

*Party
Handout at the
July 1, 2008 Agenda
Item No 10-ac*

DOCKET 080001-EI

FIPUG JULY 1, 2008 PRESENTATION

IN OPPOSITION TO THE

FLORIDA POWER & LIGHT'S

APPLICATION FOR \$746,000,000

FUEL COST RATE INCREASE

DOCUMENT NUMBER-DATE

05801 JUL-78

FPSC-COMMISSION CLERK

FIPUG July 1, 2008 Presentation to FPSC
Docket 080001-EI FPL Request for Midcourse Correction.

I. First I would like to put this case into perspective. This is not a run of the mill fuel charge case.

The money sought rises to an unparalleled order of magnitude. Exhibit # 1 shows that the largest base rate increase ever granted FPL after receiving detailed MFR's, sworn testimony and at least 8 months discovery was \$255 million. The \$746 million increase sought in this case is 192% greater than the largest base rate increase ever allowed.

In this case Due Process is postponed to the detriment of customers. FPL uses an unsworn petition with no witness to take responsibility for the allegations in the petition. FPL seeks to process the case in 29 days. It is not based on known facts. It is based on fear arising out of speculation in the commodities market, the falling dollar and non fuel legislatively mandated rate increases that may or may not occur. The only investigation into the case was through informal meetings with your staff in which FPL proffered secret information out of the Sunshine to support a prophecy of doom. I have found no provision in Florida Statutes that justify a rate increase before a hearing except the file and suspend law, 366.071 F.S. which relates to base rates- not cost recovery clauses.

FPL seeks to profit from the fact that it violated the intent as well as the express requirements of Order No. PSC 07-0333 PAA when it became aware as early as January 2008 that its monumental mistake in calculating 2007 hedging losses would justify a midcourse correction

MOST IMPORTANTLY FPL's attempt to collect \$329.4 million because of estimated lost future sales may open a Pandora's Box by demonstrating that energy conservation is a failure.

II. What does FIPUG request?

A. Deny petition for three reasons: 1. because the proposed procedure denies customers due process, 2. because neither the fuel cost increases so far this year nor the projections to year end are 10% above the 2007 estimate for 2008 fuel costs and; 3. because FPL violated the requirements of PSC 07-0333 PAA when it failed to file a request for midcourse correction as soon as it became aware that its 2007 hedging losses would be \$799 million instead of the lower projection made in November 2007.

B. In the alternative if you feel you must ignore the known facts and base your opinion on estimates that have proven to be woefully inaccurate in the past:

1. Grant an increase for the fuel cost estimate to year's end of \$280,084,564 and spread the increase over two years as FPL proffered in its January 31, 2008 Volatility Mitigation Mechanism Petition

2. Deny FPL any interest because it violated Order No. PSC 07-0333 PAA which revised the procedure for midcourse correction.

3. FIPUG strongly suggests that you ignore all estimated revenue losses based on falling sales projections.

C. Customers may begin to conserve and sales may fall because FPL already has nearly the highest residential rates in America (Exhibit #2) but if customer conservation causes a rate increase, FIPUG requests that as a matter of *Extreme Urgency* the Commission should commence an investigation to determine why conserving energy doesn't work.

E. Revise the fuel docket interest provisions for the protection of customers.

ARGUMENT

III. FIPUG incorporates by reference the arguments it made earlier today in opposition to the Progress Energy Petition on the subjects of 1. due process; 2. failure to consider rate impacts on any customer class as a whole and limiting its study to a hypothetical rate subsidized small customer using less than average consumption; 3. failure to consider late year impact on businesses which are in the second half of a calendar year budget; 4. failure to consider the impact of local taxes on the customers; bills; 5. the unreasonableness of using a 2007 mistaken cost estimate to justify and unanticipated 2009 mid year rate increase.

IV. The most important issue in this case is the fact that FPL demonstrates that conservation doesn't work. This requires immediate Commission attention.

