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September 7, 2010

VIA HAND DELIVERY

Ms. Ann Cole  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard, Room 110  
Tallahassee, FL 32399-0850

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**RE: Docket No. 080677-EI**

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Power & Light Company are the original and five (5) copies of its responses to Staff's Data Request No. 5, dated August 26, 2010.

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

Sincerely,

*John T. Butler*  
for John T. Butler

Enclosure

COM \_\_\_\_\_  
APA | \_\_\_\_\_  
ECR | \_\_\_\_\_  
GCL | \_\_\_\_\_  
RAD | \_\_\_\_\_  
SSC | \_\_\_\_\_  
ADM | \_\_\_\_\_  
OPC | \_\_\_\_\_  
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cc: Counsel for Parties of Record (w/encl.)

DOCUMENT NUMBER DATE

07516 SEP-7 0

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**CERTIFICATE OF SERVICE**  
**Docket No. 080677-EI**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished electronically this 7<sup>th</sup> day of September, 2010, to the following:

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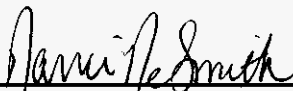
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By:   
for John T. Butler  
Fla. Bar No. 283479

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 1**

**Paragraph 3 - Storm Cost Recovery**

**Q1. Based on the monthly \$4.00/1,000 kWh cap for residential customers for storm cost recovery and projected sales for 2010, please provide the annual dollar amount that would be recovered from the residential customers and the total that would be recovered from all customers.**

**A.** The maximum annual interim storm cost recovery amount from Residential customers using the \$4.00/1,000 kWh cap under Paragraph 3 of the Settlement Agreement and based on 2010 projected Residential sales would be approximately \$220 million. Based on the allocation for future storm costs contemplated in Order No. PSC-06-0464-FOF-EI, this would result in a maximum annual interim storm cost recovery from all customers of \$377 million. See the table below for details.

FLORIDA POWER & LIGHT COMPANY  
 Response to Staff Data Request 5, Question 1  
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1	2010 Residential Sales (kWh)	54,948,779,577
2		
3	Maximum Interim Storm Cost Recovery Rate for Residential (¢/kWh)	0.400
4		
5	<b>Resulting Residential Interim Storm Cost Recovery (Row 1 x Row 3) (\$ millions)</b>	<b>\$220</b>
6		
7	Residential Allocation of Storm Cost Recovery <sup>1</sup>	58.3%
8		
9	<b>Total Interim Storm Cost Recovery (Row 5 / Row 7) (\$ millions)</b>	<b>\$377</b>

10  
 11 Notes:

12 1) Residential allocation is the same as outlined in the January 29, 2010 compliance filing in  
 13 Docket 060038-EI, Table 6, Allocation Workpapers page 4 of 4 on 1/29/2010 for Future Storm Costs.

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Docket No. 080677-EI  
 Staff's 8/26/2010 Data Request No. 5  
 Question No. 2

**Paragraph 3 - Storm Cost Recovery**

**Q2. For each of the 3 hypothetical scenarios in the following table, please provide the storm cost recovery amount that Florida Power & Light Company (FPL or Company) would seek to recover from its ratepayers.**

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
<b>Storm Damage Reserve Level at Implementation Date</b>	<b>150,000,000</b>	<b>150,000,000</b>	<b>150,000,000</b>
<b>Storm Damage Reserve Level at Time of Storm</b>	<b>150,000,000</b>	<b>150,000,000</b>	<b>135,000,000</b>
<b>Recoverable Storm Damage Costs Charged to Reserve</b>	<b>360,000,000</b>	<b>40,000,000</b>	<b>100,000,000</b>
<b>Storm Damage Reserve Level After Storm</b>	<b>(210,000,000)</b>	<b>110,000,000</b>	<b>35,000,000</b>
<b>Storm Cost Recovery Amount</b>			

A. Based on Paragraph 3 of the Settlement Agreement, FPL would be allowed to recover prudently incurred incremental costs, as defined by Commission Rule 25.6-0143, above the level of storm reserve prior to the storm and be allowed replenish its reserve to the level as of the Implementation date. Based on this, FPL could recover \$360 million, \$0, and \$0 for Scenarios 1, 2, & 3, respectively. The first hypothetical scenario above produces an amount to be recovered from customers that is less than the amount expected to be provided by the \$4.00/1,000 kWh cap as discussed in the response to Question 1. The second and third scenarios involve losses that do not exceed the amount of the reserve.

