State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 2, 2012

TO: Office of Commission Clerk

FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 120015-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a Rate Case Audit
Audit Control No: 12-100-4-1

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of Commission Clerk. There were confidential work papers associated with this audit.

CJP/lmd
Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida

Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida Power & Light Company
Rate Case Audit

Historic Test Year Ended December 31, 2011

Docket No. 120015-EI
Audit Control No. 12-100-4-1
June 28, 2012

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated April 5, 2012. We have applied these procedures to the attached schedules prepared by Florida Power & Light Company in support of its filing for rate relief in Docket No. 120015-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

The historical year ended December 31, 2011 is the audit period unless otherwise specified.

The Utility or FPL refers to Florida Power & Light Company, which is a wholly owned subsidiary of NextEra Energy, Inc. The Utility's last rate case Order No. PSC-11-0989-S-EI was issued February 1, 2011 in Docket No. 080677-EI.

Board of Director's Minutes

Objectives: The objective was to review Board of Director's Minutes to determine if the content of the minutes changed any forecast assumptions or future allocation percents.

Procedures: We reviewed Florida Power & Light Company's Board Minutes for 2011 through February 2012. We requested NextEra Energy, Inc.'s Board of Director's Minutes. We were provided with a copy that was redacted. Therefore, we could not determine if there was any information that would change the assumptions or allocation percents.

Utility Books and Records

Objectives: The objective was to verify the amounts shown as the "per book" balances for rate base, net operating income, and capital structure for the audit period.

Procedures: We obtained a 13-month trial balance that reconciled to the Utility's general ledger and traced it to the Minimum Filing Requirements (MFRs) for rate base, net operating income, and capital structure. No material variances were noted.

Objectives: The objective was to verify that the adjustments to rate base and net operating income for the audit period were consistent with the Commission's findings in prior cases.

Procedures: Audit staff reconciled the adjustments to the general ledger or other supporting documentation. We attempted to verify that all necessary adjustments were made and that they were correctly calculated based on past orders or rules. Audit Finding No. 1 discusses the Net Operating Income adjustment for the error made in the removal of executive compensation.

Rate Base

Utility Plant in Service

Objectives: The objective was to verify the 13-month average plant balances for each plant account for the audit period. In addition, we were to verify the plant additions, retirements, and adjustments from the last rate case date through the most recent actual data.

Procedures: Audit staff obtained a schedule by plant and reserve accounts by month for the historical test year ended December 31, 2011 with 13-month average balances. We traced this schedule to the trial balance and the MFRs. We also obtained a schedule of plant balances by detailed account from January 1, 2009 to March 31, 2012 and traced it to the trial balance and the MFRs. We judgmentally selected work orders added since the last rate case and traced additions, retirements, and adjustments, including the Cape Canaveral Modernization, to supporting documentation. In addition, we traced the journal entries for the sale of the general office in Miami and the aircraft transfer to source documents. We reviewed the transactions related to the sale of the general office. No exceptions were noted.

Accumulated Depreciation and Amortization

Objectives: Our objective was to verify that the depreciation rates used for the historical base year are those approved in Order No. PSC-10-0153-FOF-EI.

Procedures: We reconciled the Utility's books to the MFR for the historical test year. We reconciled the annual accumulated depreciation and amortization accruals to the Utility's books. We reconciled rates to Order No. PSC-10-0153-FOF-EI. We also selected a sample of adjustments made by the Utility and reviewed the source documents. No exceptions were noted.

Construction Work in Progress

Objectives: The objective was to determine if the Utility has included any Construction Work in Progress (CWIP) projects in rate base in the historical test year that are eligible for the allowance for funds used during construction (AFUDC) pursuant to Rule 25-6.0141, Florida Administrative Code (F.A.C.).

Procedures: We obtained a list of projects included in CWIP, which were eligible for AFUDC according to the rule. We recalculated AFUDC for the work orders tested. We also obtained a list of projects included in CWIP that were not eligible for AFUDC and verified that the projects were not eligible according to the rule. We noted that the Utility is not requesting AFUDC-eligible CWIP in rate base.