FPL projects that it will sell 5.7 million MWH less than it originally projected. As a result it alleges that its revenue will be off \$329 million. It has never adequately explained why reduced sales which result in reduced marginal fuel costs result in the need for a fuel charge increase. Until that explanation is forthcoming no increase for lost sales should be granted.

V. There is a problem with the amount of interest charged. The Commission should use this docket to revisit the relative interest charges on over and under collections. You now use the commercial paper rate for AA rated companies. Currently this rate is 2.43%. Customers on the other hand don't have the ability to borrow at commercial paper rates. It is not unreasonable to assume that a great many customers have credit card debt. Any money the customer diverts from a credit card payment to pay an electric bill has an interest impact of about 21%, not 2.45%. FIPUG does not suggest this as an appropriate interest charge for the utility to pay. It should pay its AFUDC plus the avoided income tax factor (1.62 times the equity component). This will prevent utility abuse.

VI. FIPUG proffers these additional observations in response to the June 23rd recommendations filed by the Commission staff relating to procedural due process.

1. Staff acknowledges that in the mid 1990s, mid course corrections were processed via PAA. (FPL rec. p. 3) They cite no change in the law since that which allows deviation from that process.

2. Staff characterizes the mid-course correction as "preliminary procedural decision." (FPL rec. p. 3). How can a decision which collects millions of additional dollars from

ratepayers be “procedural”? The fact that any “error” will result in a refund with interest does not lessen the impact – esp. in current economic times.

3. Staff says the Commission’s authority in the fuel adjustment proceeding arises from 366.05, F.S. That may be but that does not address the authority to implement an increase without a hearing. (FPL rec. p. 4)

4. Staff says fuel proceedings are exempt from rulemaking (FPL rec. p. 4) – may be true – but they are not exempt from Chapter 120 requirements.

5. All the discussion of the mid-course procedure relates to notification of when a utility goes over 10% -- no problem with requiring notice. The problem is denying a hearing when a ratepayer takes issue with an increase.

6. Quote from summary of position as stated in rec at p. 7.

FPL next addresses FIPUG’s motion to abate until a hearing is conducted on the proposed mid-course correction. According to FPL, the Commission has not traditionally held hearings prior to ruling on mid-course corrections. FPL asserts that to do so in this instance would be unnecessary and inappropriate. FPL states that a hearing is unnecessary because, as is the case in all fuel proceedings, the revenues collected pursuant to the mid-course correction are subject to review and true-up at the subsequent fuel clause hearing. FPL further asserts that FIPUG’s concern that it be permitted to present its views on the mid-course correction can be addressed at the Agenda Conference on July 1, 2008, if the Commission permits parties to participate. FPL’s final argument on this point is that a hearing would be inappropriate because it would work against one of the fundamental purposes of a mid-course correction, which is to adjust fuel cost recovery factors promptly to reflect major changes in projected fuel costs. FPL concludes that holding a hearing would delay implementation of the mid-course correction which likely would result in a substantial reduction in the number of months remaining in 2008 over which collection would be spread.

FPL’s rationale cannot do away with FIPUG’s right to hearing.

7. Staff analysis beginning on p. 7 is very short on law. Basically staff says “this is for the ratepayers’ own good.” Without giving rate payers the opportunity to speak on the before the increase is granted.

8. Order No. PSC-01-1665 (when fuel clause went to annual basis) just states the Commission has chosen not to conduct an evidentiary hearing on mid course correction.

9. Section 366.05(1) F.S. simply states:

“ In the exercise of such jurisdiction, the commission shall have power to prescribe fair and reasonable rates and charges...”

10. Section 120.569 F.S. requires a hearing when a party’s substantial interests are affected.

11. Section 366.06(2) and 366.07 F.S. require a hearing before a rate change.
12. AGO 74-309 and 74-288 suggest that a hearing is required before a fuel adjustment change.