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 3**

**Paragraph 3 - Storm Cost Recovery**

- Q3. Assuming an Implementation Date of October 1, 2010, what is the projected level of the storm reserve on a retail and system basis?**
- A.** Assuming an implementation date of October 1st, 2010 and no qualifying events occurring prior to that date, the projected storm reserve balance would be approximately \$201 million. This amount is the same on a retail and system basis, as the existing storm reserve is for the exclusive benefit of retail customers.

**Paragraph 3 - Storm Cost Recovery**

- Q4. In responding to the following two questions, please refer to the last sentence of paragraph 3 which reads:**

**The Parties expressly agree that any proceeding to recover costs associated with any storm shall not be a vehicle for a “rate case” type inquiry concerning the expenses, investment, or financial results of operations of the Company and shall not apply any form of earnings test or measure or consider previously or current base rate earnings or level of theoretical depreciation reserve.**

**(emphasis added)**

- a. In this sentence of the Settlement, it enumerates various prohibitions concerning “rate case” type inquiries and earnings tests. Does this sentence mean that the Joint Movants agree that the Company’s actual earnings level at the time any request for storm damage cost recovery is made will not be at issue in the proceeding?**
- b. If the answer to (a) above is no, please explain what the parties intend by this sentence.**
- A. The answer is yes as to actual, historical or projected.**

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 5**

**Paragraph 3 - Storm Cost Recovery**

- Q5. Please refer to the first full sentence on page 4 regarding the recovery of storm damage costs, please describe in detail how this provision of the proposed Settlement Agreement will operate.**
- A.** Per Paragraph 3 of the Settlement Agreement, FPL would be allowed to recover incremental storm costs over a 12 month recovery period, as long as the costs allocated to residential customers do not exceed \$4.00/1,000 kWh. In the event that storm costs exceed that level, any additional costs may be recovered in subsequent year(s), as determined by the Commission. In the sentence noted in this request, FPL reserves the right to petition the Commission to increase the initial 12 month recovery beyond the \$4.00/1,000 kWh in the event FPL incurs storm damage in excess of \$800 million. For instance, if FPL incurred storm damage of \$1 Billion in a single season, it would take the Company more than two and a half years to recover these costs (based on the response to data request #1). FPL could petition the Commission to allow the Company to recover the incremental \$200 million above the \$800 million threshold as part of the initial 12 month recovery.



**Paragraph 4 - Clause Recovery**

**Q6.**

- a. **Would any increases in generation-related investments be precluded from recovery through a cost recovery clause? If not, please indicate what kinds of generation-related investments would be recoverable through a cost recovery clause, and which clause(s).**
- b. **Page 4 of Order No. 14546 lists the appropriate expenses to be recovered through the fuel and purchased power cost recovery clause. Among the listed expenses is the following paragraph:**

**Fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers. Recovery of such costs should be made on a case by case basis after Commission approval.**

**How will Paragraph 4 of the stipulation affect current and future recovery of fuel-related costs as discussed in the above paragraph?**

- c. **Please refer to the first sentence of Paragraph 4. Does the definition of costs that are of a type "which traditionally and historically would be, have been, or are presently recovered through cost recovery clauses or surcharges" exclude the recovery of capital costs associated with future fuel-related capital projects through the fuel and purchased power cost recovery clause?**
- d. **Does Paragraph 4 of the stipulation prevent or preclude FPL from recovering the capital costs associated with the Scherer Unit 4 uprate (high pressure turbine blades project) through the environmental cost recovery clause or the fuel and purchased power cost recovery clause? Please explain.**

