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COMMISSION
CLERK
December 2, 2008

Re: Docket No. 080677-EI

Dear Chairman Carter:

By letter dated November 17, 2008, Florida Power & Light Company ("FPL") informed the Commission of its intent to file in the spring of 2009 a petition for authority to increase its base rate charges. In its letter, FPL proposed to use projected year 2010 as the "test year" for ratemaking purposes. As you are aware, the test year becomes the basis for the preparation by the utility of its Minimum Filing Requirements ("MFRs"). The purpose of the test year and associated MFRs is to construct an annual period of financial and operating information that is representative of the time frame for which base rates are to be designed.

The Office of Public Counsel ("OPC") opposes the use of projected calendar year 2010 as the test period for an FPL rate case request to be filed in March 2009. While the *concept* of using projected data has been sanctioned in the past, it is indisputable that, the farther into the future that a utility attempts to project data, the greater the amount of uncertainty that attends such projections. Just as the use of projections that reach too far into the future make it more difficult for the requesting utility to construct a meaningful "representative period" for ratemaking purposes, the remoteness in time of the data to the ratemaking process renders the validity and reasonableness of such projections more difficult for affected parties and the Commission to assess. The usefulness of projected data in designing rates that will function well during the time in which they are effective must be balanced against the uncertainty and imprecision that characterize data that attempts to reach too far into the future. Further, where warranted by circumstances, adjustments to actual data can function as well as projections to yield a test year that is appropriate for designing rates. OPC believes projections for 2010 would lack the degree of reliability and the confidence level upon which the Commission should insist, and to which customers are entitled. OPC submits that the use of calendar year 2009 is far better suited for the choice of the test period.

Additional reasons support the choice of calendar year 2009. First, the utility has recently been heavily involved in fashioning its budget for the coming calendar year. The budget process involves a detailed, bottoms-up preparation of assumptions that are geared to operations in the near future.

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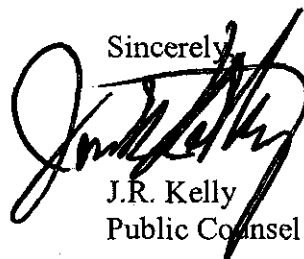
Converting the assumptions and supporting data that were developed for the budget into corresponding MFR schedules will be a straightforward process. On the other hand, using calendar year 2010 would necessarily involve significant additional time and effort on the part of the utility beyond that which already has been expended during the preparation of the budget for 2009. Compared to calendar year 2010, the choice of 2009 should, therefore, result in lower overall rate case expense. Similarly, relative to data for calendar year 2009, the use of projections for 2010 would impose more time-consuming requirements of review and analysis on parties who will already face significant time constraints.

Second, FPL is scheduled to file in March 2009 its next depreciation study. The revised depreciation rates that result from the study will take effect as of January 1, 2009. They likely will affect the ultimate disposition of the utility's base rate request. The analyses required for the depreciation filing, the budget, and the rate case should be as consistent as possible. It only makes sense to coordinate the depreciation study, the budget for 2009, and the test year for the upcoming rate case by adopting calendar year 2009 as the test period for the base rate request.

Third, the use of a 2009 test year will enable the Commission to assess the Company's financial posture partly on the basis of actual data (several months of which will be available by the time of the decision in the rate case) and partly on the basis of projected data (thereby employing a sufficient quantity of projections to ensure the test year is representative of the future without sacrificing reliability of data).

OPC is aware that the Commission typically directs the notifying utility to proceed on the basis of its proposed test year, with the caveat that the appropriateness of the choice of test years will be an issue in the case. In this instance, OPC urges the Commission to reject projected calendar year 2010 as the test period now, and to direct FPL to base its request on calendar year 2009. Given the significance of this decision to the processing of FPL's request, certainty is desirable now. Further, a decision now will avoid the significant complications that would be associated with converting pre-prepared MFRs from 2010 to a 2009 basis during the case in the event the Commission agrees with OPC that calendar year 2010 is an inappropriate choice for the test year.

In its letter, FPL alluded to other adjustments and ratemaking devices it intends to propose in its filing (step increase, generation base rate adjustments). At this time, OPC is addressing solely the choice of test years. To be clear, our silence on other matters identified in FPL's letter does not signify agreement or acquiescence to those additional parameters of FPL's request.

Sincerely,

J.R. Kelly
Public Counsel

cc: Florida Public Service Commission (via Hand-Delivery)
Hon. Lisa P. Edgar, Commissioner

Hon. Nancy Argenziano, Commissioner
Hon Nathan A. Skop, Commissioner
Dr. Mary A. Bane, Executive Director
Michael G. Cooke, General Counsel
Charles Hill, Deputy Executive Director
Timothy J. Devlin, Director of Economic Regulation
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