The staff has suggested it would be in the public interest to impose rate shock upon customers now so the rate shock won't be quite so big five months from now when other increases are triggered.

FIPUG below provides its response to the staff's justification for rate shock now.

1. Staff. Accurate Price Signals – Approval of FPL's requested mid-course correction would bring fuel factors in line with current and expected costs and provide an accurate price signal to customers.

FIPUG. Rate shock on short notice is inconsistent with the oft repeated statement that it is Commission policy to promote rate stability. Because FPL and other Florida utilities recover fixed costs through a variable charge related to sales rates never give accurate price signals. For electric rates to give proper price signals rate structures need to be modified to be more like the charges of rental car companies and water and sewer companies regulated by the Commission which have a base facilities charge designed to cover fixed operating costs.

2. Staff. Levelized Bills – If the mid-course correction is approved, FPL customers' bills are expected to stay at about the same level from August 2008 through December 2009. Under Option A, the highest level of FPL's bill during the 2008-2009 period (\$118.82) will be lower significantly lower than the highest level of FPL's bill under any of the other options (Option B – \$125.91, Option C - \$122.36, Option D - \$123.82).

FIPUG. This concept is inconsistent with accurate price signal recommended in staff's first recommendation. Scenario A filed by FPL shows that 2009 fuel costs are expected to be less than the increase sought. The levelized bill notion ignores the fact that electric consumption is weather related. The bill will be different each month because of the customers' load characteristics. Levelized bills can also be obtained for the very small customer type chosen for the example through the utility's "budget billing" program.

FIPUG. Fuel cost assumptions are always wrong it is better to rely as much as possible on known circumstances.

3. Staff. Prevent Possible Compound Increase in 2009 Fuel Factors - If the 2008 final true-up amount shows a high under-recovery, deferring the mid-course would compound the 2009 fuel factor increase. This could result from a number of events, such as sharp fuel price increases due to decreased gas production and delivery in the event of a Gulf of Mexico hurricane during the latter half of 2008.

FIPUG. This idea adds even more assumptions to FPL's bold forecast. It is too speculative to be given serious consideration.

4. FPL's 2009 Non-Fuel Rates Projected to be Higher Than 2008 Non-Fuel Rates - Known and projected increases to non-fuel components of customer bills, including capacity costs recovery increases and base rate adjustments, are projected to contribute to additional bill impacts. The capacity cost increases reflect FPL's projected costs of the approved nuclear uprates and Turkey Point 6-7 through the nuclear cost recovery clause, while the base rate increases are associated with cost recovery, via the generating base rate adjustment (GBRA), of West County Unit 1 in June 2009. FPL's 2009 rate and bill estimates do not include FPL's proposed Solar Projects which, if approved, would result in increases in the environmental cost recovery factors in 2009. FPL's 2009 rate and bill projections do not include its net under-recovery (as of May 31, 2008) of \$38 million other non-fuel clauses. These increases in 2009 non-fuel rates provide an additional reason to avoid a substantial 2008 fuel cost deferral to 2009.

FIPUG. This argument brings a myriad of non fuel issues into a fuel case, it requires speculation about matters upon which no evidence has been presented, no hearings held and projections of future commission action on disputed matters. It should be rejected out of hand.

5. Staff. Reduced Interest - If the Commission approves the requested mid-course correction, interest costs to customers associated with any deferral of the under-recovery would be avoided.

FIPUG. FPL violated the midcourse procedure by failing to request a midcourse correction as soon as it became aware of circumstances that justify it. Under the new procedure when 2007 hedging loss jumped to \$799 million FPL responded with a Volatility Mitigation Mechanism Petition. It knew or should have known that a rate increase was in the offing, but may have delayed because the announcement of a fuel charge increase might have imperiled its aggressive legislative program to get more legislatively mandated rate increases and to avoid independent solar power activities by preempting the field with its central solar plant.