Working Capital

Objectives: The objective was to determine if any working capital accounts are interest bearing. If so, we were to determine the corresponding interest revenue or interest expense, the supporting calculation, and its location in the filing.

Procedures: We reviewed the accounts included in working capital for items that may earn interest. We reviewed the interest income and interest expense accounts, and verified that either the interest accrued on these accounts was also included or the account was removed from working capital.

Objectives: The objective was to review transactions in prepayments, deferred debits, and deferred credits to determine if they were utility in nature, and that expenses were stated correctly. We were also to review materials and supplies and other accounts receivable for non-utility items.

Procedures: We determined which of these accounts were included in working capital, and then selected accounts with material balances. Audit staff judgmentally sampled these accounts, traced items to source documentation, verified to determine they were utility-related, and included appropriately in working capital. No exceptions were noted.

Objectives: The objective was to determine whether the Utility complies with the provisions of Rule 25-6.0143, F.A.C. for accounts 228.1 – Accumulated Provision for Property Insurance, 228.2 – Accumulated Provision for Injuries and Damages, and 228.4 – Accumulated Miscellaneous Operating Provisions.

Procedures: We judgmentally sampled these accounts, traced items to source documentation, determined the items were utility-related, and determined if they were appropriately included in working capital. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: The objectives were to verify that the revenues filed by the Utility for the audit period agreed to the general ledger, and that the appropriate tariffs are used to bill customers. We were also to determine that unbilled revenues were correctly calculated.

Procedures: We reconciled the monthly revenues in the MFRs to the Utility's books. We recalculated a judgmental sample of customer bills and traced the rates to the appropriate clause factors and tariffs. We traced the unbilled revenue for the audit period to the MFRs and the general ledger. We reviewed the unbilled calculation. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objective was to verify that operation and maintenance transactions were adequately supported, and recorded in compliance with the Uniform System of Accounts (USOA).

Procedures: Audit staff prepared an analytical review of the Utility's expenses. We compared the expenses from 2008 to 2011 noting any large increases in accounts. We selected a judgmental sample based on the analytical review and tested according to the criteria listed above. Audit Finding No. 2 discusses items that should be reviewed in conjunction with the forecast. Audit Finding No. 3 discusses training.

Objectives: The objectives were to review the types of advertisements included in operating expense during the audit period, and determine if they are image enhancing in nature, promotional, or related to non-utility operations or one of the recovery clauses.

Procedures: We selected a judgmental sample from the advertising account and reviewed the advertisements noting the criteria listed above. No exceptions were noted.

Objectives: The objective was to review details of legal fees, other outside service expenses, sales expenses, customer service expenses, office supplies and expense, and miscellaneous general expenses.

Procedures: We selected a judgmental sample of these expenses and tested them to see that they were reasonable, adequately supported, and recorded in compliance with the USOA. Audit Finding No. 4 discusses patents.

Objectives: The objective was to review liability, health and life insurance expense during the audit period to determine if the utility received refunds based on loss experience and recorded them in an above the line expense account.

Procedures: We selected a sample of these expenses, and verified the expense to invoices and in conjunction with the prepaid account and verified that the utility included refunds as a credit to the expense account. No exceptions were noted.

Objectives: The objective was to review the uncollectible provision and expense for reasonableness.

Procedures: We traced the uncollectible provision and expense accounts to the Utility's ledger and the MFRs. We also reviewed the components of the provision balance and reconciled the provision to the expense account. We noted that the reserve balance decreased $9,452,264 during the historical year due to the elimination of a special provision program. In addition, the uncollectible account expense decreased $8,795,237 or 55% since 2006.

Depreciation Expense

Objectives: The objective was to verify that the depreciation rates used for the audit period were those approved in Order No. PSC-10-0153-FOF-EI.

Procedures: We obtained depreciation schedules, reconciled them to the general ledger and the MFRs. We compared the rates used to the above Order. No exceptions were noted.

Taxes Other than Income

Objectives: The objective was to verify that sales tax collection discounts are recorded above the line.

