

070001-EI

Exhibit B
Redacted Documents

CMP _____
COM _____
CTR _____
ECR 1
GCL _____
OPC _____
RCA _____
SCR _____
SGA _____
SEC _____
OTH _____

DOCUMENT NUMBER DATE
09820 OCT 29 8
FPSC-COMMISSION CLERK

Q.

Do you agree that \$0.75 per barrel is a reasonable estimate of the average per barrel transportation and handling cost of residual oil from the Gulf Coast to FPL? If not, please supply the Commission with the cost(s) FPL proposes as a more reasonable estimate(s) and explain FPL's basis for its estimate as opposed to the staff estimate.

A.

1 No. FPL does not agree that \$0.75 per barrel is a reasonable estimate of the average per
2 barrel transportation and handling cost of delivering residual fuel oil from the Gulf Coast
3 to FPL. FPL estimates that "transportation-only" related costs from the Gulf Coast
4 currently range from [REDACTED] to [REDACTED] per barrel, depending on the delivery location to FPL.
5 This estimate covers the equipment charter, tug fuel costs and fuel costs incurred for
6 barge heaters. In addition to these "transportation-only" related costs, there are several
7 other cost components that must be added to estimate the total cost of transportation and
8 handling. These additional costs include an environmental fee (\$0.07 per barrel), an
9 inspection fee (\$0.01 per barrel), dockage and wharfage fees (\$0.10 to \$0.15 per barrel,
10 on average) and port charges (\$0.04 per barrel, on average). Therefore, FPL estimates
11 that the total average per barrel cost for transportation and handling for residual fuel oil
12 delivered to FPL from the Gulf Coast falls within the range of [REDACTED] per barrel to [REDACTED]
13 per barrel. This estimated range covers "base" transportation and handling costs. FPL
14 could potentially incur additional costs for demurrage (up to \$25,000 per day, on average)
15 and/or two-porting [REDACTED] per barrel) if the residual fuel oil is offloaded at more
16 than one FPL location.

**Florida Power & Light Company
Docket No. 070001-EI
Staff's Fourth Set of Interrogatories
Interrogatory No. 18
Page 1 of 3**

Q. Do you agree that the information contained in the tables are true and correct? If not, please explain any changes which you would recommend and why you would suggest those changes.

A. The calculations shown in Attachment A, as well as the underlying market data utilized in those calculations, are not sufficient to make the comparisons that are detailed in the tables. The simplified calculation does not accurately represent the actual cost components of the final delivered purchase price that FPL pays for residual fuel oil. Generally, the purchase price of residual fuel oil as reflected on Schedule A5 is composed of five components, (1) the commodity price (set by a market indices), (2) an adder in dollars per barrel that each supplier charges to cover transportation and handling and any additional costs (i.e., margin, additional costs to meet FPL's fuel oil specifications), (3) the cost of additives, (4) the impact of FPL's hedging results, and (5) prior period accounting true-ups/adjustments.

Commodity Price

1 FPL executes contracts for residual fuel oil that contain various pricing formulas,
2 depending on the term of the contract and market conditions. Although one pricing
3 formula does not apply to all deliveries, FPL generally uses [REDACTED]
4 [REDACTED] as obtained in the Platts
US Marketscan publication to set its index prices. A comparison of the US Gulf Coast
Spot Price data from the EIA that is utilized in Attachment A, to the Platts US
Marketscan US Gulf Coast No. 6 1% 6.0 API min shows that the EIA price data is
significantly understated for the 2005 though 2006 time period. The comparison is
shown below:

Florida Power & Light Company
Docket No. 070001-EI
Staff's Fourth Set of Interrogatories
Interrogatory No. 18
Page 2 of 3

Month	EIA Gulf Coast Residual Fuel Oil 1.0 % Sulfur LP Spot Price CIF (\$/Barrel)	Platts US Marketscan Gulf Coast Residual Fuel Oil No. 6 1% 6.0 API min Spot Price (\$/Barrel)	Variance (\$/Barrel)
Jan-2005	27.16	31.15	(3.99)
Feb-2005	26.34	31.04	(4.70)
Mar-2005	31.37	34.47	(3.09)
Apr-2005	36.59	39.40	(2.81)
May-2005	35.96	39.62	(3.65)
Jun-2005	38.63	41.15	(2.52)
Jul-2005	40.48	42.88	(2.40)
Aug-2005	42.71	46.80	(4.10)
Sep-2005	50.03	56.56	(6.52)
Oct-2005	44.93	54.71	(9.78)
Nov-2005	42.55	52.68	(10.12)
Dec-2005	41.61	50.31	(8.70)
Jan-2006	46.12	48.74	(2.61)
Feb-2006	45.94	47.45	(1.51)
Mar-2006	44.18	46.66	(2.48)
Apr-2006	46.77	50.80	(4.03)
May-2006	47.84	51.24	(3.40)
Jun-2006	46.10	48.36	(2.27)
Jul-2006	48.39	50.20	(1.81)
Aug-2006	48.94	52.50	(3.56)
Sep-2006	42.42	42.62	(0.20)
Oct-2006	36.86	40.67	(3.81)
Nov-2006	39.85	44.50	(4.66)
Dec-2006	42.68	42.25	0.43

1 This variance, coupled with the fact that FPL's pricing is obtained from [REDACTED]
 2 [REDACTED], creates a significant mismatch on the commodity
 3 component of FPL's actual purchase price with the values shown in the tables in
 4 Attachment A.

Supplier Adder

5 As stated in response to Interrogatory No. 17, Staff's estimate of \$0.75 per barrel for
 6 transportation and handling is not a reasonable estimate. Compared to FPL's
 7 transportation and handling estimates, Staff's \$0.75 per barrel would, at a minimum
 8 without demurrage or two-port charges, range from [REDACTED] per barrel to [REDACTED] per barrel
 too low.

**Florida Power & Light Company
Docket No. 070001-EI
Staff's Fourth Set of Interrogatories
Interrogatory No. 18
Page 3 of 3**

The tables in Attachment A also do not take into account the fact that the market indices used for commodity pricing do not reflect a stand-alone product that meets the detailed fuel oil specifications required by FPL. To the extent that a supplier projects to incur additional costs to meet FPL's fuel oil specifications for viscosity, nitrogen, calcium, aluminum and silica, separability index, zinc, magnesium and phosphorus, the supplier may incorporate a premium into the adder to ensure cost recovery.

Lastly, as part of its adder, each supplier may also incorporate an additional profit margin. Although this margin would vary between suppliers and contracts, the suppliers' profit is a real cost that FPL must pay as part of its residual fuel oil procurement. The tables in Attachment A seem to indicate that a supplier would sell its residual fuel oil to FPL at a "breakeven" cost which is not feasible.

Additives

The total cost of purchases on Schedule A5 includes the cost of fuel oil additives.

Hedging Impact

FPL's purchase price of heavy oil as reflected on Schedule A5 and shown in the tables in Attachment A incorporates the results of FPL's hedging program. During 2005, the impact of hedging resulted in a reduced cost of approximately \$3.26 per barrel, on average. During 2006, the impact of hedging resulted in a cost increase of approximately \$3.23 per barrel, on average.

Prior Period Accounting True-Ups/Adjustments

The total cost of purchases on Schedule A5 includes true-up amounts from prior periods to reflect actual costs paid versus estimated values.

Florida Power and Light Company
Docket No. 070001-EI
Staff's Fourth Set of Interrogatories
Interrogatory No. 20
Page 1 of 2

Q. According to Column (n) of the Residual Oil Table, from 2005 to 2006, the average price paid by FPL increased from \$41.41 to \$53.17 per barrel (an increase of \$11.76). Do you agree that this is an accurate depiction of FPL's residual oil prices for 2005 and 2006? If not, please explain why not.

A. No. The following table reflects FPL's actual 2005-2006 purchase price of residual fuel oil after adjusting the volume and dollars reflected on Schedule A5 for the impact of additives and hedging:

	A	B	C	D	E	F	G	H	I	J
	A	B								
	Month-Year	A5 Purchases	Additives Included on A5	Total Purchases Adjusted for Additives	A5 Total Cost of Purchases	Cost of Additives	Impact of Hedging	Total Adjusted Cost of FPL Purchases	Average FPL Delivered Purchase Price	
		Barrels	Barrels	Barrels	Dollars	Dollars	Dollars	Dollars	\$/Barrel	
1										
2										
3	Jan-2005	1,800,411			57,337,332					
4	Feb-2005	2,222,962			69,871,968					
5	Mar-2005	1,928,832			62,989,133					
6	Apr-2005	1,126,137			38,391,693					
7	May-2005	3,010,146			108,372,322					
8	Jun-2005	3,350,468			134,117,115					
9	Jul-2005	2,311,975			93,090,479					
10	Aug-2005	3,830,497			166,988,373					
11	Sep-2005	3,093,467			147,525,633					
12	Oct-2005	3,815,277			192,389,842					
13	Nov-2005	2,064,983			95,382,085					
14	Dec-2005	2,859,178			135,086,216					
15	Jan-2006	2,500,401			138,078,751					
16	Feb-2006	687,775			38,543,587					
17	Mar-2006	284,607			23,639,489					
18	Apr-2006	523			442,426					
19	May-2006	2,347,290			119,069,577					
20	Jun-2006	1,559,465			79,302,957					
21	Jul-2006	1,348,505			70,222,785					
22	Aug-2006	2,068,724			102,974,025					
23	Sep-2006	2,189,855			118,950,545					
24	Oct-2006	756,692			40,232,306					
25	Nov-2006	1,345,209			68,951,925					
26	Dec-2006	992,434			55,401,977					

27 Referring to the attached table, the price FPL paid for residual fuel oil ranged from a low of
28 ██████ per barrel in January 2005 to a high of ██████ per barrel in October 2006 (a \$23.18 price
29 movement). By December 2005, FPL's purchase price had declined ██████ per barrel. FPL's
30 purchase prices were relatively stable throughout the first eight months of 2006, averaging near

Florida Power and Light Company
Docket No. 070001-EI
Staff's Fourth Set of Interrogatories
Interrogatory No. 20
Page 2 of 2

1 ■■■ per barrel within a range of ■■■ per barrel to ■■■ per barrel. From August to October
2 2006, FPL's purchase price declined \$11.62 per barrel from ■■■ per barrel to ■■■ per
3 barrel. FPL's purchase price in November and December was stable at approximately ■■■ per
barrel. As evidenced by this table, the movement of FPL's purchase prices for residual fuel oil
during 2005 and 2006 "mirrored" the movement of market prices as described in the response to
Interrogatory No. 19.

**Florida Power & Light Company
Docket No. 070001-EI
Staff's Second Request for Production of Documents
Request No. 7
Page 1 of 1**

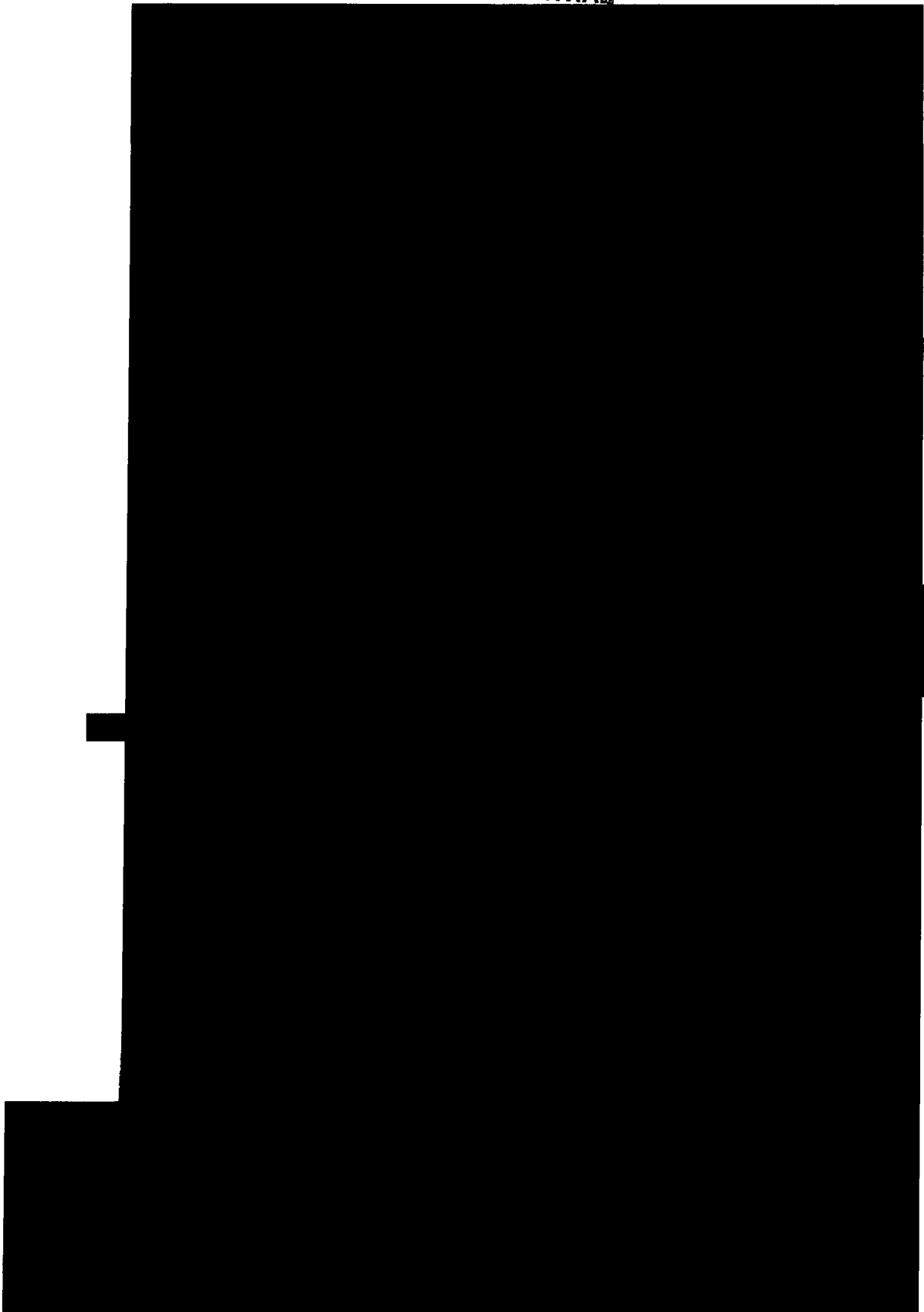
Q.

Please provide a complete copy of all workpapers supporting the testimony of FPL witness Terry Jones.

A.

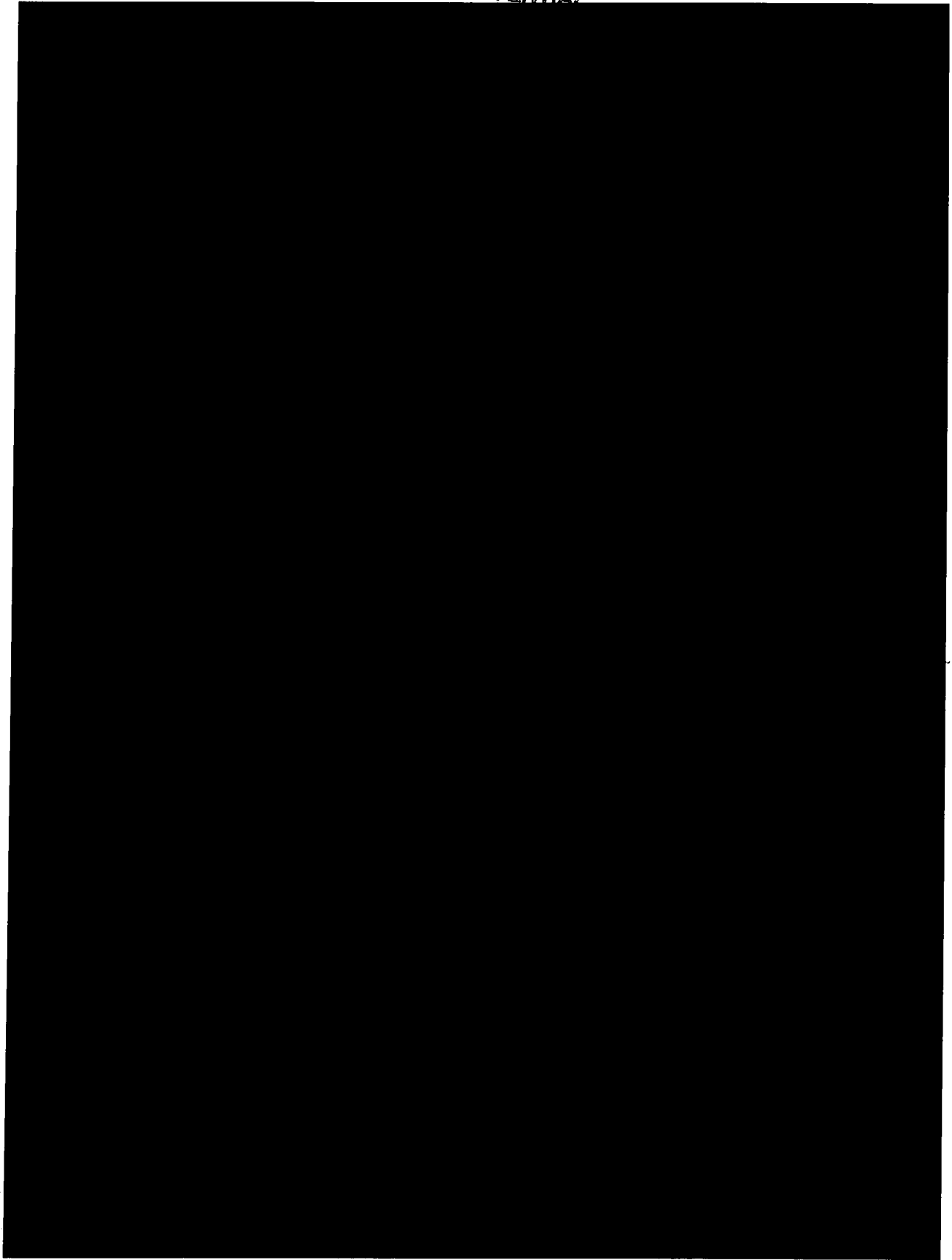
Document responsive to this request is provided as Bates Nos. FCR 07-3652 through FCR 07-3679

