



Florida Public Service Commission **SPECIAL REPORT**

JULY 2005 NO. 6

Petition for a Rate Increase by Florida Power & Light Company

In March of 2005, Florida Power & Light Company (FPL or the company) filed a petition with the Florida Public Service Commission (PSC or Commission) for approval of a permanent increase in rates and charges sufficient to generate additional total annual revenues of \$430,198,000 on an annual basis beginning January 1, 2006. In addition, FPL requested approval of a limited scope adjustment to produce additional incremental gross annual revenues of \$122,757,000 beginning 30 days following the commercial in-service date of Turkey Point Unit 5 in 2007. FPL's request includes a performance incentive of 50 basis points, which the company states is in recognition of its superior overall performance and to encourage continued performance achievements. On March 17, 2005, FPL filed a depreciation study for the Commission's review in Docket No. 050188-EI. The Commission consolidated that review with this rate case docket. The Commission last granted FPL a base rate increase by Order No. 13537, issued July 24, 1984.

In its petition, FPL requests new rates and charges based upon its projected "test year" operations ending December 31, 2006. According to the petition, the requested test year will more accurately depict the conditions that FPL will face during the first twelve months new rates will be in effect than would a test year based on a historical period that does not include the investment associated with the new capital additions, discussed below. A "test year" is a 12-month period used in ratemaking proceedings to compute current levels of investment and income in order to determine the amount of revenue that will be required to allow the utility the opportunity to earn a fair return on its investment. The PSC staff adjusts test year data to properly reflect conditions in the future period for which the rates are being fixed.

FPL states that there are several factors that necessitate its request for an increase in base rates. Specifically, the company has identified the following factors: (1) an increase in number and increase in the demand of customers; (2) capital additions of three new power plants, Martin Unit 8 and Manatee Unit 3 power plants in 2006 and Turkey Point

Unit 5 in 2007; (3) capital expenditures for its nuclear division, steam generator replacements, and additions to transmission and distribution plant; (4) a requested increase in the annual accrual for storm costs; (5) an increase in operation and maintenance costs of the nuclear units because of increased regulatory requirements; (6) the projected costs for participation in a regional transmission organization (GridFlorida); and (7) an increase in operation and maintenance costs due to the addition of the new units and due to the aging of FPL's nuclear and steam power plants. According to the company, its present rates are insufficient to support the needs of the company and its customers.

FPL serves approximately 4.2 million retail customers in its service area in Florida. Its service area is comprised of

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PSC Staff and Reference Numbers

DOCKET NO. 050045-EI

For technical questions, contact:

Sam Merta (850) 413-6427

David Wheeler (850) 413-6670

For legal questions, contact:

Cochran Keating (850) 413-6193

For general questions, contact:

Dick Durbin (850) 413-6121

Thelma Crump (850) 413-7087

Or call toll-free 1-800-342-3552

(1-800-511-0809 to fax)

E-mail: contact@psc.state.fl.us

Internet Home Page: www.floridapsc.com

P S C C O M M I S S I O N E R S



COMMISSIONER

Lisa Polak Edgar



COMMISSIONER

J. Terry Deason



CHAIRMAN

Braulio L. Baez



COMMISSIONER

Rudolph "Rudy" Bradley

VACANT

Braulio L. Baez was appointed to the Florida Public Service Commission by Governor Jeb Bush on August 23, 2000, to complete a term ending January 2002. He was then reappointed by the Governor to a four-year term ending January 2006. Prior to his appointment, Chairman Baez was an attorney in Miami, Florida, with a statewide practice representing municipal and county governments in telecommunications, cable franchising and other regulatory matters. He was Executive Assistant to Commissioner Joe Garcia from 1994 to 1998. A native of South Florida, Chairman Baez received his undergraduate degree from Florida International University in 1988, and his Juris Doctorate degree from Nova University, Shepard Broad Law Center, in 1993. Chairman Baez is a member of the National Association of Regulatory Utility Commissioners Committees on Electricity and International Relations, and has served as President of the Southeastern Association of Regulatory Utility Commissioners. He was named to the State Regulatory Advisory Council to the FCC Federal Advisory Committee on Diversity in the Digital Age. He is a member of Leadership Florida Class XXII, the Florida Bar, and is a past Director of the Hispanic Bar Association, 2nd Judicial District.

J. Terry Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to a term ending in January 2003, and to his current term which ends in January 2007. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001. Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, its Finance and Technology Committee, and the Federal/State Joint Conference on Accounting. Commissioner Deason also serves on the executive committee for the Nuclear Waste Strategy Coalition. Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida. From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel. He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.