Procedures: We reconciled the monthly sales tax returns to the Utility's books. We recalculated the returns for selected months for mathematical accuracy. We reviewed the recorded entries and concluded that the collection discount was recorded above the line.

Objectives: The objective was to reconcile property taxes, gross receipts tax, regulatory assessment fees, and any taxes other than income to the general ledger and the MFRs.

Procedures: We traced the MFR schedule for taxes other than income to the general ledger and reconciled it to the applicable tax returns. No exceptions were noted.

Income Taxes

Objectives: The objective was to reconcile the federal and state income taxes to the MFRs and the general ledger, and to verify that deferred income tax expense and deferred tax balances include proper bonus depreciation treatment of property additions.

Procedures: We traced the federal and state income taxes from the filing to the Utility's books. The 2011 tax returns had not been filed at the time the report was written. We traced the deferred income tax expense and the deferred tax balances to the books and the deferred tax reports.

Capital Structure

Objectives: The objective was to verify how non-utility assets supported by the Utility's capital structure are removed in the rate base/capital structure reconciliation by obtaining a list of all non-regulated/non-utility services that the Utility is currently providing.

Procedures: We obtained the rate base/capital structure reconciliation and determined that the non-utility adjustments removed in rate base were removed in the capital structure.

Objectives: The objective was to verify that the Utility's book amounts for average balance sheet items included in the capital structure agree with the general ledger.

Procedures: We obtained a 13-month average trial balance from the Utility's general ledger and reconciled it to the cost of capital MFRs.

Objectives: The objective was to verify that the cost rates used in the computation of the cost of capital are appropriate.

Procedures: Audit staff reconciled the cost of capital cost rates for the audit period to the debt documentation.

Objectives: The objective was to determine how the rate base adjustments were adjusted in the capital structure and to reconcile them to the MFRs and the general ledger.

Procedures: We obtained a reconciliation of the rate base adjustments in the capital structure and traced it to the MFRs and the general ledger. No exceptions were noted.

Other

Affiliate Transactions

Objectives: The objective was to review intercompany charges to and from divisions, affiliated companies, and non-regulated operations to determine if an appropriate amount of costs were allocated pursuant to Rule 25-6.1351, Florida Administrative Code (F.A.C.). We were also to determine the original amounts allocated, whether the methodology was reasonable, and to check for accuracy and consistent application.

Procedures: Audit staff reviewed the Utility's policies and procedures relating to the recording of affiliate transactions and the cost/allocation manual for employees. During the review of rate base and net operating income, we examined items that were allocated and compared them to the Utility's policies and procedures. We obtained supporting documentation from several of the affiliates and reviewed the allocation methodology. We reviewed the calculation of the management fee and the drivers used and compared the methodology and rates to the last rate case audit. We traced the budget activity to the actual ledger amounts. We reviewed charges to FPL to determine if they were charged at the lower of cost or market or based on prior Commission orders. We obtained a list of space rented to affiliates by building, square footage and cost per square foot and compared the rent charged to the Market Rent Valuation. We reviewed the Diversification Report and judgmentally selected a sample of officers of both FPL and its affiliates and reviewed the allocation percents of these officers to determine reasonableness based on their duties. Audit Finding No. 5 discusses a FiberNet charge. Audit Finding No. 6 discusses a budget activity excluded from the management fee allocation.

Federal Energy Regulatory Commission Audit

Objectives: The objective was to follow-up on exceptions and disclosures noted in the last Federal Energy Regulatory Commission (FERC) audit to determine if they were applicable to this case.

Procedures: We read the FERC audit, dated October 10, 2008, pertaining to the audit of Open Access Same-Time Information System Requirements and determined that FPL implemented the corrective action that was required.

Internal and External Audits

Objectives: The objective was to follow-up on exceptions and disclosures noted in any internal or external audits to determine if they were applicable to this case.

Procedures: We reviewed the internal and external audits to determine if any adjustments materially affected the audit period. We noted that the Utility had performed the required corrective action in the applicable follow-up audit.

