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Sent: Monday, June 16, 2008 12:03 PM
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Subject: Re: Electronic Filing for Docket No. 080001-EI/ FPL's Response to FPUG's Motion to Dismiss Petition for Mid-Course Correction
Attachments: Response to FIPUG motion to dismiss mid-course correction petition FINAL.doc; 20080613180357305.pdf

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 080001-EI

In Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor

c. The documents are being filed on behalf of Florida Power & Light Company.

d. There are a total of **9** pages (6-page response in Word and 3-page exhibit in PDF).

e. The documents attached for electronic filing are Florida Power & Light Company's Response to FIPUG's Motion to Dismiss Petition for Mid-Course Correction, with accompanying Exhibit 1.

(DNO 5090-08)

(See attached file: Response to FIPUG motion to dismiss mid-course correction petition FINAL.doc)(See attached file: 20080613180357305.pdf)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power)
Cost Recovery Clause With)
Generating Performance Incentive)
Factor)

DOCKET NO. 080001-EI
FILED: June 16, 2008

**RESPONSE OF FLORIDA POWER & LIGHT COMPANY TO FIPUG'S
MOTION TO DISMISS PETITION FOR MID-COURSE CORRECTION**

Florida Power & Light Company ("FPL") hereby responds to FIPUG's Motion to Dismiss the FPL/PEF Rate Increase Petitions or to Grant Alternative Relief for the Protection of Customers (the "FIPUG Motion"). FPL respectfully requests that the Commission deny the FIPUG Motion, including the requests for alternative relief contained therein. The grounds for FPL's response are as follows:

1. On June 3, 2008, FPL filed a petition for approval of a mid-course correction in FPL's Fuel and Purchased Power Cost Recovery ("FCR") Clause factors for the remainder of 2008 (the "FPL Petition"). The mid-course correction requested by FPL would collect the \$121,036,106 final under-recovery of 2007 FCR costs and the \$625,117,310 under-recovery of 2008 costs that FPL projects based on current information, for a total projected under-recovery at the end of 2008 of \$746,153,416. FPL's calculation of this total projected under-recovery was performed in accordance with Order No. PSC-07-0333-EI ("Order 07-0333"), which the Commission issued in Docket No. 070001-EI on April 16, 2007 to clarify and specify the basis for mid-course

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correction calculations to be used thereafter.¹ The FIPUG Motion alleges no deviation by FPL from the computational requirements of Order 07-0333.

2. Order 07-0333 states that a utility should notify the Commission when the total projected under-recovery exceeds 10% of the utility's current projection of the Jurisdictional Fuel Revenue Applicable-to-Period (Schedule A-2, Line C3). FPL's total projected under-recovery for 2008 is slightly more than 12% of the current projection of 2008 Jurisdictional Fuel Revenue Applicable-to-Period. Therefore, FPL is obliged by Order 07-0333 to notify the Commission of its under-recovery. FPL satisfied this obligation by filing the FPL Petition.

3. The FIPUG Motion alleges no deviation from Order 07-0333 in FPL's determination of the percentage that the total projected under-recovery represents of total projected fuel revenues, other than to quote out of context from a sentence from Order 07-033 about "actual" fuel costs. This quote is part of a larger discussion in Order 07-0333 of how to calculate the percentage deviation in fuel costs, which clearly describes the exact calculation performed by FPL:

Upon consideration, we determine that to ensure consistency in the electric utilities' interpretation of Commission Order Nos. 13694 and PSC-98-0691-FOF-PU on a prospective basis commencing June 1, 2007, the appropriate method to determine whether actual fuel costs are ten percent greater than or less than projected fuel costs is to divide the estimated End-of-Period Total Net True-up by the current period's total actual and estimated Jurisdictional Fuel Revenue Applicable-to-Period.

