

Marguerite McLean080677-EI
090130-EI

From: abbuhl@gtlaw.com
Sent: Wednesday, August 12, 2009 11:45 AM
To: Filings@psc.state.fl.us
Subject: Filing in Docket No. 080677-EI and Docket No. 090130-EI
Attachments: Blank Bkgd.gif; 090812 - Transmittal with Correct Exhibit A to docket entry 08355-09, filed 8-11-09.pdf

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B. Docket Number 080677-EI

In Re: Petition for increase in rates by Florida Power & Light Company

AND

Docket Number 090130-EI

In Re: 2009 depreciation and dismantlement study by Florida Power & Light Company

C/D. 12 pages (Florida Power & Light Company and Intervenors' CORRECT EXHIBIT A to Revised Supplemental Response in Opposition to Staff's Motion to Compel)

Christine Abbuhl

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BARRY RICHARD

TALLAHASSEE (Resident Office)

NEW YORK

WASHINGTON, D.C.

August 12, 2009

Ms. Ann Cole
Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
Betty Easley Conference Center
2540 Shumard Oak Boulevard, Room 110
Tallahassee, FL 32399-0850

Re: Docket No. 080677-EI and Docket No. 090130-EI

Dear Ms. Cole:

Enclosed for filing is the correct and complete Exhibit A to docket entry 08355-09, Florida Power & Light Company's and FPL Employee Intervenors' Revised Supplemental Response in Opposition to Staff's Motion to Compel, which was filed with your office yesterday. Although part of the Exhibit was attached to the original filing, the letter was inadvertently left out of the filing. Please file the enclosed Exhibit A as the correct and complete Exhibit.

Please contact me if you or your Staff has any questions regarding this filing.

Sincerely,


Barry Richard

Enclosure

cc: Parties of Record, with enclosure

TAL 451,524,922v1 8-11-09

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August 10, 2009

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RE: Docket No. 080677 and 090130 Supplement to FPL's Response to Staff's Motion to Compel

Dear Ms. Cole,

In response to Commission Staff's assertion that there is insufficient information to evaluate the appropriateness of FPL's compensation-related costs in this proceeding, please see the supplement to FPL's response below.

Compensation Information provided in FPL's Rate Case

In order to make an evaluation of the appropriateness of compensation-related costs, the Company has provided total compensation on a forecasted basis (2009 prior year and test years 2010 and 2011) and on a historical basis (2006, 2007 and 2008) in MFR C-35 as required by Commission Rule. In addition, the Company has provided responses to (and served on all parties) numerous discovery requests including interrogatories, production of documents and audit requests (see Attachment 1 for a list and brief description of each discovery response). As one can see, FPL's responses address in great detail issues related to compensation costs as well as how those amounts are allocated to affiliated companies. From a ratemaking perspective, it is abundantly clear that the Commission has more than enough information to evaluate the appropriateness of these charges. A few examples to demonstrate this are described below. Please note that the examples described below are taken from what has been made publicly available in order to protect individuals' privacy and competitive information.

Staff's Eighth Set of Interrogatories No. 97

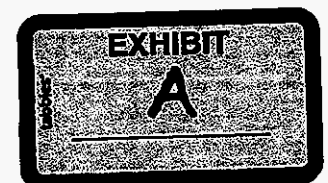
FPL's response to Staff's Eighth Set of Interrogatories No. 97 provides in a publicly available format average total compensation by role with average adjusted jurisdictional

an FPL Group company

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amounts and also includes job descriptions for each role. In addition, FPL has made available to Staff, on a confidential basis, line by line compensation information for each individual. These average salary amounts by description can be compared to industry and other market references to determine the reasonableness of these amounts. In the past the Commission has used benchmarks and comparisons to market information to evaluate the appropriateness of FPL's projected salary levels.

OPC's First Set of Interrogatories No. 32 and 35

FPL's response to OPC's First Set of Interrogatories No. 32 provides name, title and job description of each shared executive whose costs are directly charged to FPL for the years 2006-2010. It also provides aggregate total gross shared executive costs, aggregate amount allocated to affiliates and aggregate amount remaining at the utility. Moreover, in the event, based on its review, Staff wishes to focus on the particular job or individual, they have that information available to them and the Commission has standard procedures in place for handling confidential information.