Audit Findings

Finding 1: Executive Compensation Adjustment

Audit Analysis: The Utility removed $28,402,000 from Net Operating Income related to an adjustment to Executive Compensation and Non-Executive Performance Shares, based on Order No. PSC-10-0153-FOF-EI. In determining the amount we noted that the January 2011 amount of $213,000 for the Non-Executive Performance shares was not included in the schedule. Therefore, the adjustment to remove executive compensation was understated by $213,000.

Effect on the General Ledger: This calculation only affects the Filing.

Effect on the Filing: Operating expenses should be reduced by $213,000 in the historic test year. This correction should be reviewed in conjunction with the Tallahassee staff's review of the 2013 test year forecast.

Finding 2: Possible Non-Recurring Expenses

Audit Analysis: We selected samples of accounts in the historic 2011 year based on an analytical review. In our sample, we determined that some expenses may not be re-occurring and should be reviewed in conjunction with Tallahassee staff's review of the 2013 forecast.

1. In December of 2011, there was a write-off of $10,405,707.28 to account 930.2 of FPL' Energy Secure Pipeline. FPL's forecast of account 930.2-Miscellaneous General Expense decreased in 2013 by $8,728,400, from $27,044,400 in 2011 to $18,316,000 in 2013. Therefore, it appears that FPL removed the $10,405,707 in its forecast for 2013 but, provided other costs that increased. Most of the difference related to an increase of $2.7 million for industry dues in 2013. The additional dues should be reviewed in conjunction with the 2013 forecast.

2. In December of 2011, an entry of $144,667.03 was made to account 572-Maintenance of Underground Lines that related to 2009 costs that had been in a completed not classified account and were being written off to expense in 2011. These costs should not be re-occurring and the 2013 forecast review should insure that they were removed.

3. In October of 2011, there was an entry of $227,525.76 to account 560-O & M Transmission Maintenance for transmission line data gathering in response to a 2010 NERC audit. There may be additional costs in 2011 related to this project. Whether these charges are re-occurring should be reviewed in conjunction with the forecast.

4. In 2011, the sample of account 902-Meter Reading included several invoices related to the Advanced Metering Infrastructure (AMI). Some of these costs were offset by a Department of Energy grant. Since some of the costs related to production and integration, there may be many costs related to this project that are not re-occurring. For example, there was a $340,246.34 severance pay for meter reading employees who were let go because of the system that would not be re-occurring. There was an invoice of $104,005 for system integration activities and $38,149 for production software support. According to a response by FPL, total AMI expenses in 2011 were $14,700,000 and capital costs were $203,200 net of the Department of Energy grant. The review of the 2013 forecast should determine if it has been reduced for AMI related costs that are not re-occurring.

5. In July 2011, FPL switched from its Walker accounting system to a SAP accounting system. In our sample, we found invoices related to computer software integration. FPL provided a budget report showing the Information Management expense budget was reduced by $2,037,081 for costs related to the SAP project. The Tallahassee staff should review the 2013 forecast to determine that other costs related to implementation of SAP such as training are removed.

6. The sample of account 923-Outside Services in 2011 included legal and accounting invoices totaling $101,402 related to the negotiations to purchase the utility system from the City of Vero Beach. Tallahassee staff should determine if these and any additional costs related to the purchase were removed from the forecast.

7. The sample of account 923-Outside Services in 2011 included $108,427 related to studies of customer satisfaction. Tallahassee staff should determine if these and any additional costs related to the studies will be re-occurring in 2013.

Effect on the General Ledger: This finding is for informational purposes only.

Effect on the Filing: This finding is for informational purposes only.

Finding 3: Training

Audit Analysis: Three invoices related to training of employees were selected in the sample. Each class included employees from affiliate companies. The dollar effect of the adjustment, $3,631, is immaterial to this filing in 2011. However, training costs should be allocated to the affiliate companies based on number of participants and only three trainings were selected as part of the sample.

FPL has responded that it pays in full for the invoice, review on a monthly basis, and charge the appropriate affiliate for each participant. However, the affiliates were not charged for the three invoices in the sample.

