



FPL

Frank Balogh, CEM, CEP
1639 Llewellyn Drive
Fort Myers, Florida 33901

Florida Power & Light Company

DISTRIBUTION CENTER
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November 20, 2009

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Dear Mr. Balogh:

We are writing this letter to again request your assistance in providing the information needed to fully evaluate the prepay concept you have proposed to a number of customers as well as to the Florida Public Service Commission. You have indicated that this program would be cost-effective for FPL based on your analysis; however you have not provided any documentation that supports such cost-effectiveness.

In November 2008, Florida Power & Light ("FPL") representatives met with you to discuss your proposal for FPL to provide governmental agencies the option of paying their electric bills in advance. The history of our interaction with you regarding the prepay proposal is as follows:

- At the meeting in November, 2008, we shared that while we are willing to consider your proposal, we needed sufficient details to perform thorough feasibility analyses, ensuring that the concept would not be detrimental to either FPL or its customers.
- In January 2009, you provided a one-page description of your proposal which failed to provide sufficient information to enable FPL to conduct a comprehensive evaluation. See copy attached.
- On January 23, 2009, we sent you a list of eleven clarifying questions (with subparts) in order to facilitate receipt of the information needed by FPL for its evaluation of the proposal. You failed to provide FPL with the requested information. See copy attached.
- In June 2009, at the Fort Myers Quality of Service Hearing associated with FPL's base rate increase request, we heard from you once again regarding your prepay proposal. You provided the Commission and Intervenors what was referred to as "documentation" supporting the prepay concept. On July 15, 2009, via email, we requested that you forward to us a copy of the documents you provided at the hearing, hoping they would provide FPL with the needed information. You failed to respond to our request; however, we were able to obtain copies from the Commission for our use in evaluating your proposal. Upon review, it was determined that these documents did not provide FPL with sufficient

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details to enable an evaluation. See copy of email dated July 15, 2009, attached.

- On September 17, 2009, FPL sent you another letter which incorporated the list of questions that were originally sent to you in January. To date, we have received no response from you. See copy of letter attached.

Based on a preliminary review of your proposal, we have identified several fundamental flaws in your basic proposal. They are as follows:

- The recommended discount rate of 8.35% that is used in your analysis is FPL's current long-term incremental cost of capital. This cost of capital is traditionally used for the financing of capital projects in excess of one year and includes both a long-term debt component and an equity component. It is inappropriate for a proposed Prepayment program as the program contemplates short-term prepayments and participants would not be bearing any equity risk associated with the program;
- A program that utilizes FPL's long-term incremental weighted cost of capital would unfairly benefit program participants at the expense of non-participating customers who would subsidize the cost of the program. The proposal assumes that prepayments received from program participants would be used to reduce the amount of long-term debt and equity in FPL's capital structure. A reduction in the amount of equity in FPL's capital structure without any commensurate reduction in risk would by definition result in remaining equity holders bearing an increased level of risk for which they would require an increased level of equity return. As the proposal only encompasses short-term cash flows which are typically funded through the Company's issuance of commercial paper, it would be more appropriate to use the short-term debt rate to discount customer prepayments. FPL's short-term funding rate is currently forecasted to be 2.12% in 2010 excluding commitment fees. At this rate it is unlikely that many of our customers would derive benefit from this type of program;
- The proposal incorrectly assumes that FPL customers pay their electrical bill one time at the end of the year. This assumption results in a discount calculation equivalent to: Annual Estimated Electric cost x FPL WACC = Discount. In reality, FPL customers pay a monthly electric bill which means your example has overstated the value of the discount by failing to consider the time value of money. For example, had cash flow timing been considered in your Lee County exhibit, the proposed discount rate would result in a discount of \$499K, and not the \$952K referenced. If the appropriate short-term rate forecast of 2.12% was used, the resulting discount would be reduced to \$129K.

- Your proposal assumes that there would be no incremental costs incurred by FPL to implement and administer a program for prepayment and that there would be several cost reductions. On the contrary, there would be additional costs incurred which would need to be funded by participants in the program such as additional information systems requirements, costs associated with the accounting and reconciliation process, legal contracting, as well as customer service support. There would be no reduction in monthly meter reading and billing attributable to such program as it would be necessary for the reconciliation process.; and
- There is significant exposure to FPL and its customers related to necessary true-up mechanisms.

As we have conveyed numerous times, we are fully willing to evaluate your proposal, but are unable to do so without your cooperation in providing us the details. To facilitate that full evaluation, please provide us with answers to the following:

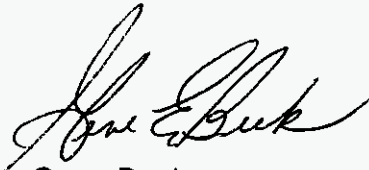
1. Please elaborate on the structure of the proposed pre-payment program.
 - a. What is the specific transaction being proposed?
 - b. Which customers would be eligible for the program?
2. What are the proposed program and/or contract term(s)?
 - a. Which parties would be subject to the program agreements?
3. How would the proposed pre-payment be administered?
 - a. What is the proposed pre-payment period and frequency of prepayments?
 - b. How is the prepayment amount determined? Please provide the proposed pre-payment calculation.
 - c. How is the monthly bill impacted by the pre-payment process?
4. How would the proposed discount be administered? (i.e. via bill credit, rebate check, etc?)
 - a. How frequently and for what period would the discount be applied?
 - b. How is the discount amount determined? Please provide the proposed discount calculation.
 - c. What is the suggested discount rate?
 - d. How is the monthly bill impacted by the discount process?
5. How would program true-ups be administered?

