

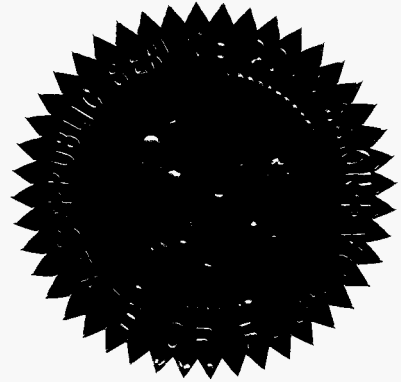
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

PETITION FOR INCREASE IN RATES BY FLORIDA POWER & LIGHT COMPANY. DOCKET NO. 080677-EI

2009 DEPRECIATION AND DISMANTLEMENT STUDY BY FLORIDA POWER & LIGHT COMPANY. DOCKET NO. 090130-EI



PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 11

COMMISSIONERS PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS

DATE: Tuesday, December 14, 2010

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporter
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P R O C E E D I N G S

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2 **CHAIRMAN GRAHAM:** I'd like to call to
3 order the Agenda Conference, Tuesday, December 14th,
4 2010. It is roughly about 9:34 a.m. We have
5 several items on here that are going to be deferred.

6 The first list are the ones that are being
7 deferred because they are part of an FPL case where
8 there is a stay through the First District Court of
9 Appeals. Those are 3, 8, 9, 10, 11 only Issues 2
10 and 3, 12, 13, 14, and 15. Those are all deferred
11 because of the stay. The following other items are
12 deferred.

13 * * * * *

14 **CHAIRMAN GRAHAM:** Let's move on to Item
15 Number 11. As I said before, Issue A is moot.
16 Issue 2 and 3 are still deferred. But we are here
17 to speak to Issue 1, which is the stipulated
18 agreement. And, staff. Oh, I'm sorry. I'll let
19 staff get in place.

20 **MR. SLEMKEWICZ:** I'm John Slemkewicz.
21 Item 11 concerns a proposed stipulation and
22 settlement that resolves all the outstanding matters
23 in Florida Power and Light Company's rate case. The
24 major elements of the stipulation are a base rate
25 freeze through the end of 2012; in the event of a

1 named storm, interim storm damage cost-recovery not
2 to exceed \$4 per thousand kWh for residential
3 customers; recovery of the West County Unit 3
4 revenue requirements, not to exceed the projected
5 fuel savings; and the discretion to annually
6 amortize up to 267 million of the theoretical
7 depreciation reserve surplus.

8 Staff is prepared to answer any of the
9 Commissioners' questions, and the parties are also
10 here.

11 **CHAIRMAN GRAHAM:** Okay. Thank you.

12 We have a person that's going to call in.
13 Do we have Ken on the phone?

14 Ken, welcome.

15 **MR. WISEMAN:** Thank you very much, Mr.
16 Chairman. I am here.

17 **CHAIRMAN GRAHAM:** All right. Well, we are
18 going to allow you about a good five minutes to
19 speak, and then we'll go to the other intervenors,
20 and then we will go to the Commission board.

21 So, Ken, you have the floor.

22 **MR. WISEMAN:** Thank you, Mr. Chair.

23 Mr. Chairman and Commissioners, this is
24 Ken Wiseman for the South Florida Hospital and
25 Health Care Association, and thank you very much for

1 the opportunity to participate by telephone today,
2 and to go first, as well.

3 The South Florida Hospital and Health Care
4 Association's members include most of the major
5 hospitals that serve the South Florida area. From a
6 societal perspective and from a business
7 perspective, as well, the hospital industry is among
8 the most important segments of the South Florida
9 economy. It's extremely important for hospitals in
10 South Florida, whether they be large or small, to
11 control their energy costs. And that's because
12 energy costs represent a very significant percentage
13 of hospitals' O&M expenses. As a result of that,
14 the South Florida Hospital and Health Care
15 Association has participated in FPL's rate cases for
16 a number of years.