Effect on the General Ledger: The following entry should be made:

Account	Account Title	Debit	Credit
146	Accounts Receivable Affiliates	$ 3,631	
566	Misc. Transmission Expenses		$ 2,500
923	Outside Service Excpense		$ 989
910	Misc. Customer Service Expense		$ 142

FPL will record the adjusting entry.

Effect on the Filing: This finding is for informational purposes only.

Finding 4: Patents

Audit Analysis: An invoice in the sample of account 923-Outside Services included patent and trademark litigation related to patents obtained by FPL. They included patent litigation related to the following:

1. A boom truck patent.

2. Filing of a patent related to the development of an innovation related to automated meter reading technology.

3. Due diligence and prosecution work for an FPL Power Generation business unit invention of a rotational blade predictive heat monitor.

4. Patent prosecution work for an FPL Distribution invention of a boom radiography test device.

5. Patent prosecution work for an FPL Power Generation business unit invention of a matrix model builder.

6. Patent prosecution work for an FPL Power Generation business unit invention of a combustion turbine inlet filter.

7. Patent prosecution work for an invention by an FPL Distribution business unit on distribution situational awareness.

The Tallahassee staff should insure that revenues or other benefits received related to the patents developed by the Utility stay with the Utility.

Effect on the General Ledger: There is no effect on the 2011 ledger.

Effect on the Filing: This finding is for informational purposes only.

Finding 5: FiberNet

Audit Analysis: FiberNet charges FPL for depreciation and a return on investment for property transferred from FPL to FiberNet in the year 2000. FPL has adjusted the return on these assets in 2011 based on Order No. 10-0153-FOF-EI. The total charge in the historic 2011 test year of $6,857,570, before the ordered adjustment, included an amount for $109,589 which the Utility says is a one-time non-recurring charge. The charge is taxed by approximately 11% for a taxed amount of $121,644. FPL allocates 83.54% to base operating and maintenance expense or $101,621. The rest is charged to conservation and a plant clearing account.

Although plant has been added, this charge of $6,857,570 to FPL has decreased since the audit done in 2000 and will probably continue to decrease due to the additional accumulated depreciation. Therefore, the forecast for 2013 should have included a reduction of $101,621 for the non-recurring costs and an additional decrease for the return on an additional $1,217,697 of accumulated depreciation a year if no additions are forecast.

FPL is also charged for Data Line Charges that are not part of the 2000 transfer of assets audited in APA 01-067-4-1. The Utility provided support to show that these charges are lower than market.

Effect on the General Ledger: There is no entry needed to correct the 2011 ledger.

Effect on the Filing: This information should be reviewed in conjunction with the Tallahassee staff's review of the 2013 test year forecast.

Finding 6: Budget Unit Not In Management Fee Allocation

Audit Analysis: An amount of $161,431 was charged to Budget Activity Code 11717 which was excluded from the calculation of the management fee. According to a response from the Utility, this amount was charged to that budget activity in error and should have been charged to Budget Activity Code 10422 or 11686 which are allocated to the affiliates using 33.60% in 2011. Therefore, an additional $54,241 should have been credited to account 922 and debited to a receivable from the affiliate companies' account 146.

Effect on the General Ledger: The following entry should be made:

Account	Account Title	Debit	Credit
146	Accounts Receivable Affiliates	$ 54,241.00	
922	Administrative Expense Transferred		$ 54,241.00

FPL agrees and is recording a correcting entry in June 2012 business.

Effect on the Filing: Operating Expenses for the historic 2011 test year should be reduced by $54,241.

Exhibits

Exhibit 1: Rate Base

SCHEDULE B-1 | ADJUSTED RATE BASE | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO.: 120015-EI

EXPLANATION: Provide a schedule of the 13-month average adjusted rate base for the test year, the prior year and the most recent historical year. Provide the details of all adjustments on Schedule B-2.

