FPL

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March 18, 2009

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COMMISSION CLERK

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

Re: Docket No. 080677-EI

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") in the above-referenced docket is an original and 21 copies of the following:

1. FPL's Petition for Rate Increase; 02320-09 02338-09
2. Direct Testimony and Exhibits of FPL witnesses Olivera, Pimentel, Bennett, Clarke, Morley, Hardy, Keener, Reed, Ender, Stall, Slattery, Ousdahl, Santos, Spoor, Hanser, Deaton, Barrett, Harris, and Avera; and
3. Minimum Filing Requirements ("MFRs") and Schedules.

A Request for Confidential Classification of certain information contained in MFRs D-2 and F-4 is being filed under separate cover. Also enclosed is a compact disc containing FPL's Petition in word processing format. Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

R. Wade Litchfield

COM 5
ECR
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Enclosures
cc: Parties of Record (w/encl.)

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Increase in Rates) by Florida Power & Light Company)	Docket No. 080677-EI Filed: March 18, 2009

PETITION FOR RATE INCREASE

Florida Power & Light Company ("FPL" or the "Company"), pursuant to the provisions of Chapter 366, Florida Statutes, and Rules 25-6.0425 and 25-6.043, Florida Administrative Code, respectfully petitions the Florida Public Service Commission (the "Commission") for (i) approval of a permanent increase in rates and charges sufficient to generate additional total annual base revenues of $1.044 billion[1] beginning on January 4, 2010 (the first billing cycle day of 2010); (ii) approval of a subsequent year adjustment ("SYA") to generate additional annual base revenues of $247.4 million beginning on the first billing cycle day in January 2011; and (iii) continuation of the Generation Base Rate Adjustment ("GBRA") mechanism that is currently in place so that it may be used to adjust base rates for the revenue requirements associated with generation additions for which a determination of need has been granted, at the time such additions enter into service (e.g., West County Energy Center ("WCEC") Unit 3, which is projected to go into service on June 1, 2011). The requested increases will provide FPL with a reasonable opportunity to earn a fair rate of return on the Company's investment in property used and useful in serving its customers, including a 12.5% rate of return on the Company's common equity, and will support important investments in fuel efficiency, cleaner energy and system reliability. In connection with this request for increases in its rates, FPL is also requesting the

[1] This amount of additional revenues is based on a level of base rates in effect at year-end 2009 that include recovery of the revenue requirements associated with WCEC Units 1 and 2 through the GBRA. In the event that one or both of these units does not go into service before the end of 2009, then the level of revenues at year-end 2009 would be lower and the required increase in revenues above the year-end 2009 level would be commensurately higher.

approval of certain changes to existing rate schedules, changes in existing service charges and other related adjustments.

In support of this Petition,[2] FPL states as follows:

Introduction

1. Any pleading, motion, notice, order or other document required to be served upon FPL or filed by any party to this proceeding should be served upon the following individuals:

R. Wade Litchfield, Vice President of Regulatory Affairs and Chief Regulatory Counsel Wade.Litchfield@fpl.com Florida Power & Light Company 700 Universe Boulevard Juno Beach, FL 33408 561-691-7101 561-691-7135 (fax)	Ken Hoffman, Vice President of Regulatory Relations Ken_Hoffman@fpl.com Florida Power & Light Company 215 S. Monroe Street, Suite 810 Tallahassee, FL 32301 850-521-3919 850-521-3939 (fax)

2. FPL is a corporation with headquarters at 700 Universe Boulevard, Juno Beach, Florida 33408. It is an investor-owned utility operating under the jurisdiction of this Commission pursuant to the provisions of Chapter 366, Florida Statutes.[3] FPL is a wholly-owned subsidiary of FPL Group, Inc., a registered holding company under the federal Public Utility Holding Company Act and related regulations. FPL provides generation, transmission, and distribution service to approximately 4.5 million retail customers.

3. FPL's performance continues to rank among the very best in the industry in many key categories, including low emissions, conservation, fossil generation availability, and

[2] This Petition seeks to initiate proceedings pursuant to Rule 28-106.201, Florida Administrative Code. The agency affected is the Florida Public Service Commission, located at 2540 Shumard Oak Blvd, Tallahassee, FL 32399. This case does not involve reversal or modification of an agency decision or an agency's proposed action. Therefore, subparagraph (c) and portions of subparagraphs (b), (e), (f) and (g) of subsection (2) are not applicable to this Petition. In compliance with subparagraph (d), FPL states that it is not known which, if any, of the issues of material fact set forth in the body of this Petition, or the testimony, exhibits and minimum filing requirements filed herewith, may be disputed by others planning to participate in the proceeding initiated by this Petition. All other requirements for petitions filed under Rule 28-106.201 are satisfied herein.

