



FPL Institutional Investor Information

August 2013

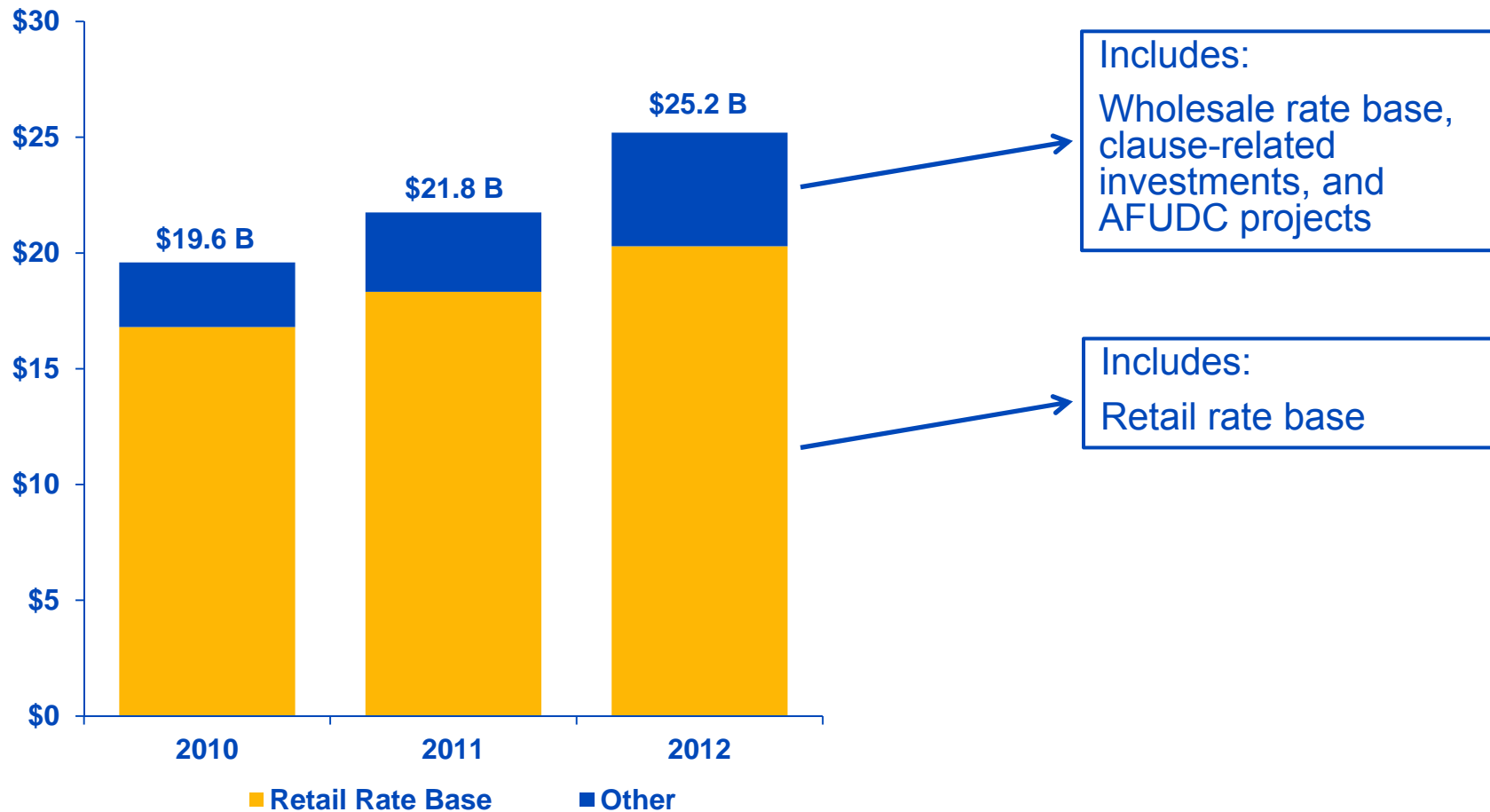
What is the Earnings Surveillance Reporting (ESR)?