6. Staff. Reduced Intergenerational Inequity – Matching the timing of the collection of costs with the time the costs will be recovered would serve to reduce any intergenerational inequity associated with fuel cost recovery.

FIPUG If you want to address intergenerational equity do something to overcome the massive intergenerational inequity mandated by the legislature to pay for a nuclear plant 10 years before it will come into use and useful service.

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Docket No.	Order No.	Date of Order	Effective Date	Nature of Case	\$ Amount Requested	\$ Reduction	\$ Increase	Allowable Return on Equity Set	Range
FLORIDA POWER & LIGHT COMPANY									
6015-EU		03-25-60	04-01-60	Commission Required		200,000			
6165-EU		12-19-60	01-01-61	Commission Required		6,250,000			
U-273		05-08-64	05-08-64	Commission Required		10,000,000			
7739-PU	3737	01-11-65	02-01-65	Commission Required		3,750,000			
7759-EU	3926	11-10-65	01-01-66	Commission Required		9,467,900			
	4078-A	12-15-66	01-01-67	Commission Required		7,073,000			
71627-EU	5620	12-29-72	01-31-73	Company Request	80,000,000		14,566,384	12.875%	12.75 - 13.25%
	5696	04-03-73	05-10-73	Company Request	79,900,000		40,062,804		12.75 - 13.25%
	5905	10-25-73	11-30-73				6,173,528		
74509-EU	6456	01-10-75	01-28-75	Company Request	143,000,000	(Interim)	68,983,743		
	6591	04-01-75	05-01-75			(Final)	77,377,918	13.75%	13.50 - 14.00%
760727-EU	7668	03-04-77	03-14-77	Company Request	349,000,000	(Interim)	87,877,577		
	7943	06-16-77	07-08-77			(Final)	195,498,841	13.75%	13.50 - 14.00%
770810-EU	9025	08-22-79	11-01-79	Commission Required		14,446,975 #			
810002-EU	9941	04-09-81	04-29-81	Company Request	476,000,000	(Interim)	147,928,930		
	10306	09-23-81	10-04-81			(Final)	257,004,289	15.85%	14.85 - 16.85%
	10467	12-21-81	02-01-82			(Reconsideration)	255,832,324		
820097-EU	10931	06-23-82	07-22-82	Company Request	281,220,000	(Interim)	44,427,000		
	11437	12-22-82	12-23-82			(Final)	100,805,000	15.85%	14.85 - 16.85%
	12348	08-09-83	09-07-83	Company Request	256,716,000		237,816,000 †		
830465-EI	13537	07-24-84	07-20-84	Company Request	335,274,000	(Final)	81,464,000		
	13948	12-28-84	10-31-84			(Reconsideration)	84,103,000	15.60%	14.60 - 16.60%
	13537	07-24-84	01-31-85	Company Request	120,279,000	(Final)	114,984,000		
	14005	01-16-85	01-31-85			(Reconsideration)	120,447,000	15.60%	14.60 - 16.60%
880355-EI	19158	04-19-88	06-01-88	1987 Tax Savings		56,470,774 #			
890319-EI	21143	04-28-89	05-01-89	1988 Tax Savings		38,221,663 #			13.60%
	22334	12-22-89	01-01-90	1988 Tax Savings		38,460,672			13.60%
900478-EI	23349	08-13-90	09-04-90	1989 Tax Savings		39,553,605 #			
890319-EI	23727	11-07-90	10-01-90	1988 Tax Savings		6,716,875 #			
900038-EI	23996	01-16-91	01-16-91	Earnings Review				12.80%	11.80 - 13.80%
900478-EI	24644	06-10-91	09-01-91	1989 Tax Savings		2,835,466 #			
930612-EI	93-1024	07-16-93	07-13-93	ROE Review				12.00%	11.00 - 13.00%
990067-EI	99-0519	03-17-99	04-15-99	☒ Earnings Review		350,000,000		11.00%	10.00 - 12.00%
				Year 1 Sharing		22,774,000 #			
				Year 2 Sharing		108,827,000 #			
				Year 3 Sharing		86,184,000 #			
001148-EI	02-0501	04-11-02	04-15-02	☒ Earnings Review		250,000,000			
				2002 Sharing		11,156,000 #			
				2003 Sharing		3,071,000 #			
				2004 Sharing		0			
				2005 Sharing		0			
050045-EI	05-0902	09-14-05	01-01-06	☒ Company Request 2006	430,198,000		0	11.75%	N/A
				Company Request 2007	122,757,000		120,100,000		

