

Marguerite McLean

080677-EI

From: Butler, John [John.Butler@fpl.com]
Sent: Friday, October 16, 2009 12:56 PM
To: Lisa Bennett
Cc: Anna Williams; Martha Brown; Jean Hartman; 'Kelly.jr@leg.state.fl.us'; 'mcglothlin.joseph@leg.state.fl.us'; 'jess@sugarmansussskind.com'; 'sugarman@sugarmansussskind.com'; 'mbraswell@sugarmansussskind.com'; 'msundback@andrewskurth.com'; 'kwiseman@andrewskurth.com'; 'jspina@andrewskurth.com'; 'lisapurdy@andrewskurth.com'; 'linomendiola@andrewskurth.com'; 'meghangriffiths@andrewskurth.com'; 'swright@yvlaw.net'; 'jlavia@yvlaw.net'; 'jmoyle@kagmlaw.com'; 'vkaufman@kagmlaw.com'; 'jmcwhirter@mac-law.com'; 'barmstrong@ngnlaw.com'; 'cecilia.bradley@myfloridalegal.com'; 'sda@trippscott.com'; 'tperdue@aif.com'; 'shayla.mcneill@tyndall.af.mil'; 'Mary.Smallwood@Ruden.com'; 'richardb@gtlaw.com'; Filings@psc.state.fl.us
Subject: Electronic Service / Docket 080677-EI / FPL's Letter to Lisa Bennett with attached Detail of 2010 & 2011 FPL Aviation Expenses
Attachments: 10.16.09 Letter to Bennett (aviation expense details).pdf

Everyone: Please see attached

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10/16/2009

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FPSC-COMMISSION CLERK



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October 16, 2009

- VIA ELECTRONIC DELIVERY -

Lisa Bennett, Esq.
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 080677-EI

Dear Ms. Bennett:

On October 12, 2009, you wrote to ask that Florida Power & Light Company ("FPL") respond to a series of questions about the details of 2010 and 2011 aviation-related expenses that FPL is removing from the projected revenue requirements for the 2010 and 2011 test years. I am enclosing a document entitled "Detail of 2010 and 2011 FPL Aviation Expenses" and consisting of a series of worksheets addressing separately each of the nine numbered questions in your October 12 letter. FPL believes that response to Staff Question 3 provides the most useful summary of the aviation expense components.

Sincerely,

/s/ John T. Butler

John T. Butler

Cc: Commission Clerk
All parties of record

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DETAIL OF 2010 AND 2011 FPL AVIATION EXPENSES

FLORIDA POWER AND LIGHT COMPANY
DOCKET 080677-EI
Detail of 2010 and 2011 FPL Aviation Expenses

1. The O&M expenses by account numbers and/or sub-account number(s). Please identify the type of expense (e.g., payroll, fuel, landing fees, etc.) and amount within each account or sub-account. Please show the amounts before and after allocations from FPL to affiliates. If any amounts are allocated to an affiliate and then subsequently allocated back to FPL, please show these amounts separately.

FERC Account	Account Name	2010 O&M Expenses		2011 O&M Expenses	
		Before Alloc.	After Alloc. (1)	Before Alloc.	After Alloc. (1)
920	Admin. And General Salaries	\$ 2,029,199	\$ 1,034,891	\$ 2,008,124	\$ 1,024,143
921	Office Supplies & Expenses	2,931,774 (2)	1,495,205	2,906,036 (3)	1,482,078
926	Employee Pension & Benefits	3,171	1,617	3,138	1,600
930	Advertising & Misc. General Exp.	498,676	254,325	493,497	251,683
931	Rents	255,798 (6)	130,457	253,141 (6)	129,102
935	Maintenance of General Plant	952,977 (4)	486,018	943,080 (5)	480,971
	Total Forecasted O&M	\$ 6,671,595	\$ 3,402,513	\$ 6,607,016	\$ 3,369,577

Notes:

- (1) Reflects FPL's 51% share of 2008 occupied seat miles
- (2) Includes Jet Fuel Expenses of \$1.5M and \$471K of total Maintenance Expenses of \$1.3M
- (3) Includes Jet Fuel Expenses of \$1.6M and \$530K of the total Maintenance Expenses of \$1.5M
- (4) Includes \$875K of the total Maintenance Expenses of \$1.3M
- (5) Includes \$986k of the total Maintenance Expenses of \$1.5m
- (6) Includes Hangar rental charges

Only the net amount of costs borne by affiliates are allocated out to the affiliates; there are no amounts allocated to affiliates that are then allocated back to FPL.

Jurisdictional amounts are shown in response to Question No. 3 herein

2. The Insurance expenses by account numbers and/or sub-account number(s). Please identify the type of expense (e.g., payroll, policy premiums, etc.) and amount within each account or sub-account. Please show the amounts before and after allocations from FPL to affiliates. If any amounts are allocated to an affiliate and then subsequently allocated back to FPL, please show these amounts separately.