Florida Public Service Commission (FPSC) Surveillance Reporting

- **Monitors the reasonableness of Florida Power & Light's (FPL) base rates**
- **Filed monthly with the FPSC**
- **Rolling twelve months of results**
- **Utilizes a 13-month average balance sheet**

Regulatory capital employed is the capital in which we are able to earn a return on at FPL and we separate it into two categories: “Retail” and “Other”

Average Regulatory Capital Employed



The overall purpose of the earnings surveillance report is to monitor the reasonableness of FPL's base rates and for the FPSC to know that FPL is earning within its allowed ROE band

Retail Rate Base (13-month average)

- The monthly ESRs are posted to the FPSC's website⁽¹⁾
- The retail rate base is the FPSC adjusted amount on Schedule 1: Page 1 of 1
- FPSC adjustments are found on Schedule 2: Page 2 of 3

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES
EARNINGS SURVEILLANCE REPORT SUMMARY
DECEMBER, 2012

SCHEDULE 1: PAGE 1 OF 1

	ACTUAL PER BOOKS	FPSC ADJUSTMENTS	FPSC ADJUSTED	PRO FORMA ADJUSTMENTS	PRO FORMA ADJUSTED
<u>I. AVERAGE RATE OF RETURN (JURISDICTIONAL)</u>					
NET OPERATING INCOME	\$ 1,561,928,315 (A)	(176,378,852) (B)	1,385,549,463	16,753,633	\$ 1,402,303,096
RATE BASE	\$ 22,190,404,519	(1,896,840,500)	20,293,564,020	0	\$ 20,293,564,020

\$20,293,564,020

The difference between system per books and jurisdictional per books is primarily the inclusion of wholesale rate base and FERC regulated transmission in system per books

Wholesale Rate Base (Schedule 2: Page 1 of 3)

- Total net PP&E in the 10-K is greater than system per books net utility plant
 - FPL’s ARO is reported as accumulated depreciation for FPSC ESR and as regulatory liabilities for 10-K
 - FPSC ESR is on a 13-month average basis.

FLORIDA POWER & LIGHT COMPANY
AND SUBSIDIARIES
AVERAGE RATE OF RETURN
RATE BASE
DECEMBER, 2012

SCHEDULE 2: PAGE 1 OF 3

	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NUCLEAR FUEL	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
SYSTEM PER BOOKS	\$ 32,786,243,772	12,928,442,647	19,859,801,125	200,474,323	3,164,571,210	625,270,760	23,850,117,418	(1,191,308,706)	\$ 22,658,808,712
JURISDICTIONAL PER BOOKS	\$ 32,022,766,123	12,176,544,921	19,846,221,202	193,404,270	3,012,114,047	613,245,158	23,664,964,677	(1,474,500,158)	\$ 22,190,404,519

Less:

= Wholesale & FERC regulated transmission

\$22,658,808,712

(\$22,190,404,519)

\$468,404,193



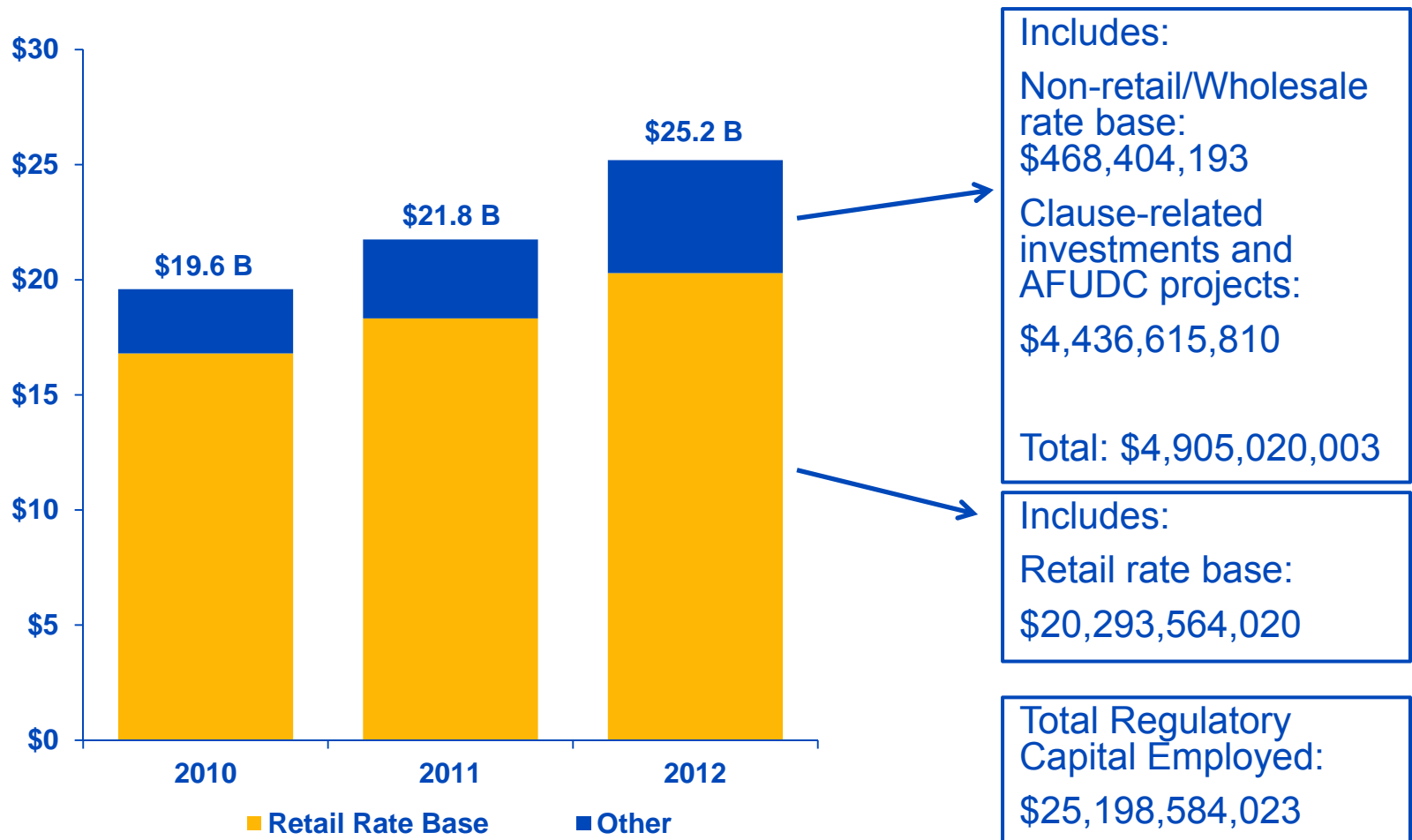
Clause-Related Investments & AFUDC Projects