One-time Refund
 @ Rate Base Reduction

☒ Stipulation
 † St. Lucie No. 2 Increase

FIPUC / FPL Exhibit # 1

UTILITY_NAME	State	Type	Res\$ (000)	Res Sales (MWh)	Average Monthly KWH Consumption	Average Monthly Residential Bill
TXU Energy Retail Co LP	TX	Marketer	4,322,018	29,314,580	1,328	\$195.84
Reliant Energy Retail Services, Inc	TX	Marketer	3,573,029	23,431,787	1,171	\$178.49
Direct Energy, LP	TX	Marketer	769,630	5,555,489	1,171	\$162.17
Long Island Power Authority	NY	State	1,865,935	9,277,824	782	\$157.30
Entergy Gulf States Inc	TX	IOU	596,272	5,211,126	1,297	\$148.43
Cleco Power LLC	LA	IOU	390,891	3,551,702	1,309	\$144.06
Entergy Gulf States Inc	LA	IOU	518,971	4,899,127	1,311	\$138.85
Tampa Electric Co	FL	IOU	956,740	8,720,867	1,264	\$138.63
Florida Power & Light Co	FL	IOU	6,493,585	54,567,510	1,164	\$138.53
Progress Energy Florida Inc	FL	IOU	2,360,716	20,020,717	1,165	\$137.40
Connecticut Light & Power Co	CT	IOU	1,682,705	9,623,321	763	\$133.36
Entergy Mississippi Inc	MS	IOU	567,272	5,386,994	1,254	\$132.00
Potomac Electric Power Co	MD	IOU	667,387	5,445,274	1,029	\$126.14
Mississippi Power Co	MS	IOU	214,472	2,118,106	1,196	\$121.05
South Carolina Electric & Gas Co	SC	IOU	749,485	7,598,169	1,203	\$118.64
Gulf Power Co	FL	IOU	510,995	5,425,491	1,253	\$117.98
Alabama Power Co	AL	IOU	1,664,304	18,632,935	1,305	\$116.59
JEA	FL	Muni	501,788	5,596,010	1,299	\$116.50
Entergy Louisiana Inc	LA	IOU	784,915	8,512,776	1,263	\$116.46
Nevada Power Company	NV	IOU	975,568	9,033,142	1,075	\$116.07
Arizona Public Service Co	AZ	IOU	1,270,412	12,901,612	1,148	\$113.05
Salt River Project	AZ	Govt	1,111,827	12,650,175	1,267	\$111.33
PECO Energy Co	PA	IOU	1,779,769	12,797,386	769	\$106.91
Jersey Central Power & Lt Co	NJ	IOU	1,206,843	9,547,719	830	\$104.87
Entergy Arkansas Inc	AR	IOU	704,440	7,655,217	1,112	\$102.35
Progress Energy Carolinas Inc	NC	IOU	1,269,379	14,064,992	1,132	\$102.20
Nashville Electric Service	TN	Muni	376,712	4,666,565	1,265	\$102.16
Memphis City of	TN	Muni	441,675	5,675,662	1,292	\$100.52
Massachusetts Electric Co	MA	IOU	1,263,505	8,187,699	640	\$98.70
Georgia Power Co	GA	IOU	2,326,191	26,206,170	1,101	\$97.76
Virginia Electric & Power Co	VA	IOU	2,309,723	27,049,584	1,142	\$97.53
San Antonio City of	TX	Muni	674,585	8,554,569	1,233	\$97.24