Additionally, FPL's response to OPC's First Set of Interrogatories No. 35 provides aggregate total gross amount of 2006-2009 year to date shared executive pay and number of shared executives with high, low and average amounts for each year. From these responses total executive compensation can be evaluated when coupled with all the other information that the company has provided related to compensation.

OPC's Second Set of Interrogatories No. 126

FPL's response to OPC's Second Set of Interrogatories No. 126 provides gross payroll split between O&M and capital for 2006 to 2011 which corresponds to MFR C35. This response provides the Commission with the relationship between O&M and Capital payroll as well as annual changes in payroll for both O&M capital. Please see excerpt from the response to OPC's Second Set of Interrogatories No. 126 below:

	<u>Non Construction</u>	<u>Construction</u>	<u>Total</u>	<u>(\$000)</u>
2006	\$694,994	\$185,977	\$880,972	
2007	\$756,252	\$201,699	\$957,950	
2008	\$758,750	\$207,557	\$966,307	
2009	\$759,546	\$247,669	\$1,007,215	
2010	\$802,682	\$259,968	\$1,062,650	
2011	\$834,853	\$241,477	\$1,076,330	

OPC's Fourth Set of Interrogatories No. 222

FPL's response to OPC's Fourth Set of Interrogatories No. 222 provides allocation of payroll by cost of service functions for 2008-2011 with amounts allocated to operating expenses vs. capital items and other allocations. This response provides additional detail that the Commission can utilize to compare within the industry by function.

(\$000)

OPC 2nd Set of Interrogatories -- Question 222(b)
Allocation of Payroll by Cost of Service Functions -- 2008, 2009, 2010, 2011

Gross Payroll

Payroll Category	2008*	2009**	2010**	2011**
FERC Functionalized Non-Clause Base O&M				
Steam Accounts	49,443	44,518	44,024	43,730
Nuclear Expense	204,087	219,957	238,732	243,588
Other Fossil Accounts	38,640	41,491	46,695	50,119
Other Power Supply Expenses	3,609	5,025	6,173	6,875
Transmission Expense	17,843	18,110	16,704	17,410
Distribution Expense	129,026	120,006	115,801	123,461
Customer Accts Operation	73,424	75,689	81,210	85,921
Customer Service & Info Operation	29,876	8,297	9,038	8,351
Sales Operation	2,710	3,487	3,584	3,684
Administrative & General Exp	137,496	187,849	203,927	213,275
Other Electric Revenues		296	305	311
TOTAL FERC Functionalized Non-Clause Base O&M	886,054	722,623	765,184	796,515
Construction	221,224	247,069	259,965	241,477
Clause		27,748	27,867	28,244
Other	59,028	9,275	9,631	10,093
TOTAL Gross Payroll	966,306	1,007,214	1,082,650	1,076,329

*Note for 2008: Allocation of payroll reflects FPL's FERC Form-1 filing.

** Note for 2009-2011: FPL does not budget by FERC account. To support the needs of the rate case, FPL developed an allocation process that converted the company's activity-based budgets to FERC accounts, based on history. The allocation process was only applied at the budget activity level and not to any further breakdown of the budget such as to payroll, office expense, travel expense, etc. Also, as a general rule, the allocation process was not taken to the point account level. In the case of gross payroll, FPL prepared a separate analysis of how certain categories of payroll would functionalize. In company budgeting parlance, the payroll categories functionalized were Base O&M, Non-clause Fuel O&M, and Revenue Enhancement O&M.

As shown above and as described in the attached compilation of discovery responses, FPL has provided in its filing, in discovery and in audit responses more than the Commission needs to make its decision in this case. To suggest that FPL has not provided adequate information to allow the Commission to fulfill its ratemaking responsibilities ignores Commission precedent and fundamental requirements of ratemaking.