(Schedule 2: Page 3 of 3)

RATE BASE ADJUSTMENTS	SYSTEM	JURISDICTIONAL	
PLANT IN SERVICE:			
ENVIRONMENTAL	\$ 1,246,440,171	\$ 1,222,541,114	Gross Plant in Service: \$2,014,785,228
FUEL AND CAPACITY	770,594,003	755,257,958	
AVIATION - PLANT	0	0	
LOAD CONTROL	36,986,156	36,986,156	
ASSET RETIREMENT OBLIGATION	11,543,344	11,365,347	
CAPITAL LEASES	58,404,741	57,504,148	
TOTAL	\$ 2,123,968,414	\$ 2,083,654,723	
ACCUMULATED PROVISION FOR DEPRECIATION:			
ENVIRONMENTAL	\$ (98,679,273)	\$ (96,787,211)	Less: Depreciation ↓ (\$152,021,066)
ACCUM PROV DECOMMISSIONING COSTS	(3,096,343,082)	(3,039,696,459)	
ASSET RETIREMENT OBLIGATION	41,185,514	40,550,439	Net Plant in Service \$1,862,764,162
ASSET RETIREMENT OBLIGATION DECOMMISSIONING	2,868,954,617	2,824,715,767	
AVIATION - RESERVE	0	0	
FUEL AND CAPACITY	(37,310,124)	(36,537,461)	
OTHER RATE CASE ADJUSTMENTS (1)	(204,220)	(199,817)	
LOAD CONTROL	(18,696,394)	(18,696,394)	
CAPITAL LEASES	(1,899,231)	(1,869,945)	
TOTAL	\$ (341,992,193)	\$ (328,521,081)	Add: CWIP and AFUDC projects ↓ \$2,573,851,648
CONSTRUCTION WORK IN PROGRESS:			
CONSTRUCTION WORK IN PROGRESS	\$ 2,396,883,456	\$ 2,350,730,550	Total: \$4,436,615,810
CWIP - ECRC PROJECTS	227,482,819	223,121,098	
TOTAL	\$ 2,624,366,275	\$ 2,573,851,648	

We are allowed to earn a regulatory ROE of between 9.5% and 11.5% on our \$20.3B of average retail rate base, 10.5% on clause-related investments and AFUDC projects totaling \$4.4B, and various ROE ranges on wholesale

Regulatory Capital Employed



ROEs at Florida Power & Light

Retail Rate Base	10.5% midpoint; able to earn +/- 1% from midpoint
Wholesale	Varies by contract
Nuclear Clause ⁽¹⁾	10.5%
Environmental Clause	10.5%
Conservation Clause	10.5%

(1) Effective July 1, 2013, the nuclear cost recovery clause earns at the midpoint of FPL's allowed regulatory ROE; prior to this date, the ROE was set at 11.0%

Reconciliation of Reported Net Income and Net Operating Income (NOI)

	2012 (\$ millions)
Net Income reported on 10-K	\$1,240
Add back below the line expenses:	
Long Term Debt Expense Other Interest Expense Other Income/Deductions	~\$280 (total)
NOI ⁽¹⁾ (Total Company)	\$1,520
Add:	
FPSC Adjustments ⁽²⁾	(\$96)
Adjusted NOI	\$1,424
Retail Separation Factor Adjustment ⁽³⁾	(\$38)
Retail Jurisdictional Adjusted NOI	\$1,386

