COMMISSIONERS:
NANCY ARGENZIANO, CHAIRMAN
LISA POLAK EDGAR
NATHAN A. SKOP
ART GRAHAM
RONALD A. BRISÉ

STATE OF FLORIDA

OFFICE OF THE GENERAL COUNSEL
S. CURTIS KISER
GENERAL COUNSEL
(850) 413-6199

Public Service Commission

August 26, 2010

Federal Executive Agencies
Shayla L. McNeill, Capt. USAF
Utility Litigation & Negotiation Team Staff Attorney
AFLOA/JACL-ULT AFCESA
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5317

STAFF DATA REQUEST NO. 5

Re: Docket No. 080677-EI – Petition for increase in rates by Florida Power & Light Company.

Dear Captain McNeill:

By this letter, the Commission staff requests that each party to the proposed Stipulation and Settlement Agreement (Settlement), to the best of its ability, provide responses to the following data requests. The paragraph numbers refer to the paragraphs in the proposed Settlement.

Paragraph 3 - Storm Cost Recovery

1. Based on the monthly $4.00/1,000 kWh cap for residential customers for storm cost recovery and projected sales for 2010, please provide the annual dollar amount that would be recovered from the residential customers and the total that would be recovered from all customers.

2. For each of the 3 hypothetical scenarios in the following table, please provide the storm cost recovery amount that Florida Power & Light Company (FPL or Company) would seek to recover from its ratepayers.

	Scenario 1	Scenario 2	Scenario 3
Storm Damage Reserve Level at Implementation Date	150,000,000	150,000,000	150,000,000
Storm Damage Reserve Level at Time of Storm	150,000,000	150,000,000	135,000,000
Recoverable Storm Damage Costs Charged to Reserve	360,000,000	40,000,000	100,000,000
Storm Damage Reserve Level After Storm	(210,000,000)	110,000,000	35,000,000
Storm Cost Recovery Amount			

3. Assuming an Implementation Date of October 1, 2010, what is the projected level of the storm reserve on a retail and system basis?

4. In responding to the following two questions, please refer to the last sentence of paragraph 3 which reads:

> The Parties expressly agree that any proceeding to recover costs associated with any storm shall not be a vehicle for a "rate case" type inquiry concerning the expenses, investment, or financial results of operations of the Company <u>and</u> shall not apply any form of earnings test or measure or consider previously or current base rate earnings or level of theoretical depreciation reserve.

(emphasis added)

a. In this sentence of the Settlement, it enumerates various prohibitions concerning "rate case" type inquires and earnings tests. Does this sentence mean that the Joint Movants agree that the Company's actual earnings level at the time any request for storm damage cost recovery is made will not be at issue in the proceeding?

b. If the answer to (a) above is no, please explain what the parties intend by this sentence.

5. Please refer to the first full sentence on page 4 regarding the recovery of storm damage costs, please describe in detail how this provision of the proposed Settlement Agreement will operate.

Paragraph 4 - Clause Recovery

6. a. Would any increases in generation-related investments be precluded from recovery through a cost recovery clause? If not, please indicate what kinds of generation-related investments would be recoverable through a cost recovery clause, and which clause(s).

b. Page 4 of Order No. 14546 lists the appropriate expenses to be recovered through the fuel and purchased power cost recovery clause. Among the listed expenses is the following paragraph:

> Fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers. Recovery of such costs should be made on a case by case basis after Commission approval.

How will Paragraph 4 of the stipulation affect current and future recovery of fuel-related costs as discussed in the above paragraph?

c. Please refer to the first sentence of Paragraph 4. Does the definition of costs that are of a type "which traditionally and historically would be, have been, or are presently recovered through cost recovery clauses or surcharges" exclude the recovery of capital costs associated with future fuel-related capital projects through the fuel and purchased power cost recovery clause?

d. Does Paragraph 4 of the stipulation prevent or preclude FPL from recovering the capital costs associated with the Scherer Unit 4 uprate (high pressure turbine blades project) through the environmental cost recovery clause or the fuel and purchased power cost recovery clause? Please explain.

7. Other than presumably transmission-related assets, what other categories of investments would be precluded from recovery through a cost recovery clause by this stipulation?