**A.**

- a. **The Settlement does not preclude clause recovery of generation-related investments (or any other type of investments) categorically. The Settlement permits FPL to seek clause recovery under two conditions. First, FPL may seek clause recovery for costs that are of a type which traditionally and historically would be, have been or presently are recovered through a clause. For generation-related investments, four examples of current clause recovery would be for incremental post-9/11 power plant security infrastructure (capacity clause), for air emission controls or other environmental compliance equipment at power plants, as well as qualifying solar projects authorized under Section 366.92, Florida Statutes (environmental clause), and for investments at power plants that result in fuel savings to customers (fuel clause). The second form of clause recovery which FPL may**

seek under the Settlement Agreement relates to incremental costs of a new or atypical kind that are not currently recovered in base rates, which an authorized governmental authority imposes on FPL and which the Legislature and/or Commission subsequently determines are clause recoverable. This provision of the Settlement relates to the potential future establishment of new clause recovery mechanisms, so it is impossible to state at this time what, if any, such new mechanisms might be approved or how they might relate to recovering generation-related investment.

- b. The Settlement will not affect FPL's ability to seek recovery, or other signatories' rights to challenge recovery, under existing mechanisms on a case-by-case basis such as the quoted provision from Order No. 14546.
- c. The Settlement Agreement would not exclude recovery of capital costs associated with future fuel-related capital projects to the extent that such projects would be eligible for fuel clause recovery under existing Commission precedent, or the Legislature and/or the Commission establishes a new recovery mechanism in the future that would permit their recovery under the criteria of the Settlement Agreement.
- d. No. FPL is not precluded by the Settlement Agreement from seeking recovery of the Scherer Unit 4 turbine upgrade through the Environmental Clause as a cost-effective component of its CAIR and CAMR Compliance Project or through the Fuel Clause as a fossil-fuel related cost that results in fuel savings to customers, because both of those are existing recovery mechanisms (also see response to part a above). The Settlement Agreement likewise does not require the Commission to approve such recovery nor does it restrict any party's right to challenge FPL's recovery request.

**Paragraph 4 - Clause Recovery**

- Q7. Other than presumably transmission-related assets, what other categories of investments would be precluded from recovery through a cost recovery clause by this stipulation?**
- A.** The Settlement Agreement is not intended to exclude categories of investments from clause recovery based on the function that the investments serve. As stated in the Settlement Agreement, FPL is not allowed to recover through cost recovery clauses increases in the magnitude of costs of types or categories that have been and traditionally, historically, and ordinarily would be recovered through base rates. Investment in and maintenance of transmission assets are specifically described as one example of costs that traditionally, historically and ordinarily would be recovered through base rates. There are, of course, many other types of assets for which investment and maintenance traditionally, historically and ordinarily are recovered through base rates. On the other hand, the Settlement Agreement specifically states the parties' intent to recognize that an authorized governmental entity may impose requirements on FPL involving new or atypical kinds of costs and that the Legislature and/or Commission may authorize FPL to recover those costs through a cost recovery clause. Costs to comply with cyber-security requirements are specifically identified as illustrative of the type of costs to which such cost recovery might apply. Cyber-security requirements likely would apply to transmission as well as other types of FPL facilities. Thus, Paragraph 4 of the Settlement Agreement does not, and is not intended to, focus on the function served by investments that are being considered for clause recovery.

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 8**

**Paragraph 4 - Clause Recovery**

**Q8.**

- a. Please define and give examples of what would constitute “incremental costs not currently recovered in base rates.”**
- b. Referring to the incremental costs in question 8 (a) above, are there any costs that the Legislature could not, pursuant to the stipulation, subsequently deem to be clause-recoverable (either through an existing clause or a new clause)? If so, what would they be?**
- c. Referring to the incremental costs in question 8 (a) above, are there any costs that the Commission could not, pursuant to the stipulation, subsequently deem to be clause-recoverable (either through an existing clause or a new clause)? If so, what would they be?**