CONFIDENTIAL



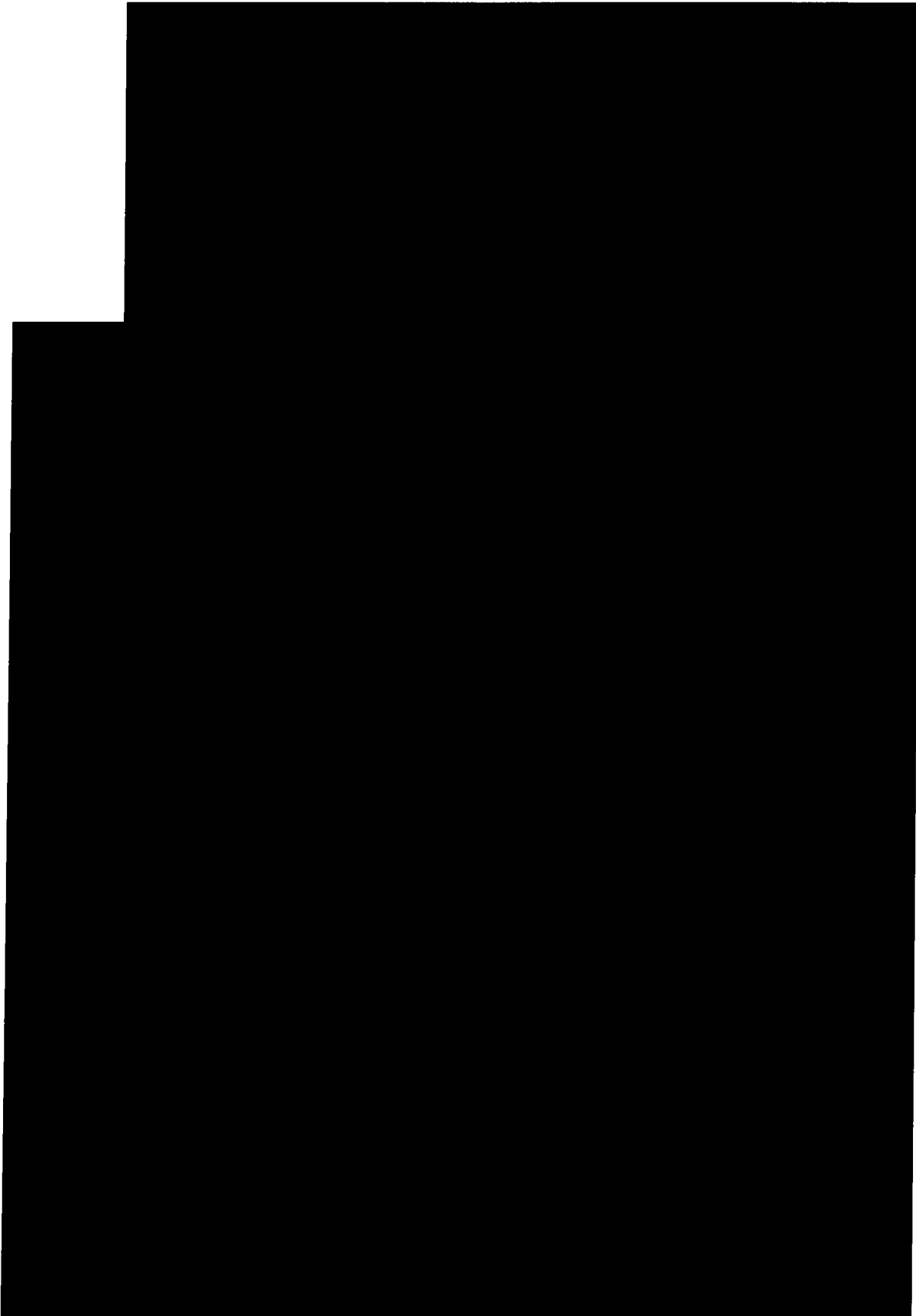
FCR-07-3652

CONFIDENTIAL

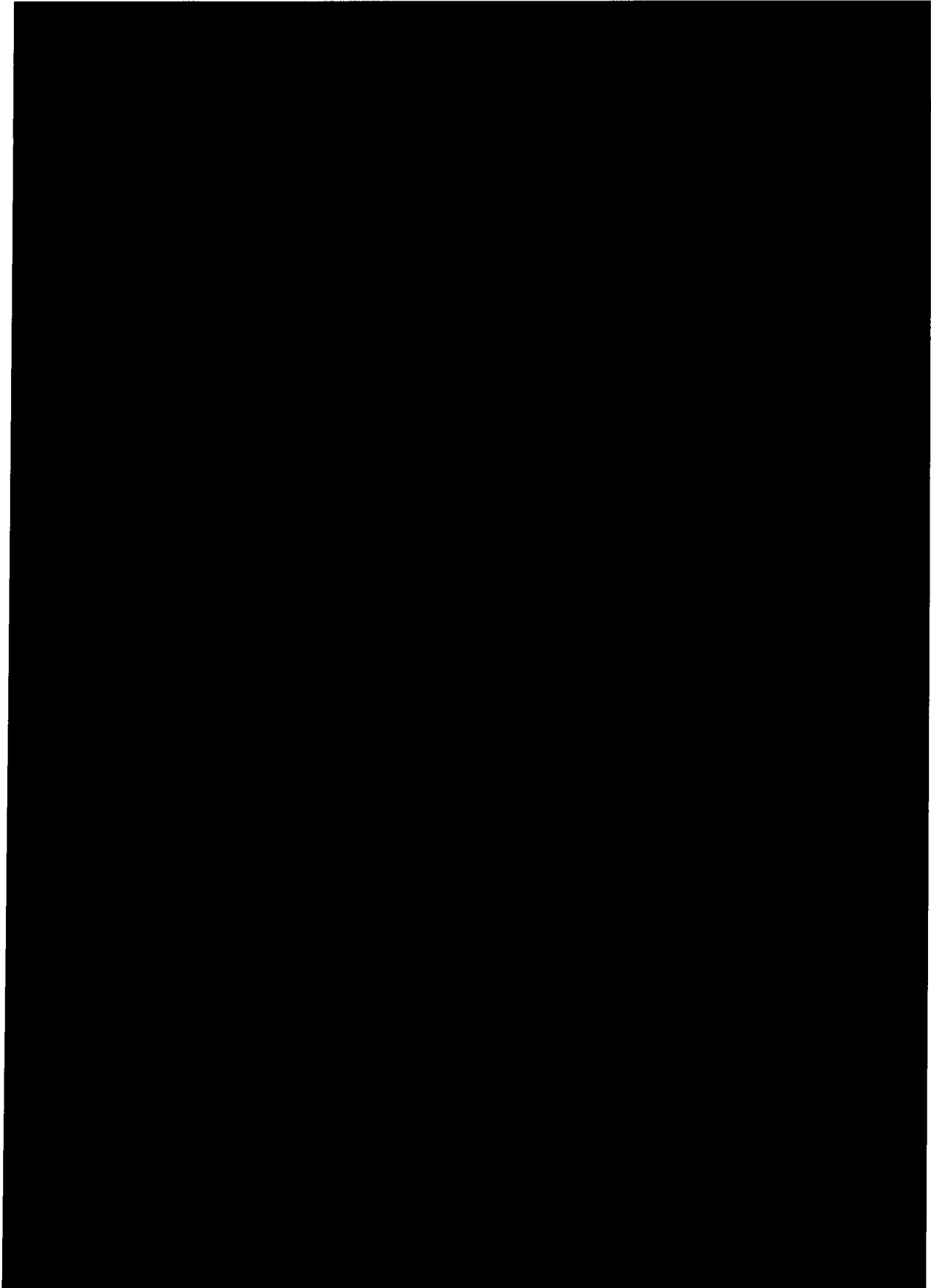


FCR-07-3653

CONFIDENTIAL



CONFIDENTIAL



CONFIDENTIAL

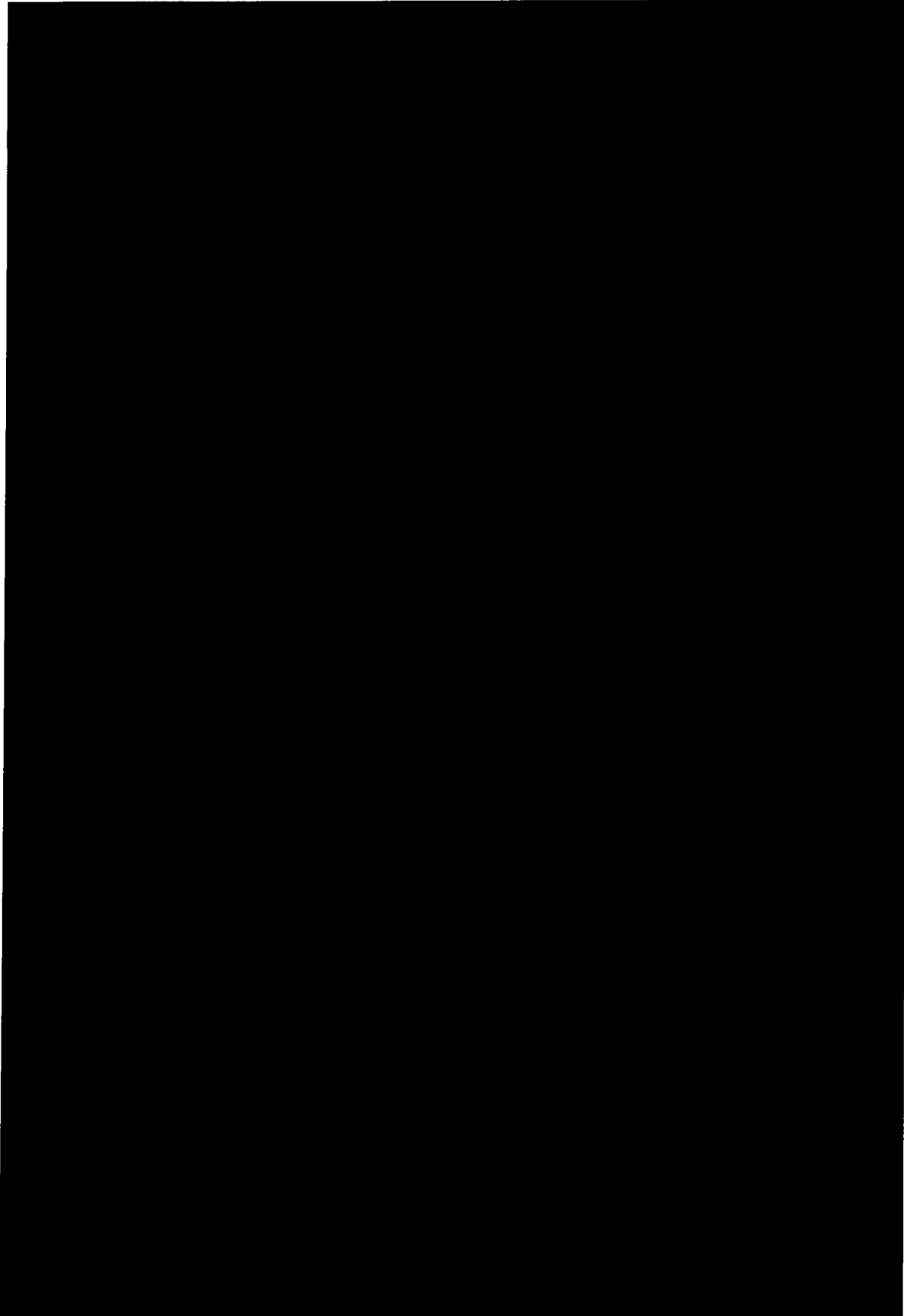


CONFIDENTIAL



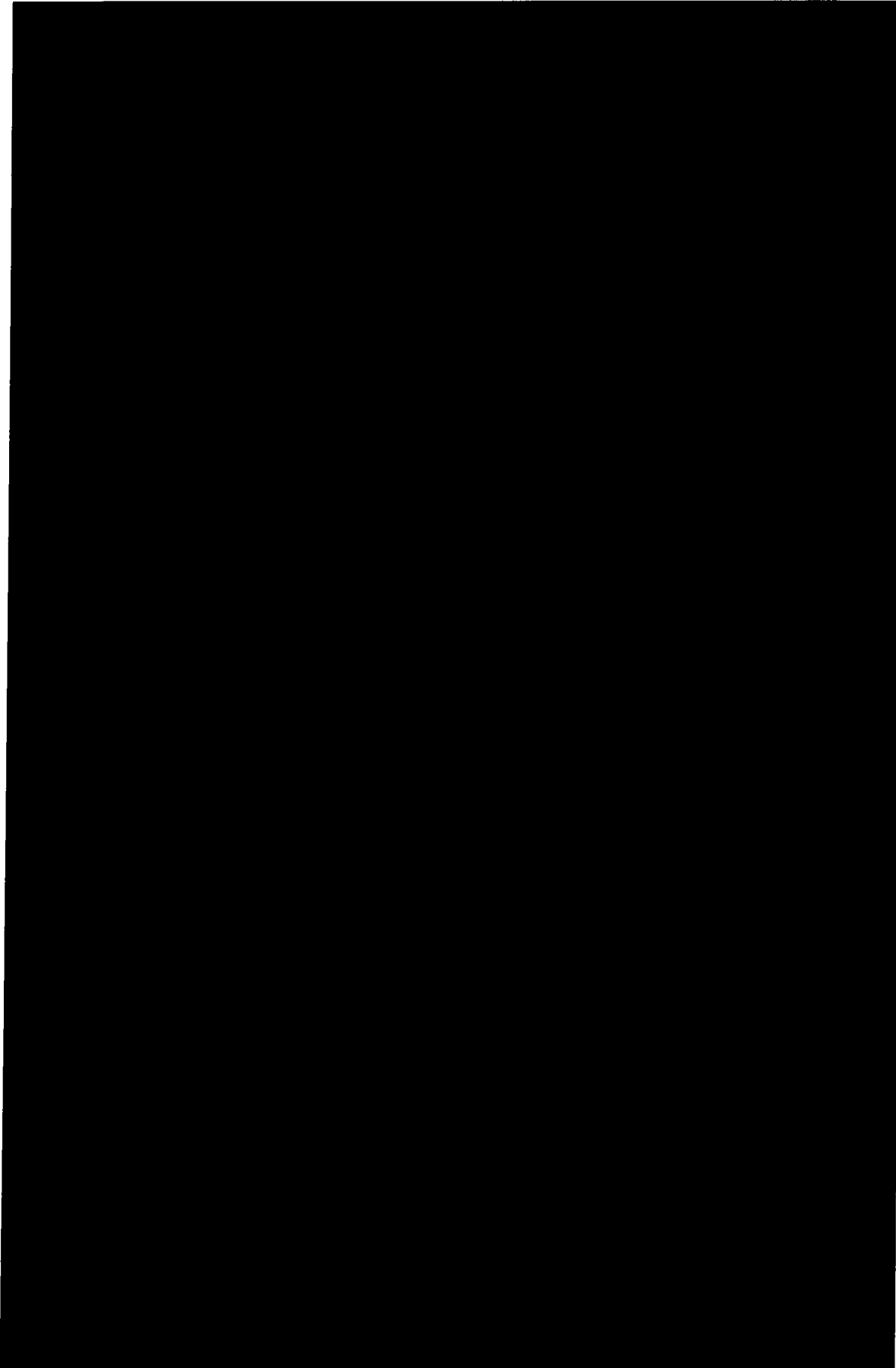
FCR-07-3657

CONFIDENTIAL



FCR- 07-3658

CONFIDENTIAL



**Florida Power & Light Company
Docket No. 070001-EI
Staff's Second Request for Production of Documents
Request No. 9
Page 1 of 1**

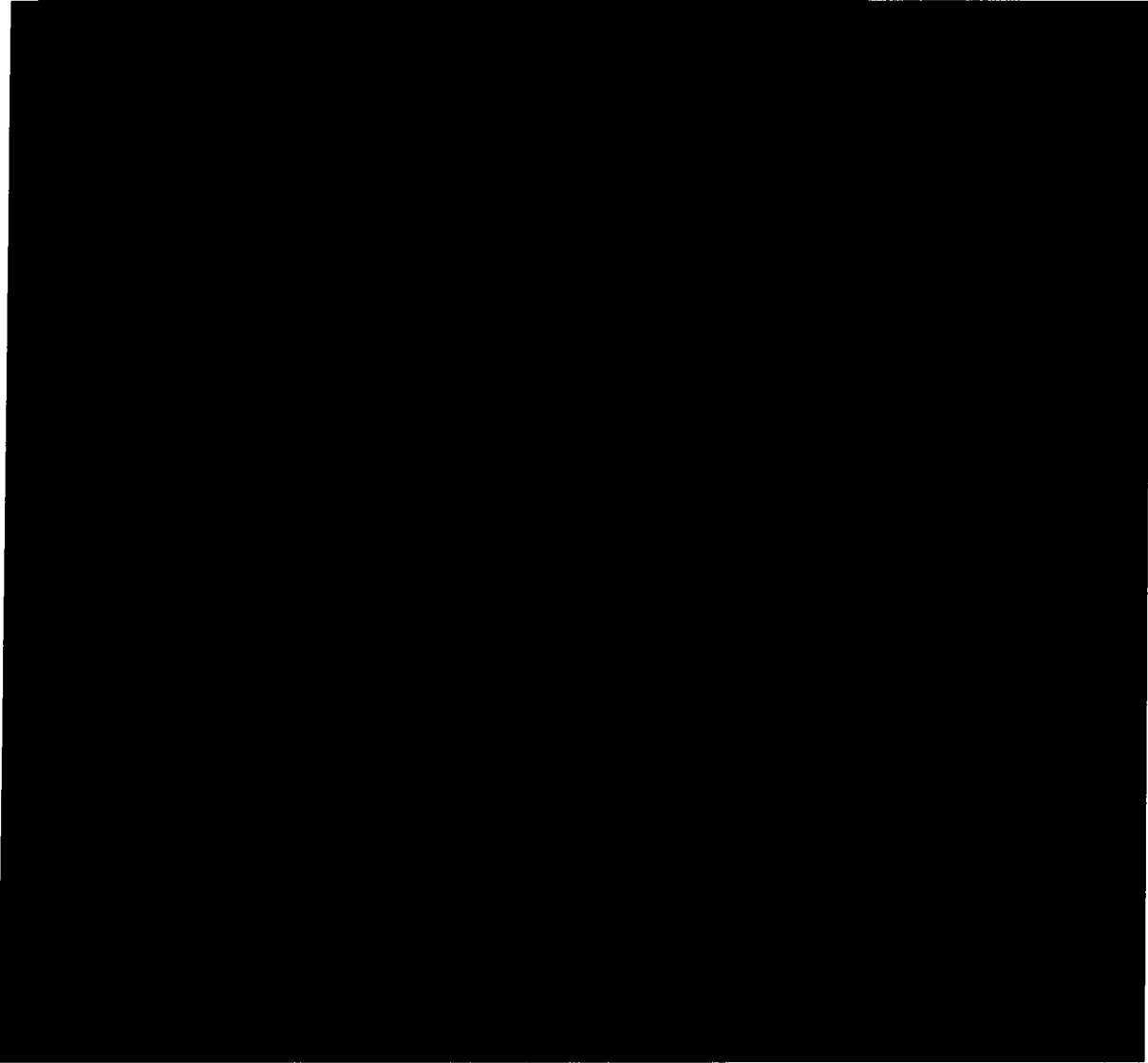
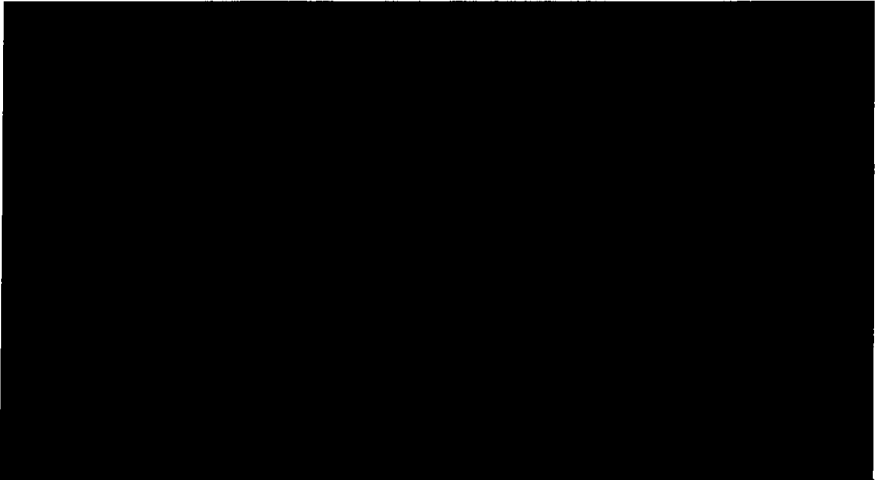
Q.

On page 11, lines 8 through 22 and page 12, lines 1 through 3 of Mr. Terry Jones' prefiled direct testimony, Mr. Jones referenced the NRC/AIT's findings and report. Please provide a complete copy of the NRC/AIT's findings and report.

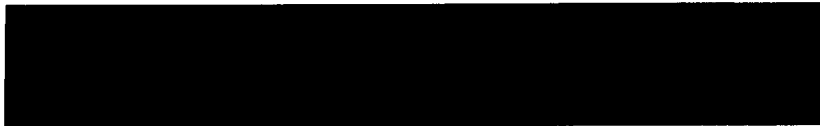
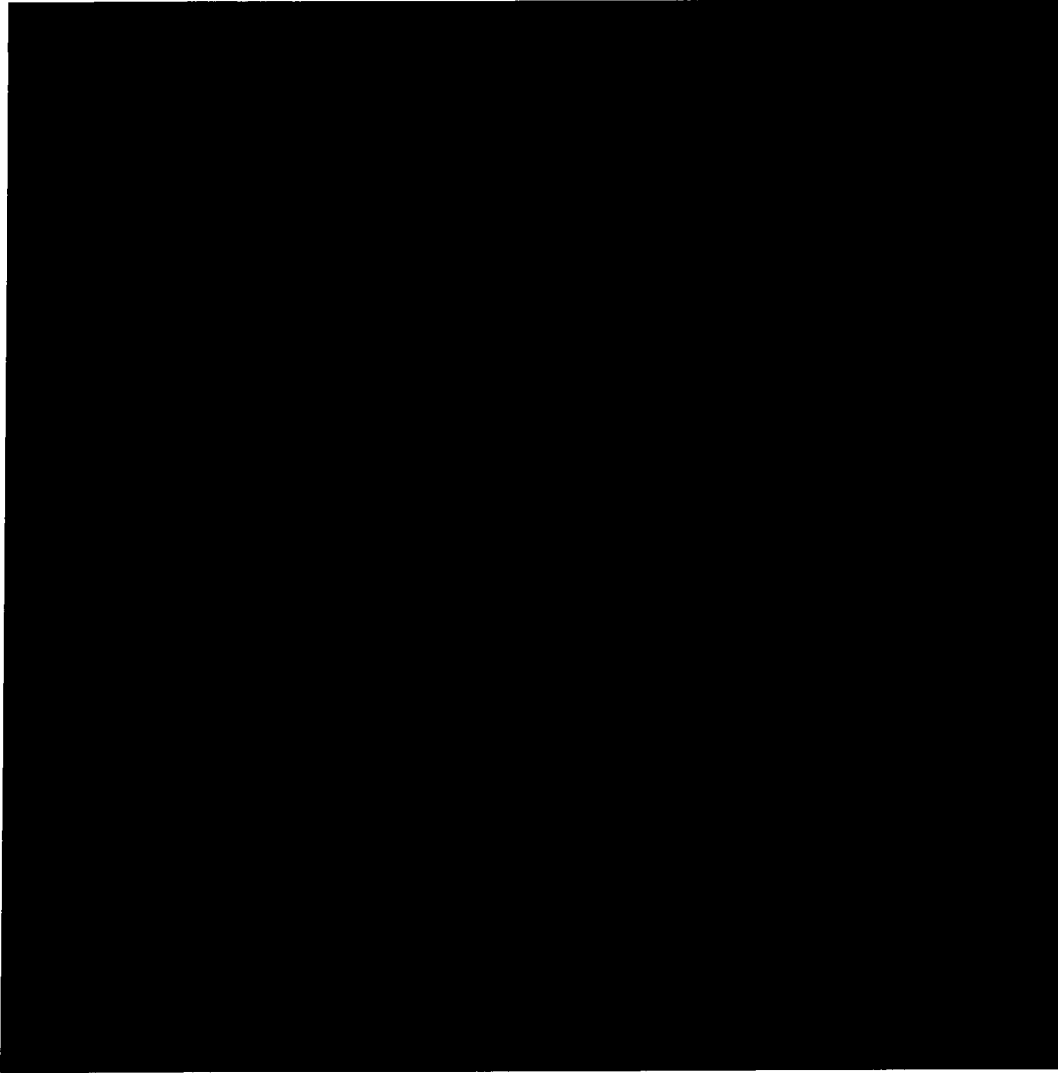
A.