Rudolph "Rudy" Bradley was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 8, 2002. Commissioner Bradley serves on the National Association of Regulatory Utility Commissioners' Committees on Consumer Affairs, Water, and International Relations. He is also a member of the Energy Market Access Partnership Board which is a joint project between the Department of Energy and the National Association of Regulatory Utility Commissioners. Prior to his appointment to the Commission, Commissioner Bradley served as a member of the Florida Legislature for seven years representing District 55 which includes Pinellas, Manatee and Hillsborough Counties. As a member of the Legislature, he served as the Vice Chairman of the Utilities and Telecommunications Committee and as the Chairman of the Select Committee on Energy Restructuring. Commissioner Bradley also served as the Chairman of the Business Development and International Trade Committee and Chairman of the Economic Development Council. As a legislator, Commissioner Bradley maintained a special interest in improving Florida's educational system and expanding business opportunities for all citizens. Commissioner Bradley earned his Bachelor of Science Degree from the University of Tampa and his Masters Degree from the University of Michigan. He served as an educator in Pinellas County for several years and he developed several private enterprises involving real estate and livestock.

Lisa Polak Edgar was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 2005. Commissioner Edgard served as Deputy Secretary for Planning and Management for the Florida Department of Environmental Protection (DEP) from August 1999 through January 2005. Ms. Edgard's responsibilities included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, and coordination between the state and federal government on environmental issues, including oil and gas drilling on the Outer Continental Shelf. Prior to serving at DEP, Commissioner Edgard served as chief analyst on Environmental Policy for the Executive Office of the Governor. There Commissioner Edgard helped develop state policy on issues regarding the environment and natural resources, energy, transportation, and economic and community development. She served as liaison with state and federal agencies, Congressional delegation and staff, Cabinet offices, and the Florida Legislature. During her career in public service, Commissioner Edgard has also served as a senior cabinet aide in the Department of Agriculture and Consumer Services, as staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries, completed the Harvard Kennedy School of Government program for Senior Executives in State and Local Government, and co-taught a special topics graduate course on the Everglades at Florida A&M University. Commissioner Edgard served as the State of Florida representative to the Minerals Management Service Advisory Board's Outer Continental Shelf (OCS) Policy Committee from 1993-2003, serving on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. She was appointed in 2004 to represent the State of Florida on the re-established Department of the Interior Outer Continental Shelf Policy Committee. Commissioner Edgard graduated cum laude from Florida State University in 1985 with a Bachelor's degree in political science and minor in English. She studied in London during her undergraduate education and in Yugoslavia during law school. She received a juris doctorate from the Florida State University College of Law in 1988 and is a member of the Florida Bar.

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approximately 27,000 square miles in 35 of the state's 67 counties, encompassing the cities of Daytona Beach, Fort Lauderdale, Fort Myers, Miami, Naples, and West Palm Beach and other densely populated areas on the east and west coasts of Florida. FPL also serves a number of less densely populated areas, including all or portions of Martin, Saint Lucie, Indian River, Brevard, Charlotte, Desoto, Columbia, Highlands, Okeechobee, Seminole, and Union Counties.

While FPL's proposed residential rate increase would vary based on kilowatt-hour usage, residential customers who use 1,000 kilowatt-hours a month would pay an additional \$2.75 beginning in January of 2006, excluding any applicable franchise fees and local taxes. Beginning in July of 2007, these residential customers would pay an additional \$1.25 per month, for a total increase from present rates of \$4.00 per month. This represents a total increase of approximately 4.2%.

A number of parties have intervened in the rate case, including the Office of Public Counsel (OPC), which represents the citizens in public utility regulatory matters, AARP, the Florida Industrial Power Users Group, and the Florida Retail Federation. These parties

oppose all or part of FPL's requested increase. The OPC, for example, advocates a rate reduction of \$679 million per year, asserting that FPL has requested too high a rate of return, has included speculative projected costs for the GridFlorida transmission organization, has requested an excessive increase in annual accruals to its storm damage reserve, has overstated its projected payroll costs and numerous other cost items, and has accumulated an excessive depreciation reserve that should be used to reduce future rates. If OPC's recommended decrease were implemented, the bill for a residential customer using 1,000 kilowatt-hours per month would decline by about \$5.00 per month.

The PSC has scheduled seven customer service hearings to provide customers an opportunity to comment on the quality of service FPL provides and the proposed rate increase. In accordance with Florida Statutes, the PSC will consider the utility's quality of service and other matters in this case.