[3] All references to the Florida Statutes are to the 2008 Florida Statutes.

electrical grid reliability. With respect to emission rates, FPL is recognized as a clean-energy company, with one of the lowest emissions profiles among U.S. utilities. FPL also supports greenhouse gas emissions reductions through its industry leading demand side management programs, which have eliminated the need for the construction and operation of 12 power plants since the inception of these programs in the 1980s.

4. FPL has continued to deliver this high quality electric service at below national average rates over an extended period of time, despite cost pressures generally and the significant investments FPL has made in its infrastructure, in conservation and in cleaner generating sources. FPL bills are 17% lower than the national average and 18% lower than the average electric bill in Florida, according to the most recent data available from the Edison Electric Institute and the Florida Municipal Electric Association. Indeed, for a typical residential customer using 1,000 kWh per month, FPL's total bill as of January 2009, is the lowest of all Florida investor owned utilities ("IOUs"). Even with the necessary increases to base rates FPL is requesting, FPL will continue to be a low-cost provider of reliable electric service and, based on current projections, will continue to compare favorably with other Florida electric utilities.

5. Floridians expect affordable, reliable, clean energy solutions now and in the future, and FPL is working to continue to meet these expectations by investing to make its infrastructure stronger, smarter, cleaner, more efficient and less reliant on any single source of fuel. FPL is seeking a base rate increase at this time to support this investment – and to retain investor confidence despite the most uncertain and volatile capital markets that this country has experienced since the Great Depression. While the Company is mindful of the impact that this difficult economy is having on its customers, it is also responsible for making prudent investments in the electrical infrastructure.

6. FPL's forward-thinking approach has already benefited FPL and its customers. Because of the investments FPL has made, the way in which it has managed and controlled costs, and Florida's constructive regulation, FPL is better positioned than most utilities to meet the objectives identified above while still maintaining below average prices. With the requested increase in base rates, FPL will be able to make the investments necessary to strengthen the state's essential infrastructure and move forward in securing the energy future its 4.5 million customers expect, while keeping rates low. In fact, total customers' bills in 2010 will actually be lower than total bills in 2009, and the total bill will not increase until 2011 – when many observers expect to see some of the current economic hardships begin to lift.

7. FPL was last granted a general base rate increase in 1985. Since then FPL has improved efficiency and performance in all major areas of operations on an electric system that has experienced an increase in summer peak demand of approximately 98%. As Florida's population has grown, FPL has expanded its system to meet those needs. Today, FPL serves approximately 4.5 million customers, approximately 1.9 million or 72% more customers than in 1985. Essentially, since 1985, FPL has added to its system the equivalent of another large electric utility, constructing the necessary infrastructure and making the corresponding investment. Notwithstanding this massive investment, FPL's base rates today are lower than they were in 1985, despite inflation of 99% for the same period.

8. FPL's base rates were last reviewed by the Commission in 2005. Following the submission of direct and rebuttal testimony, months of discovery, and the review of thousands of pages of information by Commission Staff, the Office of Public Counsel and the other parties, an agreement was reached to hold FPL's base rates flat, providing only for necessary and limited increases to accommodate expenditures associated with the development of planned generation

to meet Florida's expanding requirements. Prior to that agreement, FPL actually agreed to lower its retail base rates: the Company implemented a $350 million base rate decrease in 1999 and another $250 million decrease in 2002. Additionally, FPL provided refunds of more than $220 million, resulting in a total of approximately $6 billion in direct savings to customers through the end of 2008. These base rate reductions were made possible by a combination of historic sales growth and productivity improvements.

9. The performance of FPL's generating units has been a major contributor to FPL's ability to control its base rates. As a result of the performance and availability of the Company's existing generating units over an extended period of time, FPL has been able to defer the need for new capacity, resulting in significant benefits and cost savings to customers. FPL's operating performance generally has exceeded industry averages, and frequently is within the top quartile of the industry. FPL's fossil generation availability and reliability performance frequently has been best-in-class among the largest fossil generating companies. FPL's fossil fleet efficiency, as measured by net heat rate (Btu/kWh), has continued to improve when compared to the overall fossil generating industry. FPL's fossil net heat rate has improved almost 19% since 1990, and is significantly better than the industry average, providing lower cost generation to FPL customers. Substantial capital expenditures are necessary, however, to maintain this excellent performance.