Document responsive to this request is provided as Bates Nos. FCR 07-3680 through FCR 07-3707

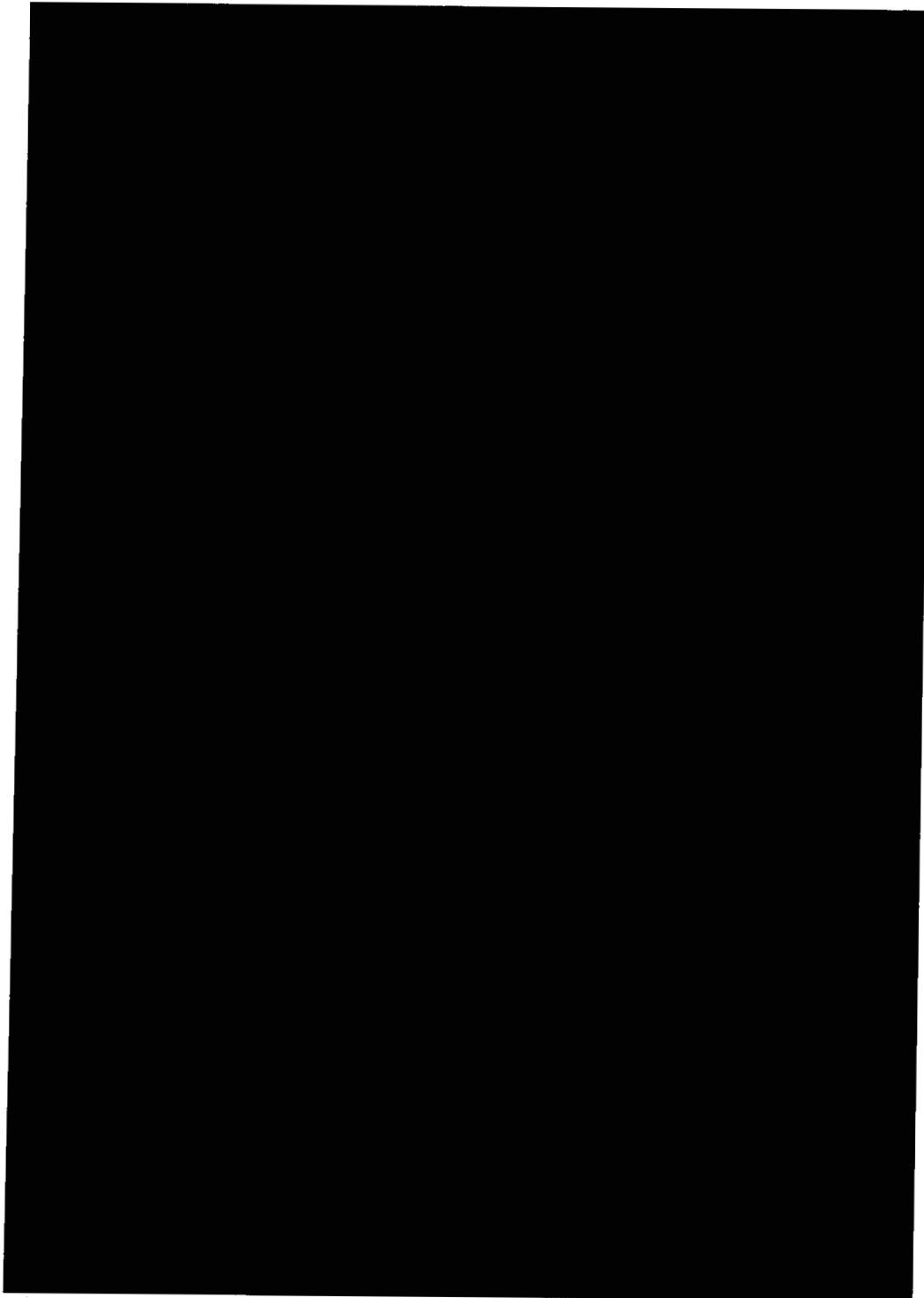
CONFIDENTIAL



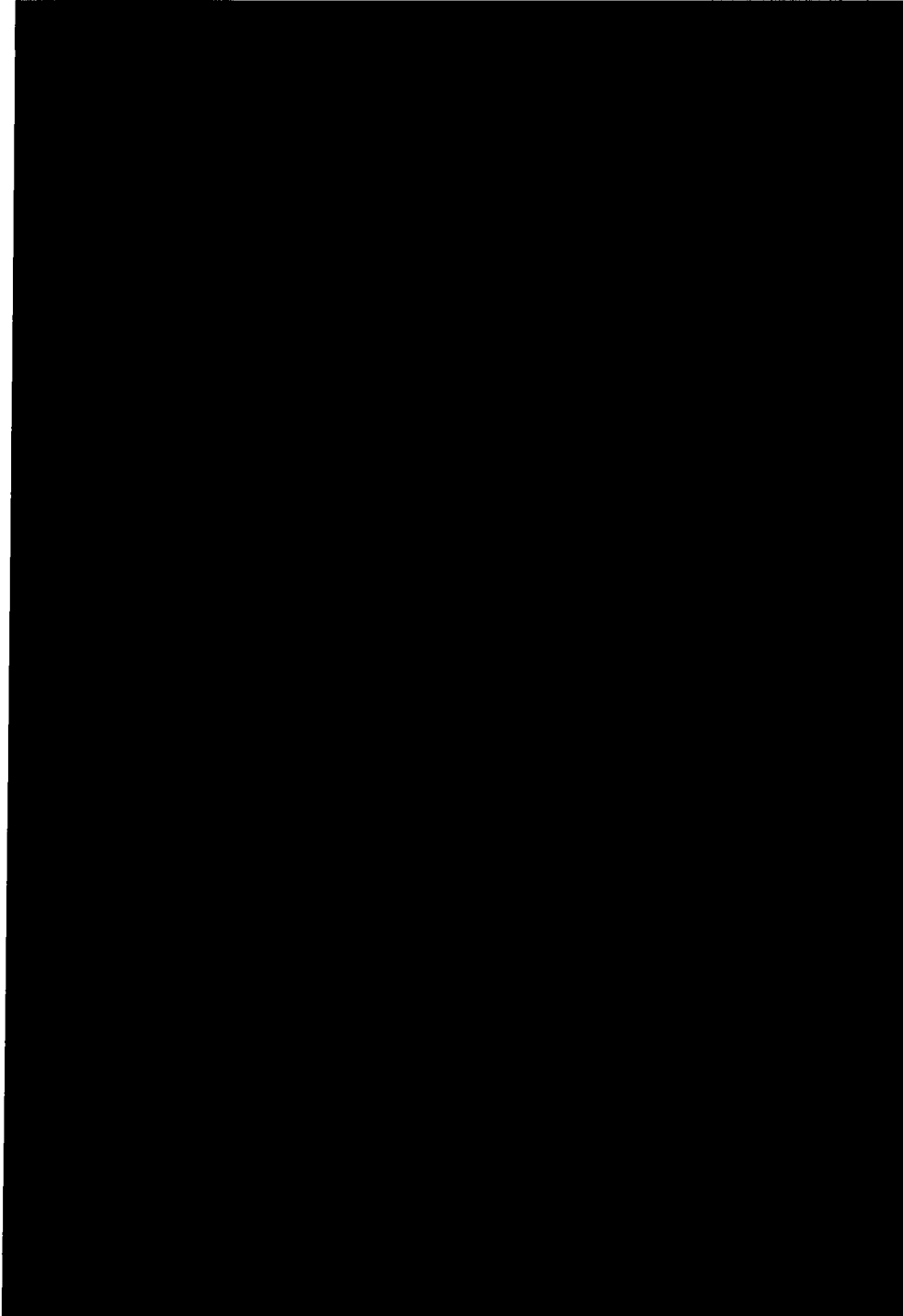
CONFIDENTIAL



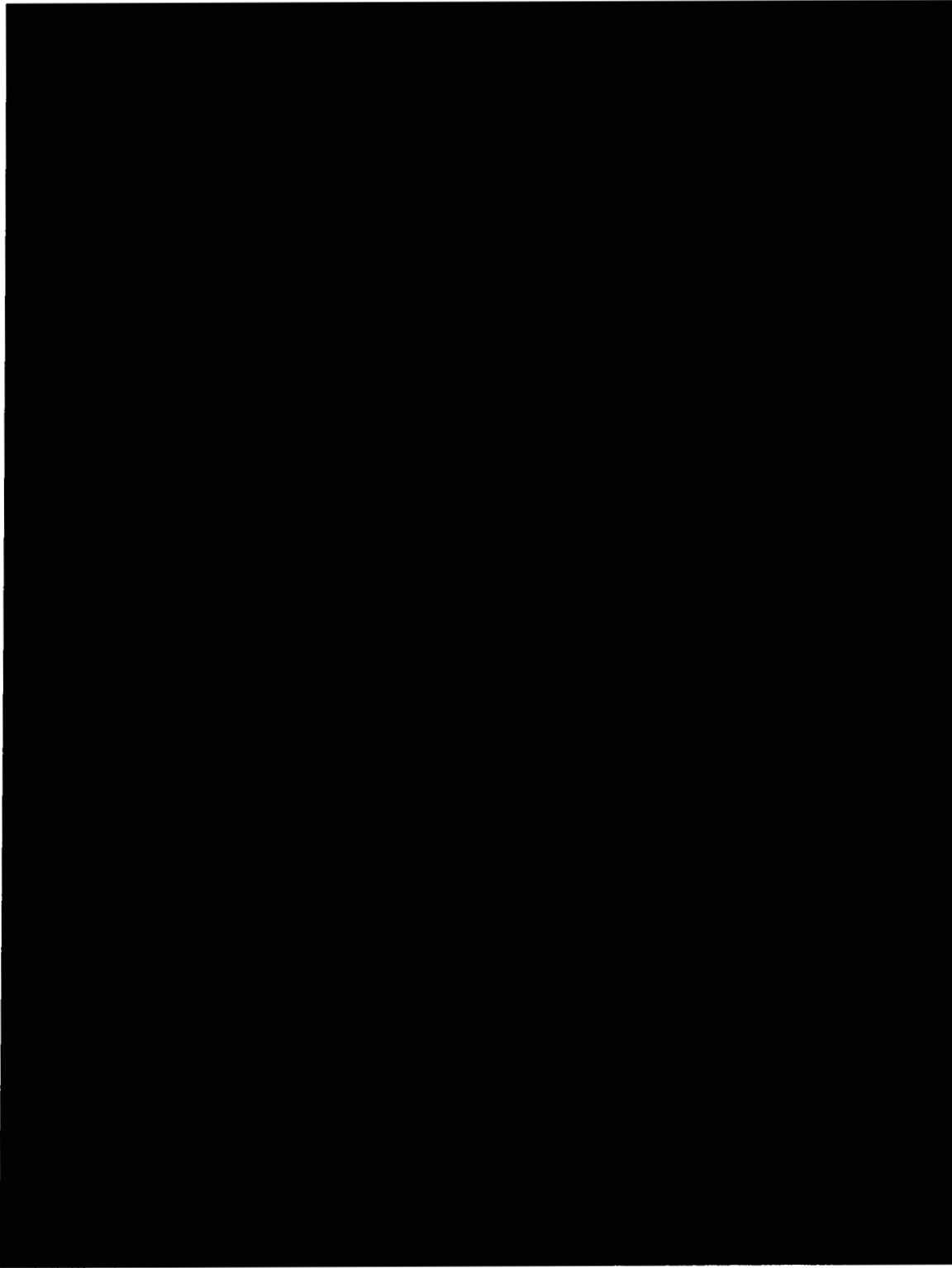
CONFIDENTIAL



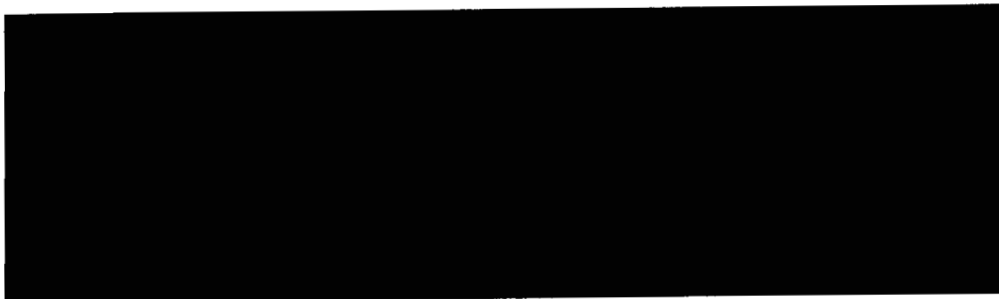
CONFIDENTIAL



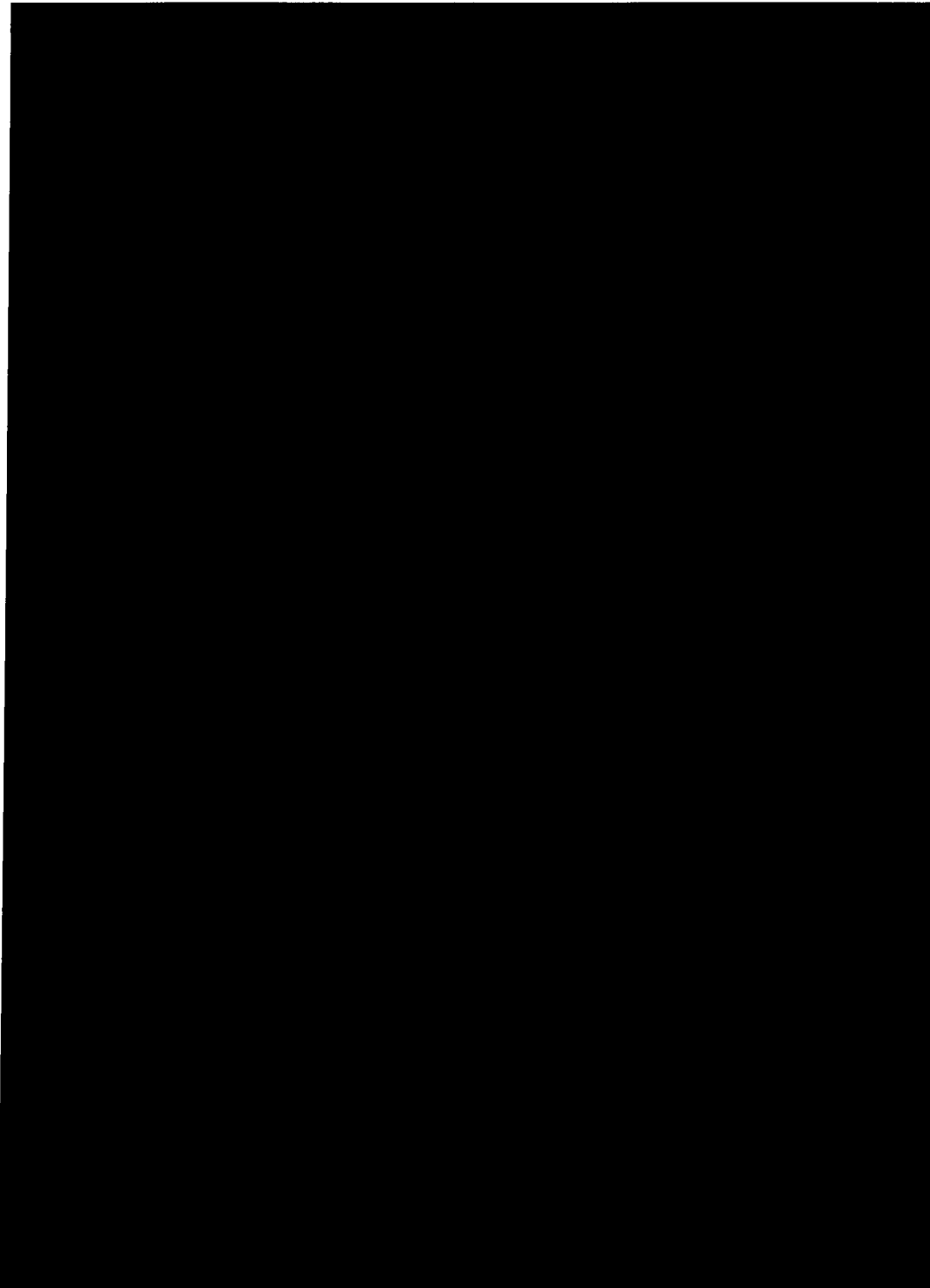
CONFIDENTIAL



CONFIDENTIAL

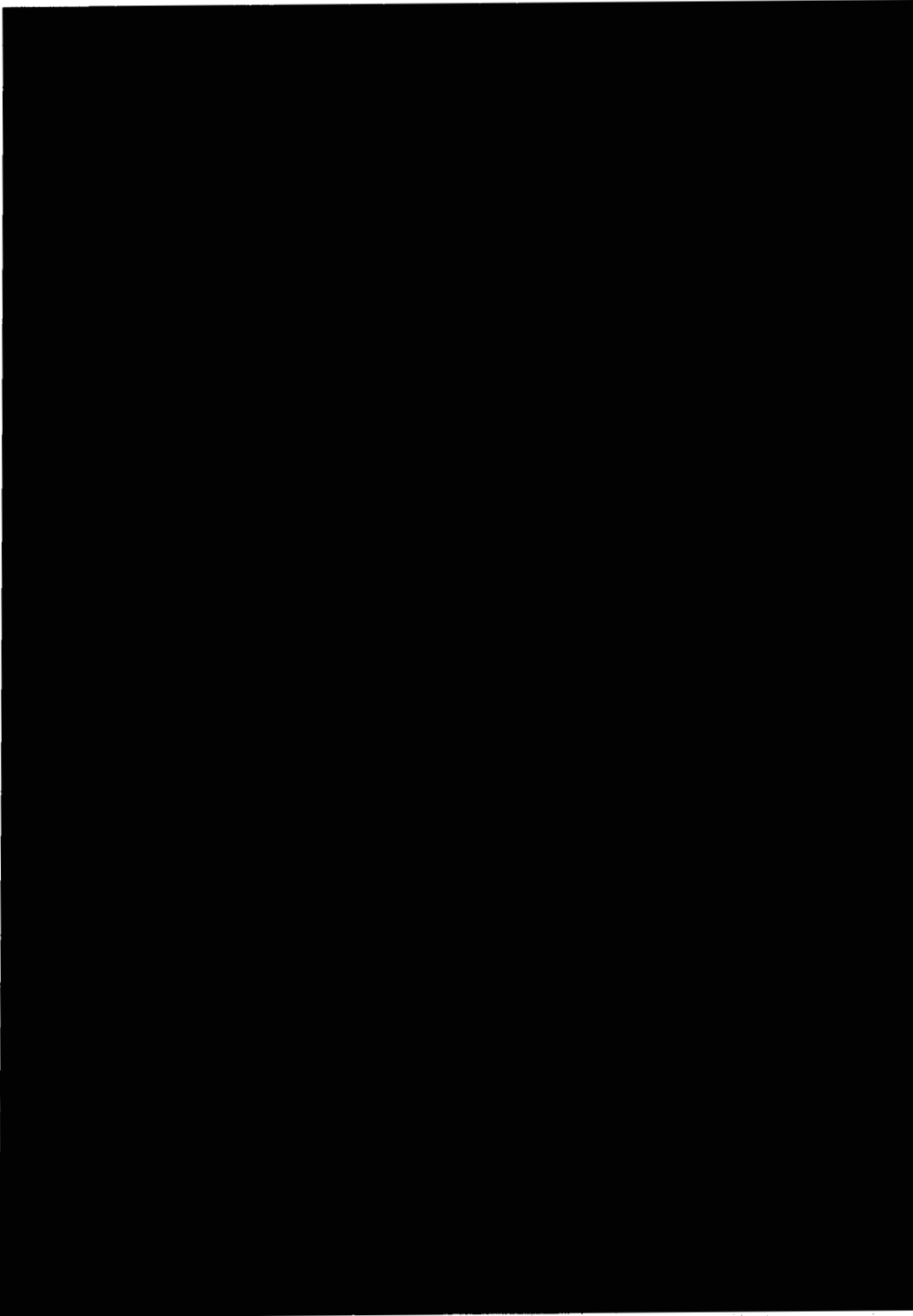


CONFIDENTIAL



FCR-07-3686

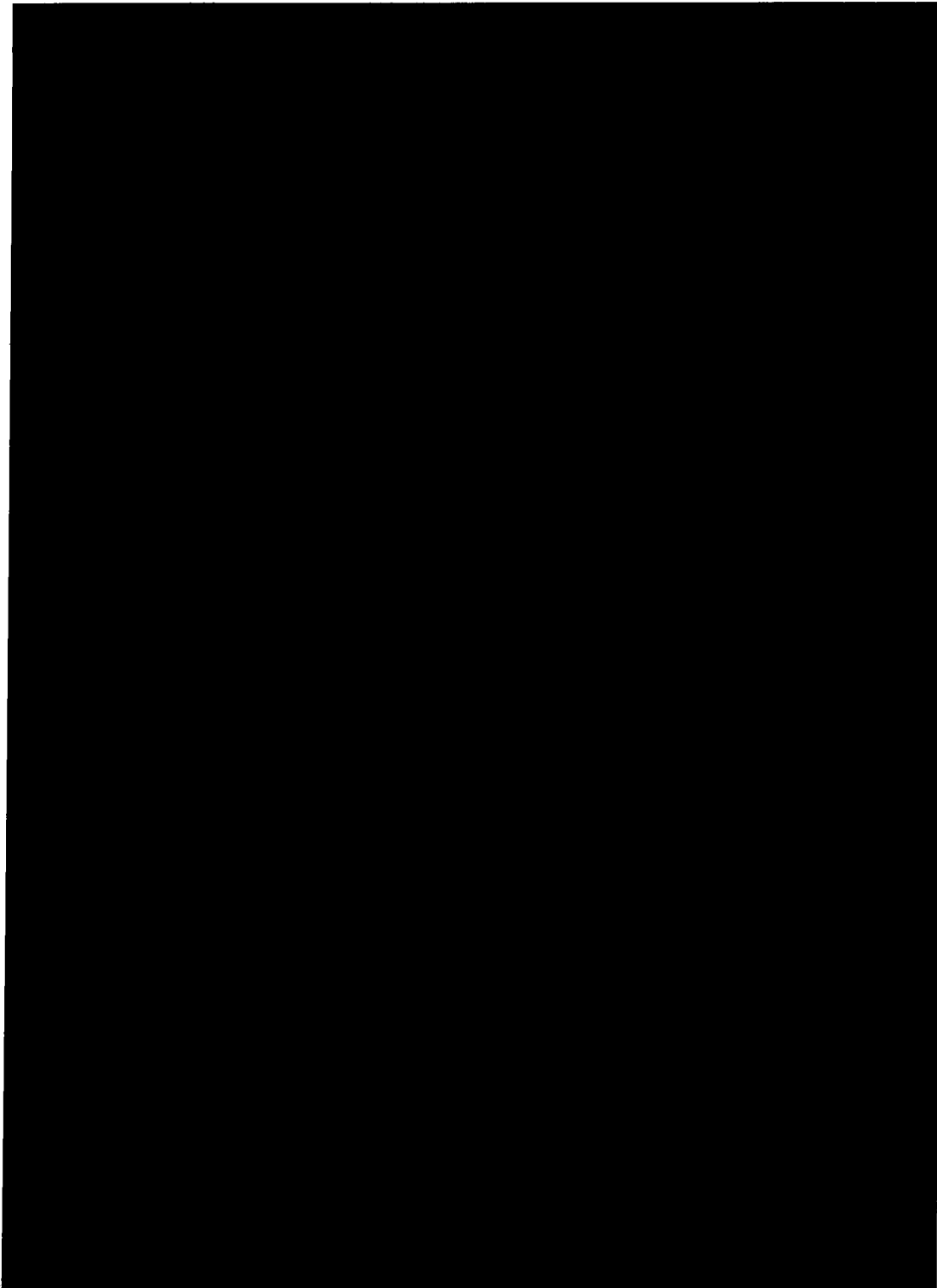
CONFIDENTIAL