17 Now, in 2001, we, frankly, opposed a
18 settlement that had been proposed by FPL and had
19 been agreed to by most of the other major
20 participants in the rate case. And that was because
21 we did not believe that that was a settlement that
22 was good for hospitals, and we didn't think it was
23 good for ratepayers in general.

24 In 2005, on the other hand, we were very
25 happy to join in a settlement of a FPL rate case

1 that occurred before there was actual litigation,
2 before an evidentiary hearing, because in that
3 instance we thought that that settlement was a good
4 deal for both hospitals and ratepayers in general.

5 Now, in 2009, we made the decision, the
6 South Florida Hospital and Health Care Association,
7 to litigate against FPL, and for the Commissioners
8 who were there during the hearing, they know that we
9 were among the most active participants in that
10 hearing opposing FPL's proposed rate increase. And
11 the reason we opposed it was we frankly just didn't
12 think that the rate increase that FPL had proposed
13 was justified or needed in any way by FPL.

14 Now, when we entered into the settlement
15 talks with FPL this past summer following your
16 decision, frankly we did not believe that settlement
17 was going to be possible. The parties were very far
18 apart. And this was a settlement that wasn't
19 hammered together over the course of a couple of
20 hours, it wasn't a couple of days, it wasn't even
21 hammered out over the course of a couple of weeks.
22 This is a settlement that took a number of months to
23 agree to. And, when we agreed to it, we finally
24 agreed because we thought that this was a very good
25 settlement that gave the hospitals the rate

1 stability that they need in order to conduct their
2 business efficiently. We think it is a good deal
3 not just for hospitals, but we think that it is a
4 good deal for ratepayers in general.

5 We very much thank the Office of the
6 Attorney General for the assistance that they
7 provided in bringing the parties together, and we
8 now urge the Commission to approve this settlement
9 as in the interest of all Florida ratepayers. Thank
10 you very much, Mr. Chairman.

11 **CHAIRMAN GRAHAM:** Thank you, Mr. Wiseman.
12 I'm sure with a name like that, you don't get
13 questioned very often, do you?

14 **MR. WISEMAN:** More often than I wish.

15 **CHAIRMAN GRAHAM:** Thank you very much for
16 participating.

17 **MR. WISEMAN:** Thank you.

18 **CHAIRMAN GRAHAM:** We will go with the
19 Attorney General's Office. Is there anybody?
20 Ma'am.

21 **MS. BRADLEY:** Yes, Your Honor. But if you
22 don't mind, I'll let the Office of Public Counsel go
23 next, unless they are going to let the company.

24 **CHAIRMAN GRAHAM:** Sure. Sir.

25 **MR. MCGLOTHLIN:** Good morning. My name is

1 Joe McGlothlin with the OPC.

2 Commissioners, OPC supports the staff
3 recommendation and asks that the Commission approve
4 this settlement agreement, which is the culmination
5 of lengthy negotiations.

6 The settlement agreement preserves the key
7 provisions of the final order in the FPL rate case
8 and adds to those provisions a framework designed to
9 avoid base rate increases and provide certainty
10 through the term of the agreement, which is to the
11 end of 2012.

12 I mentioned that it preserves the key
13 provisions of the final order. First and foremost,
14 it preserves the range of 9 to 11 percent return on
15 equity that the Commission deemed to be reasonable
16 for FPL's earnings, and that will continue under the
17 settlement to be the standard for measuring the
18 reasonableness of earnings through the term of the
19 agreement measured on an actual basis.

20 The terms would restrict the ability of
21 FPL to request base rate increases. The agreement
22 strikes a compromise on the treatment of the cost of
23 the West County Number 3 unit scheduled to come
24 on-line in 2011. On the one hand, it allows FPL to
25 begin recovering the cost of owning and operating

1 that unit, but limits the amount of the recovery to
2 match the projected fuel savings associated with the
3 unit, with the end result that on an overall basis
4 this provision would not cause ratepayers to see an
5 increase in their bills, even though FPL is
6 recovering the cost of that unit.