(1) NOI system per books on Schedule 2: Page 3A of 3

(2) Total FPSC Adjustments for System per books on Schedule 2: Page 3A of 3

(3) Retail separation factor adjustment is calculated as the difference between system per books and jurisdictional per books on Schedule 2: Page 2 of 3 and the difference between the total FPSC adjustments on Schedule 2: Page 2 of 3 and Schedule 2: Page 3A of 3

2013: Key Assumptions for FPL

- **Key assumptions at FPL:**

- FPL:

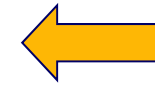
- Expected ROE: 11.0% - 11.25%
- Regulatory equity ratio: 47%
- Normal weather patterns and operating conditions
- Customer growth: 0.6% - 0.7%
- Customer usage growth: 0.5% - 1.5%
- O&M expenses projected to be flat in nominal terms
- Surplus depreciation used in 1H2013: \$219MM
- AFUDC (equity + debt) projected to increase by \$11MM to \$85MM
- Cape Canaveral GBRA projected to increase revenues \approx \$165 MM

Appendix

What is included in a typical retail residential bill?

Typical 1,000 kWh Retail Residential Bill (As of 5/1/2013)

<u>Components</u>	<u>Amount</u>	<u>% of Total</u>
Base	\$ 51.33	54%
<u>Cost Recovery Clauses:</u>		
Fuel	\$ 26.33	28%
Capacity ⁽¹⁾	9.38	10%
Conservation	2.33	2%
Environmental	2.29	2%
Subtotal	\$ 40.33	42%
Storm Surcharge	\$ 1.57	2%
Gross Receipts Tax	\$ 2.39	2%
Total	\$ 95.62	100%



Subject to review in a retail base rate case

(1) Nuclear cost recovery clause costs included in the Capacity Clause

Overview of Clauses

- **Specific vehicles designed to recover ongoing costs outside a normal base rate proceeding**
 - Costs are not recovered through any other cost recovery mechanism
- **Costs are:**
 - Variable and/or Volatile in nature
 - Driven by legislation
 - Caused by extraordinary circumstances
- **Forecasted and trued-up**
- **Factor is reset annually**

What costs are recovered through clauses?

- **O&M**
- **Capital (applicable only to nuclear⁽¹⁾, conservation & environmental): includes LMS equipment, meters, computer & software equipment in conservation clause and the environmental clause includes 3 solar plants**
 - **Depreciation**
 - **Return on Investment (ROI)**
- **Interest calculated on O&M Over/Under Recoveries in NCRC**
- **Pre-tax AFUDC rate applied to all non-O&M Over/Under Recoveries**

(1) Capital is recovered through the nuclear cost recovery clause only in the site selection and preconstruction phases; carrying costs are recovered at the pre-tax AFUDC rate in the construction phase

Fuel Cost Recovery Clause

- **Established by FPSC Order No. 14546**
- **Designed to collect:**
 - Cost of fuel used by FPL to generate electricity
 - Cost of fuel/energy portion of purchased power
 - Economy purchases
 - Power from qualifying facilities (QF's)
 - Unit Power Sales Contracts
- **Generating Performance Incentive Factor (GPIF)**

Capacity Cost Recovery Clause

- **Established by FPSC Order No. 25773**
- **Designed to collect capacity costs (Purchase Power Agreements) for:**
 - Power from QF's
 - Unit Power Purchases
- **Includes nuclear cost recovery for uprates, and preconstruction and carrying charges of new nuclear power plants**

Energy Conservation Cost Recovery (ECCR)

- **Established by FPSC Rule 25-17.015**
- **Designed to collect amount FPL spends on FPSC approved programs designed to reduce electric consumption**
 - Helps defer construction of new power plants
- **Reduce Peak Load:**
 - On Call Programs & Commercial/Industrial (C/I) Load Control
- **Conservation Services:**
 - Appliance Rebates & Energy Audits
- **Research Programs related to more efficient use of electricity**

Environmental Cost Recovery Clause (ECRC)

- **Established by Florida Statute 366.8255 (1) (d)**
- **Designed to recover environmental costs prudently incurred after April 13, 1993**
- **Legally required to comply with an Environmental laws and regulation**
- **Includes recovery for:**
 - Low Emissions, St. Lucie Turtle Nets, Manatee Heaters
 - All costs associated with solar projects at Desoto, Space Coast & Martin
 - Certain fossil unit upgrades required to meet new environmental requirements

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