TYPE OF DATA SHOWN:
__ PROJECTED TEST YEAR ENDED _/_/_
__ PRIOR YEAR ENDED _/_/_
X HISTORICAL YEAR ENDED 12/31/11
WITNESS: Kim Ousdahl

($000)

LINE NO.	(1) DESCRIPTION	(2) PLANT IN SERVICE	(3) ACCUMULATED PROVISION FOR DEPRECIATION & AMORTIZATION	(4) NET PLANT IN SERVICE (2 - 3)	(5) CWIP	(6) PLANT HELD FOR FUTURE USE	(7) NUCLEAR FUEL	(8) NET UTILITY PLANT	(9) WORKING CAPITAL ALLOWANCE	(10) OTHER RATE BASE ITEMS	(11) TOTAL RATE BASE
1	UTILITY PER BOOK	30,613,639	12,786,047	17,827,593	2,346,899	156,552	431,644	20,762,488	(1,124,810)	0	19,637,678
2											
3	SEPARATION FACTOR	0.978541	0.973166	0.982396	0.978112	0.957370	0.989607	0.981647	1.032106	0	0.978757
4											
5	JURIS UTILITY	29,956,706	12,442,947	17,513,759	2,290,641	149,879	427,156	20,381,437	(1,160,925)	0	19,220,512
6											
7	COMMISSION ADJUSTMENTS	(1,287,255)	(310,383)	(976,881)	(1,931,612)	0	0	(2,908,503)	2,011,737	0	(896,766)
8											
9	COMPANY ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0
10											
11	TOTAL ADJUSTMENTS	(1,287,255)	(310,383)	(976,881)	(1,931,612)	0	0	(2,908,503)	2,011,737	0	(896,766)
12											
13	JURIS ADJ UTILITY	28,669,451	12,132,564	16,536,867	359,030	149,879	427,158	17,472,934	850,812	0	18,323,746
14											
15											
16											
17											
18											
19											
20	NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.										

Supporting Schedules: B-2, B-3, B-6

Recap Schedules:

Exhibit 2: Net Operating Income

Schedule C - 1 | ADJUSTED JURISDICTIONAL NET OPERATING INCOME | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO.: 120015-EI

EXPLANATION: Provide the calculation of jurisdictional net operating income for the test year, the prior year and the most recent historical year.

($000)

TYPE OF DATA SHOWN:
__ PROJECTED TEST YEAR ENDED _/_/_
__ PRIOR YEAR ENDED _/_/_
X HISTORICAL TEST YEAR ENDED 12/31/11
WITNESS: Kim Ousdahl

LINE NO.	(1) DESCRIPTION	(2) TOTAL COMPANY PER BOOKS	(3) NON-ELECTRIC UTILITY	(4) TOTAL ELECTRIC (2) - (3)	(5) JURISDICTIONAL FACTOR	(6) JURISDICTIONAL AMOUNT (4) X (5)	(7) JURISDICTIONAL COMMISSION ADJUSTMENTS (SCHEDULE C-2)	(8) JURISDICTIONAL ADJUSTED PER COMMISSION (6) + (7)	(9) JURISDICTIONAL COMPANY ADJUSTMENTS	(10) JURISDICTIONAL ADJUSTED AMOUNT (8) + (9)
1	REVENUE FROM SALES	10,410,538	0	10,410,538	0.986067	10,265,485	(6,048,393)	4,217,092	0	4,217,092
2	OTHER OPERATING REVENUES	198,671	0	198,671	0.848387	168,751	(31,868)	136,883	0	136,883
3	TOTAL OPERATING REVENUES	10,609,210	0	10,609,210	0.983507	10,434,235	(6,080,261)	4,353,975	0	4,353,975
4	OTHER O&M	1,713,480	0	1,713,480	0.984475	1,686,878	(276,090)	1,410,788	0	1,410,788
5	FUEL & INTERCHANGE	3,765,668	0	3,765,668	0.979586	3,688,790	(3,672,602)	16,188	0	16,188
6	PURCHASED POWER	976,229	0	976,229	0.979942	956,847	(956,847)	0	0	0
7	DEFERRED COSTS	204,874	0	204,874	1.000121	204,899	(204,899)	0	0	0
8	DEPRECIATION & AMORTIZATION	866,769	0	866,769	0.981141	850,423	(122,131)	728,291	0	728,291
9	TAXES OTHER THAN INCOME TAXES	1,064,817	0	1,064,817	0.992857	1,057,211	(719,358)	337,853	0	337,853
10	INCOME TAXES	632,146	0	632,146	0.987350	624,150	(25,853)	598,298	0	598,298
11	(GAIN)/LOSS ON DISPOSAL OF PLANT	(2,002)	0	(2,002)	0.997335	(1,996)	274	(1,722)	0	(1,722)
12	TOTAL OPERATING EXPENSES	9,221,981	0	9,221,981	0.983185	9,067,002	(5,977,307)	3,089,695	0	3,089,695
13	NET OPERATING INCOME	1,387,229	0	1,387,229	0.985586	1,367,234	(102,954)	1,264,280	0	1,264,280
14										
15										
16										
17	TOTALS MAY NOT ADD DUE TO ROUNDING.									