7 There is also a compromise on the
8 treatment of storm damage costs. On the one hand,
9 under the terms of the settlement agreement FPL
10 could begin recovering those costs that are eligible
11 under the Commission's storm cost-recovery rule
12 within 60 days of filing a petition, but there are
13 protections within the settlement agreement that
14 limit the impact of storm recovery costs on the
15 customers' bills during the first year following the
16 filing of that petition.

17 And, finally, there are provisions that
18 treat the depreciation reserve surplus that was the
19 subject of the final order. On the one hand it
20 provides some flexibility to FPL that would help FPL
21 manage its earnings over time during the term, but
22 there are two important protections for ratepayers
23 in this regard. On the one hand, before filing a
24 petition for a rate increase, FPL must increase the
25 rate of amortization so as to maintain a minimum

1 rate of return of 9 percent, which is the trigger
2 point in the agreement for the possibility of a rate
3 increase.

4 On the other hand, if FPL is earning at
5 11 percent ROE on an actual basis without the
6 amortization, then the settlement prohibits the
7 consumption of that reserve surplus under those
8 circumstances. So as you see, these provisions
9 represent a compromise. We think on an overall
10 basis that the package is in the interest of
11 ratepayers, and we that ask that you approve it.

12 **CHAIRMAN GRAHAM:** Thank you, sir.

13 FIPUG.

14 **MS. KAUFMAN:** Thank you, Mr. Chairman,
15 Commissioners. I'm Vicki Gordon Kaufman. I'm with
16 the law firm of Keefe, Anchors, Gordon and Moyle,
17 and I'm appearing on behalf of the Florida
18 Industrial Power Users Group, which as you know is a
19 large group of industrial customers, many of whom
20 take service from FPL and take a great deal of
21 service from FPL.

22 Mr. McGlothlin has ably summarized the
23 provisions of the settlement. I'm not going to go
24 through that again, but I will tell you, as I think
25 Mr. Wiseman alluded to, that this was a settlement

1 that results from many phone calls, many drafts,
2 many meetings, and a lot of it wasn't very pretty.
3 However, at the end of the day and after some hard
4 work by everyone, including the company and the
5 intervenors, we bring this agreement to you because
6 we think that it is a reasonable compromise among
7 all the issues in the case, and because we think it
8 benefits the ratepayers of the state of Florida,
9 including my clients.

10 And I think obviously the fact that all
11 the intervenors are here and signatories to the
12 agreement should give you comfort that this is an
13 agreement that we all think is in the best interest
14 of our clients and the state.

15 And so along with the other intervenors
16 and the company, we would ask that you approve the
17 settlement agreement. Thank you.

18 **CHAIRMAN GRAHAM:** Thank you.

19 Any other intervenors that would like to
20 speak before I turn it over to Florida Power and
21 Light?

22 Attorney General.

23 **MS. BRADLEY:** Thank you, sir.

24 I am Cecilia Bradley, Office of the
25 Attorney General. On behalf of the Attorney General

1 Bill McCollum for the Citizens of Florida.

2 They have already been over the different
3 terms, and I think today probably really emphasizes
4 the goals of the PSC to provide reliable energy at
5 affordable rates, and I think we are definitely
6 needing that today as cold it is and has been this
7 week. So this really emphasizes the need for what
8 you do, and we think this settlement also reinforces
9 that. You know, this provides a rate freeze for the
10 next two years, which a lot of people are still
11 struggling with the economy, and a rate freeze will
12 be greatly appreciated, I think. I realize we would
13 like to reduce rates on everything even further
14 because people are struggling, but right now to have
15 a rate freeze, I think that will be of comfort to
16 them.