**A.**

- a. FPL assumes that this question relates to the phrase in Paragraph 4 stating that the Settlement Agreement does not preclude FPL from requesting clause recovery for “incremental costs not currently recovered in base rates which the Legislature or Commission determines are clause recoverable subsequent to the approval of this Agreement.” The intent of that provision is to clarify that the Settlement Agreement does not preclude FPL from utilizing a new clause recovery mechanism that is created by the Legislature and/or the Commission after the Settlement Agreement was executed, to recover costs imposed by governmental authority that are new or atypical and that are not already being recovered through base rates. Because this provision relates to new clause recovery mechanisms that may be created in the future, it is not possible at this time to identify the types of costs to which such mechanisms might apply.**
- b. As noted in response to Question 8(a) the provision in question would only permit FPL to seek recovery of new or atypical kinds of costs through a new clause recovery mechanism that are not already being recovered through base rates.**
- c. See FPL’s response to Question 8 (b).**

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 9**

**Paragraph 5 - Revenue requirements and fuel savings associated with WCEC 3.**

**Q9.**

- a. Does FPL expect fuel savings to exceed the revenue requirement for West County 3 for every year of the stipulation – remainder of 2011, calendar year 2012? Please explain.**
- b. For the balance of the calendar year 2011, what is the projected non-fuel revenue requirement for West County Unit 3?**
- c. For calendar year 2012, what is the projected non-fuel revenue requirement for West County Unit 3?**
- d. For the balance of the calendar year 2011, what is FPL's current estimate of the fuel savings associated with the addition of West County Unit 3?**
- e. For calendar year 2012, what is FPL's current estimate of the fuel savings associated with the addition of West County Unit 3?**

**A.**

- a. No, see responses to b - e below.
- b. For June through December 2011, the projected jurisdictional non-fuel revenue requirement for West County Unit 3 is \$99,629,081.
- c. For calendar year 2012, the projected jurisdictional non-fuel revenue requirement for West County Unit 3 is \$166,860,714.
- d. FPL projects WCEC-3 to enter commercial operation on approximately June 1, 2011 and estimates jurisdictional fuel savings of \$97,277,315 due to WCEC-3 for the period from June 1, 2011 through the remainder of the year.
- e. FPL's current estimate of jurisdictional fuel savings in 2012 due to WCEC-3 is \$134,324,487.

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 10**

**Paragraph 5 - Revenue requirements and fuel savings associated with WCEC 3.**

**Q10:**

- a. If the fuel savings which offset the revenue requirement associated with West County Unit 3 are based on a fuel forecast, is there a provision or understanding that the estimated fuel savings will be adjusted (trued-up) to actual fuel savings?**
- b. Why is the fuel savings based on projected fuel costs and not actual fuel costs?**

**A.**

- a. No.**
- b. The provision in the Settlement Agreement to limit recovery of West County Unit 3 revenue requirements to projected fuel savings was a negotiated compromise by the parties to the Settlement Agreement. Without purporting to describe fully the parties' positions or the nature of the negotiations, FPL notes that Paragraph 5 may limit FPL to recovering less than the full revenue requirements for West County Unit 3 but provides a measure of prospective certainty each year to FPL as to what portion of those revenue requirements it will recover and to customers as to the level of their bills. Enhancing rate stability during the term of the settlement was one of the common goals of the parties to the Settlement Agreement.**

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 11**

**Paragraph 5 - Revenue requirements and fuel savings associated with WCEC 3.**

**Q11. Please provide the dollar allocation to each rate class for the total projected non-fuel annual revenue requirement associated with WCEC 3 for 2011 and for 2012.**

**A.** As outlined in FPL's response to Staff's Data Request 5 No. 9, FPL expects the WCEC 3 revenue requirements to be greater than the projected fuel savings. As such, the proposed amount to be allocated to the rate classes will be limited to the jurisdictional fuel savings. The table below outlines the amount allocated to the major rate classes in 2011 and 2012. The allocations are based on the allocation of gas turbine revenue requirements in FPL's cost of service compliance filing in this docket. Detailed information related to the response for 2011 can be found in the September 1, 2010 filing in Docket No. 100001-EI. Total fuel savings in 2012 is a preliminary estimate based on current projections.

