

Ruth Nettles

080677-EI
090130-EI

From: Greene, Angela [agreene@ngn-tally.com]
Sent: Tuesday, November 17, 2009 1:39 PM
To: Filings@psc.state.fl.us
Subject: Docket Nos. 080677-EI and 090130-EI
Attachments: 11-16-09 letter to FPSC.pdf

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Docket Nos.: 080677-EI and 090130-EI

In Re: Petition for Rate Increase by Florida Power & Light Company

In Re: 2009 Depreciation Study by Florida Power & Light Company

Name of Document: Letter dated November 16, 2009 for acceptance in lieu of a formal brief from the City of South Daytona

No. of Pages: 4

Party: City of South Daytona

DOCUMENT NUMBER: DATE

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FPSC-COMMISSION CLERK

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November 16, 2009

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

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

Dear Ms. Cole:

Please accept this letter in lieu of a formal brief from the City of South Daytona ("City"). The City intervened in this docket as a customer of Florida Power & Light Company ("FPL") and to represent the interests of the thousands of residents of the City who must pay FPL for electric service. The primary spark that generated the City's dissatisfaction with FPL's increase was the request for a 12.5% return on equity, or profit for FPL's shareholders. This return is higher than the return which FPL is authorized to receive from customers today. With Floridians suffering from unemployment levels not seen in decades, property values diminished significantly, and the economy generally suffering, FPL has requested higher rates to allow it to earn higher profits. In fact, FPL witness Avera confirms that for each 1% return on equity, FPL customers must pay FPL approximately \$133 million. Using the Office of Public Counsel witness Woodridge's more reasonable proposed return of 9.5% alone would reduce FPL's requested \$1.3 billion increase and its revenue requirement by nearly \$400 million.

The City is concerned further by FPL's request to receive rate increases based upon projections of investments to be made, and costs projected to be incurred, more than two years after the evidentiary hearings concluded in this docket. As evidenced by FPL's recent award of \$200 million in federal stimulus money to cover prospective investments in FPL's facilities, much can change in two years. It is the City's belief that projections of costs and investments more than two years into the future are too speculative to form the basis for establishing rates today. Further, there remains significant question as to whether the Public Service Commission is authorized by Florida law to authorize rates on such a speculative basis.

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Finally, the record establishes that FPL enjoys a wide variety of cost recovery mechanisms which permit FPL to adjust rates periodically outside of the confines of a comprehensive rate investigation such as this one. FPL confirmed that as of December 2009 it is recovering approximately 65% of its revenue requirement through such mechanisms. See Ex. 39 (AJO-2) attached hereto as Appendix B, presented by FPL witness Olivera. These rate mechanisms (several of which have been authorized relatively recently) reduce risk for FPL, yet FPL requests that its return on equity be increased.

Finally, FPL uses a utility proxy group in an attempt to substantiate its higher return on equity. Information provided by FPL indicates that the number of rate adjustment mechanisms that FPL enjoys exceed the equivalent mechanisms which the utilities in the proposed proxy group are authorized to use in their respective jurisdictions. See Ex. 35 (FPL response to Staff Interrogatory Nos. 59 and 207), the information from which is demonstrated in the chart attached hereto as Appendix A. The number and scope of these adjustment mechanisms serve to reduce FPL's risk. The PSC requires precise information identifying the number and scope of the equivalent adjustment mechanisms available to, and utilized by, the utilities in the proposed proxy group in order to determine whether the proxy group indeed face "risks and uncertainties" comparable to the risks and uncertainties faced by FPL, as required by long established ratemaking principles.

For the foregoing reasons, the City requests that the PSC reduce FPL's requested return on equity.