FIPUG/FPL Exhibit #2

FLORIDA POWER & LIGHT COMPANY
MIDCOURSE FUEL FILING
INTEREST ON UNDER-RECOVERY

*Staff
Danduit at the
July 1, 2008 Agenda
Item 10
080001-E1*

	TOTAL
Option A (Approve As Filed)	7,162,050
Option B (Deny)	23,283,247
Option C (50/50)	14,781,269
Option D (17 Months)	17,918,166

Interest rate used in calculations 2.84 %.

DOCUMENT NUMBER-DATE

05801 JUL-7 8

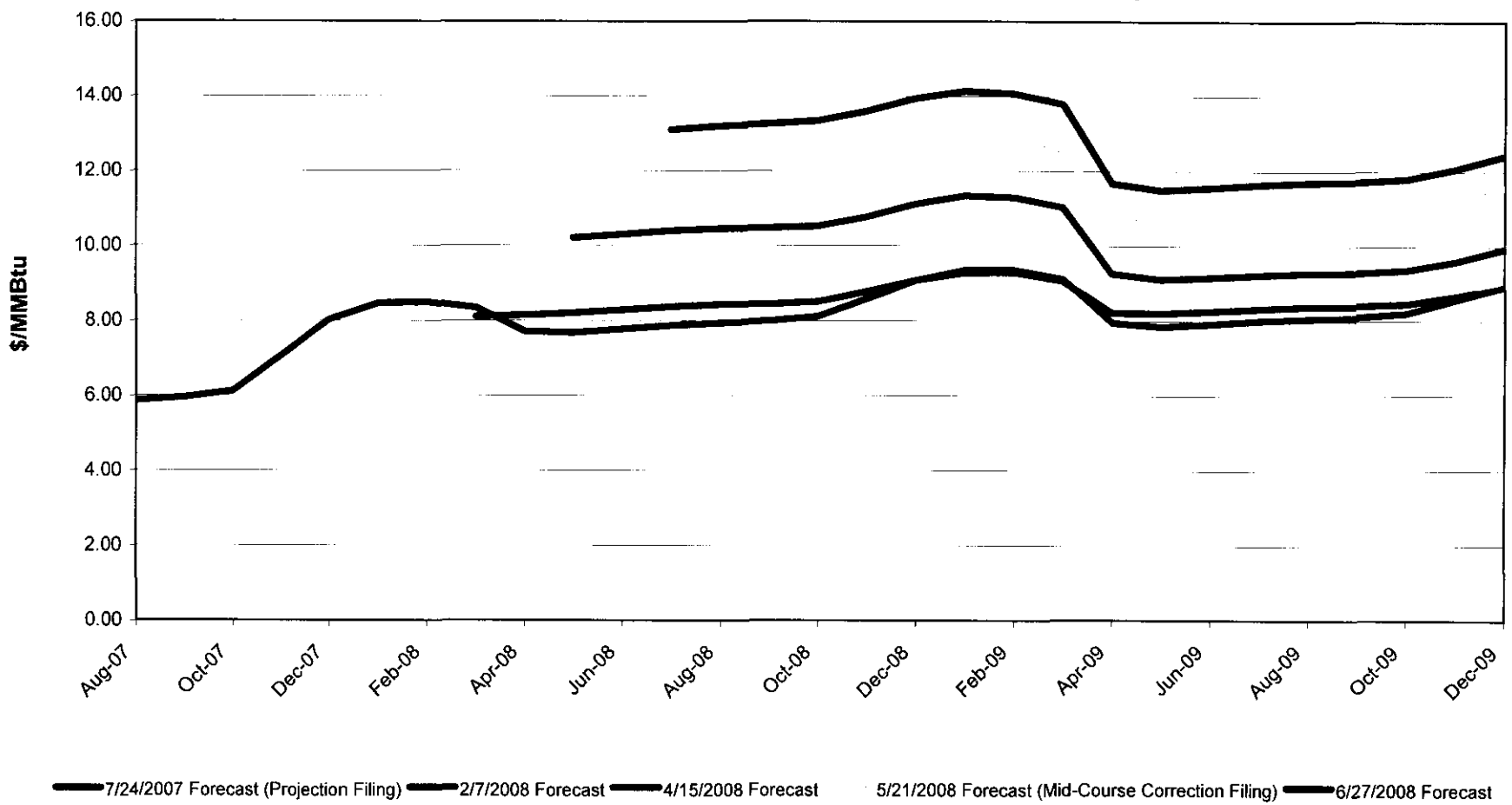
FPSC-COMMISSION CLERK

Part of Handout at the July 1, 2008 Agenda Item 10

080001-E1

NATURAL GAS PRICE FORECASTS

Natural gas prices remained relatively stable early into 2008. Significant and consistent increases have occurred throughout the second quarter.



DOCUMENT NUMBER-DATE
05801 JUL-7 8
FPSC-COMMISSION CLERK

Summary of Recovery Scenarios
 Typical Residential 1,000 kWh Bill

	<u>July</u> <u>2008</u>	<u>Aug-</u> <u>Dec</u> <u>2008</u>	<u>Jan-</u> <u>May</u> <u>2009</u>	<u>Jun-</u> <u>Dec</u> <u>2009</u>
100% recovery in 2008 (Scenario A) *	\$102.63	\$118.91	\$117.39	\$118.82
100% recovery in 2009 (Scenario B)	\$102.63	\$102.63	\$124.48	\$125.91
50% recovery in 2008; 50% in 2009 (Scenario C)	\$102.63	\$110.77	\$120.93	\$122.36
17-month recovery (Aug 2008 - Dec 2009) (Scenario D)	\$102.63	\$107.43	\$122.39	\$123.82

* Staff Recommendation

Notes:

- Assumes recovery of nuclear costs beginning in Jan. 09 and WCEC 1 in June 09.