FLORIDA POWER & LIGHT COMPANY  
 Response to Staff Data Request 5, Question 11  
 Docket 080677-EI

	June 2011 through December 2011	January 2012 through December 2012
RS1/RST1	\$54,481,583	\$75,230,393
GS1/GST1	\$5,905,632	\$8,154,737
GSD1/GSDT1/HLFT1 (21-499 kW)	\$21,907,299	\$30,250,493
OS2	\$12,691	\$17,525
GSLD1/GSLDT1/CS1/CST1/HLFT2 (500-1,999 kW)	\$9,370,003	\$12,938,482
GSLD2/GSLDT2/CS2/CST2/HLFT3(2,000+ kW)	\$1,584,706	\$2,188,227
GSLD3/GSLDT3/CS3/CST3	\$172,262	\$237,867
ISST1D	\$0	\$0
ISST1T	\$0	\$0
SST1T	\$62,455	\$86,241
SST1D1/SST1D2/SST1D3	\$6,569	\$9,071
CILCD/CILCG	\$2,382,604	\$3,289,997
CILCT	\$1,036,764	\$1,431,606
MET	\$83,204	\$114,892
OL1/SL1/PL1	\$228,998	\$316,210
SL2, GSCU1	\$42,543	\$58,745
<b>TOTAL</b>	<b>\$97,277,315</b>	<b>\$134,324,487</b>

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 12**

**Paragraph 5 - Revenue requirements and fuel savings associated with WCEC 3.**

**Q12. Please provide the dollar allocation of the total projected annual fuel savings associated with WCEC 3 for each rate class for 2011 and for 2012.**

**A.** The table below outlines the projections of allocated jurisdictional fuel savings for 2011 and 2012. 2011 allocations are based on the June through December 2011 fuel factors filed September 1, 2010 in Docket No. 100001-EI and the projected sales by rate class for June through December 2011. 2012 allocations are a preliminary estimate of the fuel factor savings associated with WCEC3 and current projections of 2012 fuel savings and sales and are subject to change.

	2011 Allocation of Projected Jurisdictional Fuel Savings	2012 Allocation of Projected Jurisdictional Fuel Savings
RS1	(\$51,354,084)	(\$71,063,207)
GS1, WIES1	(\$5,353,791)	(\$7,377,772)
GSD1, HLFT-1, SDTR-1A, SDTR-1B	(\$23,058,524)	(\$31,777,566)
OS2 (019)	(\$10,479)	(\$13,165)
GSLD1, CS1, HLFT-2, SDTR-2A, SDTR-2B	(\$10,163,938)	(\$14,033,017)
GSLD2, CS2, HLFT-3, SDTR-3A, SDTR-3B	(\$2,173,029)	(\$3,023,928)
GSLD3, CS3	(\$192,689)	(\$269,620)
ISST-ID	\$0	\$0
ISST-1T	\$0	\$0
SST1T	(\$117,393)	(\$159,956)
SSTID	(\$7,806)	(\$10,637)
CILCID, CILCIG	(\$2,867,767)	(\$3,896,424)
CILC1T	(\$1,297,837)	(\$1,768,397)
MET	(\$76,295)	(\$103,957)
OL1, SL1	(\$530,470)	(\$726,053)
SL2, GSCU-1	(\$73,214)	(\$100,786)
<b>Total</b>	<b>(\$97,277,315)</b>	<b>(\$134,324,487)</b>

Note that totals may not add due to rounding.



**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 13**

**Paragraph 5 - Revenue requirements and fuel savings associated with WCEC 3.**

**Q13. What is the total impact on a 1,000 kwh residential bill of including WCEC 3 in rates for 2011? For 2012?**

A. FPL interprets this question to ask for a comparison of the reduction in the Fuel Clause factor for the residential (RS-1) class as a result of the fuel savings attributable to WCEC 3, with the increase in the RS-1 Capacity Clause factor due to the recovery of WCEC 3 revenue requirements as contemplated in the Settlement Agreement. As outlined in FPL's September 1, 2010 filing in Docket 100001-EI, the projected net impact on a 1,000 kWh residential bill resulting from including WCEC 3 in the Fuel Clause and Capacity Clause per the Settlement Agreement would be \$0.15 (excluding Gross Receipts Tax (GRT), \$0.16 including GRT) which represents less than a 0.2% change to the residential bill. Please see the bill comparison below. On an overall retail basis there would be no impact from including WCEC 3 in the Fuel Clause and Capacity Clause per the Settlement Agreement.