17 The storm cost was an important factor.
18 We hope we won't need it; but just in case, we had
19 used it in the Progress settlement -- and I will
20 point out that a lot of the terms are very similar
21 to the Progress. We tried to keep it as close to
22 that as we could. There are some differences just
23 because of circumstances we felt like needed a
24 little tweaking. But as they mentioned, we have
25 been in settlement negotiations for a very long

1 time, and the Attorney General himself and our
2 Associate Deputy Trish Connors (phonetic) have been
3 very involved in this, and this comes before you
4 with their full support. And we would all urge that
5 this be adopted. We think, you know, it will meet
6 our needs for the next two years, and we would
7 appreciate your support.

8 **CHAIRMAN GRAHAM:** Thank you. My office
9 was called yesterday that Attorney General McCollum
10 was trying to make it here, and I'm sorry he
11 couldn't make it, but I understand that this was
12 something that was important to him.

13 **MS. BRADLEY:** Well, we appreciate you
14 being willing to accommodate him, but it was as
15 important thing. And, unfortunately, it didn't work
16 out, but we appreciate your help and support.

17 **CHAIRMAN GRAHAM:** Thanks. Yes, sir.

18 **MR. WRIGHT:** Thank you, Mr. Chairman and
19 Commissioners. I'm Schef Wright, and I have the
20 privilege of representing the Florida Retail
21 Federation in matters that come before you.

22 The Federation is a statewide organization
23 that has approximately 9,500 members from the
24 largest chain stores to the smallest mom and pop
25 operations. We participated actively in these rate

1 cases, in the '05 rate cases, and in various
2 settlements, and we are here to support the
3 settlement and to urge you to approve it.

4 I agree very strongly with all the
5 comments made by Mr. Wiseman, Mr. McGlothlin, Ms.
6 Kaufman, and Ms. Bradley. I just have a very few
7 things to add to that.

8 As Ms. Kaufman said, this settlement was
9 up and down, very dicey at times. It was the
10 product of lengthy and intense negotiations. I
11 thank everybody, including the company's
12 representatives. They brought a really solid full
13 team to the table every time; deserve a lot of
14 credit for making this work out. It provides rate
15 certainty. It's a fair compromise. It's fair to
16 all parties. It's fair to the company; it's fair to
17 all customers, and all customer classes. It is a
18 fair compromise on the costs associated with West
19 County 3, the newpower plant that is projected to
20 come on-line about seven months from now.

21 The company gets revenue requirements,
22 capital revenue requirements associated with that,
23 but limited to the fuel savings. So there will be
24 no net change in rates when that comes on-line. It
25 preserves the rate of return on equity range

1 approved by the Commission between 9 percent and
2 11 percent on an actual achieved basis. It let's
3 FPL use its depreciation surplus to manage its
4 earnings within that range between 9 and 11 percent
5 as approved by the Commission. Again, this is a
6 fair compromise. It benefits all parties, and we
7 strongly urge you to approve it. Thank you very
8 much.

9 **CHAIRMAN GRAHAM:** Thank you, Mr. Wright.

10 Yes, ma'am.

11 **MS. BRADLEY:** I apologize, but I need to
12 make one more comment. You may not hear this very
13 often, but in this particular case I need to thank
14 the company for their willingness to give on some
15 issues that but for that we would not be here today.
16 And there was give and take on both sides, but we
17 appreciate their efforts and their willingness to
18 try to make this happen, because we think it is a
19 good deal for both sides. So thank you to them and
20 to you.

21 **CHAIRMAN GRAHAM:** Thank you, ma'am.

22 Florida Power and Light.

23 **MR. BUTLER:** Thank you, Mr. Chairman and
24 Commissioners. John Butler, counsel for FPL. Also
25 with me today is Wade Litchfield, the General

1 Counsel of FPL.

2 I'd just like to start by returning the
3 compliment that Ms. Bradley just made. We
4 appreciate very much the efforts of all of the
5 intervenors who were very active, very forceful,
6 very creative, and ultimately very helpful in
7 bringing this to a resolution that we all are
8 comfortable with.