- If approved by the Commission, FPL's requested 110 MW of new renewable solar capacity would increase the 2009 bill scenarios in some measure.
- FPL expects, but has not yet quantified, an increase in the 2009 Environmental factor due to the impact of increased activity in the Clean Air Interstate Rule and Clean Air Mercury Rule projects.

Summary of Recovery Scenarios
 Typical Residential 1,000 kWh Bill
Includes \$746.2 M + additional \$338 M

	<u>July 2008</u>	<u>Aug- Dec 2008</u>	<u>Jan- May 2009</u>	<u>Jun- Dec 2009</u>
100% recovery in 2008 (Scenario A) *	\$102.63	\$118.91	\$120.61	\$122.03
100% recovery in 2009 (Scenario B)	\$102.63	\$102.63	\$127.68	\$129.11
50% recovery in 2008; 50% in 2009 (Scenario C)	\$102.63	\$110.77	\$124.15	\$125.58
17-month recovery (Aug 2008 - Dec 2009) (Scenario D)	\$102.63	\$107.43	\$125.60	\$127.03

* Staff Recommendation

Notes:

- Assumes recovery of nuclear costs beginning in Jan. 09 and WCEC 1 in June 09.
- If approved by the Commission, FPL's requested 110 MW of new renewable solar capacity would increase the 2009 bill scenarios in some measure.
- FPL expects, but has not yet quantified, an increase in the 2009 Environmental factor due to the impact of increased activity in the Clean Air Interstate Rule and Clean Air Mercury Rule projects.