The estimated End-of-Period Total Net True-up represents the utilities' best estimate, using the most current projections, of what the actual balance will be on Schedule A-2 – Calculation of True-up and Interest Provision, Line C11, at the end of the current period less any previous periods' true-ups for which recovery has been deferred, by order, until

¹ Order 07-0333 was made final and effective by Order No. PSC-07-0414-CO-EI, dated May 11, 2007.

after the current recovery period. The current period's total actual Jurisdictional Fuel Revenue Applicable-to-Period should be consistent with the amount reported in the Period-to-Date column on Schedule A-2, Line C3, and the estimated amount of Jurisdictional Fuel Revenue Applicable-to-Period should represent the most current projection of those amounts for future months in the current period.

Order 07-0333 at 5. The FIPUG Motion likewise does not dispute FPL's obligation, once it determined that the 10% threshold had been reached, to report the projected under-recovery to the Commission.

4. In short, FPL has properly petitioned for a mid-course correction, in accordance (and compliance) with Order 07-0333. The FIPUG Motion alleges no deficiency in the FPL Petition that could possibly warrant dismissal. Accordingly, FIPUG's request that the Commission "summarily deny" the FPL Petition must be rejected.

5. The FIPUG Motion asks that, in the alternative, the Commission hold a hearing before ruling on FPL's proposed mid-course correction. The Commission has not traditionally held hearings prior to ruling on mid-course corrections,² and it would be unnecessary and inappropriate to do so here. A hearing is unnecessary because, as is the case with other FCR revenues, the revenues collected pursuant to the mid-course correction are subject to review and true-up in the subsequent annual FCR hearings. Moreover, FIPUG and other parties will be given an opportunity to present their views on the mid-course correction to the Commissioners at the agenda conference where the

² See, e.g. Order No. PSC-07-0739-PCO-EI, Docket No. 070001-EI, dated September 17, 2007; Order No. PSC-03-0381-PCO-EI, Docket No. 030001-EI, dated March 19, 2003; Order No. PSC-01-0963-PCO-EI, Docket No. 010001-EI, dated April 18, 2001; Order No. PSC-02-0501-AS-EI, Docket Nos. 001148-EI/020001-EI, dated April 11, 2002; Order No. PSC-96-0907-FOF-EI, Docket No. 960001-EI, dated July 15, 1996; see also Order No. PSC-01-1665-PAA-EI, Docket No. 010001-EI, dated August 15, 2001 (explaining the Commission's policy of reviewing and approving mid-course corrections without holding a hearing in advance of approval).

Commission rules on the FPL Petition. A hearing would be inappropriate because it would work against one of the fundamental purposes of a mid-course correction: to adjust the FCR factors promptly to reflect major changes in projected fuel costs. Holding a hearing would inevitably delay implementation of the mid-course correction and likely would result in a substantial reduction in the number of months remaining in 2008 over which collection of the under-recovery could be spread.

6. Finally, the FIPUG Motion asks that, if a mid-course correction is approved, it be spread over 2009 as well as the remainder of 2008. FPL believes that such an approach would be short-sighted and unwise. FPL presently has no reason to expect that customers' total bills will be lower in 2009 than what they will be for the remainder of 2008 with the mid-course correction fully recovered this year. For example, as shown on Exhibit 1 attached hereto, the current market prices for natural gas and residual fuel oil delivered in 2009 are as high or higher than the prices for those same fuels delivered in 2008. Deferring a portion of the mid-course correction for recovery in 2009 could well contribute to another step-increase in customers' total bills at the beginning of 2009, which is inconsistent with what FPL understands to be the intent of the Commission's mid-course correction policy. Spreading the mid-course correction over seventeen months (*i.e.*, the remainder of 2008 and all of 2009) rather than over the remaining five available months of 2008 would also result in a significant increase in the total interest charges incurred by customers on the outstanding under-recovery balance while it is being recovered.

WHEREFORE, FPL requests that the Commission deny the FIPUG Motion in its entirety and approve the mid-course correction proposed in the FPL Petition.

Respectfully submitted,

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By: /s/ John T. Butler
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CERTIFICATE OF SERVICE

Docket Nos. 080001-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing Response of Florida Power & Light Company to FIPUG's Motion to Dismiss Petition for Mid-Course Correction has been furnished by electronic delivery on this 16th day of June, 2008, to the following:

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