Sincerely



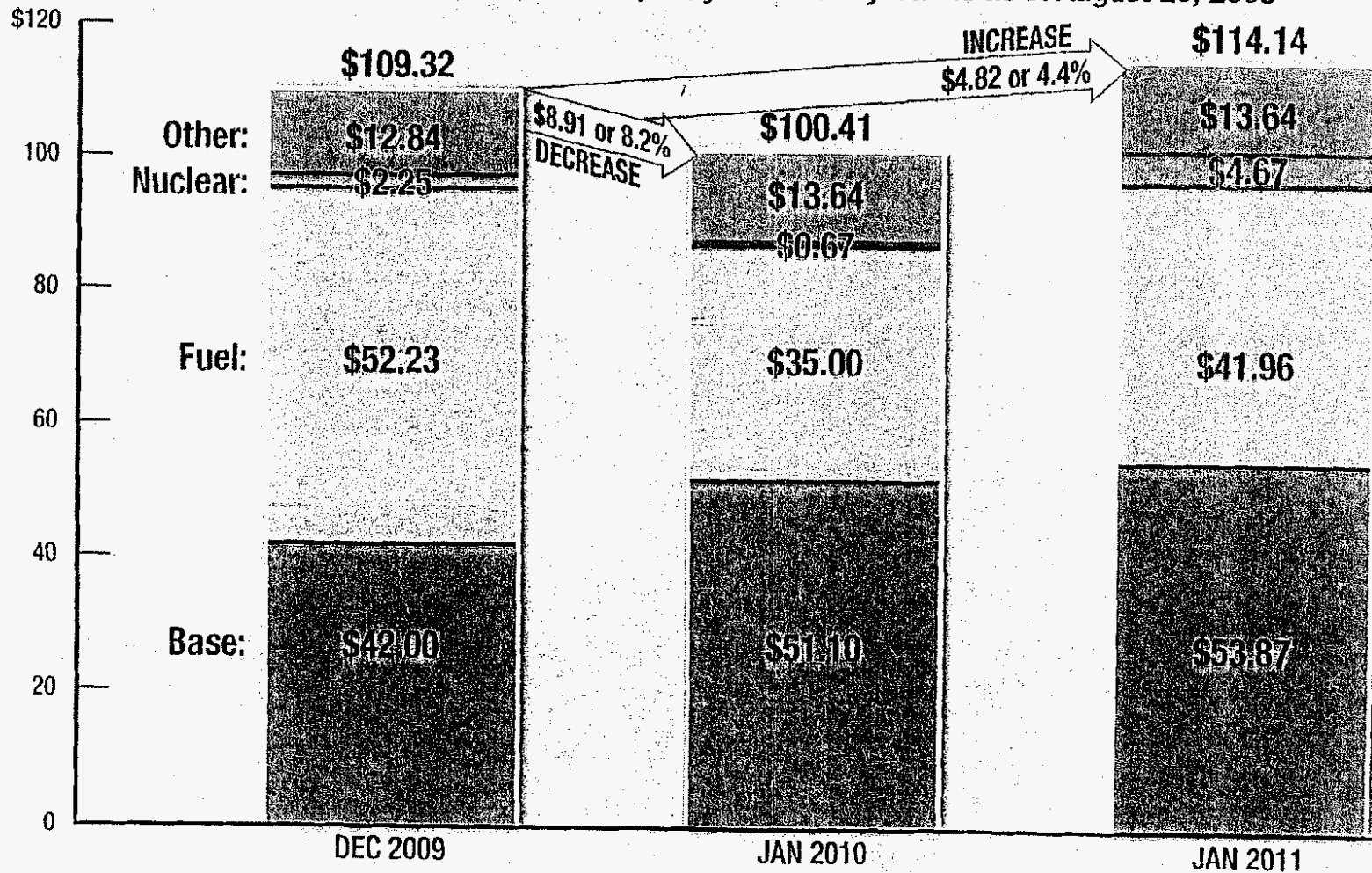
Brian P. Armstrong

cc: Parties of Record

BPA/acg

FPL Typical Residential 1,000 kWh Bill

Updated to reflect estimated adjustments to base reflected in KO-16, and 2010 & 2011 Fuel and Capacity Clause Projections as of August 20, 2009



Source: Exhibit BBD-2, Updated August 20, 2009
 Fuel prices based on fuel cost projections as of August 10, 2009

Other includes clauses other than fuel and nuclear recovery, such as energy conservation and gross receipts tax

Rate Adjustment Recovery Mechanisms Authorized For Utilities in FPL Proxy Group																		
FPL Authorized Rate Adjustment Recovery Mechanisms (A)	Allite and State(s)	Alliant Energy and State(s)	Consolidated Edison and State(s)	Dominion Resources and State(s)	Duke Energy and State(s)	Integrus Energy and State(s)	MDU Resources Group and State(s)	Nstar and State(s)	OGE Energy Corp. and State(s)	PG&E Corp. and State(s)	Portland Electric and State(s)	Progress Energy and State(s)	SCANA Corp. and State(s)	Sempra Energy and State(s)	Southern Co. and State(s)	Vectra Corp. and State(s)	Wisconsin Energy and State(s)	Xcel Energy, Inc. and State(s)
Generalization Base Rate Adjustment (GBRA)																		
Securitization of Storm Recovery Costs																		
Customer-Funded Storm Reserve									X				X		X			
Nuclear Cost Recovery Clause (projected costs, true-up, and cash (AFUDC))																		
Conservation Clause (projected costs and true-up)	X			X	X	X					X	X				X		X
Capacity Clause (projected costs and true-up)																		
Environmental Clause (projected costs and true-up)	X		X	X	X					X		X		X	X			X
Fuel Clause (projected costs and true-up)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Regulatory Interim Rate Relief Within 60 Days																		
PERCENT OF OPERATING COSTS RECOVERED FROM COST ADJUSTMENT MECHANISMS (B) (C)																		
<small>(A) As requested in Staff Interrogatory No. 207 issued July 9, 2009 (contained in Staff Composite Exhibit 25-9). (B) As requested in Public Counsel's Interrogatory No. 259 issued April 8, 2009 (contained in Staff Composite Exhibit No. 35-17). (C) FPL return on equity witness "did not conduct a study to identify the percent of operating costs that are covered by specific cost adjustment mechanisms for FPL or the utilities in this proxy group..." FPL Response to Public Counsel's Interrogatory No. 259 (contained in Staff Composite Exhibit No. 35-17).</small>																		