Sincerely,



H. Antonio Cuba
Director of Regulatory Accounting

cc: Parties of Record

Dr. Mary Andrews Bane, Executive Director, Florida Public Service Commission

Mr. Booter Imhof, General Counsel, Florida Public Service Commission

Mr. Tim Devlin, Director, Division of Economic Regulation

HR Discovery Responses on Compensation

Party & Request Number	Public Response	Confidential Response	Key Made Available
OPC 1 st Int. 32	Provided name, title and job description of each shared executive whose costs are directly charged to FPL for the years 2006-2010; Table with 2006-2010 aggregate total gross shared executive costs, aggregate amount allocated to affiliates and aggregate amount remaining at the utility	For 2006 - 2010 Shared Officers provided gross payout and budgeted totals for base, incentive, and restricted stock awards	
OPC 1 st Int. 33	Provided aggregate total gross amount of executive and non-executive incentive pay for 2006-2010 (executive), 2008-2010 (non-executive)		
OPC 1 st Int. 35	Provided aggregate total gross amount of 2006-2009 YTD shared executive pay & number of shared executives with high, low and average amount for each year; 2006-2009 BOD compensation	Provided total gross amount of compensation paid to shared executives in 2006, 2007, 2008, and 2009 YTD	
OPC 1 st Int. 40	Provided aggregate annual incentive awards paid to eligible		

Party & Request Number	Public Response	Confidential Response	Key Made Available
	FPL exempt employees (excluding executives) for 2006-2011		
OPC 2 nd Int. 114	Provided breakdown of MFR C-35 gross payroll by component and by employee category, 2006 - 2011		
OPC 2 nd Int. 125	Categorized gross payroll and benefits totals from C-35 by FERC Account or Functional group for 2010 and 2011		
OPC 2 nd Int. 126	Provided O&M and capital split of gross payroll for 2006 to 2011		
OPC 4 th Int. 222	Provided allocation of payroll by cost of service functions for 2008-2011 with amounts allocated to operating expenses vs. capital items and other allocations		
OPC 7 th Int. 332	Provided aggregate total annual incentive award paid and number of executives per salary grouping for 2006-2008		
OPC 7 th Int. 338	Provided aggregate projected total annual incentive award and		

Party & Request Number	Public Response	Confidential Response	Key Made Available
	estimated number of employees per grouping for 2009-2011		
OPC 2 nd POD 26		Miscellaneous one-off doc's with names and salary information; Executive names, personnel #'s; Miscellaneous executive sign-on and relocation agreement payments; Executives document with base salary and incentive calculation, also cap/O&M split; Executive--2009 budget projections -- shows base salary, merit budget projection = 4%; Executive SERP payment calculations--shows base and bonus amounts	
OPC 2 nd POD 53		Provided base salary, incentive amount, employee name and personnel # for all FPL employees (non-executive) for 2006-2009; Provided copies of all retention agreements for FPL--name, personnel #, amount of award; Market Reference Point file: name, personnel #, job title, annual salary, MRP	

Party & Request Number	Public Response	Confidential Response	Key Made Available
		for all FPL employees (non-executive); Various project incentive payouts included name, base salary, incentive amount	
AG 1 st Int. 17	Provided breakdown of gross payroll by FERC function and by each pay component, 2009 - 2011		
AG 1 st Int. 20	Provided detailed, comprehensive breakdown of all aspects of payroll— OT, incentive, equity; included capital/O&M split and functional breakdown.		
AG's 2 nd Int. 65	Table with 2007-2011 aggregate total gross shared executive costs, aggregate amount allocated to affiliates and aggregate amount remaining at the utility. Provides names and titles in alphabetical order – does not tie to confidential document	2007 - 2011 Shared Officers: provided gross payout totals for base, incentive, and restricted stock awards	Key that provides names and titles that match compensation amounts on confidential file
AG 2 nd Int. 76	Provided complete breakdown of gross payroll, 2009 – 2011, by each component; breakdown of amounts allocated to capital, O&M, other.		
Staff 3 rd Int. 16 & 17	Provided names and titles of all FPL Group	Provided the 2008-2011 total	Key that provides names and titles that

