Plant, the “Demolition” FERC Indicator 9904 must be assigned as the level 4 WBS element
 - The push of dollars from Level 3 to Level 4 is automatic and will immediately reflect any changes to the percentages splits made using the FERC Plan Distribution Template.

Capital Type	GAAP Account	FERC Indicator	FERC Account
1 – Install	2609300 - CWIP	9901	9107100
2 – Remove	2650200 - ACC. DEPRECIATION (DP)	9902	9108050
3 – Nuclear Fuel	2607200 - NUCLEAR FUELS - In Process	9903	9120100
	2607100 - NUCLEAR FUELS - In Stock	9903	9120200
	2607310 - NUCLEAR FUELS: Inventory In Rx	9903	9120300
4 – Demolition	3701010 - DISMANTLEMENT RESERVE: Fossil	9904	9108332

Capital WBS Element Master Data

- Master Data for all capital WBS elements includes “corporate attributes” that define the capital project:
 - FERC Function code
 - Plant Site code
 - Major Project designation
 - In-service date (Required only for Major Projects)
 - AFUDC relevance
 - Earning a Return status
 - Depreciation status
 - Storm Secure status

- When budgeting capital expenditures, it is important to ensure the corporate attributes that define the Project or WBS element accurately describe all of the capital expenditures budgeted or forecasted under that Project or WBS element --- if not, then the expenditures should be allocated to two or more WBS elements as necessary

- **FERC Function Code (FERCFncID)**
 - A single digit code describing a classification of expenditures under the FERC System of Accounts
 - All costs associated with a single WBS should be reflective of the FERC Function selected, multiple WBS elements may be needed for proper differentiation
 - ◇ 1 – Steam Generation
 - ◇ 2 – Nuclear Generation
 - ◇ 3 – Other Generation
 - ◇ 4 – Transmission
 - ◇ 5 – Distribution Line
 - ◇ 6 – Distribution Substation
 - ◇ 7 – Buildings
 - ◇ 8 – General Plant Equipment
 - ◇ 9 – Transportation Equipment
 - ◇ 0 – Intangible Plant

- **Plant Site Code**
 - A three digit code
 - Expenditures pertaining to a specific plant site must be budgeted in a WBS element unique to that site, per the following table; for all other expenditures use default plant site 000

Code	Plant Site	Code	Plant Site	Code	Plant Site
010	Cutler	131	Cape Canaveral Modernization	186	Martin #7
040	Riviera #1 & #2	140	Turkey Point Old	188	Martin Solar Energy Center
041	Riviera Modernization	141	Turkey Point #5	190	West County Energy Center #1 & #2
050	Putnam	143	Turkey Point #3	191	West County Energy Center #3
061	Putnam Modernization	144	Turkey Point #4	192	Desoto Solar Energy Center
070	Sanford #3	148	Turkey Point Common #6 & #7	193	NASA Solar Energy Center
072	Sanford Repowered #4 & #5	150	St. Lucie Common	194	Okeechobee Site
080	Fort Lauderdale	151	St. Lucie #1	196	Hendry Site
082	Lauderdale Unit 6	152	St. Lucie #2	197	Babcock Ranch Solar
090	Florida EnergySecure Pipeline	160	St. Lucie Wind	198	Vero Beach
110	Fort Myers Old #1 & #2	170	Manatee #1 and #2	199	Citrus PV Solar
112	Fort Myers Repowered #1 & #2	171	Manatee #3	500	SJRPP #1 & #2
113	Fort Myers Peaking Units	172	Manatee PV Solar	501	SJRPP Coal Car
120	Port Everglades	180	Martin #1, #2, #3 & #4	502	SJRPP Switchyard
121	Port Everglades Modernization	182	Martin #8	503	SJRPP Coal Terminal
130	Cape Canaveral	185	Martin Gas Pipeline	505	Scherer #4

• **Major Project Designation**

- A specific project is considered a Major project when the total cost over the life of the project is \$10 million or more
- A Major project should be identified with a Level 1 WBS Element
- Stratify a Major project into sub-activities using separate Level 3 WBS elements for the following reasons:
 - ◇ When a Project comprises individual sub-projects that have individual total life time costs of \$10 million or more
 - ◇ When the sub-projects have different in-service dates, regardless of their respective sub-project cost
 - ◇ To identify demolition or removal costs
 - ◇ To identify land held for future use
 - ◇ To identify asbestos removal costs
 - ◇ When the business unit finds a further breakdown to be a meaningful way to forecast the project
- Use "Y" to indicate a Major project and "N" if not a major project

• **In Service Date (ISD)**

- The date a Major project will be completed and go into service
- ISDs are used for Major projects only; it is not necessary to provide or maintain ISDs for minor projects
- The ISD is used by the Financial Forecasting Model (FFM), which is a non-SAP system. The FFM uses the ISD to determine when a project's Construction Work In Progress (CWIP) balance should be reclassified to Plant In Service and for initiating Depreciation. The FFM only requires a MM/YYYY ISD format. However, the SAP convention for entering dates is the

MM/DD/YYYY format. To reconcile the formatting differences and to minimize the need to update changes in ISDs the following guidance is provided.