10. Another key to lower base rates has been the initiative and effort of FPL's management and employees to control the Company's non-fuel operations and maintenance ("O&M") expenses. Since 1985, the Company has succeeded in lowering its non-fuel O&M expenses per kWh by more than 22%, while the number of customers served increased by approximately 72%. Additionally, FPL is the top performer in several comparison groups in controlling O&M expenses each year. In the Straight Electric Group, as discussed by FPL

witness Reed, FPL is in the top quartile every year and ranked second out of the 28 Straight Electric Group utilities in 2007. This success in controlling O&M costs helped make it possible for the Company to lower base rates in 1999 and 2002 and forego a requested increase in 2005. While FPL has achieved and will continue to drive for productivity efficiencies in all aspects of its operations, operational efficiencies alone will not be sufficient to cover the dramatic decline in sales growth coupled with the significant increase in costs the Company is facing over the next several years.

11. FPL has aggressively responded to the recent economic downturn by revising its expenditure plans. The result of those actions has been a reduction in capital expenditures of nearly $530 million in 2008, with more than $400 million in additional reductions planned for 2009. This effort will result in a reduction in projected rate base for 2010 of approximately $930 million and has reduced the associated revenue requirements in 2010 by $130 million. Despite these efforts, a significant level of spending is and will continue to be necessary and prudent, even without a corresponding growth in revenues.

12. In return for the investment FPL makes to enable it to provide customers with reliable and affordable electric service, shareholders must be provided with the opportunity to earn a reasonable and adequate return on investment. The United States Supreme Court has determined that a reasonable and adequate return on investment is one which is commensurate with returns that would be earned on investments with corresponding risks and "should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital." *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944); *see also, Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 693 (1923). In accordance with this direction, the

Commission should consider the current economic environment and its effect on investor risk perceptions and expectations, the cost of debt capital, and the qualitative benefits of a strong financial position. It is clear that a strong financial position benefits customers by ensuring that the Company has access to debt and equity markets and that such access is at a reasonable cost with reasonable terms. Indeed, these benefits are evident in FPL's comparatively low customer bills. For customers to continue to realize these benefits it is necessary that the Company be afforded the opportunity to earn a fair return on its investment, reflective of current market considerations, as described further below.

13. Absent the requested rate relief in 2010 and 2011, the Company projects that it will earn a return on equity of 4.7% in 2010 and 3.1% in 2011. These rates of return are insufficient to support the needs of the Company and its customers. For these and other reasons detailed in the testimony and exhibits of FPL's witnesses, FPL is respectfully requesting an increase in rates and charges that will produce an increase in total annual base revenues of $1.044 billion[4] beginning January 2010, and a SYA to produce an increase in total annual base revenues of $247.4 million beginning January 2011. Additionally, FPL is requesting the continued utilization by this Commission of the GBRA to account for the addition of large baseload units such as WCEC 3 as they enter commercial operation. These requested increases will provide FPL with a reasonable opportunity to earn a fair rate of return on the Company's investment in property used and useful in serving the public, including a return on common equity of 12.5%.

14. The details of the rate base, O&M expenses, cost of capital and other factors driving the need for rate relief are more fully reflected in the testimony and exhibits of FPL's

[4] See FN 1 above.

witnesses and the minimum filing requirements ("MFRs") and schedules attached to this Petition, which are incorporated herein by reference.

2010 Base Rate Increase

15. FPL is currently operating pursuant to a stipulation and settlement entered into in connection with a requested rate increase in 2005, based upon a projected test year of 2006. While the average number of customers on FPL's system has increased by over 190,000 since 2006, sales growth has been relatively flat. Thus, the Company has needed to spend significant amounts of capital to build out an infrastructure that meets the needs of new customers, but there has been no corresponding growth in sales to cover those costs. Additionally, since the 2005 base rate proceeding, FPL has experienced increases in the costs of skilled labor, commodities and other materials, and most recently, significant increases in the cost of capital. Without commensurate growth in sales, FPL is unable to cover these costs through existing base rates as it has done in the past. At the same time, FPL must continue to make substantial investments to preserve the high quality of service customers expect. In order to safely and reliably meet the electric needs of existing and new customers, a general increase in base rates is necessary.

16. The projected period of January 1, 2010 through December 31, 2010 serves as the test year ("2010 test year") upon which FPL has calculated its revenue deficiency in this case. The test year in a rate case provides an appropriate period of utility operations that may be analyzed so the Commission can set reasonable rates for the period in which the new rates will be in effect. The 2010 test year has been used to determine FPL's revenue deficiency because it best represents expected future operations, and because FPL's base rates are not eligible to change under the current stipulation and settlement until January 1, 2010. As a result, the test

year used in preparing this case will match projected revenues with the projected costs of service and investment required for the rate-effective period.

