



Florida Public Service Commission **SPECIAL REPORT**

MARCH 2006 NO. 2

Petition for Issuance of a Storm Recovery Financing Order by **Florida Power & Light Company**

DOCKET NO. 060038- E1

In January 2006, Florida Power & Light Company (FPL or the company) filed a petition with the Florida Public Service Commission (PSC or Commission) for approval of a Storm Charge to recover prudently incurred storm restoration costs and to replenish the company's Storm Damage Reserve.

The PSC has scheduled four customer service hearings March 1-3, 2006 to receive customer testimony regarding the utility's petition to implement a Storm Charge and to receive comments on the utility's recovery efforts for each hurricane event. In accordance with Florida Statutes, the PSC will consider the utility's quality of service and other matters in this case.

FPL serves approximately 4.3 million retail customers in its service area in Florida. Its service area is comprised of approximately 27,000 square miles in 35 of the state's 67 counties, encompassing the cities of Daytona Beach, Fort Lauderdale, Fort Myers, Miami, Naples and West Palm Beach and other densely populated areas on the east and west coasts of Florida. FPL also serves a number of less densely populated areas, including all or portions of Martin, Saint Lucie, Indian River, Brevard, Charlotte, Desoto, Columbia, Highlands, Okeechobee, Seminole and Union Counties.

In 2005, FPL and its customers were subjected to an extremely destructive hurricane season. Hurricanes Dennis, Katrina, Rita, and Wilma impacted some of the most densely populated areas in FPL's service territory in Palm Beach, Broward, and Dade counties where 60% of FPL's customers reside. For 2005, the total storm related damages to date are currently estimated by FPL to be \$906

million. The company expects to receive an insurance reimbursement of \$27 million for damage to generation assets. The company also expects to record \$64 million in capital costs. The net amount charged to the Storm Damage Reserve associated with the 2005 storm season is expected to be \$815 million.

Continued on page 3

Customer Service Hearings

Wednesday, March 1, 2006

1:00 p.m. - 4:00 p.m.

School Board of Lee County
Board Room

Dr. James A. Adams Public Education Center
2055 Central Avenue
Fort Myers, Florida

Thursday, March 2, 2006

10:00 a.m. - 1:00 p.m.

Broward County Governmental Center
Room 422

115 S. Andrews Avenue
Fort Lauderdale, Florida

4:00 p.m. - 7:00 p.m.

Fulton-Holland Educational Services Center
Palm Beach County School Board
3300 Forest Hill Blvd., B102
West Palm Beach, Florida

Friday, March 3, 2006

10:00 a.m. - 1:00 p.m.

Miami City Hall (Dinner Key Hall)
City Commission Chambers
3500 Pan American Drive
Miami, Florida

P S C C O M M I S S I O N E R S



COMMISSIONER
Matthew M. Carter II



COMMISSIONER
J. Terry Deason



CHAIRMAN
Lisa Polak Edgar



COMMISSIONER
Isilio Arriaga



COMMISSIONER
Katrina J. Tew

Lisa Polak Edgar was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2005; she assumed the chairmanship at the PSC in January 2006. Chairman Edgard is a member of the National Association of Regulatory Utility Commissioners telecommunications committee and was appointed by the Federal Communications Commission to the Universal Service Joint Board for a three-year term beginning November 2005. Prior to her appointment, Chairman Edgard served as Deputy Secretary for Planning and Management for the Florida Department of Environmental Protection (DEP) from August 1999 through January 2005. Her responsibilities at DEP included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, and coordination between the state and federal government on environmental issues, including oil and gas drilling on the Outer Continental Shelf. Prior to serving at DEP, Chairman Edgard was chief analyst on Environmental Policy for the Office of Policy and Budget, Executive Office of the Governor. Chairman Edgard was appointed by the Secretary of the U.S. Department of Interior to represent the State of Florida on the Minerals Management Service Outer Continental Shelf (OCS) Policy Committee from 1993-2004. She served on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. During her career in public service, Chairman Edgard has also served as senior cabinet aide in the Department of Agriculture and Consumer Services, as staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries, completed the Harvard Kennedy School of Government program for Senior Executives in State and Local Government, and co-taught a special topics graduate course on the Everglades at Florida A&M University. She is a member of Leadership Florida, Class XXIV. Chairman Edgard graduated cum laude from Florida State University in 1985 with a Bachelor's degree in political science and minor in English. She studied in London during her undergraduate education and in Yugoslavia during law school. She received a juris doctorate from the Florida State University College of Law in 1988 and is a member of the Florida Bar.