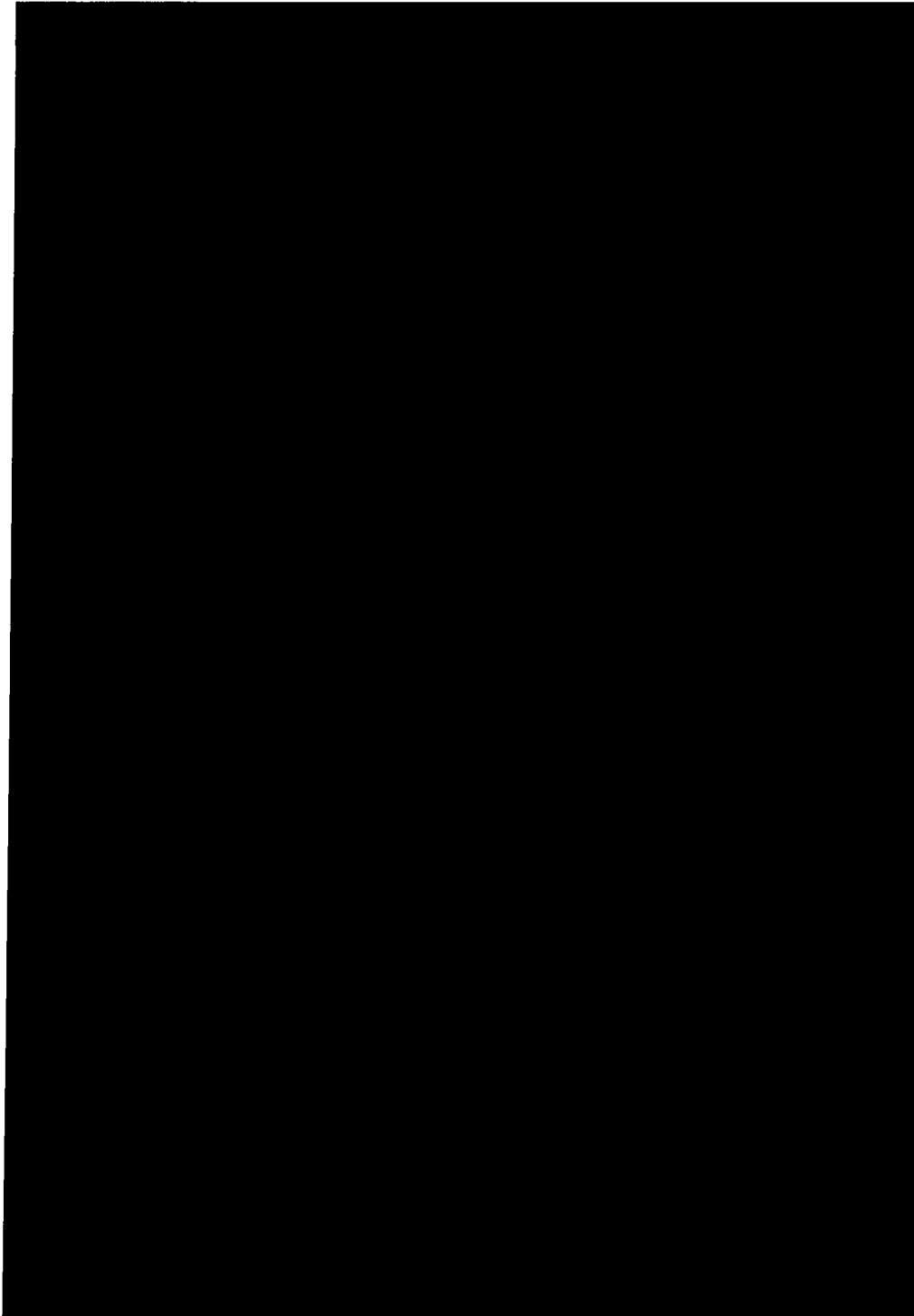
CONFIDENTIAL



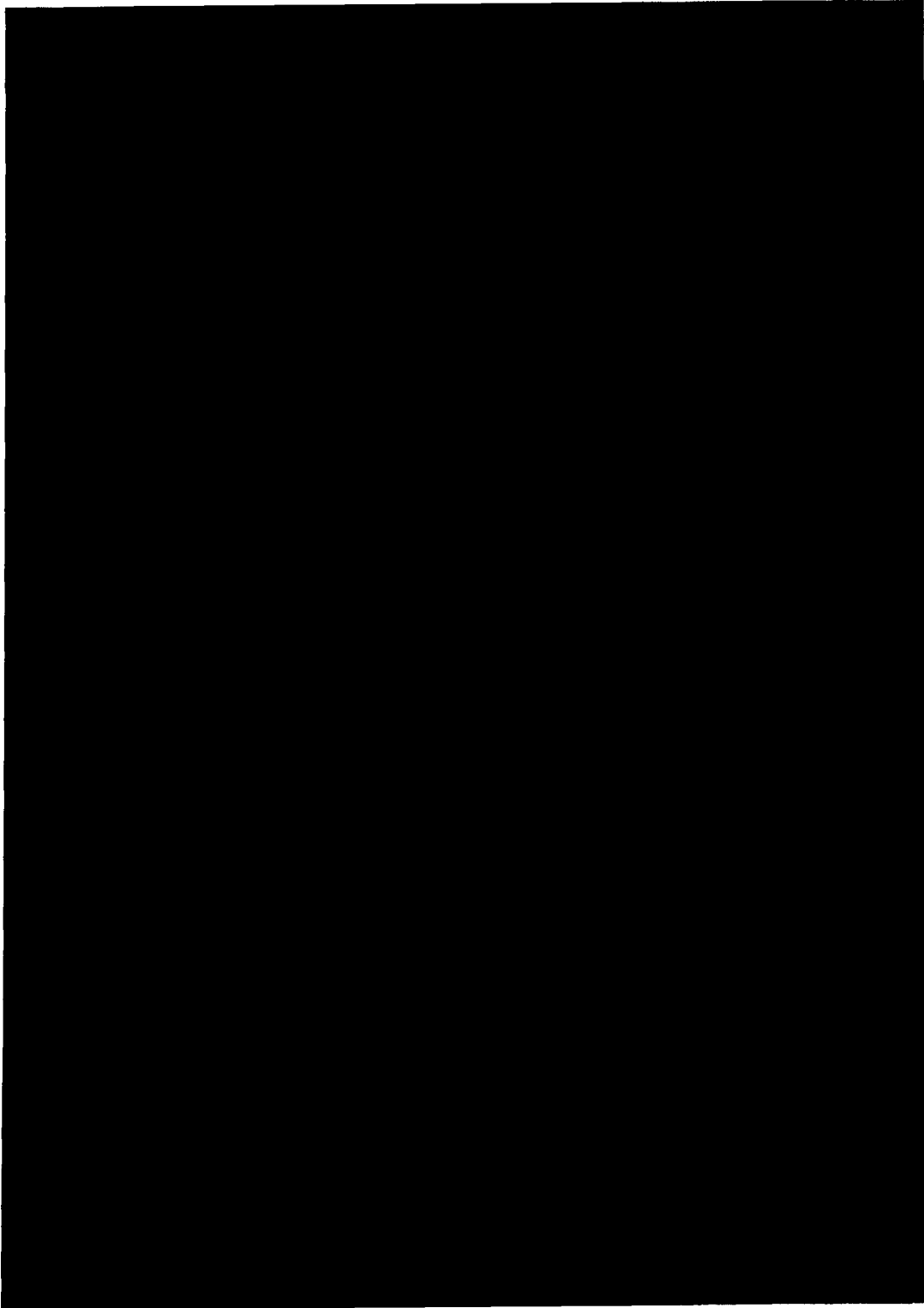
CONFIDENTIAL



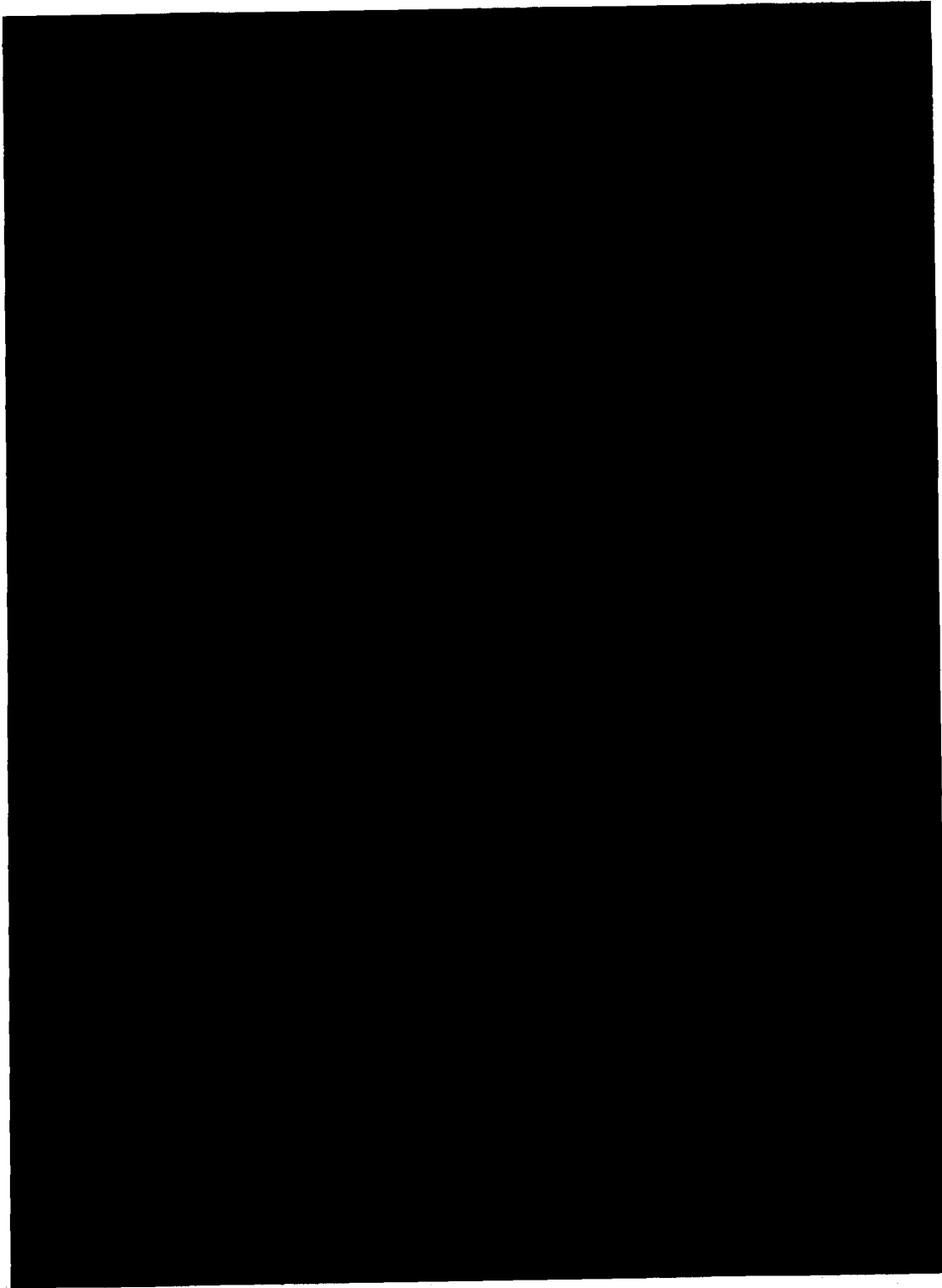
CONFIDENTIAL



CONFIDENTIAL

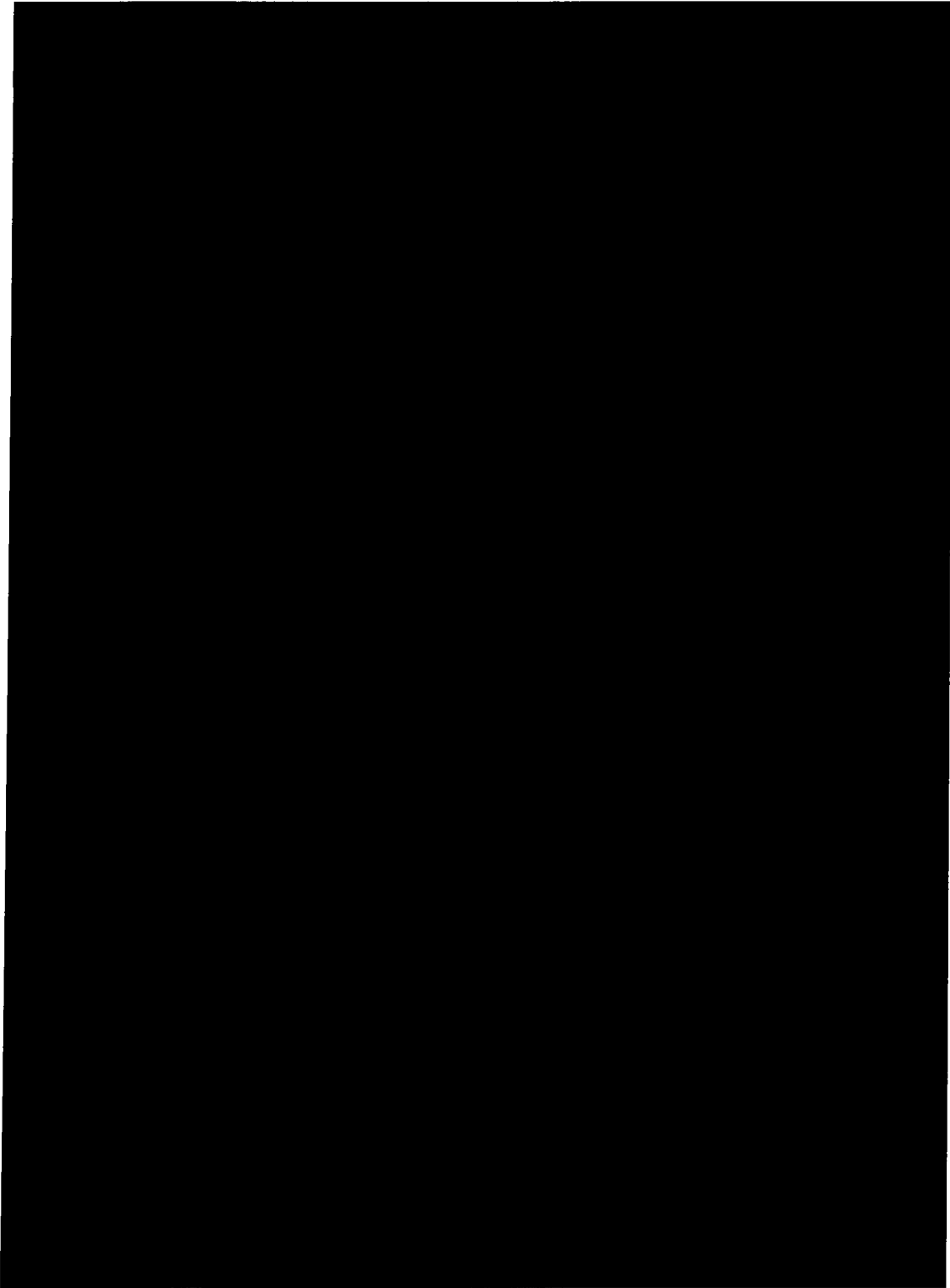


CONFIDENTIAL



FCR- 07-3692

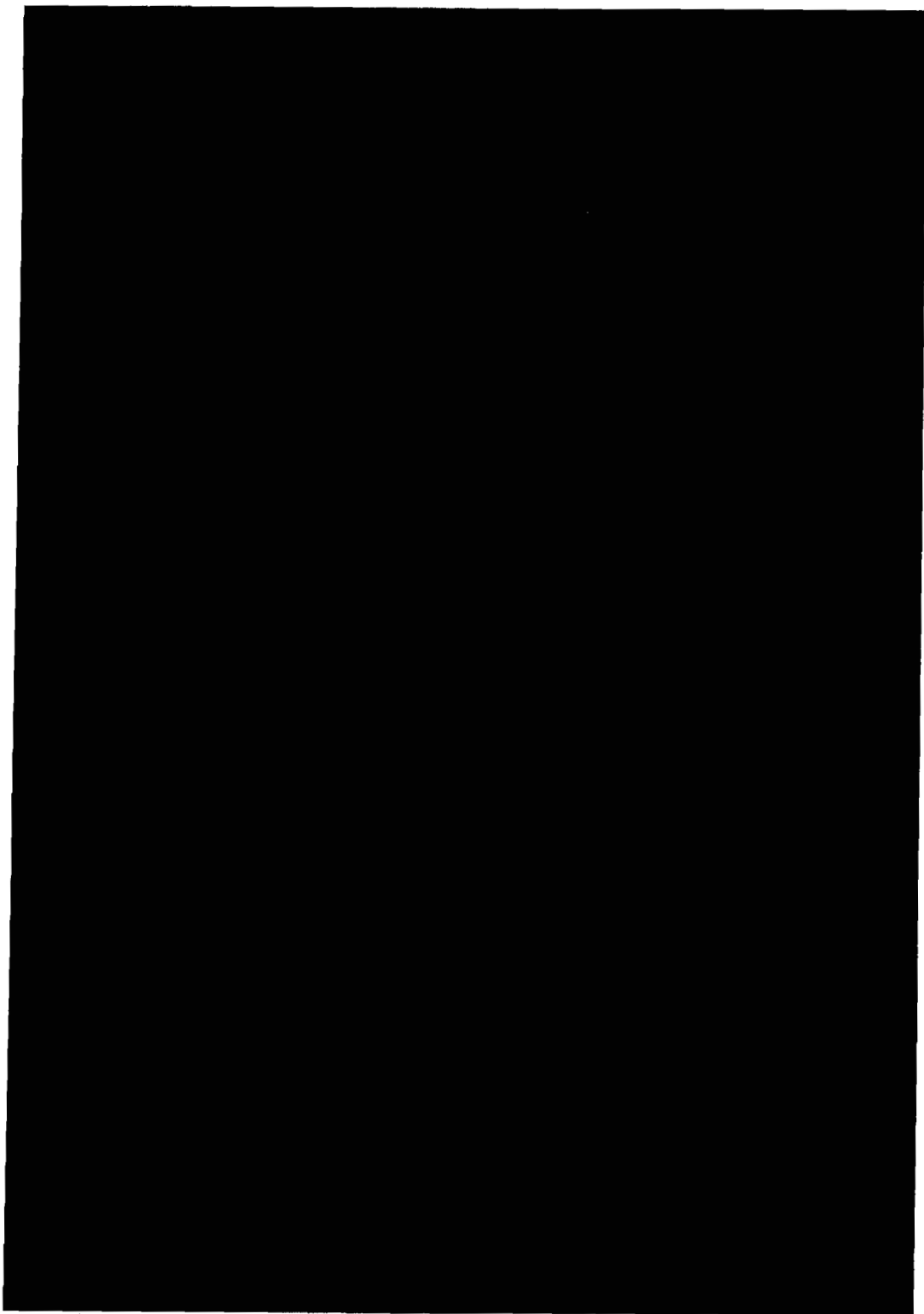
CONFIDENTIAL



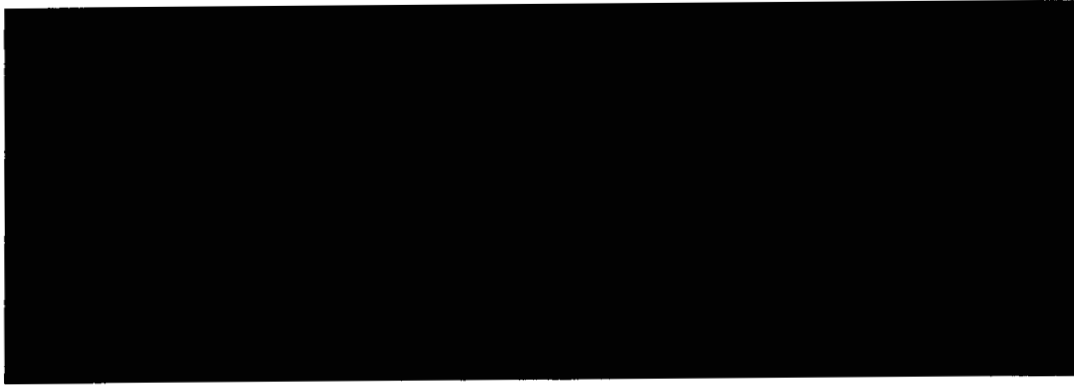
CONFIDENTIAL



CONFIDENTIAL



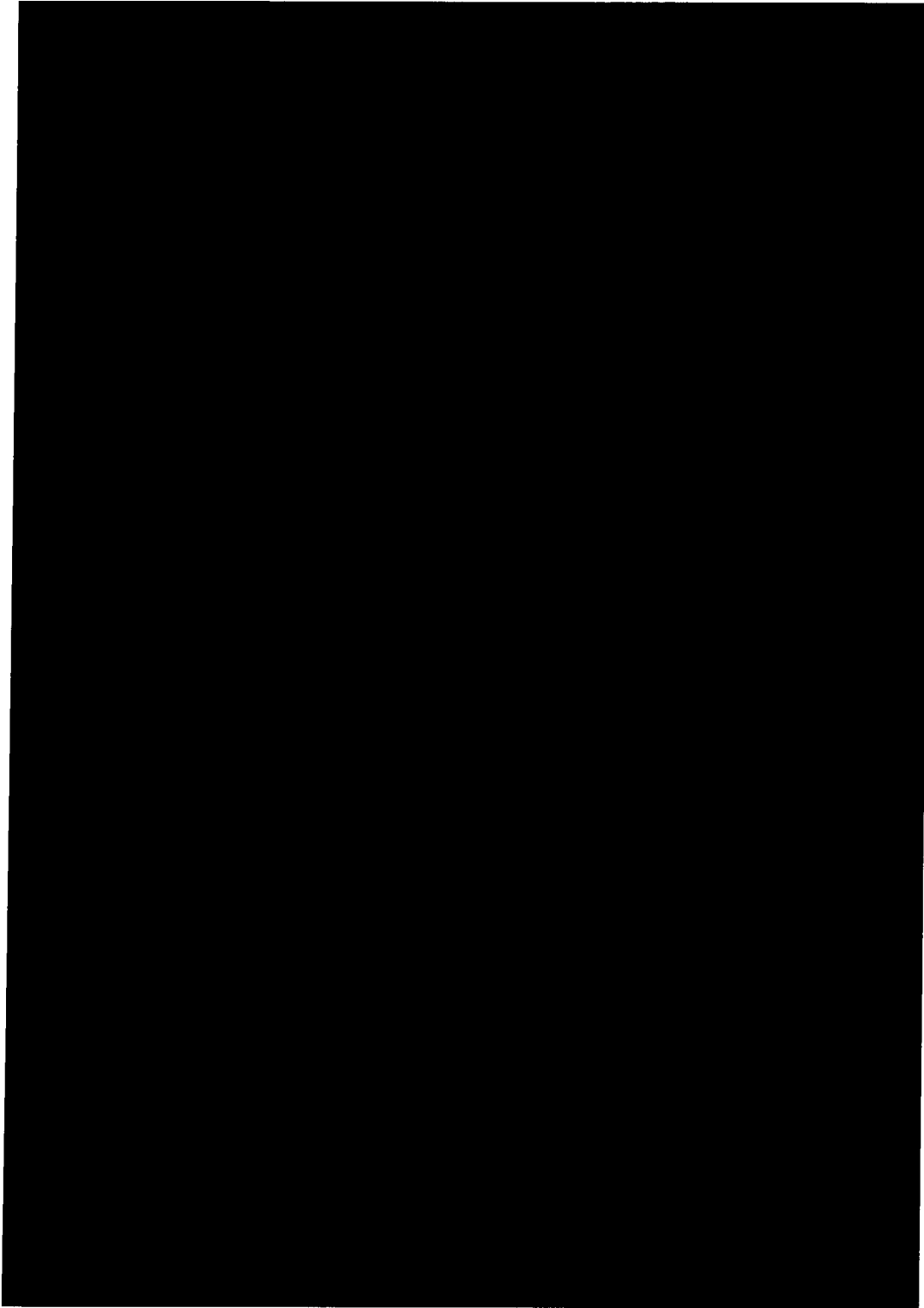
CONFIDENTIAL



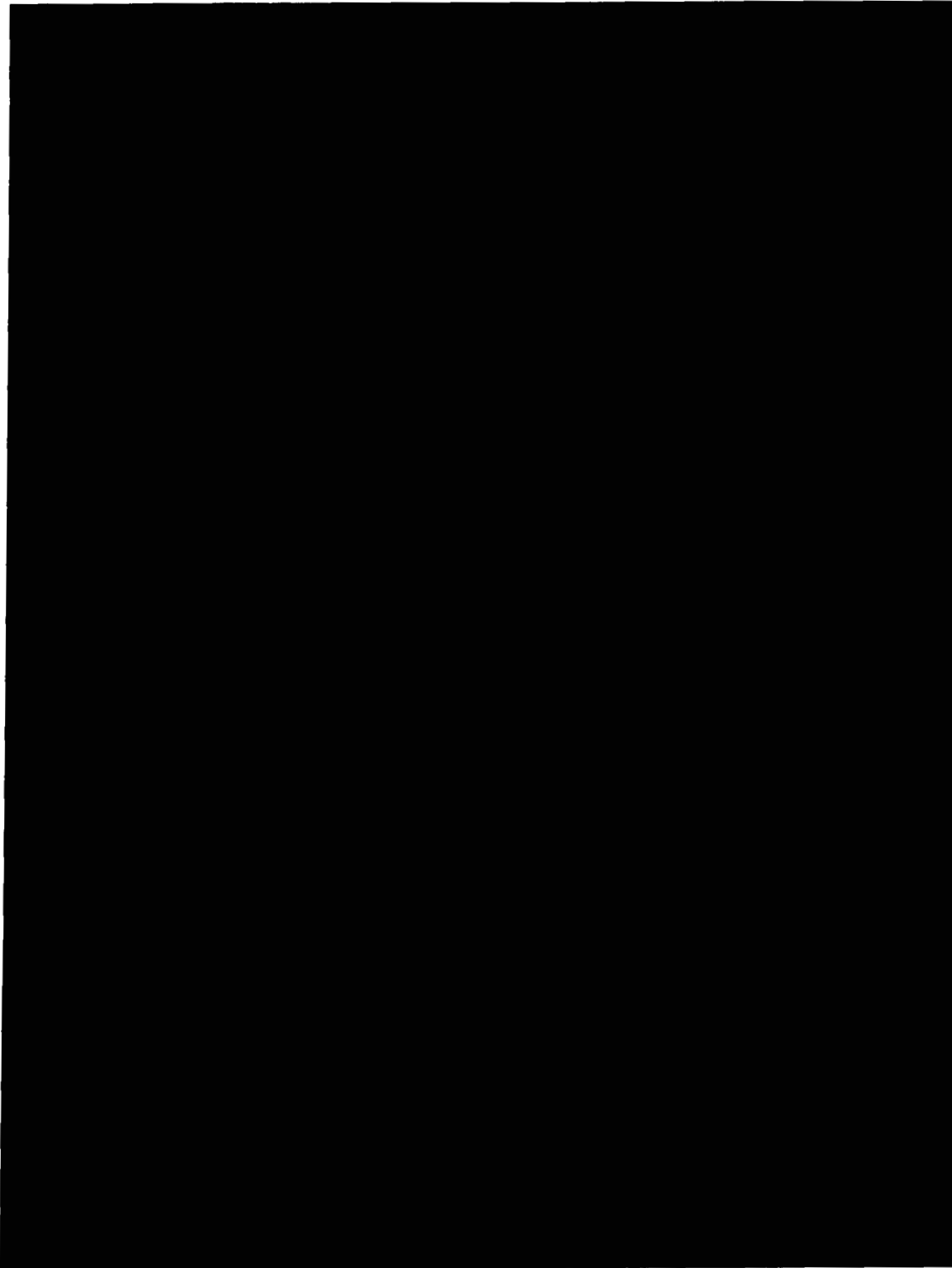
CONFIDENTIAL



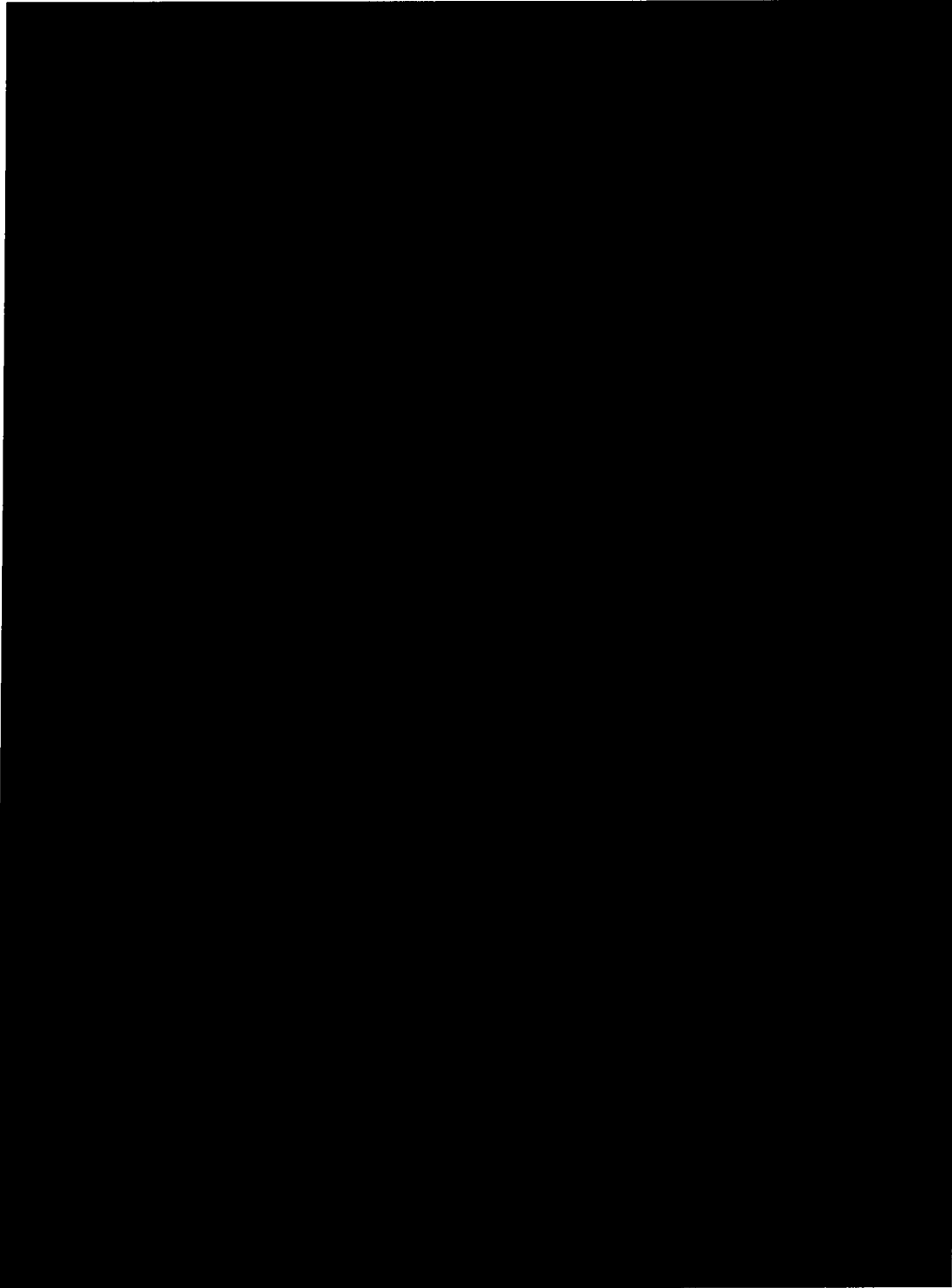
CONFIDENTIAL



