

FPL wants to boost electric rates by at least \$1 billion a year

The company submitted a proposal Wednesday to the Florida Public Service Commission to increase base power rates by \$1 billion in 2010 and \$1.25 billion in 2011.

By Julie Patel | South Florida Sun-sentinel
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[Florida Power & Light](#) proposes increasing electric rates by at least \$1 billion a year starting next year.

The company submitted a proposal Wednesday to the Florida Public Service Commission to increase base power rates by \$1 billion in 2010 and \$1.25 billion in 2011.

[FPL](#), the state's largest utility with 4.5 million customers, said the increase would allow it to earn a "fair" profit, while making its infrastructure stronger, more efficient and less likely to emit greenhouse-gas emissions.

Base rates are a major component of a typical FPL electric bill. Other parts include costs for fuel, storm damages and energy conservation programs.

Under the FPL proposal, base rates for residential customers would increase about 30 percent the first year. The base rate for residential customers using 1,000 kilowatt hours would increase \$12.40, from \$39.31 now to \$51.71 in January 2010 and by another \$2.84 in 2011.

Base rates after that would stay in effect until either FPL or the commission asks for another review. The commission is expected to consider the proposal later this year.

In 2005, FPL struck a deal with the state Office of Public Counsel, consumer groups and then-Attorney General [Charlie Crist](#) to freeze base rates until 2010. In its proposal, FPL says it has not increased base rates since 1985, but the utility's overall rates increased about 31 percent since then.

The new base rates would boost overall monthly residential electric bills by 11 percent next year. But FPL said its projected drop in fuel costs is expected to offset the increase the first year, potentially decreasing overall monthly residential bills by 4.5 percent or \$4.92 a month, from \$109.55 now to \$104.63 in January 2010. Under the projection, the \$54.92 fuel and purchased power fee would drop to \$37.09 in 2010.

The decrease includes a \$94 million increase in the company's actual fuel and purchased power costs for the last few months of 2008. The company told the commission last week that the

increase, which translates to an extra \$1 on monthly residential bills, is due to an increase in fuel costs and a drop in power sales.

Deputy Public Counsel Charlie Beck, who works in the state's advocacy office for utility consumers, said the increase is due to some FPL hedging contracts that locked in prices before they fell. Hedging, which is used to reduce the volatility of fuel costs for customers, is expected to help decrease FPL fuel fees next year.

FPL spokesman Mayco Villafana said a typical monthly residential electric bill for customers using 1,000 kilowatt hours of power is 17 percent lower than the national average.

"Looking ahead, if the national average were to stay the same, our 2011 typical 1,000 kilowatt-hour residential bill still would still be lower than the national average bill by 5.2 percent," he said.

FPL officials said they expect to increase monthly rates by another 72 cents in 2011 to upgrade three nuclear generators in St. Lucie County and Turkey Point near Miami to produce 400 megawatts of power free of greenhouse gas emissions.

FPL's requested base rate increase factors in a 12.5 percent rate of return on the company's common equity. Without the increase, FPL projects it would have a return on equity of 4.7 percent in 2010 and 3.1 percent in 2011.

FPL wants "to retain investor confidence despite the most uncertain and volatile capital markets that this country has experienced since the Great Depression," according to its proposal to the public service commission.

The increase is also needed, FPL says, because it has 190,000 more customers since 2006 but its sales growth has been nearly flat. Meanwhile, it notes that the cost of skilled labor, building materials and capital has increased.

"We have continued to spend significant amounts of capital to build out an infrastructure that meets the needs of new customers, but there has been no corresponding growth in sales to cover those costs," FPL says in the proposal.

<http://www.sun-sentinel.com/features/home/sfl-florida-power-electric-rates-0318,0,5843366.story>