

Ruth Nettles

090505-EI

From: Butler, John [John.Butler@fpl.com]
Sent: Wednesday, February 17, 2010 4:59 PM
To: Filings@psc.state.fl.us
Cc: Lisa Bennett; 'Kelly.jr@leg.state.fl.us'; Charles Rehwinkel; Charles Beck; 'cecilia.bradley@myfloridalegal.com'; 'vkaufman@kagmlaw.com'; 'jmoyle@kagmlaw.com'
Subject: Electronic Filing / Docket 090505-EI / FPL's Pre-Hearing Statement
Attachments: 2.17.10.090505 FPL's Prehearing Statement.pdf

Electronic Filing

a. Person responsible for this electronic filing:

John T. Butler, Esq.
700 Universe Boulevard
Juno Beach, FL 33408
561-304-5639
John.Butler@fpl.com

b. Docket No. 090505-EI

In Re: Review of replacement costs associated with the February 26, 2008 outage on Florida Power & light's electrical system

c. The document is being filed on behalf of Florida Power & Light Company.

d. There are a total of 6 pages.

e. The document attached for electronic filing is Florida Power & Light Company's Prehearing Statement

John T. Butler
Managing Attorney
Florida Power & Light Company
(561) 304-5639
(561) 691-7135 Fax
John.Butler@fpl.com

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FPSC-COMMISSION OFFICE

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Review of replacement fuel costs,)
associated with the February 26, 2008 outage)
on Florida Power & Light Company's)
electrical System)

Docket No. 090505-EI

Filed: February 17, 2010

**FLORIDA POWER & LIGHT COMPANY'S
PREHEARING STATEMENT**

Pursuant to Order No. PSC-09-0854-PCO-EI, dated December 30, 2009 establishing the prehearing procedure in this docket, Florida Power & Light Company ("FPL") hereby submits its Prehearing Statement.

1) WITNESSES

| WITNESS | SUBJECT MATTER | ISSUES |
|----------------|---|---------------|
| J.A. STALL | Turkey Point Units 3 and 4 Operations Resulting from Flagami Transmission Event | 1 |
| G. YUPP | FPL's Replacement Power Costs | 1 |
| W.E. AVERA | Regulatory Policy on Power Cost Recovery | 1 |
| W.E. AVERA | Reasonableness of FPL's Proposed RPC Calculation | 1 |
| T.J. KEITH | Viable Options for Refunding Replacement Power Costs | 2 |

2) EXHIBITS

| WITNESS | SPONSOR | SUBJECT MATTER | EXHIBITS |
|----------------|----------------|--|-----------------|
| G. YUPP | FPL | Description of Units | GJY-1 |
| | | February 2008 Schedule A4 Heat Rate Data | GJY-2 |
| | | February 2008 Schedule A4 Fuel Cost Data | GJY-3 |

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|--|-------|
| February 2008 Schedule A4 Fuel Consumption Data | GJY-4 |
| Blended Fuel Cost Calculation | GJY-5 |
| Peaking Units Production Cost Calculation | GJY-6 |
| System Average Cost Adjustment Calculation | GJY-7 |
| Total Fuel Cost Utilizing Adjusted System Average Cost | GJY-8 |
| Purchased Power Cost | GJY-9 |

3) STATEMENT OF BASIC POSITION

The Commission should approve a credit to customers' bills in the amount of \$2,024,035 for replacement power costs ("RPC") attributable to the February 26, 2008 outage (the "Flagami Transmission Event"). FPL's RPC calculation is the fairest approach for all involved. It will ensure that customers are promptly credited for RPC attributable to the February 26, 2008 outage, while avoiding disincentives to utility investment in energy efficient and environmentally beneficial generation alternatives. This approach avoids penalizing FPL for investing in nuclear power and other technologies such as solar and wind with lower fuel costs, the benefits of which are passed on to FPL's customers.

FPL suggests that the Commission utilize the traditional fuel cost recovery true-up process in order to implement the RPC credit that is approved in this proceeding. That process will minimize the billing system expense and workload associated with a unique, one-time credit. Using this traditional method for refunds, FPL would reflect the credit in

the 2010 net true-up, where it would serve to reduce 2011 fuel cost recovery factors for all customers.

If the Commission determines instead that FPL should implement a one-time credit, the credit should be issued to customers of record during the first billing cycle beginning 60 days after the Commission decides the credit amount, based on customers' consumption in that billing cycle. Using this method would minimize the cost, complexity and delay associated with implementing a one-time credit based on 12 months of consumption.