CONFIDENTIAL



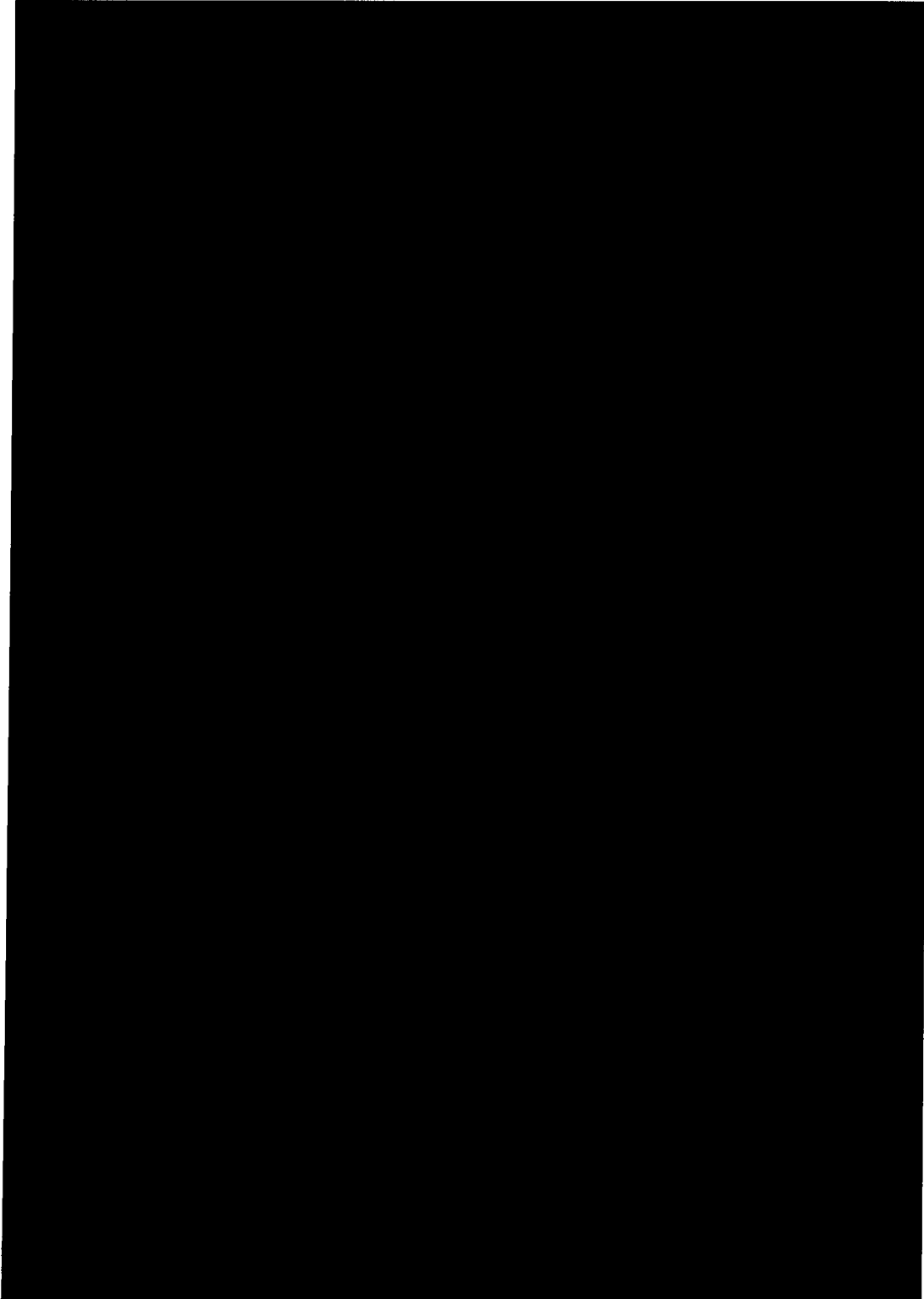
CONFIDENTIAL



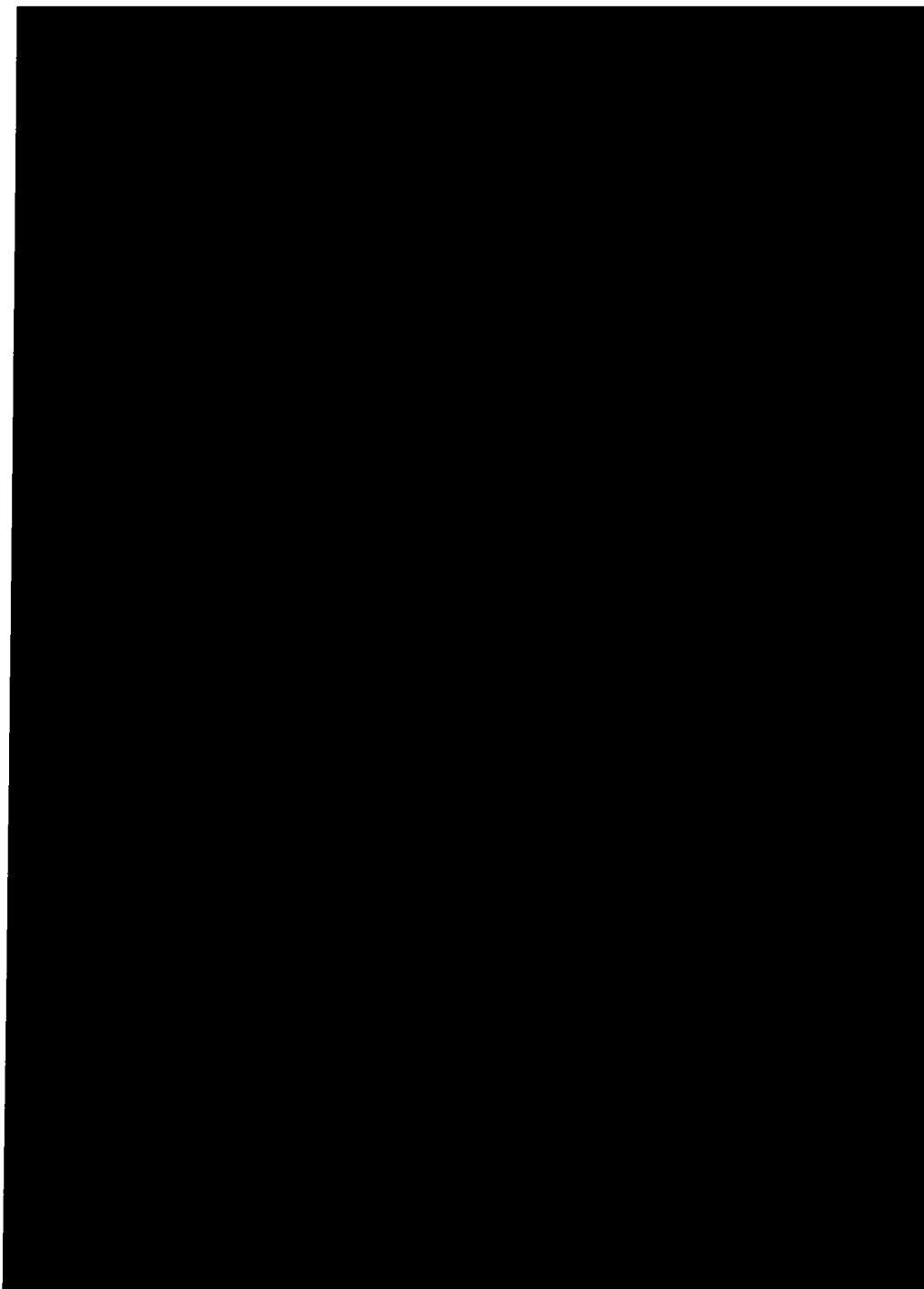
CONFIDENTIAL



CONFIDENTIAL



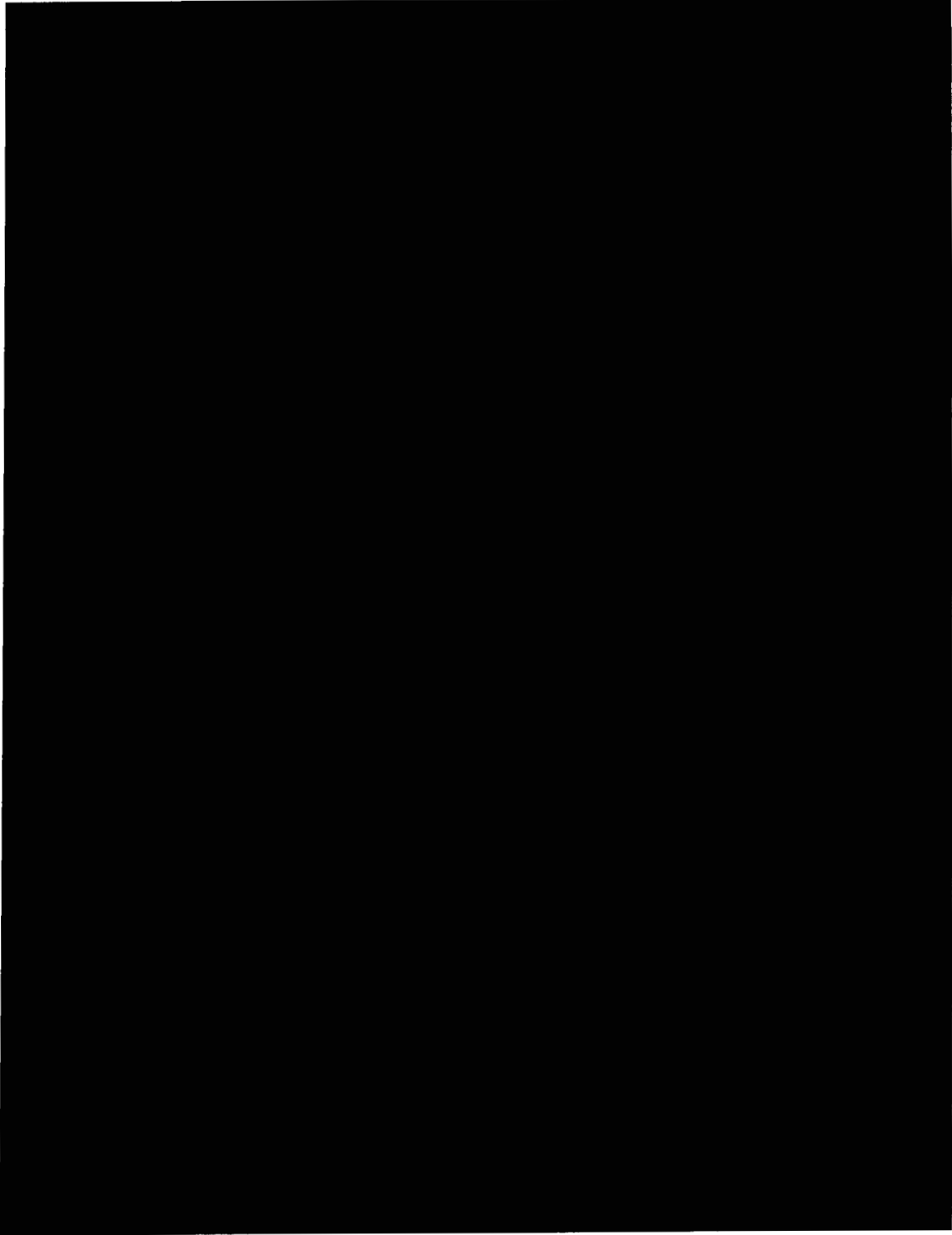
CONFIDENTIAL



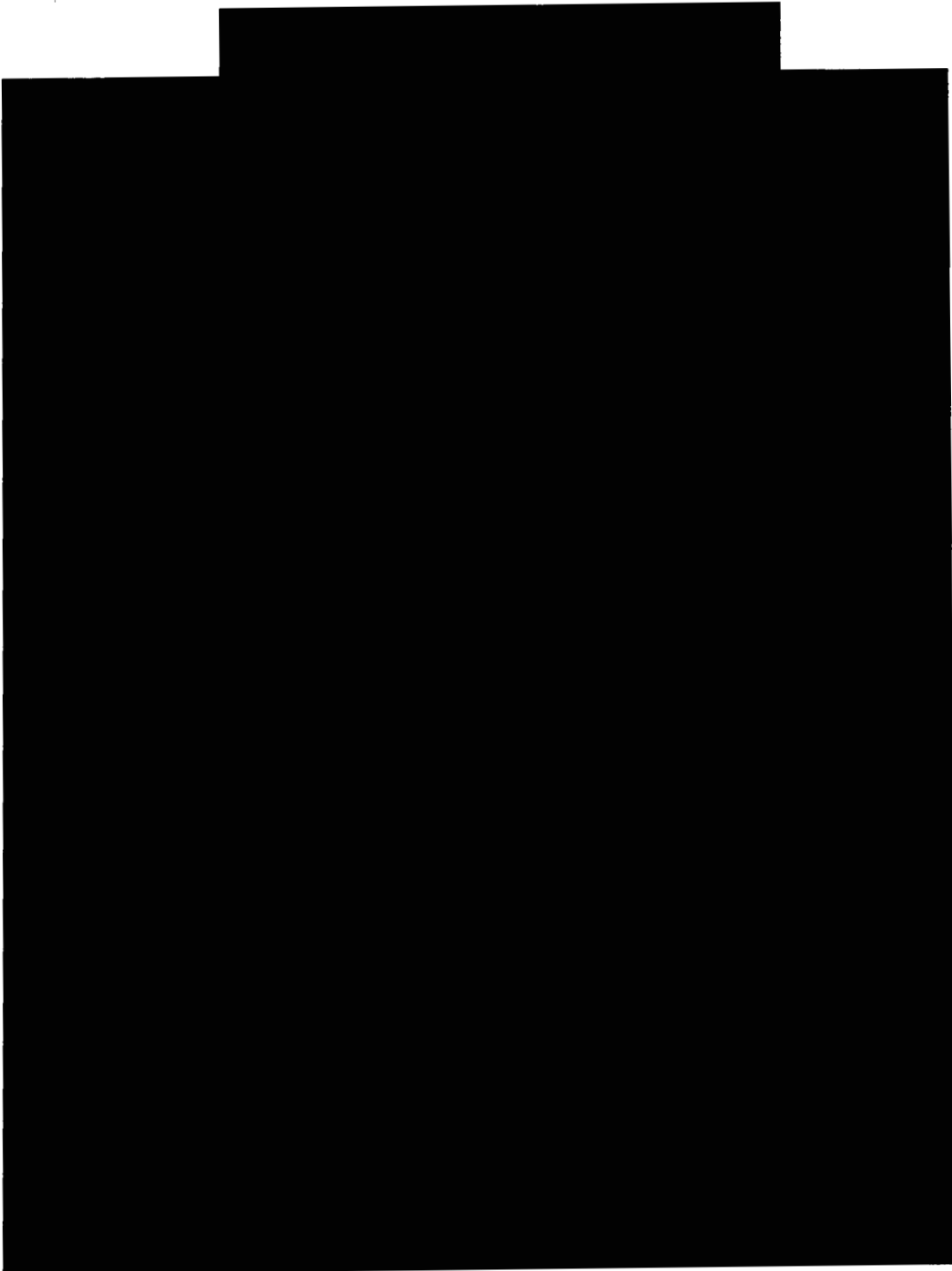
CONFIDENTIAL



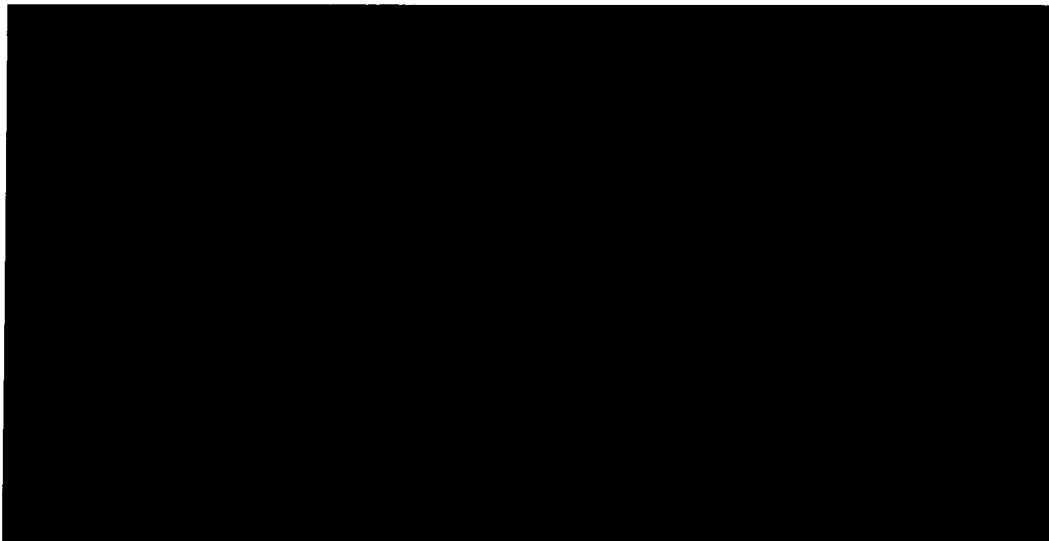
CONFIDENTIAL



CONFIDENTIAL



CONFIDENTIAL



**Florida Power & Light Company
Docket No. 070001-EI
Staff's Second Request for Production of Documents
Request No. 13
Page 1 of 1**

Q.

