

**Ruth Nettles**

080677-EI

**From:** WELLS, KATHY [Kathy.Wells@fpl.com]  
**Sent:** Tuesday, January 12, 2010 5:01 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** Lisa Bennett; Anna Williams; Martha Brown; Jean Hartman; 'Kelly.jr@leg.state.fl.us'; 'mcglothlin.joseph@leg.state.fl.us'; 'jess@sugarmansusskind.com'; 'sugarman@sugarmansusskind.com'; 'mbraswell@sugarmansusskind.com'; 'msundback@andrewskurth.com'; 'kwiseman@andrewskurth.com'; 'jspina@andrewskurth.com'; 'lisapurdy@andrewskurth.com'; 'linomendiola@andrewskurth.com'; 'meghangriffiths@andrewskurth.com'; 'swright@yvlaw.net'; 'jlavia@yvlaw.net'; 'jmoyle@kagmlaw.com'; 'vkaufman@kagmlaw.com'; 'jmcwhirter@mac-law.com'; 'barmstrong@ngnlaw.com'; 'cecilia.bradley@myfloridalegal.com'; 'sda@trippscott.com'; 'tperdue@aif.com'; 'shayla.mcneill@tyndall.af.mil'; 'Mary.Smallwood@Ruden.com'; 'richardb@gtlaw.com'  
**Subject:** Electronic Filing / Docket 080677- EI / FPL's 1/12/10 Letter re: Negative Ratings Watch  
**Attachments:** 1.12.10. Fitch negative rating watch.pdf

Electronic Filing

a. Person responsible for this electronic filing:

John T. Butler, Esq.  
700 Universe Boulevard  
Juno Beach, FL 33408  
561-304-5639  
[John.Butler@fpl.com](mailto:John.Butler@fpl.com)

b. Docket No. 080677-EI  
In Re: Application for Increase in Rates by Florida Power & Light Company

c. The Document is being filed on behalf of Florida Power & Light Company.

d. There are a total of 3 pages

e. The document attached for electronic filing is Florida Power & Light Company's 1/12/10 Letter re: Negative Ratings Watch

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Managing Attorney  
Florida Power & Light Company  
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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January 12, 2010

**-VIA ELECTRONIC DELIVERY -**

Ms. Ann Cole  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

**Re: Docket No. 080677-EI**

Dear Ms. Cole:

On behalf of Florida Power & Light Company ("FPL"), I am enclosing for filing in the above docket a Negative Ratings Watch notice published by Fitch Ratings today.

Sincerely,

*/s/ John T. Butler*

John T. Butler

Enclosures

cc: Counsel for parties of record (w/encl.)

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**FITCH PLACES RATINGS OF FLORIDA POWER CORP. ON  
RATING WATCH NEGATIVE**

Fitch Ratings-New York-12 January 2010: Fitch Ratings has placed the ratings of Florida Power Corp. (Issuer Default Rating [IDR] 'A-'), which does business as Progress Energy Florida (PEF), on Rating Watch Negative as a result of the adverse outcome in PEF's \$499 million base rate case. The restrictive rate decision result lowers cash flow expectations and increases regulatory risks in a state that had formerly been considered among the most constructive for electric utilities. The outcome of the base rate case filing was identified as an important rating driver in Fitch's most recent rating review (see press release dated Sept. 8, 2009) and the actual outcome is worse than Fitch's stress case assumption.

The Florida Public Service Commission (FPSC) denied any additional base rate increases for PEF, but previously allowed interim rate relief for recovery of costs for the Bartow oil to gas re-powering, (\$63 million of the approximately \$130 million annual Bartow revenue requirement was already collected in 2009 and the additional \$67 million of revenues can be collected in 2010). The FPSC reduced PEF's allowed return on equity to 10.5% from 12.54%, which can be earned on an allowed 50.3% book equity capital structure. The FPSC is using PEF's depreciation surplus to offset any operating revenue increase, which will have the effect of increasing the size of future rate base. PEF's base rate request was cut in a number of other areas, including several operating expense categories, a depreciation study, salaries and benefits, salary increases, and incentive compensation.

Fitch expects to resolve the Negative Rating Watch after reviewing the company's mitigation strategy.

The ratings of Progress Energy Inc. (IDR 'BBB' with a Stable Outlook) and Carolina Power and Light (PEC IDR 'A-' with a Stable Outlook) are unaffected by today's rating actions. At this time, Fitch considers PGN's ratings more stable than those of PEF because PGN can also rely on dividends from financially sound subsidiary PEC, so Fitch has limited today's Rating Watch Negative to PEF but notes that the ratings of both issuers could be lowered depending on the capital spending, cost cutting and financing strategies.

Fitch has placed the following ratings on Rating Watch Negative:

Florida Power Corp.  
--IDR 'A-';  
--First mortgage bonds 'A+';  
--Senior unsecured debt 'A';  
--Preferred securities 'A-';  
--Short-term IDR/Commercial Paper (CP) 'F1'.

FPC Capital One  
--Preferred securities 'A-'.

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Additional information is available at 'www.fitchratings.com'.

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