



August 29, 2011

The Honorable Jay Kramer
Mayor, City of Vero Beach
P.O. Box 1389
Vero Beach, FL 32961-1389

Dear Mayor Kramer:

I write in response to the August 19, 2011 memorandum from Florida Municipal Electric Association (FMEA) lobbyist Barry Moline to the City Council. While it is not our intent or desire to engage in an ongoing debate with Mr. Moline, we are compelled to set the record straight on his continued attempts to disrupt the serious discussion between our company and the City of Vero Beach regarding the potential sale of the City's electric utility.

As a lobbyist on behalf of 34 municipally owned electric utilities, Mr. Moline has vested financial and political interests in this issue. In exactly the same fashion as the first memo Mr. Moline distributed, the commentary in his second memo is misleading, makes inflammatory statements against FPL and relies on self-serving selective information.

FPL wants to assure the Council that we remain confident that we can provide excellent, reliable service at an affordable price for the citizens of Vero Beach. FPL offers more than just low rates for our customers. We deliver better than 99.98 percent reliability, we have award-winning customer service and we offer extensive energy-efficiency programs to help customers manage their energy costs and save money. However, to make sure the record is clear, accompanying are some important facts concerning Mr. Moline's most egregious claims.

As we have said from the beginning when the City first asked us to explore a possible purchase of the electric system, we are committed to an open dialogue throughout this process. Regardless of distractions such as this, our focus right now is on working closely with the new transactional team to move negotiations forward. Please do not hesitate to let us know at any time if there are any issues that you would like to discuss. We continue to be committed to pursuing a result that benefits the current customers of Vero Beach and existing FPL customers.

Sincerely,

A handwritten signature in black ink that reads "Pam Rauch". The signature is fluid and cursive, with the first name "Pam" being larger and more prominent than the last name "Rauch".

Pamela Rauch
Vice President
Corporate & External Affairs

cc: City Council Members
James R. O'Connor, City Manager
Wayne Coment
Amy Brunjes

Florida Power & Light Company

700 Universe Boulevard, Juno Beach, FL 33408

City of South Daytona

Contrary to the implication in the FMEA memorandum, the City of South Daytona – not FPL – initiated the litigation over the value of the FPL assets. The city did so with no notice to FPL and before commencing any negotiations. After a full and comprehensive trial, a circuit court judge in Daytona Beach ruled strongly in favor of FPL, rejecting the city’s position on virtually every issue related to the value of the FPL system within the city.

Likewise, we reject the false allegations by Mr. Moline regarding FPL’s service in South Daytona. An impartial and scientifically valid survey of South Daytona residents demonstrated that the South Daytona community is satisfied with FPL’s service and overwhelmingly opposed to the city’s proposed takeover of the electric system. Some of the more important survey results are as follows:

- Sixty-nine percent of the respondents oppose a city purchase of the electric system, with only 14 percent supporting a purchase.
- Sixty-four percent of respondents expect electric rates to increase should the city purchase the electric system.
- Ninety percent of respondents believe FPL provides electric service at a good value.

“Leaning” Poles

A purely visual examination based on aesthetics cannot be used as the inspection standard that determines the integrity of utility poles. FPL has a comprehensive pole inspection program. This program encompasses a multi-step process that provides a thorough analysis of the integrity of each pole. Inspections include a visual inspection of all distribution poles from the ground line to the top of the pole to identify visual defects (e.g. woodpecker holes, split tops, decayed tops, cracks, etc.). We replace all poles, if due to the severity of their defects, are not suited for continued service. If the pole passes the above-ground visual inspection, poles are excavated to a depth of 18 inches, sounded, and bored to determine the internal condition of the pole. Again, if the pole is not in compliance, we replace the pole. Additionally, we perform strength calculations to ensure compliance with National Electric Safety Code requirements.

To better serve our customers, FPL and AT&T work together to coordinate pole inspections. AT&T owns approximately 95 percent of all poles that FPL does not own, but on which FPL attaches power lines and equipment. This ensures that all poles on the circuit are inspected at the same time. We share the results of all inspections with AT&T.

Specific to South Daytona, there are currently no unresolved customer complaints concerning leaning poles or service quality. If a customer does have a complaint or concern regarding any of our facilities, we have processes in place to ensure timely resolution and customer satisfaction.

Electric Rate Comparison

Mr. Moline is correct in his assertion that FPL’s customer bills are the lowest in the state and have been among the lowest over the past six years. In fact, FPL’s bills have decreased 11 percent since 2006. Having the lowest rates is not an anomaly, nor does it happen by accident. FPL customers pay less for electricity in large part because we made prudent, long-term investments in our infrastructure – most notably, in fuel-efficient technologies at our power plants. These investments allow us to use less fuel with lower emissions – ultimately saving our customers money. Since 2002, FPL’s investments have saved our customers more than \$3 billion in fuel costs, and by 2014, our customers will be saving an additional \$1 billion a year.

Regarding rates, Mr. Moline continues to publish baseless assumptions and manufactured guesses in an attempt to prove that FPL’s future rates will be significantly higher. In response to this, we reiterate that it is

impossible to predict any utility's rates far off in the future. The only certainty is that we froze our base rate, which makes up about half of a customer's bill, until the end of 2012. Beyond that, we will need to determine if a rate adjustment is necessary in order to maintain our service levels and fund necessary investments that make our infrastructure stronger, more reliable and more efficient on behalf of our customers. Any potential rate adjustment has to follow an extensive process through the Public Service Commission, and if approved, FPL will set new base rates for the long-term – giving our customers certainty that bills will not change drastically in the near-term. In any event, we believe that FPL will maintain one of the lowest, if not the lowest, rates in the state for the foreseeable future.

Mr. Moline is also critical of FPL's continued investments in nuclear energy; however, he continues to focus only on the capital investment while conveniently ignoring the billions of dollars in fossil fuel savings that these investments produce for our customers. Nuclear power produces clean, reliable electricity around the clock with zero emissions and very low fuel costs that save our customers money. Contrary to the figures Mr. Moline presents, we expect the 2012 monthly charges for cost recovery of nuclear investments to be \$2.09 for a typical 1,000-kwh residential customer bill. These investments, which total \$196 million in 2012, include our nuclear uprate projects at our St. Lucie and Turkey Point plants and development and licensing-related costs for our plans to build new nuclear units in the future.

The uprate projects, which are expanding the capacity of our existing nuclear facilities, are well underway and scheduled for completion by early 2013. In fact, they have already begun to deliver some benefits to customers, with 29 megawatts, of the project's total of approximately 450 megawatts, already in service. This project requires a \$2.5 billion FPL investment upfront that customers pay back over many years while they are benefiting from the estimated \$4.8 billion in fossil fuel cost savings, thus, providing a significant net benefit for our customers.

Reliability & Hurricane Response

We discussed FPL's strong reliability and nationally recognized storm response initiatives at length in our previous memorandum, but it is important to note once again that Mr. Moline's "L-Bar" figures are not recognized as a significant indicator of a utility's reliability in national benchmarking efforts. In addition, Mr. Moline conveniently continues to cite an eight-year comparison that includes the unprecedented 2004 and 2005 hurricane season, during which FPL's service territory was struck by seven named storms over 18 months. If one looks instead at the System Average Interruption Duration Index (SAIDI) and Customer Average Interruption Duration Index (CAIDI), FPL's reliability actually appears better than the City's. As we made clear in our previous memorandum, we do not make this comparison to "prove" that FPL is more reliable. This is simply to demonstrate that, regardless of which data is analyzed, both FPL and the City of Vero Beach's utility deliver strong reliability to their customers.