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Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: April 23, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Slemkewicz, Draper) *JS*
Office of the General Counsel (Bennett, Brown, Harman, Williams) *EJD* *APW* *CRB*

RE: Docket No. 080677-EI – Petition for increase in rates by Florida Power & Light Company. *ALB* *MB* *TS*

AGENDA: 05/05/09 – Regular Agenda – Decision on Suspension of Rates – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: McMurrin

CRITICAL DATES: 05/18/09 (60-Day Suspension Date)
11/18/09 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080677.RCM.DOC

Case Background

This proceeding commenced on March 18, 2009, with the filing of a petition for a permanent rate increase by Florida Power & Light Company (FPL or Company). The Company is engaged in business as a public utility providing electric service as defined in Section 366.02, Florida Statutes (F.S.), and is subject to the jurisdiction of the Commission. FPL provides electric service to approximately 4.5 million retail customers in all or parts of 35 Florida counties.

FPL has requested an increase in its retail rates and charges to generate \$1.044 billion in additional gross annual revenues, effective January 4, 2010. This increase would allow the

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Company to earn an overall rate of return of 8.00 percent or a 12.50 percent return on equity (range 11.50 percent to 13.50 percent). The Company based its request on a projected test year ending December 31, 2010. FPL stated that this test year is the appropriate period to be utilized because it best represents expected future operations. FPL has also requested a \$247.4 million subsequent year base rate increase effective January 2011. This additional increase would allow the Company to earn an overall rate of return of 8.18 percent or a 12.50 percent return on equity (range 11.50 percent to 13.50 percent). The Company based its subsequent year request on a projected test year ending December 31, 2011. FPL did not request any interim rate relief.

In FPL's most recent base rate proceeding in Docket No. 050045-EI,¹ the Commission approved a stipulation and settlement agreement. The agreement provides that retail base rates will not increase during the term of the agreement except for the recovery of the revenue requirements associated with certain power plants that go into service during the term of the agreement. Essentially, the agreement terminates on December 31, 2009.

This recommendation addresses the suspension of the requested permanent rate increase. The Commission has jurisdiction over this matter pursuant to Sections 366.06(2) and (4), F.S.

¹ Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket No. 050045-EI, In re: Petition for rate increase by Florida Power & Light Company.

Discussion of Issues

Issue 1: Should Florida Power & Light Company's request for a \$1.044 billion permanent base rate increase, a \$247.4 million subsequent year base rate increase, and the associated tariff revisions be suspended pending a final decision in this docket?

Recommendation: Yes. The \$1.044 billion permanent base rate increase, the \$247.4 million subsequent year base rate increase, and its associated tariff revisions requested by Florida Power & Light Company should be suspended pending a final decision in this docket. (Slemkewicz, Draper)

Staff Analysis: FPL filed its petition, testimony, and minimum filing requirements on March 18, 2009. The Company has requested a total permanent base rate increase of \$1.044 billion based on a projected test year ending December 31, 2010. In addition, FPL has requested a \$247.4 million subsequent year base rate increase based on a projected test year ending December 31, 2011.

Historically, the Commission has suspended requested permanent rate schedules in order to adequately and thoroughly examine the basis for the new rates. The suspension of the rate increase is authorized by Section 366.06(3), F.S., which provides:

Pending a final order by the commission in any rate proceeding under this section, the commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the utility requesting such increase, within 60 days, a reason or written statement of good cause for withholding its consent.

Staff recommends that the Commission suspend the requested permanent rate schedules to allow staff and any intervenors sufficient time to adequately investigate whether the request for permanent rate relief is appropriate.

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Issue 2: Should this docket be closed?

Recommendation: No, this docket should remain open to process the Company's revenue increase request. (Bennett)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested permanent base rate increase.