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February 17, 2009

-VIA HAND DELIVERY -

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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COMMISSION
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Re: Docket No. 080665-EI

Dear Ms. Cole:

I am enclosing for filing in the above docket the original and five (5) copies of Florida Power & Light Company's ("FPL's") responses to Staff's Third Data Request in this docket. FPL has agreed with Staff to file its responses no later than February 17, 2009.

If there are any questions regarding this transmittal, please contact me at 561-304-5639.

Sincerely,


John T. Butler

Enclosures

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ECR
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cc: Lisa Bennett, Esq., Office of the General Counsel
Ms. Connie Kummer, Division of Economic Regulation
Joseph McGlothlin, Esq., Office of Public Counsel

Q.

Addition of LCEC load will change the separation factor for retail load. Describe how this change in the separation factor will be reflected for surveillance purposes and how it will be reflected in cost recovery factor calculations under the following two scenarios:

- a. Accepting FPL's proposed clause treatment of the benefits;**
- b. Applying a one-time base rate reduction at the time LCEC's load comes on line.**

A.

FPL believes that the proposal set forth in the Supplement to its LCEC Petition, filed on February 12, to set the base rate benefit credit on a fixed per-kWh or per-kW basis that is then applied to the CCR clause factors will put retail customers on the same footing as if the credit were expressed as a base rate reduction. That is what FPL understands to be Staff's goal for the credit, as discussed in prior meetings among FPL, OPC and Staff. FPL proposes to flow the credit through to retail customers via the CCR clause as a matter of administrative convenience: the mechanism for the CCR clause is already in place and the CCR factors are being used for two other generation-related adjustments (i.e., the annual nuclear cost recovery amount, and any true-ups that are needed to GBRA adjustments). In contrast, there is not presently an agreed base-rate adjustment mechanism in place that could be used to reduce base rates for the base rate benefit credit.

Whether or not FPL makes the adjustment for the Lee County contract through a base rate benefit through the Capacity Clause as FPL proposes or through a change in base rates, surveillance reporting adjustments would be the same. The surveillance report adjustment is necessary to give effect to the separation factors that reflect the Lee County load. In either event, the surveillance adjustment would only be necessary for one year because the separation factors used for surveillance reporting purposes would include Lee County, beginning in 2015.

- (a) The base rate benefit which results from a change in the separation factors created when the Lee County load is served in 2014 will create a lower ROE for surveillance purposes unless FPL makes the appropriate adjustments to its monthly surveillance reporting for NOI and rate base to reflect the lower retail revenue requirements. This is because the separation factors used for surveillance will not reflect the Lee County load in 2014. Computation of the required customer credit will be made using data and projections for 2014 that are current at the time of the 2013 CCR proceeding and will be expressed as a per-kwh (or, as appropriate, a per-kw) factor. Monthly, FPL will reclassify from base revenues to clause revenues using the kwh or kw factor times actual sales. For surveillance purposes, FPL will make an adjustment to reflect the year to date expenses and rate base so that the ROE calculation will reflect the lower cost responsibility assigned to the retail customers as a result of the Lee County contract. The

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monthly adjustment will be reflected as a "Commission Adjustment" on a year to date basis.

For FPL's proposed clause treatment of the benefit, FPL would make an adjustment to the Capacity Clause adding back an amount equal to the revenue reduction amount calculated each month. The billing factor approved by the Commission for the Capacity Clause will be reduced by the kwh or kw factor.

- (b) Surveillance reporting treatment applicable to a one time base rate reduction at the time LCEC would come on-line is the same as discussed in (a) above.

Since the customers are receiving the benefit through a one time base rate reduction there would not be any adjustment through the Capacity Clause.

Q.

If FPL enters into any additional long-term wholesale sales agreements, will it seek the same treatment for those as it has requested for LCEC if the incremental fuel exceeds average fuel costs?

A.

FPL will evaluate the appropriate retail ratemaking treatment of future long-term wholesale sales agreements on a case-by-case basis depending upon the terms of those agreements. In general, FPL believes that such contracts are appropriately treated as separated sales for the purpose of retail ratemaking, consistent with past Commission practice.

Q.

What is LCEC paying on a cents/Kwh basis for purchased power under its current contract and what will they pay under the proposed FPL contract?

A.

LCEC provided the following response to Question No. 3:

“The current agreement between LCEC and Seminole and any associated rate structure does not call for a specific or fixed cents/kWh fee. Seminole sets rates annually to cover its costs and required margins, and reserves the right to impose special rate riders, even if amounts are determined and applied retroactively, designed to address shortfalls between actual and required margins. During its analysis, LCEC projected costs under the Agreement with FPL that may be higher, lower or equal to costs for purchased power under the Seminole contract, which terminates January 1, 2014 depending on the assumptions made regarding generation fuel sources, commodity prices, carbon taxes, generating unit availability, etc. The LCEC decision to pursue Agreement with FPL has as much to do with the benefits of taking power from a large, diverse and reliable system as it does with projected costs for purchased power.”

Q.

In the absence of this agreement, what other options does LCEC have to purchase power for its load?

A.

LCEC provided the following response to Question No. 4:

“Obviously LCEC believes that the best alternative for its members is pursuing the Agreement currently under consideration by the FPSC or we would not have taken this path. Should LCEC and FPL not reach agreement on amendments designed to address staff concerns and/or get FPSC approvals, and FPL subsequently decide not to proceed with the Agreement, LCEC would need to again approach various power suppliers in the marketplace to determine the next best alternatives for purchased power. LCEC would be required to work through the process on a greatly accelerated timeline, since we have been working diligently with FPL for some time on the Agreement being considered by the FPSC. Such an accelerated approach would put a burden on LCEC and disadvantage it in the marketplace as it searched for alternate suppliers.”