8. a. Please define and give examples of what would constitute "incremental costs not currently recovered in base rates."

b. Referring to the incremental costs in question 8 (a) above, are there are any costs that the Legislature could not, pursuant to the stipulation, subsequently deem to be clause-recoverable (either through an existing clause or a new clause)? If so, what would they be?

c. Referring to the incremental costs in question 8 (a) above, are there are any costs that the Commission could not, pursuant to the stipulation, subsequently deem to be clause-recoverable (either through an existing clause or a new clause)? If so, what would they be?

Paragraph 5 - Revenue requirements and fuel savings associated with WCEC 3.

9. a. Does FPL expect fuel savings to exceed the revenue requirement for West County 3 for every year of the stipulation – remainder of 2011, calendar year 2012? Please explain.

b. For the balance of the calendar year 2011, what is the projected non-fuel revenue requirement for West County Unit 3?

c. For calendar year 2012, what is the projected non-fuel revenue requirement for West County Unit 3?

d. For the balance of the calendar year 2011, what is FPL's current estimate of the fuel savings associated with the addition of West County Unit 3?

e. For calendar year 2012, what is FPL's current estimate of the fuel savings associated with the addition of West County Unit 3?

10. a. If the fuel savings which offset the revenue requirement associated with West County Unit 3 are based on a fuel forecast, is there a provision or understanding that the estimated fuel savings will be adjusted (trued-up) to actual fuel savings?

b. Why is the fuel savings based on projected fuel costs and not actual fuel costs?

11. Please provide the dollar allocation to each rate class for the total projected non-fuel annual revenue requirement associated with WCEC 3 for 2011 and for 2012.

12. Please provide the dollar allocation of the total projected annual fuel savings associated with WCEC 3 for each rate class for 2011 and for 2012.

13. What is the total impact on a 1,000 kwh residential bill of including WCEC 3 in rates for 2011? For 2012?

14. a. Please refer to Paragraph 5 (c) of the Stipulation. Will FPL, in its projection testimony for Docket No. 100001-EI, state the pre-West County Unit 3 fuel factors and capacity cost recover factors and the post-West County Unit 3 fuel factors and capacity cost recovery factors?

b. Other than Question 14 (a) above, how will the recognition of fuel savings associated with West County Unit 3 affect FPL's projection testimony, E Schedules, and exhibits in Docket No. 100001-EI?

Paragraph 6 – Return on Equity

15. Paragraph 6 of the Settlement states that the "FPSC actual, adjusted basis" and the "actual adjusted earned return" will reflect all adjustments to FPL's books required by Commission rule or order. Does this include the ratemaking adjustments regarding aviation costs and incentive compensation?

Paragraph 7 - Depreciation Reserve Surplus Amortization

16. As clarification, what is the minimum amortization amount of the reserve surplus contemplated to be recorded in 2010?

17. Part (c) of Paragraph 7 caps the amortization amount of the reserve surplus at $267 million each year and limits the total amortization for the period of the Settlement to no more than $776 million, unless a greater amount of amortization is needed for an FPSC actual adjusted return on equity of 9 percent. Assuming that $776 million of the $894 million reserve surplus identified in the Final Order is amortized during the Settlement period, $118 million of the reserve surplus will remain in 2013. Does the Settlement contemplate that the remaining surplus amount of $118 million would be amortized in 2013? If negative, please explain how the 4-year amortization of the $894 million reserve surplus the Commission approved in the Final Order will be satisfied.

18. Excluding any discretionary amortization of the depreciation surplus discussed in paragraph 7, what is the annual depreciation expense FPL projects it will book for 2010?

19. How is depreciation expense recognized for WCEC 3? In the fuel clause? Or in a subsequent base rate proceeding? Explain.

Other Questions

20. For the purpose of this question, please refer to page 6 of FPL's Settlement, attached as Exhibit A to the August 20, 2010 Agreed Motion for Approval of Settlement Agreement.

a. Can FPL or any other party to this Settlement terminate it? Please explain your response.

b. Please identify where in this Settlement the termination of this agreement is addressed.

Please file the original and five copies of the requested information by Tuesday, September 7, 2010, 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
Parties of Record in 080677