7. Please provide the written contract that FPL executed with the contractor involved in the "pressurizer piping incident".

A.

The attached contract is between FPL and the contractor that employed the individual whom the FBI identified as having drilled the hole in the pressurizer piping.

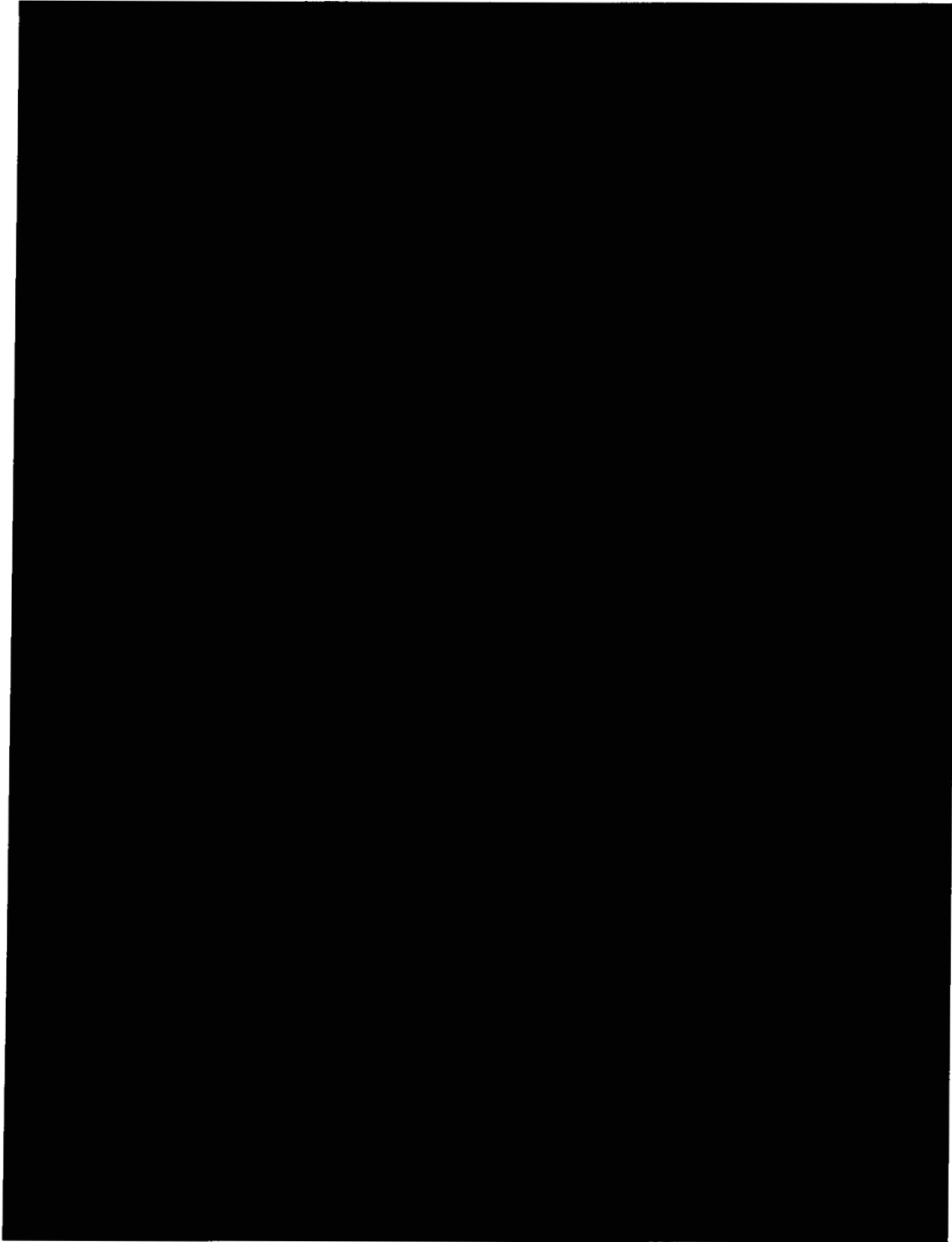
Document responsive to this request is provided as Bates Nos. FCR 07-3766 through FCR 07-3835



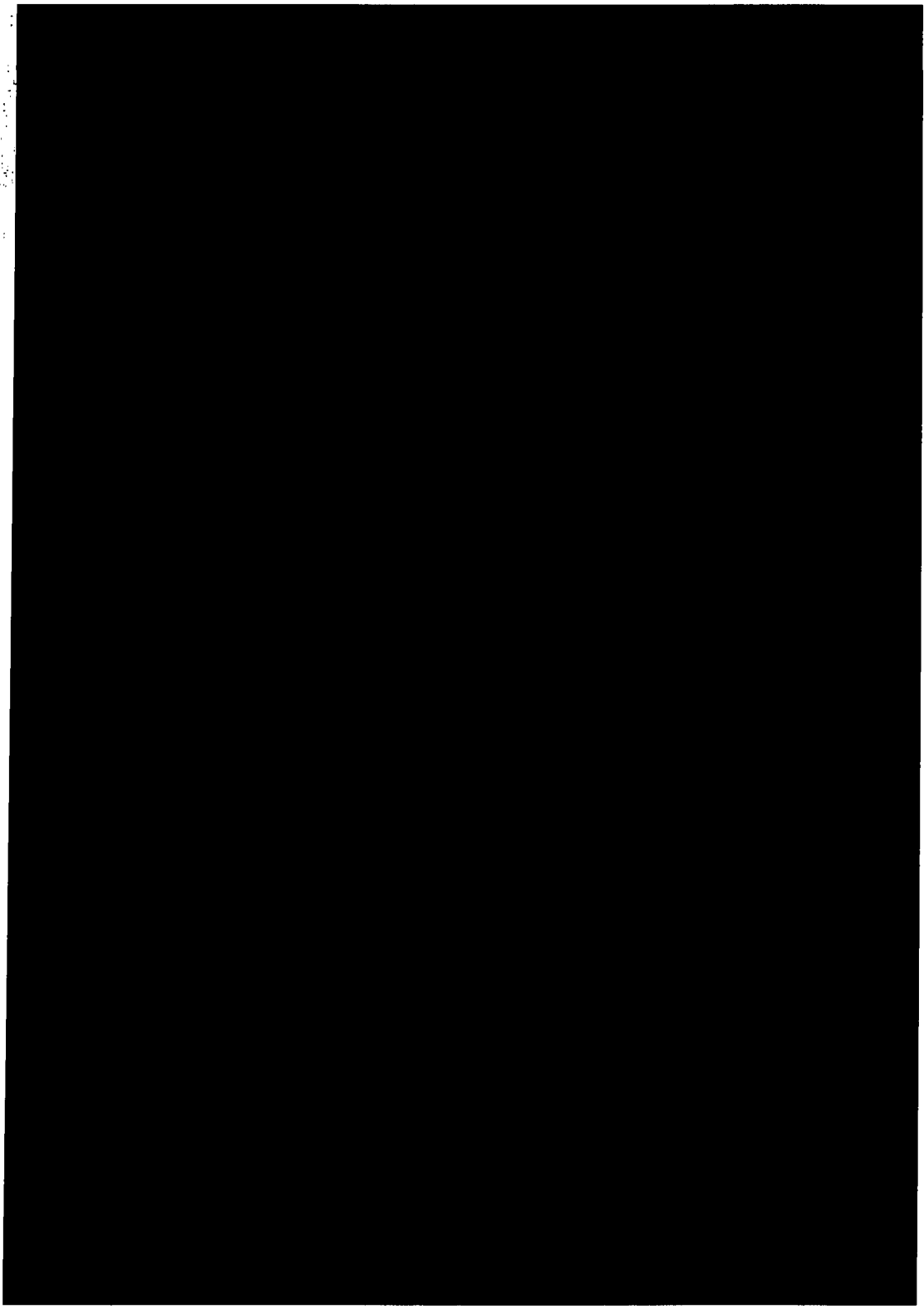
CONFIDENTIAL



CONFIDENTIAL

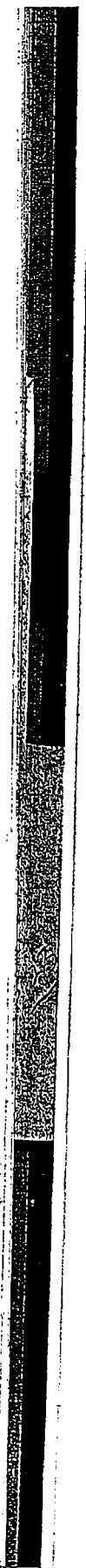
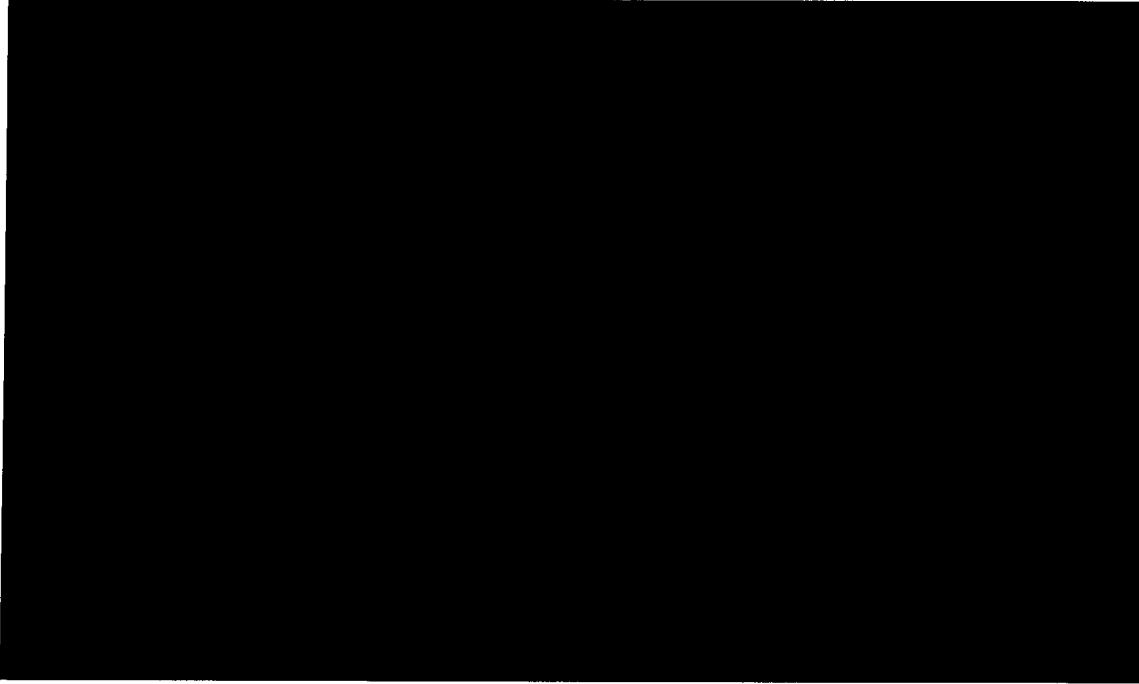