FPL has also developed preliminary projections for 2012, based on current assumptions, including fuel price forecasts, which indicate a net impact of \$0.13 (excluding GRT) on a typical 1,000 kWh residential bill. Preliminary estimates based on current fuel and sales projections indicate that the 2012 WCEC 3 jurisdictional revenue requirements will again be greater than the 2012 projected jurisdictional fuel savings. As such, the estimated amount to be allocated to the rate classes in 2012 would again be limited by the Settlement Agreement to the jurisdictional fuel savings. Projections for 2012 will be updated in the fuel and capacity projection filing in September 2011.

	PRELIMINARY JAN 11 - MAY 11	PRELIMINARY JUN 11 - DEC 11	DIFFERENCE JAN 11 VS. JUN 11	
			\$	%
BASE	\$43.01	\$43.01	\$0.00	0.00%
FUEL	\$42.14	\$40.62	-\$1.52	-3.61%
CONSERVATION	\$3.64	\$3.64	\$0.00	0.00%
CAPACITY PAYMENT	\$6.55	\$8.22	\$1.67	25.50%
ENVIRONMENTAL	\$1.43	\$1.43	\$0.00	0.00%
STORM RESTORATION SURCHARGE	<u>\$1.17</u>	<u>\$1.17</u>	<u>\$0.00</u>	<u>0.00%</u>
SUBTOTAL	\$97.94	\$98.09	\$0.15	0.15%
GROSS RECEIPTS TAX	<u>\$2.51</u>	<u>\$2.52</u>	<u>\$0.01</u>	<u>0.40%</u>
<b>TOTAL</b>	<b>\$100.45</b>	<b>\$100.61</b>	<b>\$0.16</b>	<b>0.16%</b>

**Paragraph 5 - Revenue requirements and fuel savings associated with WCEC 3.**

**Q14.**

- a. **Please refer to Paragraph 5 (c) of the Stipulation. Will FPL, in its projection testimony for Docket No. 100001-EI, state the pre-West County Unit 3 fuel factors and capacity cost recover factors and the post-West County Unit 3 fuel factors and capacity cost recovery factors?**
- b. **Other than Question 14 (a) above, how will the recognition of fuel savings associated with West County Unit 3 affect FPL's projection testimony, E Schedules, and exhibits in Docket No. 100001-EI?**

A.

- a. Yes. In the testimony of FPL witness Terry J. Keith filed on September 1, 2010, FPL provides a fuel factor that does not reflect the fuel savings associated with West County Unit 3 (WCEC-3). This average fuel factor is 4.559 cents per kWh and is provided in Appendix IV of Mr. Keith's testimony. FPL also provides a fuel factor for the period June 2011 through December 2011 by crediting the fuel savings associated with WCEC-3 during this period. The average fuel factor for the June 2011 through December 2011 period is 4.407 cents per kWh and is also provided in Appendix IV of Mr. Keith's testimony. Appendix III of Mr. Keith's testimony provides the Capacity factors for the period January 2011 through December 2011 based on the traditional factor calculation method. These factors do not include any projected non-fuel revenue requirements associated with WCEC-3. Appendix III also provides Capacity factors for the period June 2011 through December 2011, which include the portion of the projected 2011 non-fuel revenue requirements associated with WCEC-3 equaling the projected fuel savings associated the operation of the unit for the remainder of 2011.
- b. Appendix II of Mr. Keith's September 1, 2010 testimony presents a fuel factor for the period January 2011 through December 2011 based on the traditional factor calculation methodology, which spreads the fuel savings associated with WCEC-3 over the entire calendar year. This average fuel factor is 4.464 cents per kWh.