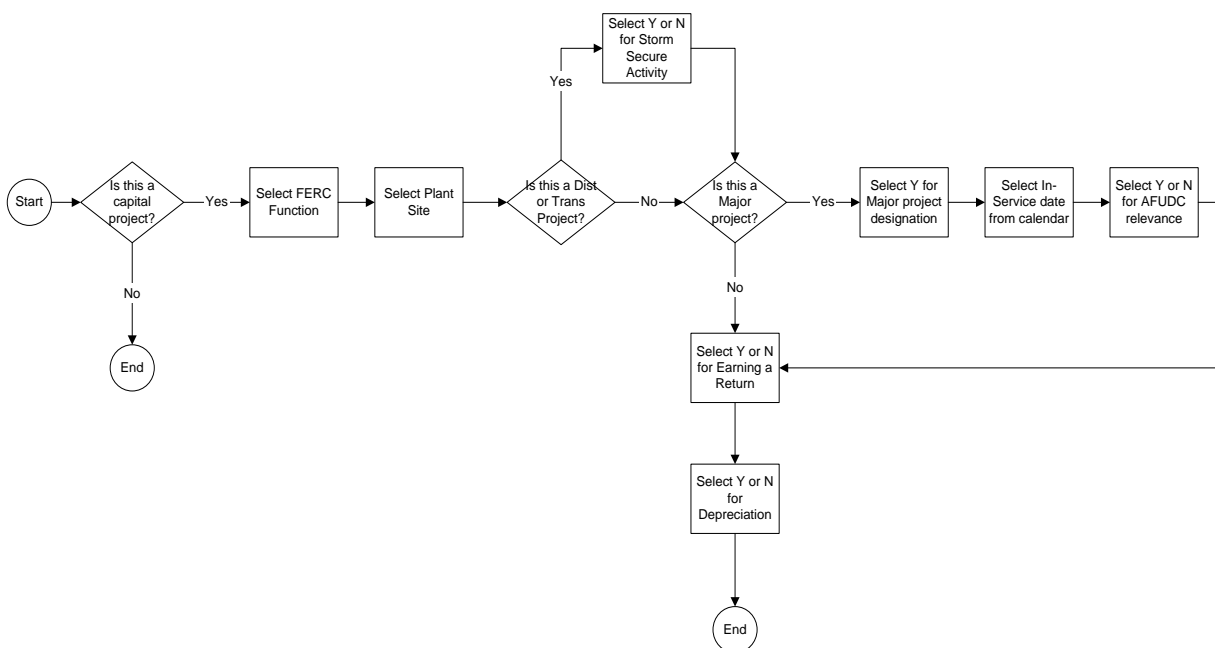
- Creating a new major capital WBS Element
 - ◇ Enter the ISD in the format MM/DD/YYYY
 - ◇ Always enter the last day of the month that the project will go into service
 - ◇ Examples
 - Enter 06/30/YYYY for a June ISD
 - Enter 08/31/YYYY for an August ISD
- Revising the ISD for an existing major capital WBS Element
 - ◇ Revise the ISD only when the month or year has changed; it is not necessary to revise the ISD to reflect a change in the day of the month within the same month
 - ◇ When revising an ISD, always enter the last day of the month that the project will go into service
 - ◇ Examples
 - If the current ISD is 06/15/2016 and the new ISD is 06/30/16, no change is required
 - If the current ISD is 06/15/2016 and the new ISD is 07/15/16, revise the ISD to 07/31/16
- **AFUDC Relevance**
 - Indicates eligibility for an accounting treatment known as Allowance for Funds Used During Construction
 - Used only for a WBS element designated as a Major Project; check with Accounting to make the determination
 - Enter "Y" if the project is AFUDC relevant and "N" if not
- **Earning a Return**
 - A project is considered earning a return if it meets any of the following requirements
 - ◇ Project receives AFUDC
 - ◇ Project receives Carrying Charges at AFUDC rate (Extended Power Uprate project only)
 - ◇ Project is clause related
 - ◇ Project is Automated MeterReading Infrastructure (AMI) related
 - Enter "Y" if the project is earning a return and "N" if not
- **Depreciation Status**
 - Use "Y" if depreciable and "N" if non-depreciable
 - Land is the only capital expenditure that is non-depreciable; land should be in a separate WBS with a code of "N"

- **Storm Secure**

- Applicable for Power Delivery projects only
- Enter "Y" if a Storm Secure project and "N" if not

- **Flow Diagram for Assigning Corporate Defined Attributes**

- The following is a flow diagram to help guide in the set-up of WBS elements and projects using the "Corporate" defined WBS attributes for Capital projects



Special Capital Budgeting Requirements

- **Demolition or Dismantlement Costs for a major project**

- must be budgeted in a separate level 3 WBS element
- the words Demolition or Dismantlement must appear in the WBS element name and description
- must have a level 4 WBS element with FERC Indicator 9904 and 100% of the plan assigned to that WBS element

- **Land Held for Future Use**

- must be budgeted in a separate level 3 WBS element
- the words Future Use must appear in the WBS element name and description

- **Asbestos Removal Activity**

- must be budgeted in a separate level 3 WBS element
- the words Asbestos Removal must appear in the WBS element name and description
- must have a level 4 WBS element with FERC Indicator 9904 and 100% of the plan assigned to that WBS element
- Also, see the Accounting Department memo of July 30, 2009 titled "FPL-2016 Asbestos Removal Accounting Process Reference," in the "Reference Material" section of the corporate budgets e-Web page for additional requirements relative to FIN 47 and FASB 143

- **Retirements**

- Units must submit a list of major project retirements for individual items of property with historical costs of \$10 million or more
- Identify the month and year (2015 through 2020) of retirement
- If none, submit notification indicating nothing to report

- **Budgeting for Acquisitions**

- Acquisitions of other operating entities to become part of the existing FPL organization are not always transacted as budgeted Capital assets to be recorded to Construction Work In Progress (CWIP). In some instances acquisitions are recorded directly to Balance Sheet Accounts and will not flow through the Capital Budget
- If your organization has an initiative/project which falls into this category, please contact Corporate Budgets for guidance on a specific case-by-case basis