CONFIDENTIAL

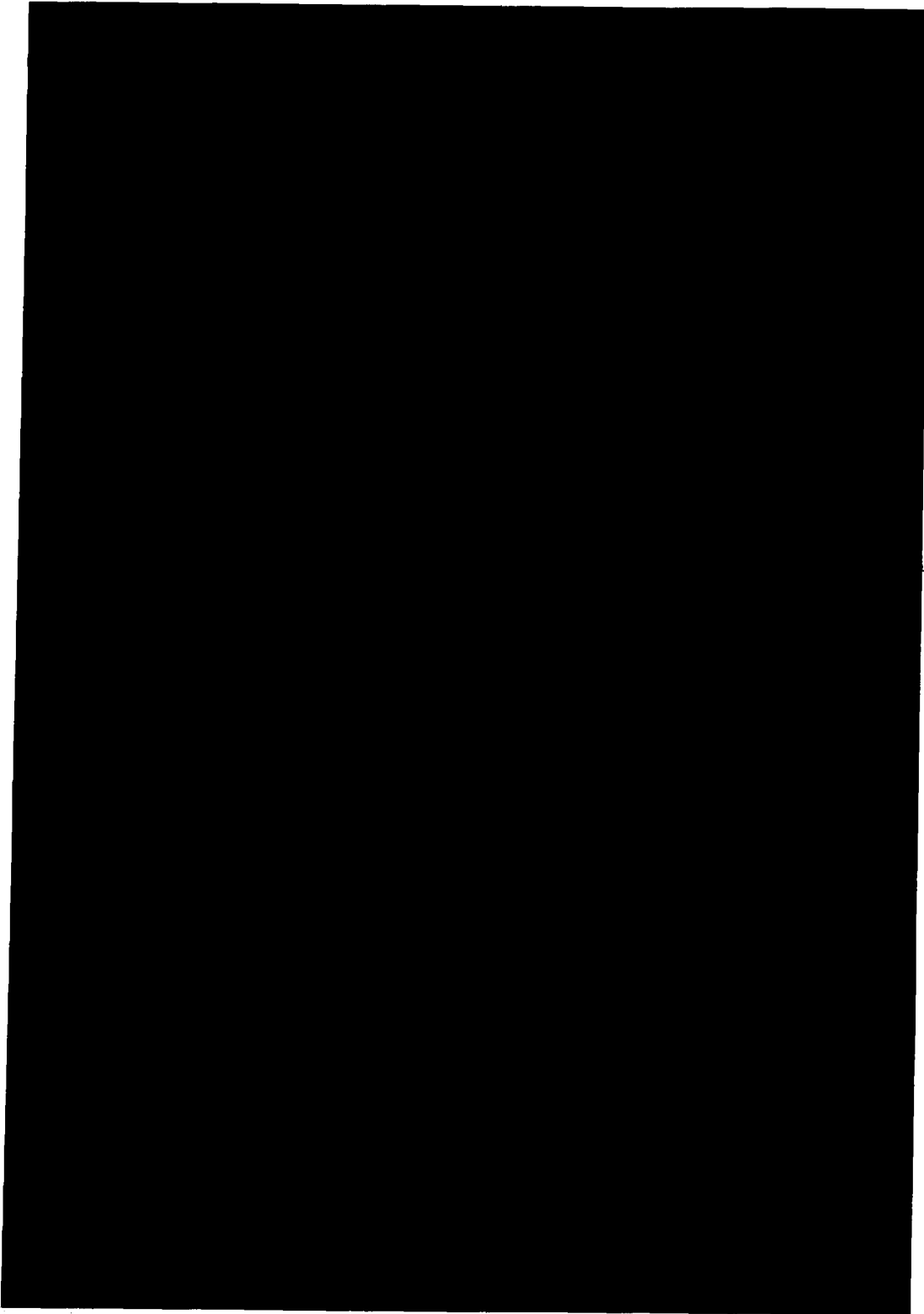


FCR-07-3768

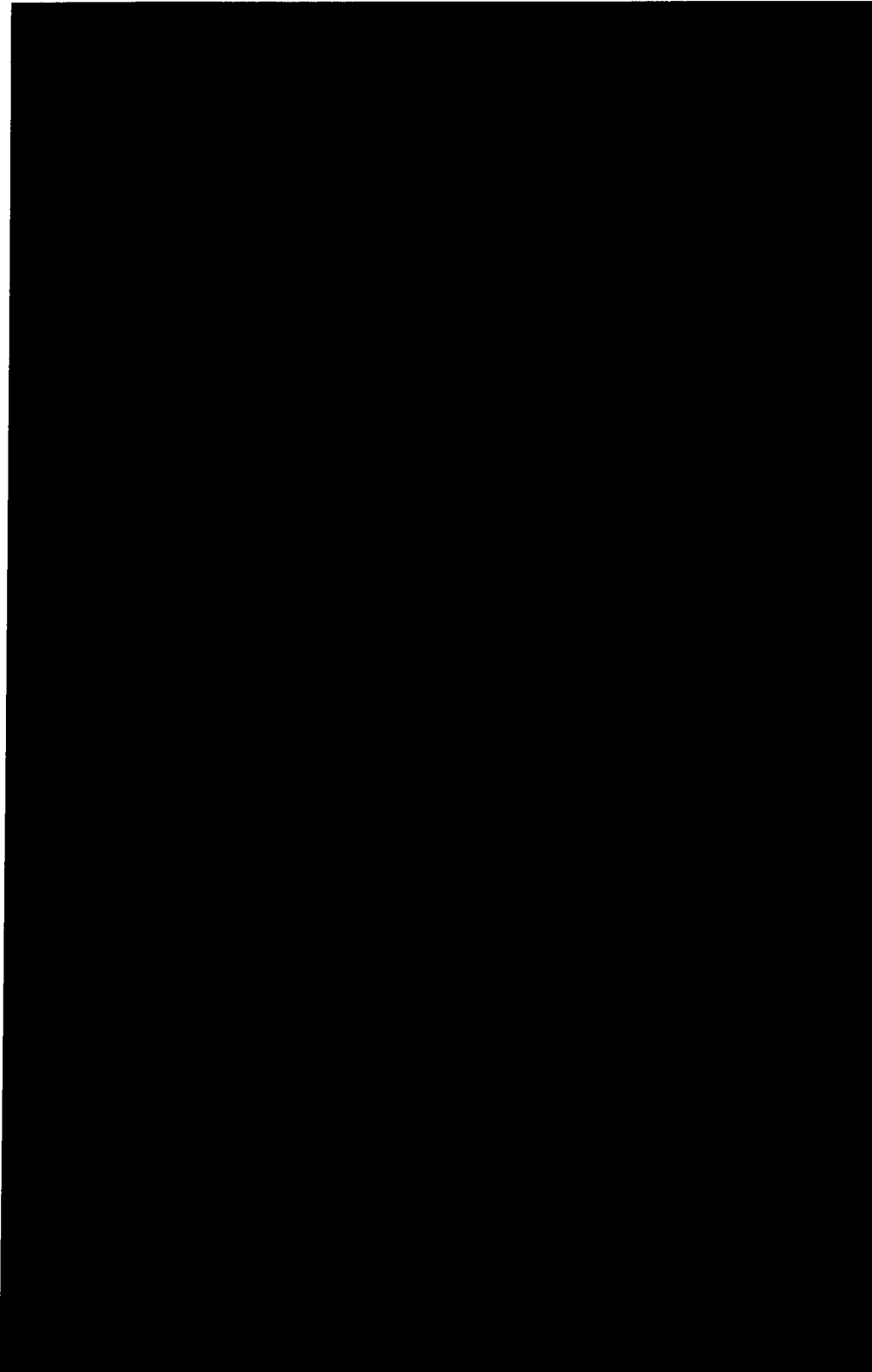
CONFIDENTIAL



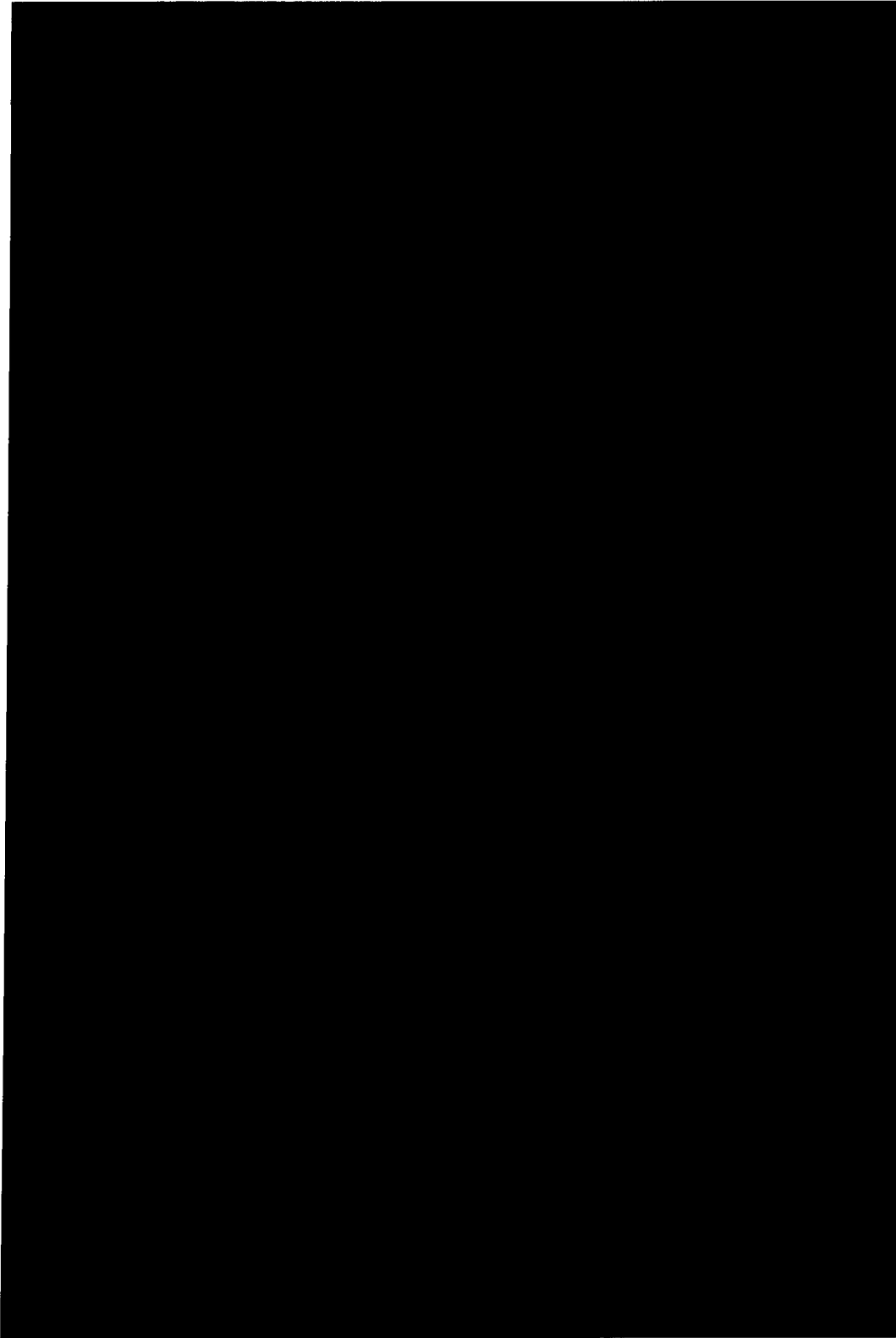
CONFIDENTIAL



CONFIDENTIAL



CONFIDENTIAL

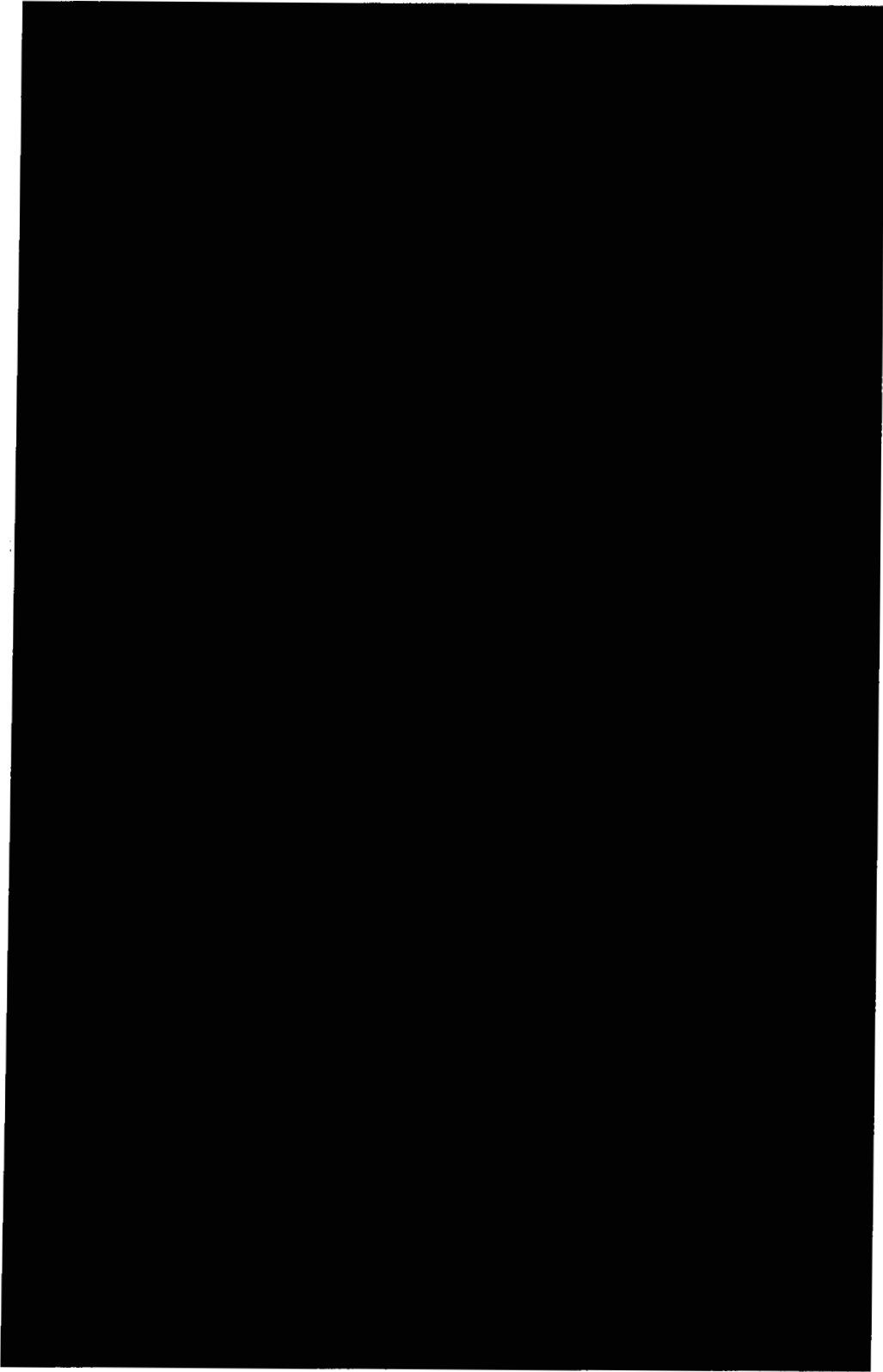


FCR-07-3772

CONFIDENTIAL

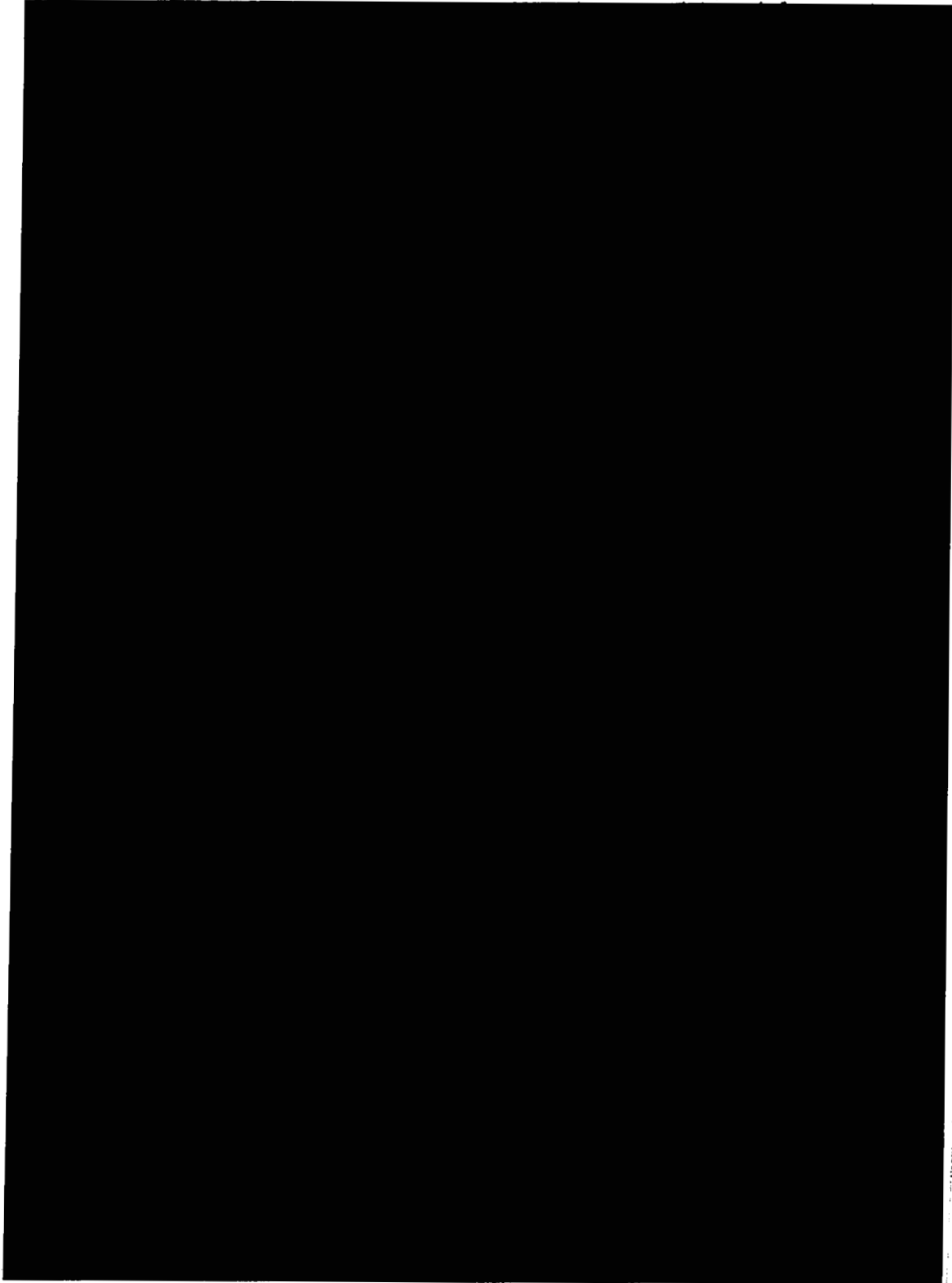


CONFIDENTIAL