FERC Account	Account Name	2010 Insurance Expenses		2011 Insurance Expenses	
		Before Alloc.	After Alloc. (1)	Before Alloc.	After Alloc. (1)
924	Property Insurance	\$ 235,517	\$ 120,114	\$ 235,517	\$ 120,114
925	Injuries & Damages	61,361	31,294	61,361	31,294
	Total	\$ 296,878	\$ 151,408	\$ 296,878	\$ 151,408

Notes:

(1) Reflects FPL's 51% share of 2008 occupied seat miles

Jurisdictional amounts are shown in response to Question No. 3 herein.

3. The total amount of cost, associated with aviation, included in FPL Net Operating Income by account. Please identify the type of expense (e.g., payroll, fuel, landing fees, etc.) and amount within each account or sub-account. Please show the amounts before and after allocations from FPL to affiliates. If any amounts are allocated to an affiliate and then subsequently allocated back to FPL, please show these amounts separately.

FERC Account	Account Name	2010 Allocation and Juris Amounts				2011 Allocation and Juris Amounts			
		Before Alloc.	After Alloc.	Juris Factor	Juris Amounts	Before Alloc.	Per Book	Juris Factor	Juris Amounts
403	Depreciation Expense	\$ 4,136,121	\$ 2,109,422	0.991745	\$ 2,092,009	\$ 4,859,260	\$ 2,478,223	0.991773	\$ 2,457,834
920	Admin. And General Salaries	2,029,199	1,034,891	0.991745	1,026,348	2,008,124	1,024,143	0.991773	1,015,718
921	Office Supplies & Expenses	2,931,774	1,495,205	0.991745	1,482,862	2,906,036	1,482,078	0.991773	1,469,885
922	49% of ROI		(1,906,328)	0.991745	(1,890,591)		(1,742,589)	0.991773	(1,728,253)
924	Property Insurance	235,517	120,114	0.991110	119,046	235,517	120,114	0.991107	119,045
925	Injuries & Damages	61,361	31,294	0.991745	31,036	61,361	31,294	0.991773	31,037
926	Employee Pension & Benefits	3,171	1,617	0.991745	1,604	3,138	1,600	0.991773	1,587
930	Advertising & Misc. General Exp.	498,676	254,325	0.991745	252,225	493,497	251,683	0.991773	249,613
931	Rents	255,798	130,457	0.991745	129,380	253,141	129,102	0.991773	128,040
935	Maintenance of General Plant	952,977	486,018	0.991745	482,006	943,080	480,971	0.991773	477,014
	Total FPL NOI	\$ 11,104,594	\$ 3,757,015		\$ 3,725,925	\$ 11,763,154	\$ 4,256,620		\$ 4,221,520
	ROI at 100%	\$ 3,890,466				\$ 3,556,304			
	Total Aviation Costs	\$ 14,995,061				\$ 15,319,458			
	51% remaining at FPL	\$ 7,647,481				\$ 7,812,924			

Note:

The allocation of ROI is accomplished with an increase in O&M allocated to affiliates (credit to FERC account 922)

4. The amount of plant in service by plant account numbers and/or sub-account number(s). Please show the amounts before and after allocations from FPL to affiliates. Please identify the gross book value of each aircraft and other types of asset (parts, supplies, etc.) within each plant account and/or sub-account. If any amounts are allocated to an affiliate and then subsequently allocated back to FPL, please show these amounts separately.

Plant Sub-Account	Account Name	<u>13 Month Average</u>	
		2010	2011
		<u>Plant in Service</u>	<u>Plant in Service</u>
392.01	Aircraft-Fix Wing (Jet)	\$ 44,785,207	\$ 53,715,141
392.02	Aircraft-Rotary Wing (Helicopter)	8,926,387	8,926,387
	Total	\$ 53,711,594	\$ 62,641,528

Notes:

The plant in service accounts are not allocated to affiliates. However, affiliates are charged depreciation and ROI as shown in response to Question No. 3.

Jurisdictional amounts are shown in responses to Question No. 7 herein.

5. The amount of depreciation reserve by plant account numbers and/or sub-account number(s). Please show the amounts before and after allocations from FPL to affiliates. Please identify the reserve value associated with each aircraft and other types of asset (parts, supplies, etc.) within each plant account and/or sub-account. If any amounts are allocated to an affiliate and then subsequently allocated back to FPL, please show these amounts separately.

Plant Sub-Account	Account Name	<u>13 Month Average</u>	
		2010 Deprec. Reserve	2011 Deprec. Reserve
392.01	Aircraft-Fix Wing (Jet)	\$ (24,290,961)	\$ (24,584,049)
392.02	Aircraft-Rotary Wing (Helicopter)	(3,794,794)	(4,464,273)
	Total	\$ (28,085,755)	\$ (29,048,322)

Notes:

The plant in service accounts are not allocated to affiliates. However, affiliates are charged depreciation and ROI as shown in response to Question No. 3.

Jurisdictional amounts are shown in responses to Question No. 7 herein.