Party & Request Number	Public Response	Confidential Response	Key Made Available
	& FPL officers with the 2008-2011 total compensation (net of AMF) in alphabetical order – does not tie to confidential document	compensation net of AMF for all officers of FPL Group & FPL	match compensation amounts on confidential file
Staff 4 th Int. 32		Provided the amount of 2008 total compensation net of allocations in random order with no names and titles. Provided the name and title of each FPL employee whose total compensation is \$200,000 in alphabetical order.	Key that provides names and titles that match compensation amounts on confidential file
Staff 8 th Int. 97	Provided 2008 average total compensation by role	Provided the amount of 2008 total compensation net of allocations for FPL employees whose total compensation is \$165K - \$199K in random order with no names and titles	Key that provides names and titles that match compensation amounts on confidential file
Staff 8 th Int. 97 - Supplemental	Provided 2008 average total compensation by role with average adjusted jurisdictional amounts		
SFHHA 10 th Int. 292	Provided capital and O&M breakdown for Test Year Gross Payroll on C-35		
SFHHA 10 th Int. 293	Provided O&M and		

Party & Request Number	Public Response	Confidential Response	Key Made Available
	capital split for incentive awards included in Gross payroll on C-35 (EAC 820) for 2009, 2010, and 2011		
SFHHA 10 th Int. 297	Provided base vs. clause recoverable amounts for both O&M and Capital amounts included on line 3 (gross payroll) of MFR C-35 for years 2006 to 2010; also provided capital vs. O&M split for all benefits lines items on C-35 for 2006 to 2010		
SFHHA 10 th Int. 298	Provided break down of gross payroll from C-35 by O&M/Cap ex/Other and by Business Unit for 2006 to 2010;		
SFHHA 10 th Int. 299	Provided breakdown of gross payroll from C-35 by monthly cash flow and by Business Unit for 2006 to 2010; also provided monthly cash flow of all benefits line items for 2006 to 2010		
Staff Audit Question #11: Schedule C-30 1. Provide this information for the historical year 2008. a. Include the detail of	1. Schedule C-30 detail of transactions for sampling (one month provided). 2.Explanation/calculation for the		

Party & Request Number	Public Response	Confidential Response	Key Made Available
<p>the transactions for each company in order to select a sample. 2. Provide the explanations / calculations for the 2010 projections. 3. Provide the calculation of the Massachusetts Formula for 2008 and 2010.</p>	<p>2010 projections 3. Calculation of the Massachusetts Formula for 2008 and 2010</p>		
<p>Audit Question #15: 1) Provide the cost pool for the affiliate management fee for 2008. Include the BASA's used and those reviewed and determined to be excluded. 2) Provide the calculation of the management fee using the BASA's times the rate allocated. 3) For the Specific Drivers, provide the calculation and supporting documentation. (i.e. number of workstations, number of transactions, number of FTE's, finance square footage and capacity, etc.) 4) Provide all rent charged to and from the affiliated and any market studies done to establish the rates.</p>		<p>Responsive documents provided</p>	
<p>Staff Audit Question</p>		<p>Responsive</p>	

Party & Request Number	Public Response	Confidential Response	Key Made Available
<p>#23:Question: 1. Provide the calculation and detail for the 2008 Power Generation Division Service fee. Also provide the account detail for where the fee was recorded. 2. Provide the calculation and detail for the 2008 Nuclear Division Service fee. Also provide the account detail for where the fee was recorded. 3. Please explain the reason the forecast for Direct ER's decreased in 2010 over 2008. 4. Provide the calculation and detail for the 2008 EMT Division service fee. Also provide the account detail for where the fee was recorded.</p>		documents provided	
<p>Staff Audit Question #39: 1. How was the base Payroll for the Power Generation determined? (i.e. Time Study, actual per time sheet?) Provide supporting documentation such as a study. 2. Provide the allocation methodology for the A & G payroll, A&G expenses, and</p>		Responsive documents provided	

Party & Request Number	Public Response	Confidential Response	Key Made Available
<p>employee expenses for the Power Generation.</p> <p>3. Provide how the rate for non-productive time, pension and welfare and taxes and insurance were developed for the Power Generation allocation.</p> <p>4. Provide the study for the System Cost Pool and the Risk Management cost pool in the EMT allocation.</p> <p>5. Provide the source for the salary and risk management costs for the EMT allocation.</p> <p>6. How did you compute the facility usage charge? Show the calculation and source of the rates.</p> <p>7. Provide a list of all nuclear work orders with the description and the 2008 dollars.</p>			
<p>In addition, FPL provided responses to over 20 Staff audit inquiries requesting additional detail on compensation.</p>		<p>Responsive documents provided</p>	