17. The year 2010 is an appropriate test year for this rate proceeding. FPL's forecasted data for the 2010 test year is as reliable as its forecasted data for the 2009 prior year.[5] FPL prepared and reviewed its 2009-2011 forecasts simultaneously, performing the same thorough and detailed analyses for each year. Additionally, the use of a 2010 test year will be consistent with FPL's new depreciation study, filed on March 17, 2009, which proposes that the new depreciation rates go into effect on January 1, 2010. Moreover, the 2010 test year will more accurately depict the conditions FPL will face during the first twelve months new rates will be in effect than would a test year based on the prior year 2009, or any other historical period.

18. The use of a 2010 test year is also fully consistent with Commission rule, Commission precedent, and Florida law. Rule 25-6.140(1)(a), Florida Administrative Code, requiring that a company notify the Commission of its selected test year, specifically contemplates that a utility may use a projected test year. The Commission has approved the use of projected test years for decades, and the Supreme Court of Florida has recognized that the Commission has the authority to do so. *See, e.g., Southern Bell Tel & Tel. Co. v. Public Service Comm'n*, 443 So. 2nd 92, 97 (Fla. 1983). When FPL last petitioned for a rate increase in Docket No. 050045-EI, it filed its petition in March 2005 and requested that new rates go into effect January 1, 2006, based on a projected 2006 test year. That test year began on the proposed effective date for new rates, approximately nine months after the filing date of the petition, which is almost identical to the timing of FPL's current request. The Commission permitted use

[5] FPL has agreed to provide a supplemental set of 2009 MFR schedules for informational purposes only and as an accommodation to Staff and OPC. The supplemental 2009 MFR schedules are not required by the Commission's rules or policies on minimum filing requirements and are not part of the minimum filing requirements referenced in determining the commencement date for final agency action in section 366.06(3), Florida Statutes. The supplemental 2009 MFR schedules will be provided within two weeks of the date of this filing.

of the 2006 test year, and neither OPC nor any other intervenor objected to the selection of a 2006 test year at that time. Therefore, it is appropriate for the Commission to permit the use of the projected January 1, 2010 through December 31, 2010 test year as a reasonable representation of the Company's expected future operations in this rate proceeding.

19. FPL will add over 370,000 new service accounts from 2006 through 2010. While these numbers reflect significantly fewer new service account additions than in the recent past, they nonetheless will still require additional capital investment and O&M spending by the Company, even though there may be little or no new revenues associated with many of these new accounts in the short term, due to high vacancy rates. This expansion in FPL's infrastructure, without a corresponding increase in sales revenue, is one of the drivers necessitating an increase in base rates at this time.

20. As described above and more thoroughly in the testimony submitted herewith, maintaining adequate and reliable service will require substantial additional investment. Specifically, the Company will increase the efficiency of its nuclear and fossil generation, continue to invest in making its infrastructure stronger by reinforcing and strengthening its transmission and distribution system, and invest in smart technology that gives customers more control and improves reliability. From 2007 through 2010 (the period following the 2006 test year for the last base rate proceeding through the proposed test year), FPL expects to incur over $5.6 billion in capital investment not recovered through other legislative or regulatory mechanisms, resulting in a significant increase in rate base since 2006. A large portion of this capital investment is being driven by new federal and state regulatory commitments, such as material replacement costs to comply with new Nuclear Regulatory Commission requirements and expenditures to meet the Commission's electrical infrastructure hardening requirements.

21. Significant ongoing investments are required to maintain FPL's existing nuclear units, which are now nearing the end of their originally-licensed operating lives. This maintenance will help ensure the continued efficient operation of these important, clean, base-load generating units and the provision of low-cost energy, thus continuing to displace higher cost fossil fuel for the benefit of customers and Florida in general. Of the $5.6 billion in capital expenditures referenced above, more than $1 billion will be incurred on FPL's existing nuclear units, exclusive of the capital expenditures associated with the uprate projects. Similarly, FPL will have incurred more than $900 million of capital expenditures to maintain the industry-leading performance of its fossil fleet, also resulting in lower fuel costs for customers. While adding capital in the near term increases base rate charges, customers benefit through lower fuel costs because such additions preserve or improve efficiencies of the system. In this regard, the impact of FPL's request for a base rate increase will be offset to some extent by lower fuel costs. These initiatives can also lessen the impact of volatile fuel prices over the long term.

22. Substantial investments in new transmission and distribution infrastructure also are required for FPL to serve new customers, continue improving its electric delivery system to serve at the high degree of reliability customers expect, and meet the Commission's requirements to strengthen the electrical infrastructure. From 2007 through 2010, FPL will have incurred more than $3 billion of transmission and distribution capital expenditures, more than half of the $5.6 billion referenced above. In addition, FPL is proposing to make a major investment in technology to create a smarter and more efficient delivery system through an advanced metering infrastructure. This investment, totaling more than $600 million over the next several years, will enable customers to go online and monitor how much energy they have used by the month, week, day or hour, thus helping them to better manage their energy costs, and opening the door

for new potential energy efficiency programs. These transmission and distribution investments and the other capital expenditures described above represent some of the investments that FPL must make to continue providing customers with the affordable, reliable, and clean electric service that they expect.

23. For years FPL has been either reducing or holding the line on O&M expenditures despite steady growth in demand and the number of customers served, while continuing to maintain high levels of service reliability. Since 2006, FPL and the rest of the industry experienced significant increases in costs due to general inflation, cost escalation of commodities and materials, increases in uncollectible accounts, increased regulatory compliance costs, and investment in initiatives necessary to ensure the reliable provision of electric service. Despite the recent downturn in certain commodity price markets, there will be continued upward pressure on O&M costs over the next several years due to the cumulative effects to date of inflation, customer growth and operational requirements. While FPL maintains a culture of continuous improvement and aggressively seeks additional economies of scale and other operational efficiencies, these opportunities are more limited than in the past and only serve to mitigate, not eliminate, the need for a retail base rate increase.

24. Storm restoration costs are a part of the cost of providing electric service in hurricane-prone Florida, and insurance for such losses for the transmission and distribution system is not available. Prior to the 2005 base rate settlement, FPL was authorized to fund its reserve for storm and other property-related losses[6] (the "Reserve") through an annual accrual. Relying on customers to pay for storm restoration costs after the fact through a surcharge would place an additional cost burden on customers when they may already be incurring costs to repair their homes from storm damage, and also can produce greater rate uncertainty for customers.

[6] Account 228.1 – Accumulated Provision for Property Insurance

Even state governments could be financially constrained and unable to support the reconstruction of infrastructure or assist state residents. Perhaps most important, in the current volatile and constrained credit markets where access to capital has become more difficult, expensive, and subject to more constraining terms, the ability of financial institutions to meet lending commitments can be compromised, and exclusive reliance on access to such funds is misplaced. Thus, the Company should have the immediate liquidity on hand to ensure it can access resources on a timely basis, promoting timely restoration of electric service.

25. These objectives can be addressed by including in FPL's cost of service an amount reflecting an average annual expected loss due to storm restoration costs. FPL has commissioned a detailed loss analysis by a catastrophic risk management expert, which provides the basis for an annual accrual of $150 million. Surcharges will still play an important role in handling the restoration costs for large storms that exceed the annual expected loss value and the accumulated balance in the storm fund, but the Company's base rates should be adjusted to include an expected level of storm restoration costs as a natural element of the cost of electric service in Florida.

26. As noted earlier, the cost of capital to fund utility investments has increased, reflecting the current turmoil in the financial markets. Nonetheless, FPL must continue to make significant investments in its infrastructure, which requires the Company to have access to the capital markets as service needs dictate. Accordingly, it is critical that FPL maintain a strong financial position, and financial strength relies upon the opportunity to earn a fair and reasonable return on equity ("ROE") and the maintenance of a sound capital structure. FPL's requested ROE of 12.5% considers the economic requirements necessary to maintain access to capital and access to capital at reasonable costs, even under adverse circumstances. It also accounts for the

risks faced by electric utilities in Florida as well as the potential exposures unique to FPL. With the maintenance of FPL's current equity ratio of 55.8%, this ROE factors into a requested overall rate of return of 8% for 2010 and 8.2% for 2011.

27. The year 2008 marked a period of unprecedented volatility and decreased liquidity in the financial markets, during which financial institutions experienced significant liquidity issues. FPL's strong balance sheet and credit position, however, protected the Company's access to capital under reasonable terms and enabled the Company to weather events in the financial markets which otherwise may have compromised its ability to continue to provide reliable, cost-effective service to its customers. Customers have also benefited from FPL's financial position during periods of rapid fuel price increases and following major hurricanes – times which required FPL to access the financial markets for immediate liquidity needs. Though FPL always seeks to raise capital when market conditions are advantageous, given FPL's obligation to serve customers, FPL must go to the capital markets as business needs require. FPL must also be in a strong position to compete for capital in what has become a significantly constricted financial market. An authorized ROE of 12.5% would support the Company's investment-grade credit rating, providing continued access to capital and access at reasonable costs, to the direct benefit of its customers.

28. The recent uncertainty and turmoil in the financial markets has increased investors' aversion to risk. There has been a shift in risk perceptions and a "flight to quality," spurring investment in government-backed securities. Such activity has caused yields on Treasury securities to fall significantly, while the required returns for common stocks and public utility bonds recently has increased to compensate for increased perceptions of risk. In sum, the reality of today's financial markets belies any suggestion that a decrease in Treasury bond yields

indicates a decrease in investors' required returns. Rather, a higher return on common equity is necessary to attract equity investment, given the current economic conditions (i.e., post September 15, 2008) and those of the foreseeable future. This is evident in the credit spreads to treasury yields, and also demonstrates the real difference between lower investment-grade rated companies and those with stronger ratings.

29. The market conditions described above will continue to exert upward pressure on the returns expected by investors as a general matter. The determination of an appropriate ROE, however, should not end there. The U.S. Supreme Court cases of *Hope* and *Bluefield*, introduced above, also require a factual examination of the unique risks faced by the particular applicant utility. Certain risks not faced by electric IOUs elsewhere in the country are realized by Florida IOUs as a group, such as the disproportionate impact of the economic slowdown on Florida's economy and at least some exposure to hurricane damage. But other risk factors are unique to FPL, such as its high percentage of generation from nuclear resources, its growing dependence on natural gas as a fuel source, and the high hurricane exposure of its largely coastal service territory. These factors also support FPL's request that rates be set at a level sufficient to support the opportunity to earn a ROE of 12.5%.

30. FPL's capital structure is another indicator of financial strength which will continue to support its access to the financial markets. FPL's current adjusted equity ratio of 55.8% was established in its 1999 Revenue Sharing Agreement, was continued in FPL's 2002 and 2005 rate case Stipulation and Settlements, and should be maintained at this time. Nothing has happened since those agreements that would suggest that the equity ratio should be reduced. To the contrary, current market conditions would support consideration of a higher equity ratio, though FPL is not proposing a different ratio for consideration. Maintenance of FPL's current

equity ratio at 55.8% is vital to maintaining its financial integrity, which directly benefits customers. These factors and other considerations affecting FPL's rate of return and capital structure are described in greater detail in the testimony of FPL witnesses Pimentel and Avera.

31. The estimated revenue requirement impacts of all the major factors described above are substantial. The Company's adjusted jurisdictional 13-month average rate base for the period ending December 31, 2010 is projected to be $17.1 billion. FPL's jurisdictional net operating income for the same period is projected to be $726 million using the Company's rates currently in effect.[7] The resulting adjusted jurisdictional return on common equity is projected to be 4.7% for the test year. FPL requests that it be allowed an overall rate of return of 8%, which equals FPL's total cost of capital, including a cost of equity of 12.5%. This recognizes the Company's superior overall performance and encourages continued performance achievements. The total resulting base revenue deficiency in 2010 is $1.044 billion.

Subsequent Year Adjustment

32. Even with the rate relief that FPL requests based on the 2010 test year, additional rate relief will be needed in 2011 to maintain a just and reasonable rate of return on investment. Accordingly, FPL is proposing a subsequent year adjustment ("SYA") to offset the projected increase in revenue requirements in 2011 and the need for back-to-back base rate proceedings. The SYA allows the Company and the Commission to take advantage of the fact that all parties are already participating in a rate proceeding and the opportunity exists to review the 2011 need at the same time as the Commission reviews the 2010 test year need, thereby achieving efficiencies that would not be possible if the Company were to file a separate rate proceeding for

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[7] This amount includes the recovery of revenue requirements through the GBRA associated with WCEC Units 1 and 2.

2011. By approving the SYA, the Commission will enable the Company to maintain earnings stability and minimize future administrative costs.

33. FPL is filing herewith MFRs for 2011 that provide the same level of detail and were subject to the same rigorous review and analysis as those provided for 2010. The Company's adjusted jurisdictional 13-month average rate base for the period ending December 31, 2011 is projected to be $17.9 billion. FPL's jurisdictional net operating income for the same period is projected to be $1.3 billion, using the base rates requested to go into effect in January 2010. Absent both the 2010 and 2011 requested base rate relief, the resulting adjusted jurisdictional return on common equity for 2011 is projected to be 3.1%. Utilizing the cost of capital assumptions described above, and assuming the requested 2010 rate relief, the total resulting base revenue deficiency in 2011 is $247.4 million. This amount does not reflect the revenue requirements associated with WCEC Unit 3 entering commercial operation, which are intended to be recovered through the continuation of the GBRA, as described below.

