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June 24, 2009

Clerk of the Public Service Commission
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

In Re: FPL Rate Case, Docket No. 080677-EI

To Whom It May Concern:

Attached to this letter is a letter sent by the City Attorney of South Daytona, Scott Simpson, to be placed in the docket file. Should you have any questions, please feel free to contact me.

Sincerely,



Bethany A. Burgess

BB/acg
Attachment

From: simpson66@bellsouth.net [mailto:simpson66@bellsouth.net]
Sent: Wednesday, June 24, 2009 2:45 PM
To: contact@psc.state.fl.us
Cc: Joe Yarbrough; Armstrong, Brian
Subject:

Dear Chairman and Commissioners:

I am the City Attorney for the City of South Daytona and I was present at the June 23rd public hearing at Daytona Beach City Hall. I did not speak during the hearing, but wanted to provide my thoughts to the Commission after hearing the comments that were made by the public and FPL.

1) There was not a single public speaker that supported the proposed rate increase by FPL. The individuals that spoke in favor of FPL spoke to FPL's level of service and FPL's involvement in the community. I do not see how this is relevant to FPL's proposed rate increase. There was no evidence presented by FPL that a portion of the revenue from this rate increase would be used to increase community support projects, that without this rate increase FPL's involvement in the community would have to be reduced or that without the rate increase FPL's level of service would be reduced. FPL's only justification for the proposed rate increase was to increase the rate of return to investors to 12.5%.

2) FPL has, in my opinion, purposely planned to submit this requested rate increase at a time when the fuel cost recovery pass through is lowering. This allows FPL to represent to the public that the net effect of this base rate increase will be a lower total electric bill. FPL is using the historic fuel costs of last year that are now falling as a way to slip in a base rate increase without the true effect of this rate increase being noticed by the customers. FPL is using a temporary rate decrease in the fuel charges to request a permanent rate increase to the base rate. The bottom line is that without the requested increase to the base rate, in January 2010 the total bill to an FPL customer would decrease by \$16.42 because of a reduction in the fuel charge pass through.

3) FPL is requesting a 12.5% rate of return on investment for its investors. FPL is allowed to make a reasonable rate of return. However what is reasonable is not defined. What is the benchmark for determining reasonable? What does the PSC compare this rate of return to in determining whether it is reasonable? Is FPL claiming that it must pay a 12.5% interest rate on bonds to be able to attract investors to buy bonds? Is FPL claiming that it must pay dividends equalling a 12.5% return on the capital investment to attract investors to buy FPL stock? What happens if FPL is able to pay a lower interest rate on debt or a lower dividend rate to stockholders? There is no investment benchmark in today's economy that would indicate that a 12.5% rate of return is reasonable. Most investors would assume such a rate of return must be a ponzi scheme run by Bernie Madoff, not a public utility with rates regulated by a state agency. I even think that the current rate of return of 10.88% is excessive. The rate of return that an investment pays is normally tied directly to the amount of risk being assumed by the investor. That is why a Certificate of Deposit pays such a low interest rate, i.e. there is little risk with such an investment. What is the amount of risk an investor is assuming by making an investment in FPL? I think the risk is relatively minimal especially given the fact that many of the variable

expenses are treated as pass throughs, such a fuel. Based on a risk analysis, a 12.5% return on investment for an FPL investor is excessive and so is the current rate of return of 10.88%. A reasonable rate of return for an FPL investor given the minimal risk that the investor is assuming is probably in the range of 4% to 6%.

Thank you for the opportunity to share my thoughts.

Scott E. Simpson
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic and U.S. Mail to the service list below, on this 24th day of June, 2009.

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