9 FPL fully supports the settlement
10 agreement. It represents the collective effort of
11 FPL and the intervenors as you have heard, along
12 with the positive recommendation and support of the
13 Commission staff. We think this agreement is in the
14 best interest of all of the parties involved,
15 especially FPL's 4.5 million customers. We
16 appreciate the willingness of those who represent
17 Florida's electric consumers to work with us on an
18 agreement that will help provide financial stability
19 for customers and the company alike.

20 Most fundamentally, the settlement
21 agreement establishes a mechanism that will deliver
22 tremendous benefits to our customers. Specifically,
23 the agreement ensures that there will be no general
24 base rate increase prior to 2013. Our rates are
25 currently the lowest in the state among the 55

1 electric utilities. This agreement will help ensure
2 for our customers that our rates will remain the
3 lowest, or at least among the lowest in the state.
4 It will also help bring rate certainty and stability
5 for our customers over the term of the agreement.

6 Once, again, I'd like to thank each of the
7 settling parties for their hard work, patience, and
8 tenacity in collaborating on this win/win outcome.
9 We urge the Commission to approve the settlement
10 agreement today so that our customers can begin to
11 receive its benefits. Thank you.

12 **CHAIRMAN GRAHAM:** Thank you.

13 I actually want to thank the staff for all
14 they have done leading up to this time, to this
15 point, the intervenors that all came to the table,
16 and Florida Power and Light. You know, now granted
17 I haven't been here that long, but it's amazing for
18 all three sides to come to an understanding with all
19 this stuff and to put it before the Commission. It
20 does make our job a lot easier. You know, it takes
21 away a lot of the fighting and the headache. And to
22 be honest, I'm glad you guys did the fighting before
23 we had to get involved. That all being said, let me
24 bring it back to the Commission staff.

25 Commissioner Skop.

1 **COMMISSIONER SKOP:** Thank you.

2 **CHAIRMAN GRAHAM:** I mean the board.

3 Sorry.

4 **COMMISSIONER SKOP:** Thank you. I just
5 have a few questions for staff, and then I'd like to
6 be recognized for a motion to approve the settlement
7 agreement.

8 To staff, with respect to the West County
9 3 compromise that's articulated, I believe, in
10 Paragraph 5 of the settlement agreement, just a few
11 questions on that. Traditionally, under Commission
12 precedent that FPL, once a plant would be placed in
13 service, would be entitled under controlling case
14 law for full cost-recovery of all prudently incurred
15 costs associated with that plant, once it is placed
16 in service, is that correct?

17 **MR. SLEMKEWICZ:** Yes, if there was a rate
18 case or something going on. Normally it would just
19 go into rate base and rates would not increase.

20 **COMMISSIONER SKOP:** Okay. But under the
21 provisions of the settlement, at least at this
22 point, West County 3 is not being placed in base
23 rates, is that correct?

24 **MR. SLEMKEWICZ:** That's correct.

25 **COMMISSIONER SKOP:** Okay. And what it is

1 doing, if I understand this correctly, is the
2 projected fuel savings from that plant coming in
3 service will be run through the capacity clause, and
4 then at the next rate case the remaining amounts,
5 subject to depreciation, will be put into base
6 rates, is that correct, or the rate base?

7 **MR. SLEMKEWICZ:** Well, the revenue
8 requirements for West County 3 are going through the
9 capacity clause and the fuel savings are going
10 through the fuel clause.

11 **COMMISSIONER SKOP:** Okay. But at this
12 point the capital costs and the revenue requirements
13 of the plant are not being placed into the rate base
14 nor in base rates.

15 **MR. SLEMKEWICZ:** That's correct. They are
16 not in base rates, that's correct.

17 **COMMISSIONER SKOP:** All right. So just as
18 a follow up to that, with respect to the projected
19 fuel savings, those fuel savings, as I understand
20 the provisions of the agreement, allow FPL to
21 calculate what its fuel saving costs would be, and
22 then those are basically run through the respective
23 clauses until the end of the settlement agreement,
24 is that correct?