Supporting Schedules: C-2, C-3, C-4 | Recap Schedules:

Exhibit 3: Capital Structure

Schedule D-1a | COST OF CAPITAL - 13-MONTH AVERAGE | Page 1 of 1

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO.: 120015-EI

EXPLANATION: PROVIDE THE COMPANY'S 13-MONTH AVERAGE COST OF CAPITAL FOR THE TEST YEAR, THE PRIOR YEAR, AND HISTORICAL BASE YEAR.

TYPE OF DATA SHOWN:
___ PROJECTED TEST YEAR ENDED __/__/__
___ PRIOR YEAR ENDED __/__/__
_X_ HISTORICAL YEAR ENDED 12/31/11
WITNESS: Kim Ousdahl

($000)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		COMPANY								
LINE		TOTAL	SPECIFIC	PRO RATA	SYSTEM	JURISDICTIONAL	JURISDICTIONAL	RATIO	COST	WEIGHTED
NO.	CLASS OF CAPITAL	PER BOOKS	ADJUSTMENTS	ADJUSTMENTS	ADJUSTED	FACTOR	ADJUSTED		RATE	COST RATE
1	LONG TERM DEBT	6,797,537	(538,330)	(786,243)	5,472,964	0.978015	5,352,639	29.21%	5.27%	1.54%
2	PREFERRED STOCK	0	0	0	0	0.000000	0	0.00%	0.00%	0.00%
3	CUSTOMER DEPOSITS	616,150	0	(77,397)	538,753	1.000000	538,753	2.94%	5.82%	0.17%
4	COMMON EQUITY	10,073,933	(14,461)	(1,263,608)	8,795,863	0.978015	8,602,463	46.95%	11.00% (1)	5.16%
5	SHORT TERM DEBT	413,298	0	(51,916)	361,382	0.978015	353,437	1.93%	1.49%	0.03%
6	DEFERRED INCOME TAX	4,284,284	(223,975)	(510,031)	3,550,278	0.978015	3,472,224	18.95%	0.00%	0.00%
7	INVESTMENT TAX CREDITS	185,572	(180,649)	(618)	4,305	0.978015	4,210	0.02%	8.80%	0.00%
8	TOTAL	22,370,774	(957,415)	(2,689,813)	18,723,546		18,323,746	100.00%		6.90%
9										
10	(1) AS REPORTED IN THE DECEMBER 2011 EARNINGS SURVEILLANCE REPORT, THE MIDPOINT ROE APPROVED IN ORDER NO. PSC-10-0153-FOF-EI IS 10.00%. HOWEVER, FPL IS									
11	PERMITTED UNDER THE SETTLEMENT AGREEMENT APPROVED IN ORDER NO. PSC-11-0089-S-EI TO EARN AN ROE UP TO 11.00% BY VARYING THE AMOUNT OF DEPRECIATION									
12	RESERVE SURPLUS THAT IS AMORTIZED IN EACH YEAR OF THE SETTLEMENT TERM.									
13										
14	NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.									
15										

Supporting Schedules: D-1b, D-3, D-4a, D-5, D-6

Recap Schedules: