

Ruth Nettles

080677-EI

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Subject: Docket Nos. 080677-EI and 090130-EI

Attachments: South Daytona's Prehearing Statement.pdf; South Daytona's Motion for One-Day Extension.pdf

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Docket Nos.: 080677-EI and 090130-EI

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

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

Name of Document: City of South Daytona's Motion for One-Day Extension to File Prehearing Statement

No. of Pages: 3

Name of Document: Prehearing Statement of South Daytona

No. of Pages: 4

Party: City of South Daytona

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

8/7/2009

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by
Florida Power & Light Company

DOCKET NO.: 080677-EI

In re: 2009 depreciation study by Florida
Power & Light Company.

DOCKET No. 090130-EI

FILED: August 7, 2009

PREHEARING STATEMENT OF SOUTH DAYTONA

South Daytona, by and through undersigned counsel, pursuant to the Order Establishing Procedure in this docket, Order No. PSC-09-0159-PCO-EI, issued March 20, 2009, and Order No. PSC -09-0521-PCO-EI, issued July 27, 2009, hereby submit this Prehearing Statement.

Brief Position Statement

The City of South Daytona opposes any attempt by the Florida Public Service Commission to establish rates for Florida Power & Light Company ("FPL") based on a projected test year ending December 31, 2010 or a subsequent test year ending December 31, 2011. Neither test year is authorized under applicable Florida statutes. Case law cited by FPL does not support FPL's request for the Commission to establish rates using costs and capital investments projected to occur more than two years after hearings in this proceeding are concluded. In fact, cases cited by FPL involved "projected test years" that in one case had already become "historic" by the time evidentiary hearings were concluded and in the other proceeding most, if not all, of the "projected test year" also had become "historic" by the time evidentiary proceedings were concluded and an order issued by the Commission.

The Commission need only consider the recent fate of FPL's proposed Glades power plant and the fact that it will never be built to know that it is folly to permit FPL to charge rates reflecting speculative investments years into the future. FPL already has been permitted to

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recover investments and costs associated with new generation plants in the GBRA approved in settlement of FPL's last rate filing, as well as nuclear plant related costs under the associated nuclear cost recovery mechanism. There is no justification for further deviating from utility ratemaking practice that has been in place for many decades to permit FPL to charge rates to current customers based on additional speculative projections of costs and capital investments.

The City of South Daytona further opposes rates established to provide FPL shareholders with a 12.5% return on equity which, consistent with Commission practice, would permit FPL to earn a return on equity of up to 13.5% without fear of an overearnings investigation. The GBRA and nuclear cost recovery mechanisms previously discussed, together with the fuel adjustment clause, conservation cost recovery clause and environmental cost recovery clause provide so many mechanisms for rate recovery of FPL's costs and capital investments that a majority of its revenue requirements no longer are even subject to the thorough scrutiny of a traditional rate proceeding such as this one. For instance, the GBRA allows recovery by FPL of costs and capital invested in power plants based upon the speculative projections provided in a needs determination proceeding. These proceedings are by statute conducted under much abbreviated time limitations thus limiting the scrutiny which the Commission or any intervener could undertake of such projections. These revenue recovery mechanisms each expedite utility rate relief (in other words, reduce traditional regulatory lag), provide limited possibility for appropriate scrutiny of the associated rate increases and eliminate utility risk of operation in such manner that it is unreasonable and unjust to establish rates which allow up to a 13.5% return on equity in this proceeding. With all of these rate adjustment mechanisms in place reducing risks, how could a utility be entitled to earn a higher return on equity than years past when such recovery mechanisms were not available?

The City of South Daytona is sponsoring no witnesses.

The City of South Daytona incorporates and adopts the positions of the Office of Public Counsel in all respects as to all issues.

Respectfully Submitted,

/s/ Brian P. Armstrong

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic and U.S. Mail to the service list below, on this 7th day of August, 2009.

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