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Public Service Commission

August 14, 2008

John T. Butler, Esquire
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408

STAFF'S THIRD DATA REQUEST

Re: DOCKET NO. 080001-EI - Fuel and purchased power cost recovery clause with generating performance incentive factor.

Dear Mr. Butler:

By this letter, the Commission staff requests that Florida Power & Light Company (FPL or utility) provide responses to the following data requests.

1. Order No. PSC-02-1484-FOF-EI allowed hedging for purchased power. FPL's proposed Hedging Order Clarification Guidelines address hedging for natural gas and fuel oil and for natural gas and fuel oil required to be provided under a purchased power agreement. Should directly hedging purchased power be excluded from the clarification guidelines? Please explain.
2. Please refer to Exhibit 1 and to IV. c. of the Hedging Order Clarification Guidelines.
 - A. Since the beginning of 2003, has FPL's fuel price hedging activities reduced the volatility in the fuel factor? Please explain.
 - B. Please provide calculations or other support for the idea that hedging activities reduce volatility in the fuel factor, i.e., reduce the period to period percentage change in the fuel factor.
3. How can an IOU show that it has met the goal of controlling "volatility of fuel adjustment charges?" In other words, if a utility's results show "losses," but claims that the goal is not to have "gains" or avoid "losses," but rather, to control "volatility of fuel adjustment charges," how would the IOU show that it met that goal? Please include a measurement method that all parties can agree to as a fair measurement method.

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4. Please refer to Exhibit 1 of the petition – Hedging Order Clarification Guidelines. Given the statement in IV. e., why is it necessary to have the following phrase in IV. b.?

“or attempting to anticipate the most favorable point in time to place hedges.”

5. Regarding Section I.a., what is the level of detail your utility expects to report for Items 1, 3, 4-9, and 13-15?
6. Regarding Section I.a., why does the guideline not include Items 2, 10, 11, and 12 of TFB-4 required by Order No. PSC-02-1484-FOF-EI?
7. Regarding Section IV.b., is it correct that a utility’s efforts to flexibly determine within any particular month the volume to be hedged during that month cannot be expected to reduce the volatility of fuel price hedging? As an example, is it correct that hedging a pre-set volume of natural gas purchases during a month when forward prices are at an historical high is not expected to increase fuel price volatility for the utility, even when the volume of natural gas hedged by all other hedgers in the nation declines substantially?
8. Regarding Section IV.g., does the guideline contemplate that the volume of the hedge will vary within the utility’s implementation of this guideline only according to changes in the forecast of fuel burn and no other reason? Please explain.
9. Regarding Section IV.e., does the guideline contemplate that that the utility will base its hedge volume on a percentage basis rather than a volume basis?
10. Regarding Section IV.e., does the guideline contemplate a specific percentage to hedge rather than a percentage range to hedge for any fuel type?
11. Provide any documentation, including studies, reports, and risk management literature relied upon by your utility to support the idea that dynamically adjusting the volumes to be hedged based upon latest market conditions:
 - A. Does not reduce fuel price volatility,
 - B. Does not increase hedging gains, and
 - C. Does not decrease hedging losses.

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Please file the original and five copies of the requested information by Tuesday, August 19, 2008, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6230 if you have any questions.

Sincerely,



Lisa C. Bennett
Senior Attorney

LCB:th

cc: **Office of Commission Clerk**
Division of Economic Regulation (Lester, McNulty)
All Parties of Record in Docket No. 080001-EI