

MEMORANDUM

TO: Mayor and City Council Members
FROM: Debbie Renner, City Clerk
DATE: August 11, 2009
SUBJECT: Resolution Opposing FPL Rate Increase

AUG 03 2009
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PURPOSE

To oppose the pending request by Florida Power & Light (FPL) for a rate increase.

BACKGROUND

As requested at the July 28th Council Meeting, I have prepared Resolution No. 558-09 opposing the pending rate increase request by FPL. Once the resolution is adopted, I will make distribution as set forth in Section 2.

RESOLUTION NO. 558-09

A RESOLUTION OF THE CITY OF ORANGE CITY, FLORIDA, OPPOSING THE PROPOSED THIRTY PERCENT BASE RATE INCREASE BY FLORIDA POWER AND LIGHT (FPL); PROVIDING FOR SEVERABILITY, CONFLICTS, AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, FPL is proposing an increase to its base rate in excess of 30%; and

WHEREAS, FPL is representing to the public that customers will receive a net rate decrease; and

WHEREAS, FPL is also representing that it has not received a rate increase since the mid 1980s; and

WHEREAS, FPL's representations are not completely true and may be better characterized as half-truths; and

WHEREAS, the largest component of FPL's rate is a pass through charge for fuel costs. This fuel cost pass through increased substantially during the past year due to record high energy costs. However, fuel costs are now decreasing and the lower fuel costs would result in a reduction in the bill to a 1000 kwh customer of \$16.42 per month. However, if the requested base rate increase is approved, this reduction will be reduced to \$2.41. FPL is trying to convert over 85% of the reduction its customers should receive due to lower fuel costs into a permanent increase in the base rate; and

WHEREAS, although technically true that FPL has not had a base rate increase since the mid 1980s, this does not mean that FPL's rate to its customers has remained the same since the 1980s. The State Legislature and the Public Service Commission have created pass through charges that allow public utilities to itemize certain expenses that previously were included in the base rate and line item those expenses out as a separate charge. As an example, a current 1000 kwh FPL customer's monthly bill is \$107.04, of which \$75.06 represents these pass through charges. For FPL to say that it has not received a rate increase since the 1980s is purely semantics and not making a full, honest disclosure to its customers.

WHEREAS, during the June 23rd Public Service Commission public hearing held at Daytona Beach City Hall, FPL had speakers in support of FPL's level of service and community support. However, not one person that spoke favorably of FPL supported the proposed rate increase.

WHEREAS, the fact that FPL has been a good community partner and provides a good level of service is not relevant to whether FPL's rate increase should be

approved. FPL did not indicate that the rate increase would be used to provide additional community service or an improved level of service. Nor did FPL indicate that without the rate increase FPL's community service would have to be reduced or that the current level of service would suffer. The sole purpose for the rate increase according to FPL is to increase the rate of return to investors to 12.5% from the current 10.88%; and

WHEREAS, whether you refer to the current state of the economy as a recession or depression does not really matter, it is clearly a dire economic situation. Foreclosure and unemployment rates are at record highs. Revenues at all levels of government are dropping while the demand for services is increasing during these difficult times. Personal investments and retirement plans have plummeted in value. Major corporate icons such as Chrysler, General Motors and Lehman Brothers have either filed for bankruptcy protection or gone out of business. Other major corporate icons would have certainly followed suit but for the financial assistance from the Federal government. Floridians, as well as all Americans, are trying to get by during these hard economic times by just doing with less. But not FPL; and

WHEREAS, had FPL asked for this rate increase to make sure that it was able to continue to provide adequate electric power and that without this rate increase, FPL's ability to serve its current customers would be in jeopardy, such a rate increase would be defensible and justifiable. However, for FPL to ask for a rate increase during these hard economic times only to increase profits is unconscionable; and

WHEREAS, what FPL should do is withdraw this rate increase and allow its struggling customers to get the benefit of a rate decrease because of lower fuel costs instead of taking advantage of the lower fuel costs to hide a significant rate increase only to increase profits.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ORANGE CITY, FLORIDA:

SECTION 1. The City Council of the City of Orange City hereby objects to the proposed rate increase and hereby encourages FPL to withdraw the proposed rate increase. If FPL refuses to withdraw this rate increase, the City Council hereby requests the Public Service Commission to deny the projected rate increase by FPL.

SECTION 2. Copies of this Resolution shall be submitted to FPL, the Florida League of Cities, Volusia Council of Governments, Florida Association of Counties and the Florida Public Service Commission.

SECTION 3. If any section, subsection, sentence, clause, phrase, or portion of this Resolution, or application hereof, is for any reason held invalid or unconstitutional by any Court, such portion or application shall be deemed a separate, distinct, and

independent provision, and such holding shall not affect the validity of the remaining portions or application hereof.

SECTION 4. All resolutions or parts of resolutions in conflict herewith are hereby repealed.

SECTION 6. That this resolution shall take effect immediately upon its adoption by the City Council of the City of Orange City, Florida.

ROLL CALL VOTE AS FOLLOWS:

Jim Mahoney	_____	Donald C. Sherrill	_____
R. Paul Rasch	_____	Tom Abraham	_____
Tom Laputka	_____	Jeff H. Allebach, Vice Mayor	_____
Harley Strickland, Mayor	_____		

ADOPTED THIS _____ DAY OF _____, 2009.

ATTEST:

AUTHENTICATED:

Deborah J. Renner, City Clerk

Harley Strickland, Mayor

This Resolution approved
as to form and legal sufficiency:

William Reischmann, City Attorney