Depreciation and Other Adjustments

34. The depreciation rates used in the calculation of FPL's 2010 test year and 2011 subsequent year are based on the depreciation study filed with the Commission in March 2005, and approved by Order No. PSC-05-0902-S-EI. On March 17, 2009, FPL filed an updated depreciation study as required by Rule 25-6.0436(8)(c), Florida Administrative Code. A Company adjustment has been made reflecting the effects of this updated depreciation study. Should the Commission make any adjustments to FPL's updated depreciation study and depreciation rates, it should recognize the effects of any adjustments on the 2010 and 2011 rate relief. Additionally, FPL's fossil dismantlement accrual reflects that which was approved by the Commission on February 14, 2008, by Order No. PSC-08-0095-PAA-EI. That order required

FPL to file its next dismantlement study concurrently with the filing of its next depreciation study. Accordingly, FPL filed an updated fossil dismantlement study on March 17, 2009, and has made a company adjustment reflecting the updated results. Should the Commission make any adjustments to FPL's updated fossil dismantlement study, it should recognize the effects of any adjustments on the 2010 and 2011 rate relief.

35. Consistent with Rule 25-6.0423, Florida Administrative Code, FPL is segregating the costs associated with its nuclear uprate project and its new nuclear project for recovery pursuant to the Nuclear Cost Recovery ("NCR") rule. All costs projected to be incurred for these projects, including incremental labor, have been excluded from FPL's base rate revenue requirements through a Commission adjustment. However, FPL will not know until a later time whether all of the excluded costs will be approved for recovery through the NCR mechanism. The Company should not be denied recovery of prudently incurred nuclear plant investment and operating costs – which will facilitate substantial fuel cost benefits to customers – due to uncertainty in the application of the relatively new NCR rule. If the Commission were to determine that certain prudent costs should not be recovered through the Commission's NCR mechanism, those costs should be recaptured and recovered through base rates. FPL witness Ousdahl describes a recommended base rate adjustment formula to apply if the Commission were to make such a determination.

36. In connection with its request, FPL proposes certain other Company adjustments to net operating income for the 2010 test year and 2011 subsequent year.[8] The proposed Company adjustments are described by FPL witness Ousdahl in her testimony and are detailed in MFR B-2 and MFR C-3.

[8] The Company's proposed adjustments would have the effect of a net shift of certain costs from base rates to the recovery clauses of approximately $78 million.

37. FPL's proposed rates and rate design also include measures that will address the differences between the rates of return ("ROR") achieved for the various rate classes. At FPL, parity among the rate classes has not been addressed in over 20 years due to the long period of time that FPL was able to avoid the need for a rate increase. The RORs for some rate classes are higher than the overall ROR for the Company, while the RORs for other rate classes are much lower than the overall ROR. FPL's proposed rates and rate design are intended to achieve parity among the different rate classes.

Continuation of Generation Base Rate Adjustment

38. The GBRA mechanism, established pursuant to the 2005 Stipulation and Settlement, is an innovative and creative ratemaking approach allowing for recovery of costs associated with new generation while preserving Commission oversight via need determination proceedings. The GBRA provides a cost-effective way for the Company and the Commission to avoid costly ratemaking proceedings, which ultimately benefits customers. Without the GBRA mechanism, the Company would have to initiate complex and expensive ratemaking proceedings to be able to recognize the cost of bringing these newer, more efficient units into its fleet, even though the units had previously been approved by the Commission in need determination proceedings. Additionally, the GBRA approach has coordinated the base rate impact of new units with the offset that occurs as a result of corresponding fuel cost decreases.[9] Thus, customers receive the cost-savings benefits of new units in a timely manner through the annual fuel recovery clause mechanism.

39. Given the success of this innovative approach to ratemaking, which puts the timing of the recovery of base rate costs of new units on equal footing with the recognition of

[9] For example, the GBRA for Turkey Point 5 increased base rates in June 2007 by $121,310,000 but reduced fuel costs on an annualized basis by $136,917,000 at that time. Similarly, WCEC Units 1 and 2 are expected to go into service in 2009 with their GBRA amounts largely offset by corresponding fuel savings.

fuel cost savings, the GBRA mechanism should be continued in the future on an ongoing basis. The Company plans to add several highly efficient generation resources over the next few years. WCEC Unit 3, for example, is scheduled to be placed in service in 2011, while FPL's modernization projects at the Canaveral and Riviera Plants are scheduled to be completed in 2013-2014. The GBRA mechanism is an appropriate means of reflecting the impact of these new generation resources on base rates as they come into service. Accordingly, FPL's revenue requirements calculated for the SYA in 2011 do not include the effect of adding WCEC 3, as it is anticipated that such revenue requirements will be recovered through the GBRA mechanism. This mechanism will be even more important over the coming years given the current turbulent state of the capital markets.