J. Terry Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to a term ending in January 2003, and to his current term which ends in January 2007. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001. Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, Committee on Telecommunications, and the Federal/State Joint Conference on Accounting. Commissioner Deason also serves on the executive committee for the Nuclear Waste Strategy Coalition. Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida. From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel. He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.

Isilio Arriaga was appointed to the Florida Public Service Commission by Governor Jeb Bush on October 6, 2005, to complete a term ending January 2007. Prior to his appointment, Commissioner Arriaga was an independent management consultant for Ferrell Schultz Consulting, Inc. in Miami, Florida. Previously, he served as President and CEO of the Greater Miami Chamber of Commerce, where he continues as a Volunteer Trustee, and was active on the Board of Directors of the Venezuelan-American Chamber and the Council of Bi-National Chambers. Before his tenure with the Chamber, he was President and CEO of Hispanic Unity of Florida, a growing social services agency assisting over 30,000 clients in South Florida and whose mission is improving the quality of life and fostering leadership in the community. Arriaga served as a Congressman in the Republic of Venezuela from 1988 until 1993, where he co-sponsored the first Privatization Law in the nation and helped enact the Low Income Housing Appropriations legislation. During that time, he was a founding member of the World Economic Forum in Switzerland and was appointed to the committee created upon recommendation by the IMF for the purpose of reforming the financial system of Venezuela. His career in Venezuela began in the oil fields as a Junior Engineer for Shell Oil Co. He went on to create the Planning Office and Long Term Industrial Loans Department for Banco Union, where he served as General Manager for Investments. Following his public service and while residing in Texas, he formed an international consulting firm and worked with U.S. entities, promoting new business development as a strong advocate for U.S. enterprises in Latin America. He served as a consultant in Miami responsible for the reengineering process of a corporation which pioneered digital functions for ATM networks. Arriaga, 57, received a Master's degree in Industrial Engineering from New York University and holds a Bachelor's degree from Pratt Institute (NY). He has published numerous articles and essays on economics and was a syndicated columnist in Venezuela.

Commissioner Matthew Mark Carter II is the son of the late Rev. Matthew and Pearl Carter. He was born in Douglas, Georgia and educated in the public schools there. He graduated from Atkinson County High School (in Pearson). After graduation from high school, he volunteered for the United States Army. In the Army, he served in the Presidential Honor Guard in Washington, D.C. and the First Armored Division in Germany. After being honorably discharged from the Army, Commissioner Carter attended Tallahassee Community College where he graduated with honors. He then attended Florida State University and graduated with a Bachelor's of Science in Mass Communications and was commissioned a Second Lieutenant in the United States Army Reserve and later the Florida National Guard. After a tour of duty with the 124th Infantry in the Panama Canal Zone, Commissioner Carter returned to Tallahassee where he set up a public relations firm concentrating on political campaigns for over ten years. Afterward, he entered into the financial investment industry and worked as a financial consultant for Waddell & Reed, Florida Professional Services Group, and Merrill Lynch. Commissioner Carter left Merrill Lynch to complete law school at the Florida State University College of Law. After graduation, he became a member of the Florida Bar and a Minister of the Gospel of Jesus Christ. As an attorney, he specialized in business law. He also served as a communications consultant and senior manager for private industry and governmental agencies. Florida Governor Jeb Bush appointed Matthew M. Carter II to the Florida Public Service Commission for a term of four years beginning January 2006. Commissioner Carter was awarded an honorary Doctor of Divinity degree from the St. Thomas Christian College. Commissioner Carter is currently pastor of the Beulah Hill Missionary Baptist Church in Gretna, Florida, where he also serves as President of the Congress of Christian Education (Union Baptist Association) and Vice Moderator for the Gadsden County Baptist Association. He has also written the book *The 90% Rule – How to Get Out of Debt and Prosper and Why It's Important*. Commissioner Carter is married to the former Rita Taylor (of Enigma, Georgia) and they have two beautiful daughters: Pearl and Markesha.