6. The amount of depreciation expense by plant account numbers and/or sub-account number(s). Please show the amounts before and after allocations from FPL to affiliates. If any amounts are allocated to an affiliate and then subsequently allocated back to FPL, please show these amounts separately.

<u>Plant Sub-Account</u>	<u>Account Name</u>	<u>2010 Deprec. Expense</u>		<u>2011 Deprec. Expense</u>	
		<u>Before Alloc.</u>	<u>After Alloc. (1)</u>	<u>Before Alloc.</u>	<u>After Alloc. (1)</u>
392.01	Aircraft-Fix Wing (Jet)	\$ 3,466,642	\$ 1,767,988	\$ 4,189,781	\$ 2,136,788
392.02	Aircraft-Rotary Wing (Helicopter)	669,479	341,434	669,479	341,434
	Total	\$ 4,136,121	\$ 2,109,422	\$ 4,859,260	\$ 2,478,223

Notes:

(1) Reflects FPL's 51% share of 2008 occupied seat miles

Annual Depreciation Expense is debited to FERC Account 403.000 - Depreciation Expense

Only the net amount of costs borne by affiliates are allocated out to the affiliates; there are no amounts allocated to affiliates that are then allocated back to FPL.

Jurisdictional amounts are shown in responses to Question No. 7 herein.

7. The amount of aviation associated cost included in Rate Base by component such as plant in service, depreciation reserve, working capital, and any other components. Please separately identify any other components included in rate base. If any amounts are allocated to an affiliate and then subsequently allocated back to FPL, please show these amounts separately.

Plant Account	Account Name	13 Month Average	
		2010	2011
392.01	Aircraft-Fix Wing (Jet)	\$ 44,785,207	\$ 53,715,141
392.01	Aircraft-Fix Wing (Jet)	(24,290,961)	(24,584,049)
392.02	Aircraft-Rotary Wing (Helicopter)	8,926,387	8,926,387
392.02	Aircraft-Rotary Wing (Helicopter)	(3,794,794)	(4,464,273)
	Total	\$ 25,625,839	\$ 33,593,206

Plant Account	Account Name	2010 Jurisdictional Rate Base			2011 Jurisdictional Rate Base		
		Per Book	Juris Factor	Jurisdictional	Per Book	Juris Factor	Jurisdictional
	<u>Plant In Service</u>						
392.01	Aircraft-Fix Wing (Jet)	\$ 44,785,207	0.991745	\$ 44,415,505	\$ 53,715,141	0.991773	\$ 53,273,226
392.02	Aircraft-Rotary Wing (Helicopter)	8,926,387	0.991745	8,852,700	8,926,387	0.991773	8,852,950
	Total Plant In Service	\$ 53,711,594		\$ 53,268,205	\$ 62,641,528		\$ 62,126,176
	<u>Depreciation Reserve</u>						
392.02	Aircraft-Rotary Wing (Helicopter)	\$ (24,290,961)	0.991745	\$ (24,090,439)	\$ (24,584,049)	0.991773	\$ (24,381,796)
392.02	Aircraft-Rotary Wing (Helicopter)	(3,794,794)	0.991745	(3,763,468)	(4,464,273)	0.991773	(4,427,545)
	Total Depreciation Reserve	\$ (28,085,755)		\$ (27,853,907)	\$ (29,048,322)		\$ (28,809,341)
	Total Rate Base	\$ 25,625,839		\$ 25,414,298	\$ 33,593,206		\$ 33,316,834

Note:

Only the net amount of costs borne by affiliates are allocated out to the affiliates; there are no amounts allocated to affiliates that are then allocated back to FPL.

No working capital components are attributable to aviation.

8. If the amounts allocated from FPL to affiliates included a return on investment, please show these amounts separately. If any amounts are allocated to an affiliate and then subsequently allocated back to FPL, please show these amounts separately. Please state whether the return on investment, if any, is included in FPL's Net Operating Income for rate making purposes. Please state whether the investment upon which a return is included in the allocations to affiliates, is included in FPL's Rate Base.

	<u>2010 ROI For Allocation</u>		<u>2011 ROI for Allocation</u>	
	<u>Before Alloc.</u>	<u>Affiliate Alloc. (1)</u>	<u>Before Alloc.</u>	<u>Affiliate Alloc. (1)</u>
ROI Calculated for Allocation to Affiliates	\$ 3,890,466	\$ 1,906,328	\$ 3,556,304	\$ 1,742,589

Notes:

(1) Reflects Affiliates 49% share of 2008 occupied seat miles

Only the net amount of costs borne by affiliates are allocated out to the affiliates; there are no amounts allocated to affiliates that are then allocated back to FPL.

The allocation of ROI is accomplished with an increase in O&M allocated to affiliates (credit to FERC account 922)

9. Please state whether all helicopters, hangars and aviation security expenses have been removed from FPL's revenue requirements for 2010 and 2011, as a part of the calculations above.

The calculations reflected in the prior responses reflect 100% of the revenue requirements related to the aviation operation including those items listed in the question above.