25 **MR. SLEMKEWICZ:** That is correct.

1 **COMMISSIONER SKOP:** Okay. And in terms of
2 the ability of the intervenors or staff to -- I
3 don't want to say protest, but to take a look or
4 dispute those projected numbers, neither the
5 intervenors nor staff have the ability under the
6 agreement to do that, is that correct?

7 **MR. SLEMKEWICZ:** Well, in the fuel clause
8 they can look at the projected fuel costs. I mean,
9 that's open to debate in the fuel proceeding. And I
10 do need to make one correction to what I said
11 before. The revenue requirements and the fuel
12 savings will throw through until the next rate case,
13 that's when West County 3 could go into base rates.
14 So it will continue to go through the capacity
15 clause.

16 **COMMISSIONER SKOP:** Okay. And then just a
17 few more questions. With respect to the amounts
18 that are the projected fuel savings, there is no
19 ability, as I understand it, to true those costs up.
20 For instance, if the projected savings were
21 \$100 million and the actual savings were only
22 \$80 million, then the \$20 million would enure to the
23 utility without the ability to true that up later.

24 **MR. SLEMKEWICZ:** That's correct, there is
25 no true-up.

1 **COMMISSIONER SKOP:** Okay. And with
2 respect to the unit itself, that's expected to go
3 into service in May 2011, is that correct?

4 **MR. SLEMKEWICZ:** I believe it's June.

5 **COMMISSIONER SKOP:** Okay. And is there
6 any reason that staff believes that that unit would
7 be delayed?

8 **MR. SLEMKEWICZ:** Not to my knowledge.

9 **COMMISSIONER SKOP:** All right. And then
10 with respect to the accounting and the projected
11 fuel savings and running it through the clause, does
12 that create some additional accounting regulatory
13 oversight work for staff to ensure that those
14 numbers -- as opposed to just putting it into the
15 rate base as it would be traditionally done?

16 **MR. SLEMKEWICZ:** I don't believe so.

17 **COMMISSIONER SKOP:** Okay. But even with
18 the true-ups and looking at --

19 **MR. SLEMKEWICZ:** Well, there will no --

20 **COMMISSIONER SKOP:** There will be no
21 true-ups, but, I mean --

22 **MR. SLEMKEWICZ:** Just the normal process
23 will take care of West County 3.

24 **COMMISSIONER SKOP:** Okay. Well, I
25 recognize that there is compromise here. Again, my

1 preference would have been for the unit, once it's
2 placed in service or as a result of the settlement
3 to just be put into the rate base as is typically
4 done, as opposed to running it through the clause.
5 That would have provided for full cost-recovery for
6 the utility for the plant as I believe that they are
7 legally entitled to.

8 Just one final question, though, with
9 respect to the projected fuel savings. Those would
10 be limited to the revenue requirement, is that
11 correct? So that, you know, if the fuel savings
12 exceeded the revenue requirement, under the terms of
13 the settlement agreement, notwithstanding the fact
14 that there is not a true-up provision, the amount
15 that could go into the clauses would be solely
16 limited to the lesser of the revenue requirement or
17 the fuel savings, is that correct?

18 **MR. SLEMKEWICZ:** That's correct.

19 **COMMISSIONER SKOP:** And so that
20 protects -- that is a protective measure in itself.

21 **MR. SLEMKEWICZ:** Yes, it is.

22 **COMMISSIONER SKOP:** All right. Thank you.

23 I have no further questions, and at the
24 appropriate time I would like to be recognized for a
25 motion to approve the settlement agreement.

1 **COMMISSIONER BALBIS:** Mr. Chair, I have
2 one question.

3 **CHAIRMAN GRAHAM:** Yes, sir.

4 **COMMISSIONER BALBIS:** I guess, first of
5 all, just for the record, I've reviewed the
6 March 2010 final order, the stipulation and
7 settlement agreement, the October 8th, 2010, staff
8 memorandum, the November 2010 emergency motion, and
9 parties' responses to staff requests, and I just
10 wanted to confirm with the General Counsel's Office
11 that I am able to vote on this matter.

