

[Sun Sentinel](#)

FPL Asks to Lower Cost of Fuel and Other Expenses **Regulators Will Consider Approving \$4.8 Billion in Fuel, Environmental and Other Costs**

Saturday, October 31, 2009

BY JULIE PATEL
SUN SENTINEL

[Florida Power & Light](#) will ask state regulators Monday to charge customers \$4.8 billion in fuel fees, environmental costs and other expenses next year. The charges - making up about half of an [FPL](#) customer's bill - would amount to about \$44.85 a month for a typical household for the first 1,000 kilowatt-hours of power used.

That would compare with \$7.2 billion this year - about \$64 per month for a typical household - according to FPL.

The request comes in addition to FPL's proposed \$1.27 billion annual base rate increase.

The Public Service Commission is expected to vote on the \$4.8 billion request next week after hearings scheduled over three days in Tallahassee.

Some FPL critics and consumer advocates have questioned why the utility has not sought to lower customer bills this year since fuel costs nationwide have dropped since mid-2008.

Even if the charges are approved, utility customers would see a drop in monthly bills next year, according to FPL figures.

FPL also has projected the lower fuel costs will offset the effect of the proposed base-rate increase on customers' bills.

If the PSC approves both the \$1.27 billion base rate increase and \$4.8 billion in new fuel costs, utility officials said, the typical monthly household electric bill for an FPL residential customer would decline by \$7 next year.

But that would be true only if costs for natural gas and oil don't increase next year.

If the PSC approves the base rate increase and fuel prices rise significantly, a residential customer's monthly bills could increase by up to \$10 and \$13 for the first 1,000 kilowatt-hours of power used, FPL has projected.

Public Counsel J.R. Kelly, the state-appointed utility consumer advocate, has not challenged the bulk of the \$4.8 billion request.

However, Kelly opposes allowing FPL to pass to customers \$6.1 million in replacement power costs because of a massive outage in February 2008. Last year, the office helped win a \$6 million refund to customers for costs related to a 2006 outage.

FPL proposes passing the following costs to customers in 2010 through the surcharges:

\$3.9 billion for fuel, including oil and natural gas for power plants.

\$577 million to buy power when demand is higher than usual – such as after a power-plant shutdown or a heat wave that stresses the power grid. This surcharge would include \$63 million in nuclear planning costs the commission already approved.

\$180 million for programs to encourage customers to use less electricity.

\$169 million for reducing environmental costs such as power plants' greenhouse gas emissions.

Most states allow surcharges that receive annual regulatory review so utilities can pass certain costs to customers without base rate hearings, which typically happen every few years. Some of the surcharges help meet goals set by lawmakers – like reducing greenhouse gas emissions or conserving energy – that utilities may not do otherwise.

The Florida Industrial Power Users Group, which represents businesses, has called the fees a "boon" to utilities. FPL spokesman Mayco Villafana said the surcharges prevent the company from having to change rates too often, which creates unpredictability for customers. Utilities aren't allowed to earn a profit on the surcharges, except on capital projects included in the fees.

Ted Kury, the director of Energy Studies at the University of Florida's Public Utility Research Center, said the "pass-through" charges lower utilities' risk, which lowers the cost of borrowing money for projects. That should save customers money in the long run.

"But that's a very hard benefit to quantify, and that makes it frustrating for ratepayers who want to see the benefit to them. Ultimately, the PSC has to make sure that they're getting that benefit," Kury said.

A spike in fuel costs in July 2008 led Florida utilities to boost the fuel fees they passed on to customers this year and last. But natural gas prices dropped sharply since then. [Progress Energy](#) Florida lowered fuel costs in April and [Tampa Electric Co.](#) lowered them in May.

The commission required Progress to file a report in March of this year on how declining fuel costs are affecting its fuel costs but did not require the same of FPL, the state's largest utility. Villafana said FPL doesn't ask to change fuel fees for customers before the annual regulatory review unless actual costs increase or decrease by at least 10 percent.

Julie Patel can be reached at 954-356-4667 and [jpatel @ sunsentinel.com](mailto:jpatel@sunsentinel.com).

Copyright © 2009, [South Florida Sun-Sentinel](#)