Commissioner Katrina J. Tew was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006. Ms. Tew has extensive experience in regulatory policy issues involving energy, water, and telecommunications. From 2001 to 2005, Ms. Tew served consecutive terms as Chief Advisor to two different Florida Public Service Commissioners: Charles M. Davidson and Michael A. Palecki. In this role, she advised commissioners on all proceedings and policy matters before the Commission. Prior to becoming a Chief Advisor, Ms. Tew managed the State Liaison Section of the Commission's Division of Policy Analysis & Intergovernmental Liaison. Here, she consulted with state and local government agencies on issues of common interest, such as "black water," reuse, universal service, and electric reliability. Before leading the State Liaison Section, Ms. Tew served as the Commission's primary liaison on all nuclear energy matters for over three years. Additionally, Ms. Tew was instrumental in drafting the Commission's positions on electric industry restructuring. In recognition of her work on federal energy policy, Ms. Tew was a recipient of the PSC Extraordinary Accomplishment Award in 1999 and the PSC Outstanding Achievement Award in 1997. Since 2001, Ms. Tew has also been involved in policy formulation related to a multitude of communications matters. This has afforded her the opportunity to develop a fluency in issues of advanced communications, especially those surrounding broadband, wireless, VoIP, and broadband over power lines. A Northwest Florida native, Ms. Tew received a Bachelor's degree in finance from Florida State University. She received a Master of Business Administration degree from FSU in 1998.

Continued from front

Florida Power & Light Company

In the instant petition, FPL requests that the Commission issue a Financing Order and approve the issuance of storm-recovery bonds in the amount of up to \$1,050 million. The proceeds of the bonds are intended to provide FPL recovery of the remaining unrecovered balance of 2004 storm costs of \$213 million, recovery of the 2005 prudently incurred storm costs of \$815 million, replenishment of the Storm Damage Reserve to a level of approximately \$650 million, and recovery of interest incurred through the bond issuance date and up-front bond issuance costs of \$23 million. The bonds will be issued for the after-tax value of storm restoration costs to recognize the tax benefit received when storm restoration costs are deducted for income tax purposes. An issuance of storm-recovery bonds as proposed by FPL is expected to result in a monthly charge of \$1.58 for the typical residential bill (1,000 kWh) over a period of approximately 12 years, which will replace the 2004 Storm Restoration Surcharge of approximately \$1.65 for the typical residential bill.

However, in the event the Commission determines that FPL should not issue bonds to recover the deficit in the Storm Damage Reserve and replenish the Reserve, the Company requests that the Commission approve an alternative

method of recovering storm-recovery costs and replenishing the Reserve through a storm surcharge over a three-year period. FPL asks that the proposed surcharge alternative be implemented for bills rendered on and after June 15, 2006. FPL estimates that this new monthly charge would be \$5.19 for a typical (1,000 kWh) residential bill for a three-year period. In combination with the 2004 Storm Restoration Surcharge, which would remain in effect through approximately February 2008, this would produce a total monthly storm-related charge of \$6.84 (1,000 kWh) on customer bills.

The technical portion of the administrative hearing is scheduled for April 19, 20, and 21 in Tallahassee. A technical hearing is a legal proceeding, similar to a court proceeding or trial, that is held to gather technical evidence and testimony related to the utility's petition. In making its final determination, the Commission will consider the evidence and testimony presented by both customers and other parties.

PSC staff is scheduled to file a recommendation with the Commission on May 8, 2006. The Commissioners are expected to vote on this matter at the May 15, 2006, Special Agenda Conference.

PSC Staff and Reference Numbers

For technical questions, contact:

Andrew Maurey (850) 413-6465

For legal questions, contact:

Cochran Keating (850) 413-6193

For general questions, contact:

Dick Durbin (850) 413-6121

Or call toll-free 1-800-342-3552

(1-800-511-0809 to fax)

E-mail: contact@psc.state.fl.us

Internet Home Page: www.floridapsc.com

Florida Public Service Commission

2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The Public Service Commission provides a staff of information specialists who are available to answer questions from Florida consumers.

To reach a consumer representative, please call the Public Service Commission during business hours at **1-800-342-3552**, or send a fax to 1-800-511-0809. See the PSC's Internet home page at www.floridapsc.com.

Consumer Statements at PSC Hearings

The Commissioners are interested in what consumers have to say about the petition for issuance of a storm recovery financing order by Florida Power & Light Company. The main purpose of these hearings is to receive comments from the public.

Anyone may make a statement, and speaking is an effective way to let the Commission know how you feel about the case under review. At the beginning of the meeting, procedures will be set up to establish an order for comments. PSC staff will have sign-up sheets that will be used to call consumers to speak. PSC staff will also be available to coordinate consumer comments and assist members of the public.

Any person who wishes to comment or provide information to the PSC staff regarding this matter may do so at the hearings, orally or in writing. Written comments also may be mailed to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or faxed to 1-800-511-0809. Correspondence will be placed in the file of this docket (Docket No. 060038-EI). For your convenience, a comment form is attached to this Special Report.

Any person who wishes to obtain a copy of the recommendation or the order may do so by writing to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or by going on-line at www.floridapsc.com.

STAMP

Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Fold Here

Tape

Fold Here