FPL does not recommend calculating a one-time credit based on the prior 12 months of consumption, due to the time and expense entailed in performing the necessary computer programming and testing. If the Commission were to require the credit to be implemented using 12 months of consumption, FPL would not be able to implement the credit before the August 2010 billing cycle and would incur approximately \$120,000 to perform the programming and testing. Moreover, basing the credit on one month's consumption will better match the timing of the credit to the duration of the event prompting the credit, which was a very short period of time.

Under any method for calculating the credit, customers will receive the entire amount of the credit as determined by the Commission in this proceeding.

4) STATEMENT OF ISSUES AND POSITIONS

ISSUE 1: How should the replacement power costs attributable to the February 26, 2008 outage be measured, and what is the amount of such costs?

FPL: The proper amount of the RPC to be credited to customers is \$2,024,035. FPL's RPC calculation reflects (a) costs associated with replacement fuel that was required to off-set the loss of generation that occurred as a result of the February 26, 2008 outage; and (b) costs associated with off-system power purchases that FPL executed in the 8-hour period immediately following the event. During the outages at Turkey Point Units 3 and 4 resulting from the Flagami Transmission Event, FPL took prudent and conservative measures to investigate, inspect, and analyze system components prior to

safely restarting those units. It would be unfair to FPL and serve as a major disincentive to the construction and operation of low fuel-cost generating technologies such as nuclear, solar and wind if FPL were to be penalized for the RPC associated uniquely with Turkey Point Units 3 and 4 that is not a result of any imprudence in the operation of those units.

ISSUE 2: What is the appropriate method to credit customers for the replacement power costs determined pursuant to Issue 1?

FPL: The Commission should utilize the traditional fuel cost recovery true-up process in order to implement the RPC credit that is approved in this proceeding. That process will minimize the billing system expense and workload associated with a unique, one-time credit. Using this traditional method for refunds, FPL would reflect the credit in the 2010 net true-up, where it would serve to reduce 2011 fuel cost recovery factors for all customers.

If the Commission determines instead that FPL should implement a one-time credit, the credit should be issued to customers of record during the first billing cycle beginning 60 days after the Commission decides the credit amount, based on customers' consumption in that billing cycle. Using this method would minimize the cost, complexity and delay associated with implementing a one-time credit based on 12 months of consumption.

5) STIPULATED ISSUES

FPL, OPC, the Attorney General and FIPUG entered into a Proposed Resolution of Issues ("PRI") pursuant to which FPL agreed to bear the replacement power costs attributable to the Flagami Transmission Event. This PRI was approved by the Commission at the January 26, 2010 Agenda Conference.

6) PENDING MOTIONS

None at this time.

7) PENDING REQUESTS FOR CONFIDENTIALITY

FPL's request for confidential classification of information provided in response to Staff's 1st Set of Interrogatories, No. 1, dated December 10, 2009.

8) OBJECTIONS TO A WITNESS' QUALIFICATION AS AN EXPERT

None at this time.

9) STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

There are no requirements of the Order Establishing Procedure with which FPL cannot comply.

Respectfully submitted this 17th day of February, 2010.

John T. Butler, Esq.
Managing Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
Telephone: (561) 304-5639
Facsimile: (561) 691-7135

By: /s/ John T. Butler
John T. Butler
Fla. Bar No. 283479

CERTIFICATE OF SERVICE
Docket No. 090505-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic delivery this 17th day of February, 2010, to the following:

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| <p>Lisa Bennett, Esq. Division of Legal Services Florida Public Service Commission 2540 Shumard Oak Blvd Tallahassee, Florida 32399-0850 LBENNETT@PSC.STATE.FL.US</p> | <p>J. R. Kelly, Esq. Charles J. Rehwinkel, Esq Charles Beck, Esq. Office of Public Counsel c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, Florida 32399 Kelly.jr@leg.state.fl.us rehwinkel.charles@leg.state.fl.us beck.charles@leg.state.fl.us</p> |
| <p>Cecilia Bradley Senior Assistant Attorney General Office of the Attorney General The Capitol - PL01 Tallahassee, FL 32399-1050 cecilia.bradley@myfloridalegal.com</p> | <p>Jon C. Moyle, Jr., Esquire Vicki Gordon Kaufman, Esquire Keefe Anchors Gordon & Moyle, PA 118 North Gadsden Street Tallahassee, FL 32301 Attorneys for The Florida Industrial Power Users Group (FIPUG) jmoyle@kagmlaw.com vkaufman@kagmlaw.com</p> |

By: s/ John T. Butler
John T. Butler
Fla. Bar No. 283479