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Fla. consumer advocate questions FPL rate request

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The state's consumer advocate for utility cases says he may challenge at least portions of a request filed Monday by Florida Power & Light Co. to increase base rates by \$690.4 million per year.

Public Counsel J.R. Kelly said it would take some time to fully analyze the request to the state's Public Service Commission, but the proposal initially announced in January does raise some immediate questions.

"As of today we can start getting into the weeds," Kelly said.

The five-member commission will hold a series of hearings before making a decision toward the latter part of this year. FPL, the state's largest electric utility, serves about 4.6 million homes, customers and other businesses in South Florida and along the state's east coast.

The company wants to raise its base rate by \$6.97 per month for the typical residential customer using 1,000 kilowatt hours, but the increase would go into effect in two steps. The first would be \$5.23 in January 2013. That would be followed by a \$1.74 increase in June 2013 to begin passing on the cost of a new natural gas-burning power plant expected to go into operation at Cape Canaveral.

Company officials also expect to seek a fuel adjustment rate reduction of \$4.49 for next year. The combined effect would cut the overall increase to \$2.48 per month as of June 2013. FPL also posted a rate calculator on its website so individual customers can see how the proposal would affect them.

Kelly said he usually argues against adding the cost of new facilities to a base rate until after they are operational.

He also questioned FPL's request for an 11.5 percent rate of return on investment, which includes 0.25 percent as reward for keeping its rates low. Company officials say they expect their rates to remain the lowest in the state and among the lowest nationally even with the increase.

Kelly noted the commission recently approved only a 10.25 percent rate of return in new base rates for Pensacola-based Gulf Power Co.

"FPL has a stronger capital structure," Kelly said, so it shouldn't need a higher rate of return than Gulf to attract investment.

Juno Beach-based FPL is seeking a higher rate of return because it plans to spend \$9 billion over the next three years on power plant construction and other infrastructure, which is more than its expected earnings, said Mike Sole, the utility's vice president for state governmental affairs.

That's because FPL needs more robust infrastructure and back-up generating capacity due to the high risk of hurricanes to Florida's peninsula, said Sole, who is a former Florida Department of Environmental Protection secretary.

"Our ability to get energy from neighbors is limited," Sole said.

He also defended the 0.25 percent rate-of-return bonus as an incentive for the company to keep its rates low. He said the commission has approved such an add-on at least once before for another utility.

Kelly, though, said the company already gets rewarded for low rates through its revenues.

The commission rejected all except \$75 million of a \$1.2 billion base rate increase FPL sought two years ago. The utility then signed a settlement agreeing not to seek another base rate increase effective before 2013.

"The sky didn't fall," Kelly said. "They still were able to provide good, reliable service."

He said FPL also had no problem borrowing money at good rates despite dire predictions by utility officials.

"They are a good strong company and deserve a fair and reasonable rate of return," Kelly said.

Sole, though, noted the settlement allowed the utility to earn up to 11 percent, which it has been doing, but he said that's just a short-term solution for FPL's capital needs.

The settlement also allowed the company to begin charging customers for another new generating facility that began operating last year although it was done through a capacity clause rather than adding it to the base rate, Sole said.

That increased the rate for a 1,000-kilowatt customer by \$1.66 but it was mostly offset by a \$1.50 reduction in the fuel charge, for a net increase of 17 cents.

On the Net:

FPL rate calculator: <http://www.FPL.com/answers>

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