12 **MR. KISER:** Mr. Chairman. Yes, we very
13 strongly believe that because this document is a
14 moving-forward document, for the next two years the
15 Commission, the company, everyone, all the parties
16 are going to be governed by a lot of the limitations
17 and other rights that are in this document, that
18 it's important for the full Commission to
19 participate, and we were advised that Commissioner
20 Balbis has done his best to review the entire
21 record, all the necessary documents that should
22 prepare him to make an informed vote, so we also
23 endorse that he should participate.

24 **CHAIRMAN GRAHAM:** Congratulations.

25 **COMMISSIONER BALBIS:** Thank you.

1 I have one more question and a comment
2 preceding the question. One, I think this is a
3 great example of, you know, the balancing act in
4 negotiation, and the fact that we have, basically,
5 every party that represents those affected by this
6 in agreement. I do have one question. Were there
7 any other groups that were in support of this
8 agreement that aren't signatories to this document?
9 And I don't know which staff member would be best to
10 answer that or not.

11 **MS. CRAWFORD:** Jennifer Crawford for
12 staff.

13 Yes, there are a number of parties who
14 participated at the hearing, but who are not
15 signatories to the stipulation. For instance, Mr.
16 Richard Unger, who participated on his own behalf
17 did not sign. However, we do understand that we
18 have had some comments from some of these parties in
19 support of the agreement, and certainly we have not
20 heard anything in opposition to the agreement.

21 **COMMISSIONER BALBIS:** I believe staff made
22 a comment in one of my briefings that IBW was in
23 favor of this, as well, is that correct?

24 **MS. CRAWFORD:** No, that's not correct.
25 They were in favor of the stipulation.

1 **COMMISSIONER BALBIS:** Right.

2 **MS. CRAWFORD:** Did I mishear you? I may
3 have. I'm sorry.

4 **COMMISSIONER BALBIS:** Yes, that they are
5 in favor.

6 **MS. CRAWFORD:** They are in favor, correct.

7 **COMMISSIONER BALBIS:** Thank you.

8 I have no other questions.

9 **CHAIRMAN GRAHAM:** Any questions?

10 Mr. McGlothlin.

11 **MR. MCGLOTHLIN:** In response to one of
12 Commissioner Skop's questions, I would like to point
13 out that Paragraph 5C of the agreement says other
14 parties should have the right to contest FPL's
15 projection of fuel cost savings associated with West
16 County Unit 3. And in the context of the fuel
17 cost-recovery docket, our office did, through means
18 formal and informal, engage in a comprehensive
19 review of the technical basis for FPL's projections.
20 And had we been dissatisfied with that, we were in
21 the posture to oppose through testimony. We fully
22 satisfied ourselves that the assumptions were
23 reasonable in this, so I wanted the Commissioners to
24 know that we were provided that opportunity under
25 the agreement and we did exercise our due diligence

1 in that regard.

2 **CHAIRMAN GRAHAM:** Thank you, sir.

3 Commissioner Skop.

4 **COMMISSIONER SKOP:** Thank you.

5 Just to Mr. McGlothlin. Again, I
6 appreciate that point. I recognize it's a
7 compromise solution that the intervenors and the
8 parties agreed upon, and I'm fine with that. I
9 think that the fuel forecasts have been subsequently
10 revised down, so, I mean, it is questionable in
11 terms of revenue requirement whether you will even
12 get there as a result of the fuel savings, because
13 the price of natural gas has obviously come down.
14 But I think it is a -- you know, the settlement
15 agreement validates the Commission's decision and
16 the underlying FPL rate case in all material
17 aspects, including the return, authorized return on
18 equity.

19 **MR. MCGLOTHLIN:** Yes, sir.