A technical hearing is scheduled for August 22-26 and August 31-September 2, 2005 in Tallahassee. In making its final determination, the Commission will consider the evidence and testimony presented by FPL, customers, and other parties.

PSC staff is scheduled to file a recommendation to establish the final revenue requirements on October 28, 2005. The Commissioners are expected to vote on this matter at the November 10, 2005, Special Agenda Conference. A Commission vote on the final rates is scheduled for November 21, 2005.

1,000 Kilowatt-hour Monthly Residential Electricity Bill Current vs. Company Requested

Shown below is a monthly electric bill comparison for a residential customer who uses 1,000 kilowatt-hours. The comparison shows what customers currently pay, and what they would pay based on the rate increase that FPL has requested. FPL has requested a two-part increase. The first increase would become effective January 1, 2006, and the second increase would become effective approximately June 30, 2007. The bills include the currently effective Fuel, Conservation, Capacity, Environmental and Storm Cost Recovery Charges, and do not include any local taxes or franchise fees that may apply.

	Current	Requested Effective January 1, 2006	Requested Effective Approximately June 30, 2007
Customer Charge	\$5.25	\$7.00	\$7.00
Non-fuel Energy Charge	\$34.97	\$34.81	\$36.03
Fuel Cost Recovery	\$40.09	\$40.09	\$40.09
Conservation Cost Recovery	\$1.48	\$1.48	\$1.48
Capacity Cost Recovery *	\$6.97	\$7.46	\$7.46
Environmental Cost Recovery	\$0.25	\$0.25	\$0.25
Storm Damage Cost Recovery	\$2.07	\$2.07	\$2.07
Gross Receipts Taxes	\$0.93	\$1.60	\$1.63
Total Monthly Bill	\$92.01	\$94.76	\$96.01

* Increase reflects FPL's proposal to shift recovery of some capacity-related costs from base rates to the Capacity Cost Recovery charge.

Consumer Statements at PSC Hearings

The Commissioners are interested in what consumers have to say about the petition for a rate increase by Florida Power & Light Company. The main purpose of these hearings is to receive comments from the public.

Anyone may make a statement, and speaking is an effective way to let the Commissioners know how you feel about the case under review. At the beginning of the hearings, procedures will be set up to establish an order for comments. PSC staff will have sign-up sheets that will be used to call consumers to speak. PSC staff will also be available to coordinate consumer comments and assist members of the public.

Any person who wishes to comment or provide information to the PSC staff regarding this matter may do so at the hearings, orally or in writing. Written comments also may be mailed to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or faxed to 1-800-511-0809. Correspondence will be placed in the file of this docket (Docket No. 050045-EI). For your convenience, a comment form is attached to this Special Report.

Any person who wishes to obtain a copy of the recommendation or the order may do so by writing to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or by going on-line at www.floridapsc.com.

Florida Public Service Commission

2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The Public Service Commission provides a staff of information specialists who are available to answer questions from Florida consumers.

To reach a consumer representative, please call the Public Service Commission during business hours at **1-800-342-3552**, or send a fax to 1-800-511-0809. See the PSC's Internet home page at www.floridapsc.com.

Customer Service Hearings

Tuesday, June 28, 2005

4:00 p.m.

City Commission Chambers
City Hall
301 South Ridgewood Avenue
Daytona Beach, Florida

Wednesday, June 29, 2005

9:00 a.m.

Brevard County Commission Chambers
Brevard County Governmental Center
2725 Judge Fran Jamieson Way
Viera, Florida

6:00 p.m.

Jane Thompson Memorial Chambers
Palm Beach Governmental Center
301 North Olive Avenue
West Palm Beach, Florida

Thursday, June 30, 2005

9:00 a.m.

City Commission Chambers
City Hall
100 North Andrews Avenue
Fort Lauderdale, Florida

4:00 p.m.

City Commission Chambers
City Hall
3500 Pan American Drive
Miami, Florida

Thursday, July 14, 2005

11:00 a.m.

Commission Chambers
Sarasota County Administration Center
1660 Ringling Boulevard
Sarasota, Florida

6:00 p.m.

Board Room
School Board of Lee County
Dr. James A. Adams Public Education Center
2055 Central Avenue
Fort Myers, Florida

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Florida Power & Light Company**

DOCKET NO. 050045-EI

Name _____

Address _____

If you want to let the Public Service Commission know how you feel about this case,
you may fill out this comment form and return it by mail, or send a fax to 1-800-511-0809.
Correspondence will be placed in the file of this docket.

CONSUMER COMMENTS

STAMP

Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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