

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: February 23, 2016
TO: Carlotta Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Martha Barrera, Senior Attorney, Office of the General Counsel
RE: Docket Number 160001-EI - Fuel and purchased power cost recovery clause with generating performance incentive factor.

Please place the attached correspondence from John T. Butler of Florida Power & Light Company in the above-referenced docket file.

MFB/as
Attachment



John T. Butler
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February 22, 2016

-VIA ELECTRONIC DELIVERY -

Braulio Baez, Executive Director
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 160001 – Fuel and Purchased Power Cost Recovery Clause

Dear Mr. Baez:

I am writing on behalf of Florida Power & Light Company (“FPL”) to respond briefly to the letter that John Truitt of the Office of Public Counsel (“OPC”) sent you last Friday afternoon. FPL will be prepared to respond in more detail to his letter at the informal meeting that Staff has scheduled for this Wednesday afternoon, which we feel is the more useful and productive place to discuss the Woodford audit procedures. Frankly, FPL is mystified by OPC’s letter, which largely rehashes comments made at the first informal meeting that appeared to have been resolved at the end of that meeting.

In any event, there are four points that I would like to bring to your attention about what OPC is suggesting:

- OPC’s letter recites that falling gas prices resulted in FPL showing a single-year net cost for Woodford gas in 2015. This is not surprising in view of how much gas prices fell, and says nothing about the efficiency or cost controls of Woodford gas production. Furthermore, the proper scope of an audit would not reasonably include a comparison of gas production costs to then-prevailing market prices.
- OPC suggests that the number of wells that are suited should be nearly doubled from the ten wells that FPL proposes to audit. As FPL explained in the earlier informal meeting on this topic, this increased scope would substantially increase the cost of the audit and make it impossible to complete the audit by the time of the November hearings scheduled in the Fuel Clause docket, a goal that we believe all parties share. FPL does not believe that this extra cost and delay would be justified, because the sample size FPL proposes (10 wells) is at the high end of the range considered typical for auditing gas reserves projects and is clearly sufficient to assess the way that the operator is accounting for and allocating the well costs to FPL. Of course, if substantial problems were identified by auditing the initial sample, FPL would expand the scope to determine if those problems occurred at FPL's other wells.

- Similarly, auditing every last detail of every transaction related to FPL's wells as OPC suggests would be extremely time consuming and expensive, at odds with both standard practice in the industry and with what would be needed to adequately assess the charges to FPL. And again, if substantial problems were detected, then the scope of the audit could and would be expanded to determine whether FPL's other wells were similarly impacted.
- Finally, OPC suggests that the audit be expanded to evaluate the operator's regulatory compliance and financial status. These topics are clearly beyond the scope of "audits authorized in the joint venture agreement with PetroQuest," to which the Commission's Order No. PSC-15-0038-FOF-EI was referring when it directed FPL to work with Staff in developing the audit scope.

FPL is fully committed to having a full and effective audit performed for the Woodford project, and to concluding it in time for the November 2016 hearing if at all possible. FPL looks forward to discussing the procedures for the audit further on Wednesday.

Sincerely,

/s/ John T. Butler

John T. Butler

cc: Office of Commission Clerk (Stauffer via email)
Division of Audit Performance Analysis (Maurey via email)
Office of General Counsel (Helton, Barrera via email)
Office of Public Counsel (Kelly, Truitt, Rehwinkel via email)
FIPUG (Moyle via email)

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