20 **COMMISSIONER SKOP:** You know, it provides
21 for the addition of West County 3 coming into
22 service, avoiding the need for a limited proceeding
23 in that regard. But, specifically, the settlement
24 agreement as has been noted, freezes base rates
25 through 2012 protecting FPL's customers from base

1 rate increases, providing rate stability during the
2 term of the agreement, while ensuring the financial
3 health and integrity of the utility by affording FPL
4 to manage the -- the ability to manage its earnings
5 for financial reporting purposes.

6 So, simply put, the settlement agreement
7 represents constructive regulation which avoids
8 protracted litigation and promotes a constructive
9 regulatory environment, and I commend the parties
10 for, you know, entering into the agreement. And I
11 think one of the important aspects that has come up,
12 I believe Mr. Wright mentioned this, is that the ROE
13 or the return on equity that is encompassed by the
14 settlement agreement is exactly as it was decided by
15 the Commission, namely midpoint ROE of 10 percent,
16 with a floor of 9, but also if the earnings exceed
17 11 percent that the intervenors or Commission staff
18 have the ability to, you know, take appropriate
19 action as they deem necessary.

20 But I think one point that is extremely
21 important to recognize that may have been overlooked
22 is that the settlement agreement arose from the
23 decision of the Commission in the FPL rate case.
24 And while that decision was criticized, history has
25 shown that the decision of the Commission, including

1 three honorable Commissioners, Commissioner Steve
2 Stevens, Commissioner David Klement, Commissioner
3 Nancy Argenziano, who longer serve on the
4 Commission, made the right decision as evidenced by
5 the fact that the utility is financially healthy,
6 it's earning a reasonable rate of return, it is able
7 to pay dividends.

8 Again, its earnings as measured by
9 surveillance report are the subject of a staff
10 docket that staff recently opened, but, more
11 importantly, the lights are still on. And I think
12 that, you know, it was a very contentious
13 proceeding, but at the end of the day that the
14 Commission made the right decision. And I'm very
15 happy that not only the intervenors and the company
16 got the opportunity to reach a good gentlemen's
17 agreement that promotes for the utility's concerns
18 of getting recovery for its WEC 3 unit, as it
19 rightfully should, again, my personal preference
20 would they be afforded full cost-recovery up front
21 for that, but, again, I think the settlement is a
22 good compromise which keeps rates low.

23 And, again, I commend the parties and the
24 utility for all their hard work in that regard, and
25 I appreciate the opportunity to participate in this

1 decision today and hope to be able to make a motion
2 at the appropriate time. Thank you.

3 **CHAIRMAN GRAHAM:** Commissioner Skop, you
4 still have the floor for a motion.

5 **COMMISSIONER SKOP:** Thank you.

6 At this point, I'd like to move the staff
7 recommendation on Item 11 to approve the settlement
8 agreement.

9 **COMMISSIONER EDGAR:** Mr. Chairman, I would
10 be pleased to second that motion and to support
11 approval of the settlement agreement before us.

12 **CHAIRMAN GRAHAM:** I want to be clear that
13 we are moving Item 11, Issue Number 1, correct?

14 **COMMISSIONER SKOP:** Yes.

15 **MR. SLEMKEWICZ:** That's correct.

16 **CHAIRMAN GRAHAM:** Okay. It has been moved
17 and seconded. Any further discussion?

18 Seeing none, all in favor say aye.

19 (Vote taken.)

20 **CHAIRMAN GRAHAM:** Those opposed?

21 By your action you have approved Item
22 Number 11, Issue Number 1.

23 I want to thank all of you guys for all of
24 this hard work. Also I wanted to thank the First
25 DCA for letting this thing come out so we can have

1 some security moving forward.

2 Thank you.

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STATE OF FLORIDA)

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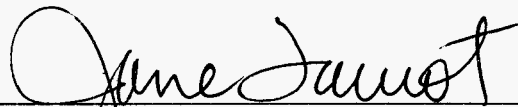
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 17th day of December, 2010.



JANE FAUROT, RPR
Official FPSC Hearings Reporter
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