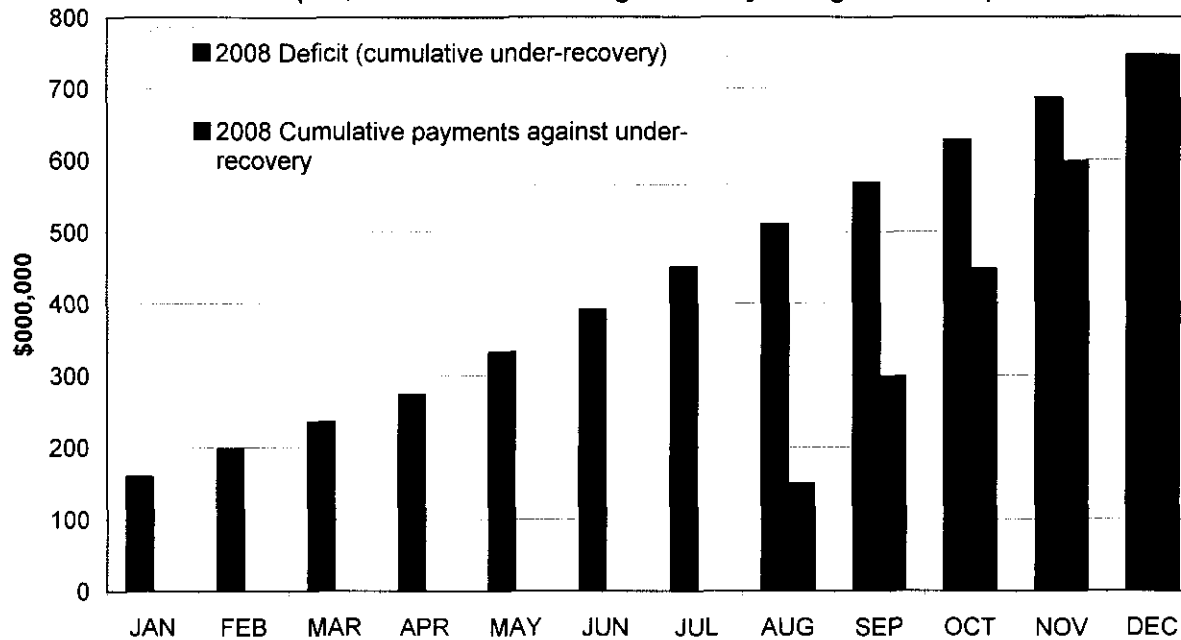
Florida Power & Light Company
TOTAL CUSTOMER INTEREST
2008-2009
AS FILED

	<u>AS FILED</u>	<u>WITH ADDITIONAL \$338 M</u>
Scenario A	\$ 7.2 Million	\$ 15.7 Million
Scenario B	\$ 23.3 Million	\$ 30.9 Million
Scenario C	\$ 14.8 Million	\$ 23.3 Million
Scenario D	\$ 17.9 Million	\$ 26.5 Million

Notes:

- Assumes recovery of nuclear costs beginning in Jan. 09 and WCEC 1 in June 09.
- If approved by the Commission, FPL's requested 110 MW of new renewable solar capacity would increase the 2009 bill scenarios in some measure.
- FPL expects, but has not yet quantified, an increase in the 2009 Environmental factor due to the impact of increased activity in the Clean Air Interstate Rule and Clean Air Mercury Rule projects.

**FPL fuel cost under-recovery deficit per June 3, 2008 mid-course correction filing
vs. planned Aug-Dec 2008 collection of under-recovery amount
(All \$ are cumulative starting in January through December)**



Includes: \$121,000,000 actual under-recovery from 2007
 \$152,000,000 actual under-recovery Jan-Apr, 2008
\$473,000,000 projected under-recovery May-Dec, 2008 (at time of filing)
 \$746,000,000 total submitted for mid-course correction

**DOES NOT INCLUDE ANY ADDITIONAL PROJECTED 2008 UNDER-RECOVERY IDENTIFIED
SINCE THE JUNE 3, 2008, MID-COURSE CORRECTION FILING**

Includes: \$746,000,000 under-recovery collected from Aug-Dec, 2008