Supporting Documents

40. FPL attaches and incorporates herein by reference appropriate tariff sheets, including new rate schedules designed to produce the additional revenue sought by this Petition and needed to give the Company a realistic opportunity to earn a fair and reasonable rate of return beginning January 2010, and again January 2011. These tariff sheets also include FPL's requested changes to certain service charges, which have not been reviewed in over 20 years. The Company respectfully requests that the Commission consent to these rate schedules going into effect beginning in January 2010, or January 2011, as applicable.

41. FPL is also filing simultaneously with this petition, and as a part hereof, MFRs for 2010 containing the information required by Rule 25-6.043(1)(b), Florida Administrative Code. Pursuant to Rule 25-6.043(1), Florida Administrative Code, FPL has prepared the MFRs by following the policies, procedures and guidelines prescribed by the Commission in relevant rules and/or in the Company's last rate case. Also included with this petition are a full set of MFRs

for 2011, showing the revenue requirements for the subsequent year adjustment. The supporting testimony and exhibits of FPL's witnesses are also being pre-filed contemporaneously with this petition. Based on such review and within the statutory 60-day suspension period provided by Section 366.06(3), Florida Statutes, the Commission will be able to give its informed consent to operation of the relevant portion of the proposed new rates effective January 2010. Finally, pursuant to the commitment in FPL's January 15, 2009 letter to Chairman Carter, FPL will file within two weeks of the date of this petition the supplemental 2009 MFR schedules described therein.

Conclusion

42. FPL's proposal will support investment in improving fuel efficiency, generating cleaner energy and enhancing system reliability while keeping customer bills low. While FPL is mindful of the difficult economy, it is also responsible for making investments in the electrical infrastructure. That is why FPL is investing to make its infrastructure stronger every day, and investing in smart technology that gives customers more control and improves reliability. FPL is also doing its part to fight climate change by investing in even cleaner energy and investing to increase fuel efficiency and reduce reliance on any single source of fuel. Given these investments, and in light of the current financial market conditions, it is essential that FPL not only be provided the opportunity to recover costs associated with its prudent investments but also be provided the opportunity to maintain a strong financial position. Such a position is dependent upon a fair and reasonable authorized ROE and directly benefits FPL's customers.

WHEREFORE, for the above and foregoing reasons, Florida Power & Light Company respectfully petitions the Florida Public Service Commission to:

(1) Accept this filing for final agency action;

(2) Set a hearing for purposes of granting permanent relief, and enter a decision on or before November 18, 2009, in accordance with controlling statutes and court decisions, so as to adequately protect the financial integrity of the Company by giving it a reasonable opportunity to earn such fair rate of return as may be fixed by the Commission in this proceeding;

(3) Find and determine that the Company's present rates are insufficient to yield a fair rate of return beginning January 2010, and that a subsequent base rate increase is appropriate beginning January 2011;

(4) Authorize the Company to increase its base rates and charges to generate additional gross revenues of $1.044 billion beginning on January 4, 2010 (the first billing cycle day of 2010), so that FPL will have an opportunity to earn a fair overall rate of return, including a rate of return of 12.5% on common equity capital, thereby maintaining the Company's financial integrity and its ability to serve the public adequately and efficiently, and approve the relevant tariff sheets and rate schedules included herein and made part hereof;

(5) Authorize the Company to increase its base rates and charges to generate additional gross revenues of $247.4 million beginning on the first billing cycle day in January 2011, so that FPL will have an opportunity to continue to earn a fair overall rate of return without incurring the expense and time associated with filing another base rate case, and approve the relevant tariff sheets and rate schedules included herein and made part hereof;

(6) Approve an annual accrual of $150 million to the Reserve, which is included in the requested 2010 and 2011 revenue increases described above, to ensure that funds are immediately available for storm and other restoration costs and reduce reliance on customer surcharges;

(7) Approve the other Company adjustments presented in MFR B-2 and MFR C-3, including approval of all regulatory accounting necessary to implement the Company adjustments;

(8) Approve the base rate adjustment mechanism presented to account for the recovery of any prudent nuclear plant costs not recovered pursuant to the NCR rule;

(9) Authorize the continued use of the GBRA mechanism to reflect the revenue requirements associated with generation additions for which a determination of need has been granted, at the time such additions go into service, (e.g., WCEC 3 in 2011); and

(10) Grant to the Company such other and further relief as the Commission may find to be reasonable and proper pursuant to the authority granted to the Commission under Chapter 366 of the Florida Statutes.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by hand delivery this 18th day of March, 2009, to the following:

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