- a. How frequently would program true-ups occur? Monthly, quarterly, annually, etc?
 - b. Are there financing impacts related to true-ups for the customer? For FPL?
 - c. How is the monthly bill impacted by the true-up process?
6. What is the reconciliation process and associated penalties/billing impacts if a customer enrolled in the proposed program leaves the FPL service territory prior to consuming electricity related to the prepayment?
7. Does the proposed pre-payment program have additional impacts on the monthly bill process? (i.e., related to fuel adjustments, rate increases, etc?)
8. What is the proposed treatment of administrative and infrastructure expenses related to the implementation and management of the prepayment program?
 - a. How frequently and over what period would the expenses be (not be) recovered?
9. Please identify the pre-payment program benefits/detriment from the perspective of the participating customer.
 - a. What is the financial impact to the customer? Please include tax considerations.
 - b. What are the risks to the customer?
10. Please identify the pre-payment program benefits/detriment from FPL's perspective.
 - a. What is the financial impact to FPL?
 - b. What are the risks to FPL?
11. If available, please provide any program modeling, flow charts, program examples, etc. that illustrate the mechanics of the proposed pre-payment program.

We have committed to the FPSC that we would conduct a thorough review and evaluation of your proposal and report back to the Commission regarding its overall cost-effectiveness and potential benefit to customers. The proposals you have submitted thus far are general concepts and lack sufficient detail to enable a thorough financial assessment. Such a proposal from you should include detailed calculations of all financial attributes, showing calculations and the sources for any assumptions (such as FPL's cost of capital). We remain available to work with you on this proposal, and would like to complete this study as soon as practical in order to be able to respond to the FPSC as well as the customers that have expressed interest as a result of your efforts. Should you have any questions regarding our request, please

feel free to contact me at (305) 552-2825. Once FPL has received your responses, and fully evaluated your proposal, we will schedule a meeting with you to discuss.

Sincerely,



Gene Beck
FPL Customer Service

cc:

ANN COLE, Director of the Commission Clerk and Administrative Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Clerk).

LISA C. BENNETT, ESQUIRE, MARTHA CARTER BROWN, ESQUIRE, JEAN HARTMAN, ESQUIRE AND ANNA WILLIAMS, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (STAFF).

JOSEPH A. McGLOTHLIN, CHARLIE BECK, PATRICIA A. CHRISTENSEN, ESQUIRES, Office of the Public Counsel, c/o the Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of THE CITIZENS OF THE STATE OF FLORIDA (OPC).

STEPHANIE ALEXANDER, and TRIPP SCOTT, ESQUIRES, 200 West 200 West College Avenue, Suite 216, Tallahassee, Florida 32301
On behalf of the FLORIDA ASSOCIATION FOR FAIRNESS IN RATE MAKING (AFFIRM)

CECILIA BRADLEY, Office of the Attorney General, The Capitol – PL01, Tallahassee, FL 32399
On behalf of the ATTORNEY GENERAL FOR THE CITIZENS OF FLORIDA (AG)

TAMELA IVEY PERDUE, ESQUIRE, 516 North Adams Street, Tallahassee, Florida 32301, and
MARY F. SMALLWOOD, ESQUIRE, Ruden McClosky, Smith, Schuster & Russell, P.A., 215 South Monroe Street, Suite 815, Tallahassee, Florida 32301
On behalf of ASSOCIATED INDUSTRIES OF FLORIDA (AIF)

BRIAN P. ARMSTRONG, ESQUIRE, 1500 Mahan Drive, Suite 200,
Tallahassee, Florida 32308
On behalf of the CITY OF SOUTH DAYTONA (CSD)

CAPTAIN SHAYLA L. MCNEILL, AFLOA/JACL-ULT, AFCESA, 139
Barnes Drive, Suite 1, Tyndall Air Force Base, Florida 32403
On behalf of Federal Executive Agencies (FEA)

JON MOYLE, JR, and VICKI GORDON KAUFMAN, ESQUIRES,
118 North Gadsden Street, Tallahassee, Florida 32312 and JOHN
W. McWHIRTER, JR. P.O. Box 3350, Tampa, Florida
On behalf of the Florida Industrial Power Users Group (FIPUG)

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III,
ESQUIRES, 225 South Adams Street, Suite 200, Tallahassee,
Florida 32301
On behalf of the Florida Retail Federation (FRF)

KENNETH L. WISEMAN, Andrews Kurth LLP, 1350 I Street NW,
Suite 1100, Washington, D.C. 20005; MARK F. SUNDBACK,
Andrews Kurth LLP, 1350 I Street NW, Suite 1100, Washington,
D.C. 20005; JENNIFER L. SPINA, Andrews Kurth LLP, 1350 I
Street NW, Suite 1100, Washington, D.C. 20005; LISA M. PURDY
Andrews Kurth LLP, 1350 I Street NW, Suite 1100, Washington,
D.C. 20005; LINO MENDIOLA, Andrews Kurth LLP, 111 Congress
Avenue, Suite 1700, Austin, Texas 78701; and MEGHAN E.
GRIFFITHS, Andrews Kurth LLP, 111 Congress Avenue, Suite
1700, Austin, Texas 78701.
On behalf of the South Florida Hospital and Healthcare Association
(SFHHA)

D. MARCUS BRASWELL, JR., ESQUIRE AND ROBERT A
SUGARMAN, ESQUIRE, 100 Miracle Mile, Suite 300, Coral
Gables, FL 33134
On behalf of IBEW System-Council U-4 (SCU-4)

STEPHEN STEWART Post Office Box 12878, Tallahassee, Florida
32317
On behalf of Mr. Richard Unger (UNGER)