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 15**

**Paragraph 6 – Return on Equity**

**Q15. Paragraph 6 of the Settlement states that the “FPSC actual, adjusted basis” and the “actual adjusted earned return” will reflect all adjustments to FPL’s books required by Commission rule or order. Does this include the ratemaking adjustments regarding aviation costs and incentive compensation?**

**A. Yes.**

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 16**

**Paragraph 7 - Depreciation Reserve Surplus Amortization**

- Q16. As clarification, what is the minimum amortization amount of the reserve surplus contemplated to be recorded in 2010?**
- A. The minimum amortization amount of the reserve surplus that could be recorded in 2010 is zero, assuming that FPL does not need to amortize reserve surplus in order to achieve a return on common equity of 9%, as envisioned by the Settlement Agreement.

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 17**

**Paragraph 7 - Depreciation Reserve Surplus Amortization**

- Q17. Part (c) of Paragraph 7 caps the amortization amount of the reserve surplus at \$267 million each year and limits the total amortization for the period of the Settlement to no more than \$776 million, unless a greater amount of amortization is needed for an FPSC actual adjusted return on equity of 9 percent. Assuming that \$776 million of the \$894 million reserve surplus identified in the Final Order is amortized during the Settlement period, \$118 million of the reserve surplus will remain in 2013. Does the Settlement contemplate that the remaining surplus amount of \$118 million would be amortized in 2013? If negative, please explain how the 4-year amortization of the \$894 million reserve surplus the Commission approved in the Final Order will be satisfied.**
- A.** FPL notes that the Settlement Agreement provides for any portion of the \$267 million annual cap on amortization of reserve surplus in Paragraph 7(c) that is not used in a particular year of the settlement term to be carried forward (“rolled over”) and available for amortization in subsequent years of the settlement term. In accordance with all provisions of the Settlement Agreement, to the extent there exists any remaining unamortized surplus after the settlement period, it will be amortized in 2013 unless FPL is ordered by the Commission to amortize the remaining balance over a different time period pursuant to a final rate order effective on or after January 1, 2013.

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 18**

**Paragraph 7 - Depreciation Reserve Surplus Amortization**

- Q18. Excluding any discretionary amortization of the depreciation surplus discussed in paragraph 7, what is the annual depreciation expense FPL projects it will book for 2010?**
- A.** Excluding any discretionary amortization of the depreciation surplus discussed in paragraph 7, the annual total system adjusted depreciation expense FPL projects to record for 2010 is \$875.7 million.

**Docket No. 080677-EI**  
**Staff's 8/26/2010 Data Request No. 5**  
**Question No. 19**

**Paragraph 7 - Depreciation Reserve Surplus Amortization**

- Q19. How is depreciation expense recognized for WCEC 3? In the fuel clause? Or in a subsequent base rate proceeding? Explain.**
- A.** Depreciation expense will be recorded and accounted for in accordance with normal Commission rules and practices, and included as a base rate cost in FPL's surveillance reports filed with the Commission. Recovery of WCEC 3 annual revenue requirements through the capacity clause, subject to the projected fuel savings limitation, will be included and reported as an offset to WCEC 3 base rate costs included for FPL's surveillance reporting purposes.

**Other Questions**

**Q20. For the purpose of this question, please refer to page 6 of FPL's Settlement, attached as Exhibit A to the August 20, 2010 Agreed Motion for Approval of Settlement Agreement.**

- a. Can FPL or any other party to this Settlement terminate it? Please explain your response.**
- b. Please identify where in this Settlement the termination of this agreement is addressed.**

**A.**

- a. Pursuant to Paragraph 1, the term of the Settlement Agreement extends through the last billing cycle in December 2012 (the "Term"). Pursuant to Paragraph 6, the parties to the Settlement Agreement other than FPL may initiate a rate proceeding if FPL's earned return on common equity exceeds 11% on an FPSC actual, adjusted basis, and FPL may initiate a rate proceeding if its earned return on common equity falls below 9% on an FPSC actual, adjusted basis. In the event that any party initiates a rate proceeding pursuant to Paragraph 6, the Settlement Agreement will terminate upon the effective date of a final order in such rate proceeding. There are no other bases stated in the Settlement Agreement for termination prior to the end of the Term.
- b. See FPL's response to Question 20 (a).