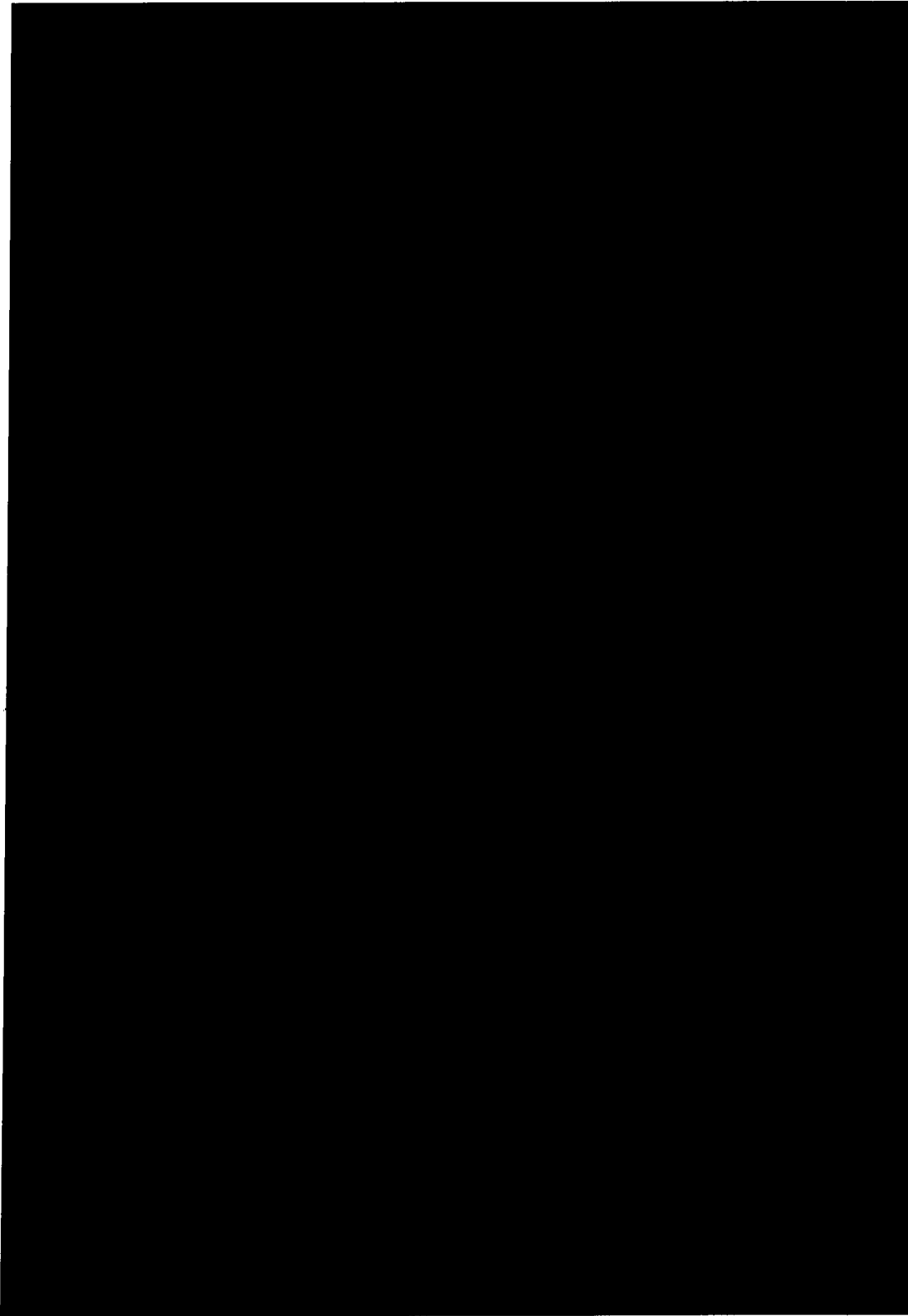
FCR- 07-3774

CONFIDENTIAL

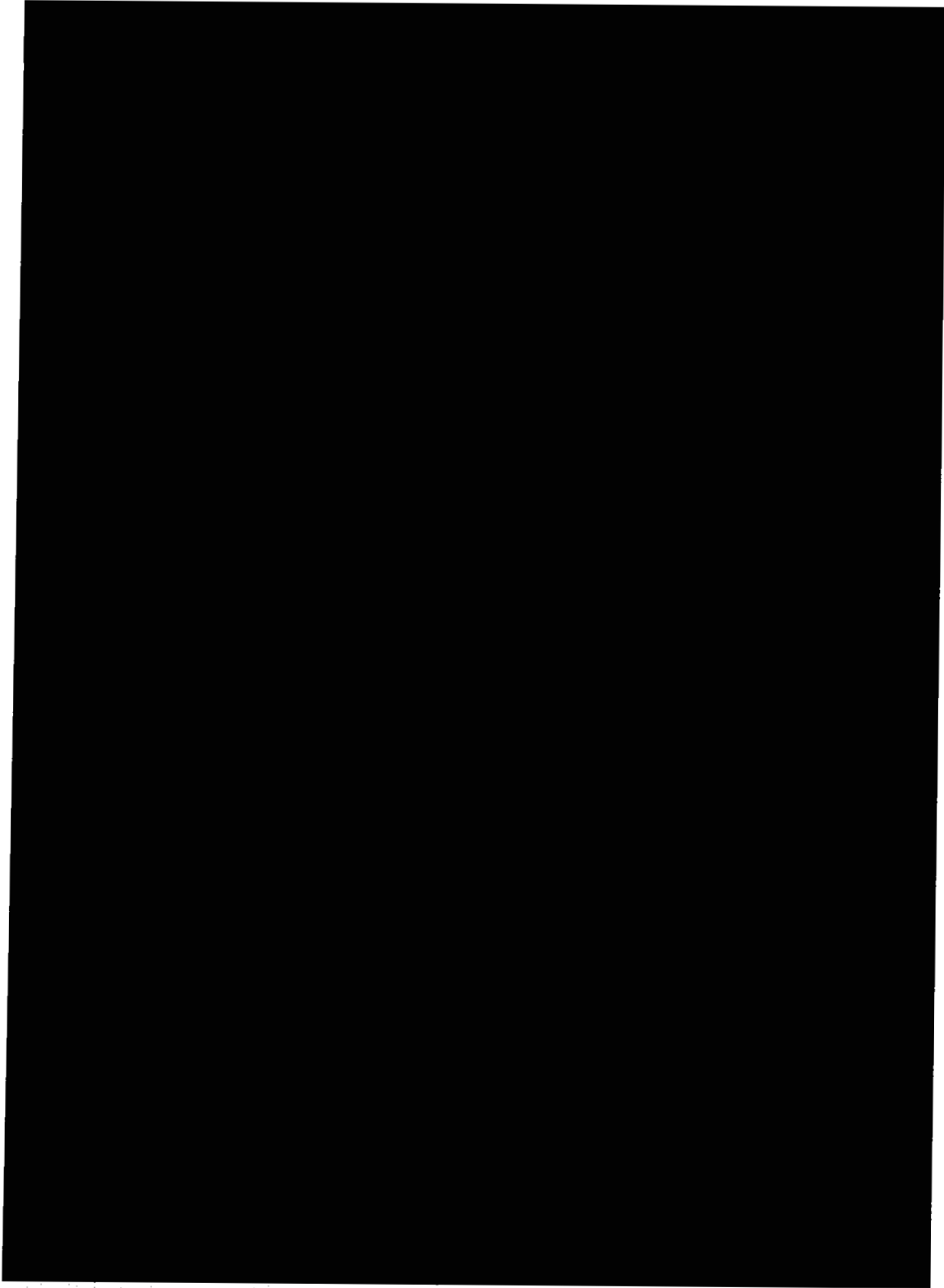


FCR-07-3775

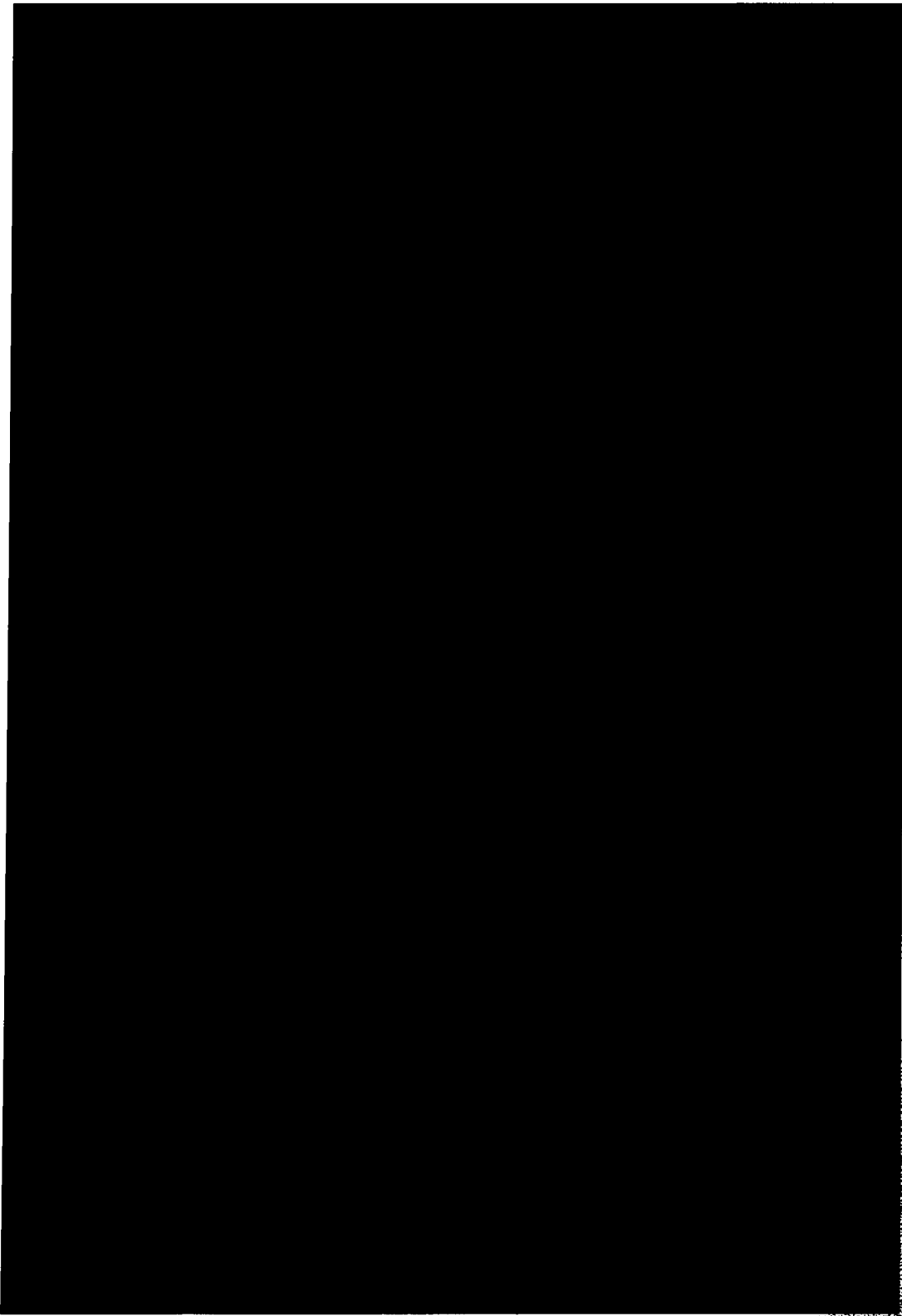
CONFIDENTIAL



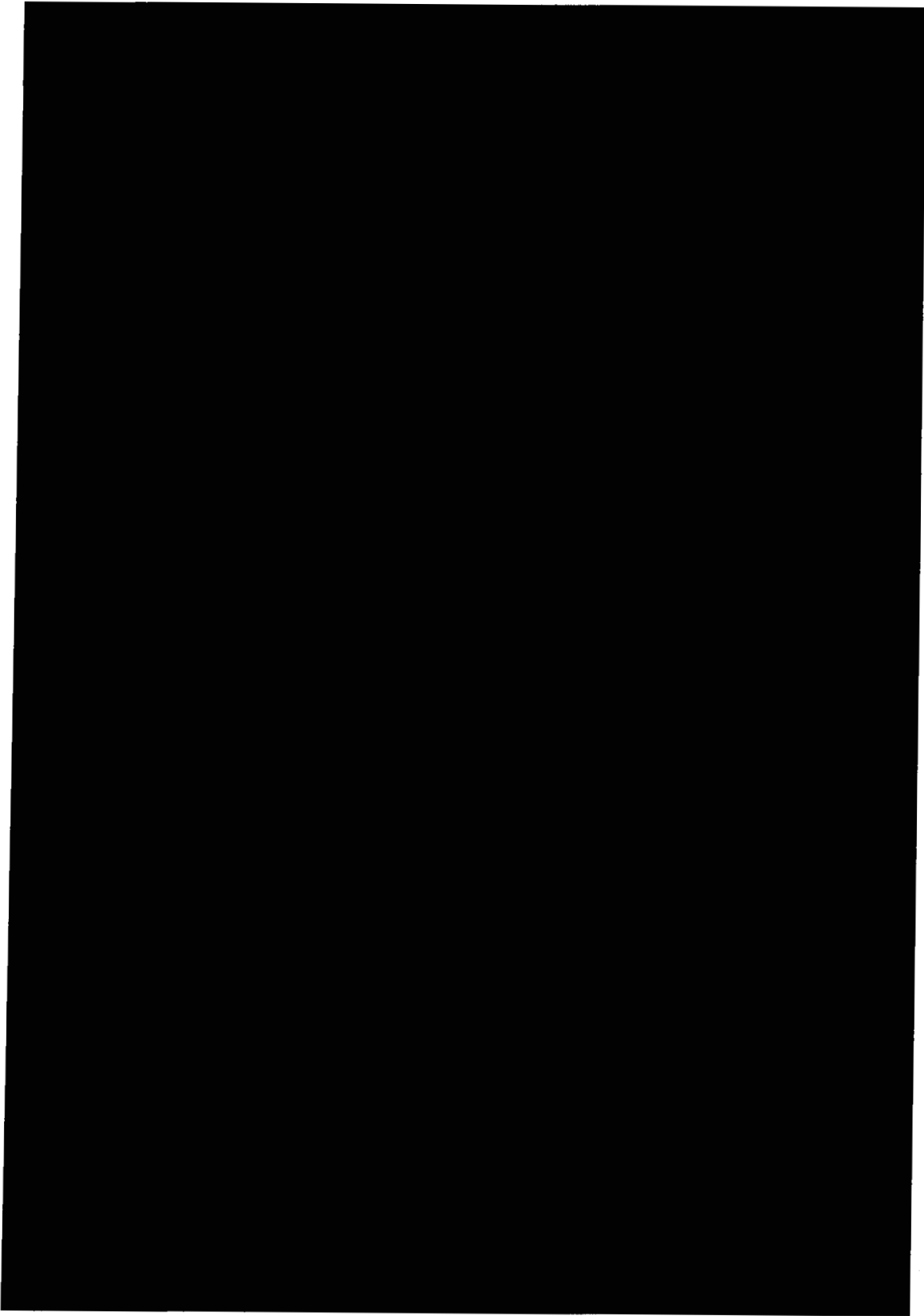
CONFIDENTIAL



CONFIDENTIAL

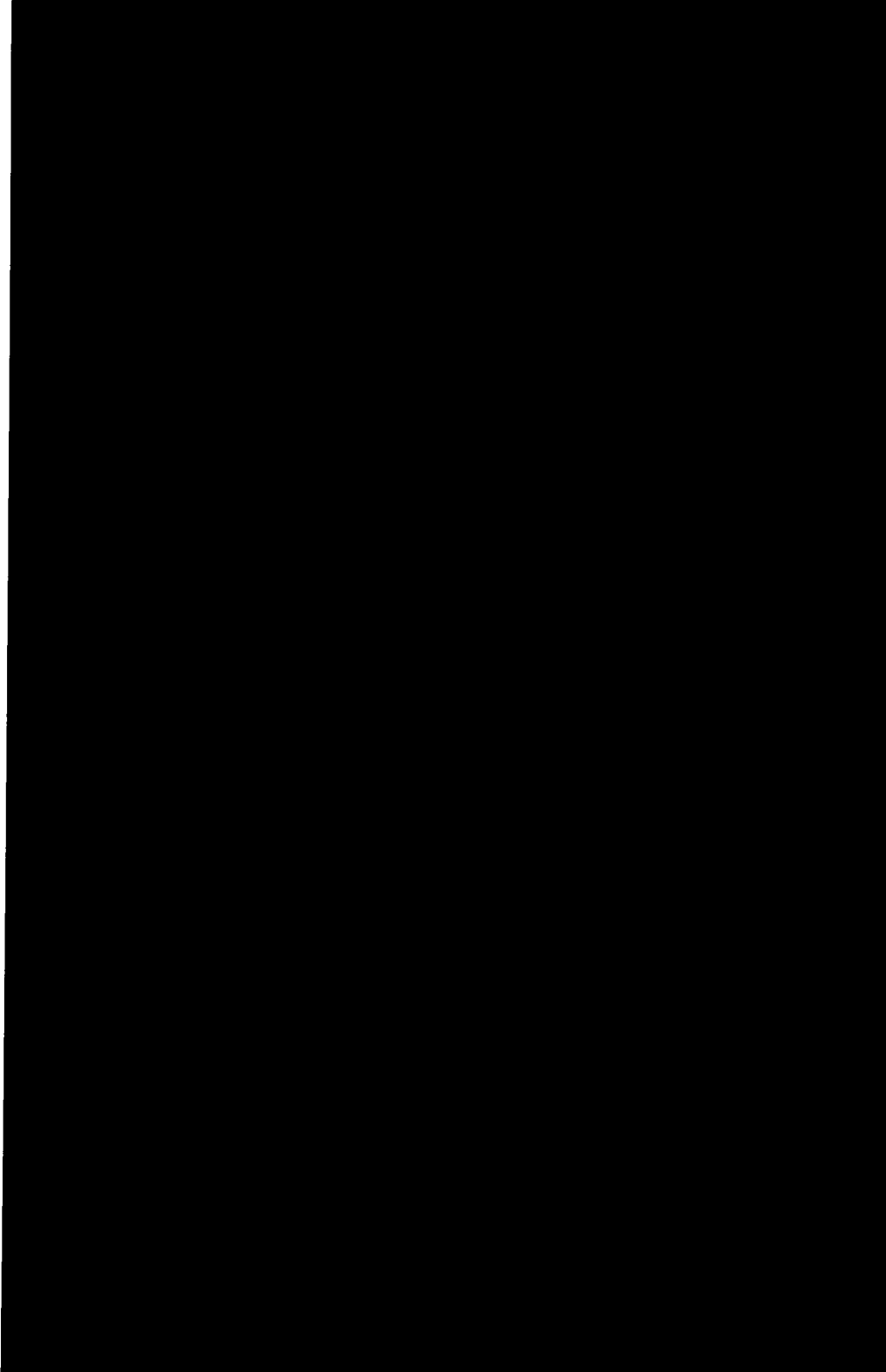


CONFIDENTIAL



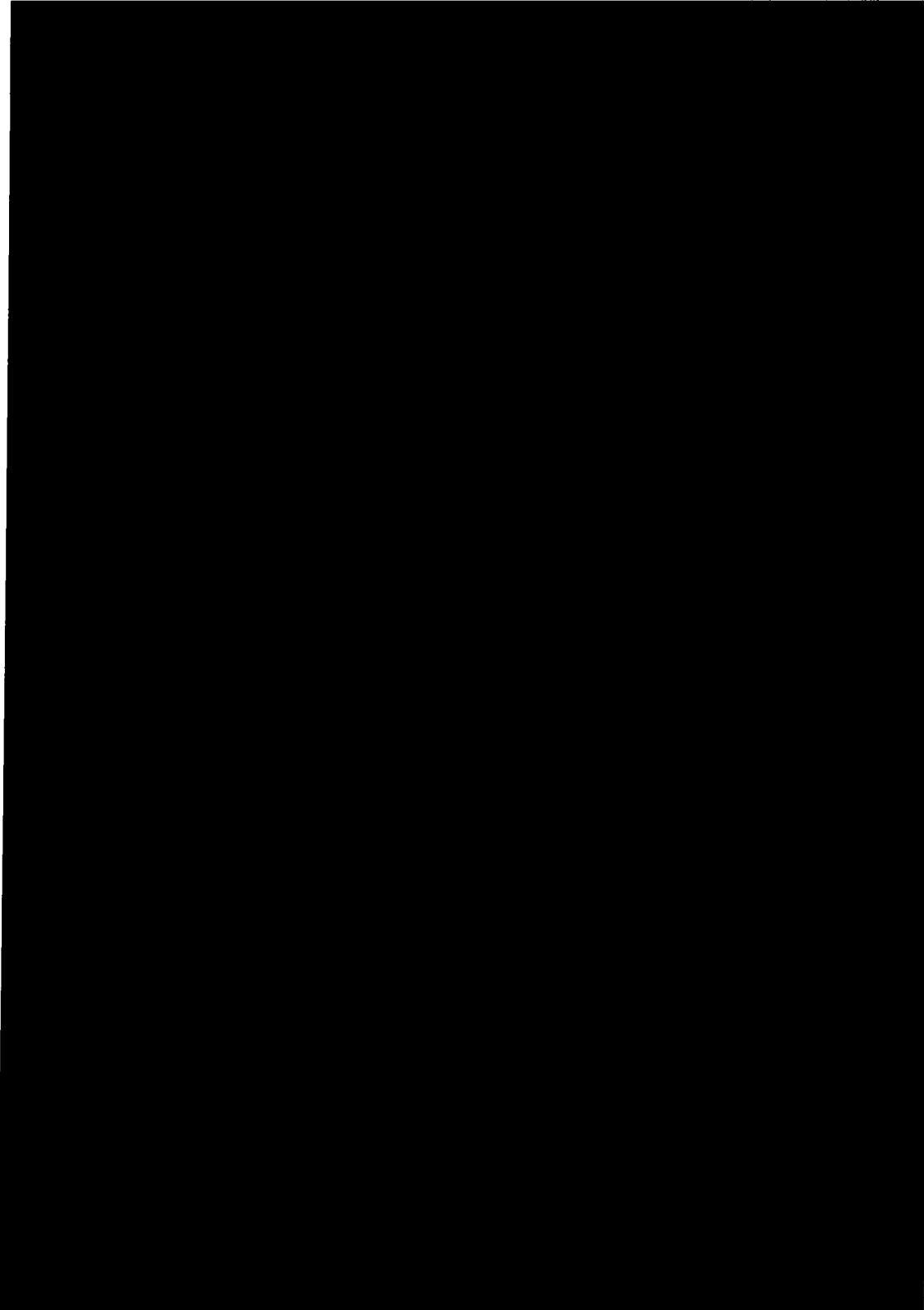
FCR-07-3779

CONFIDENTIAL



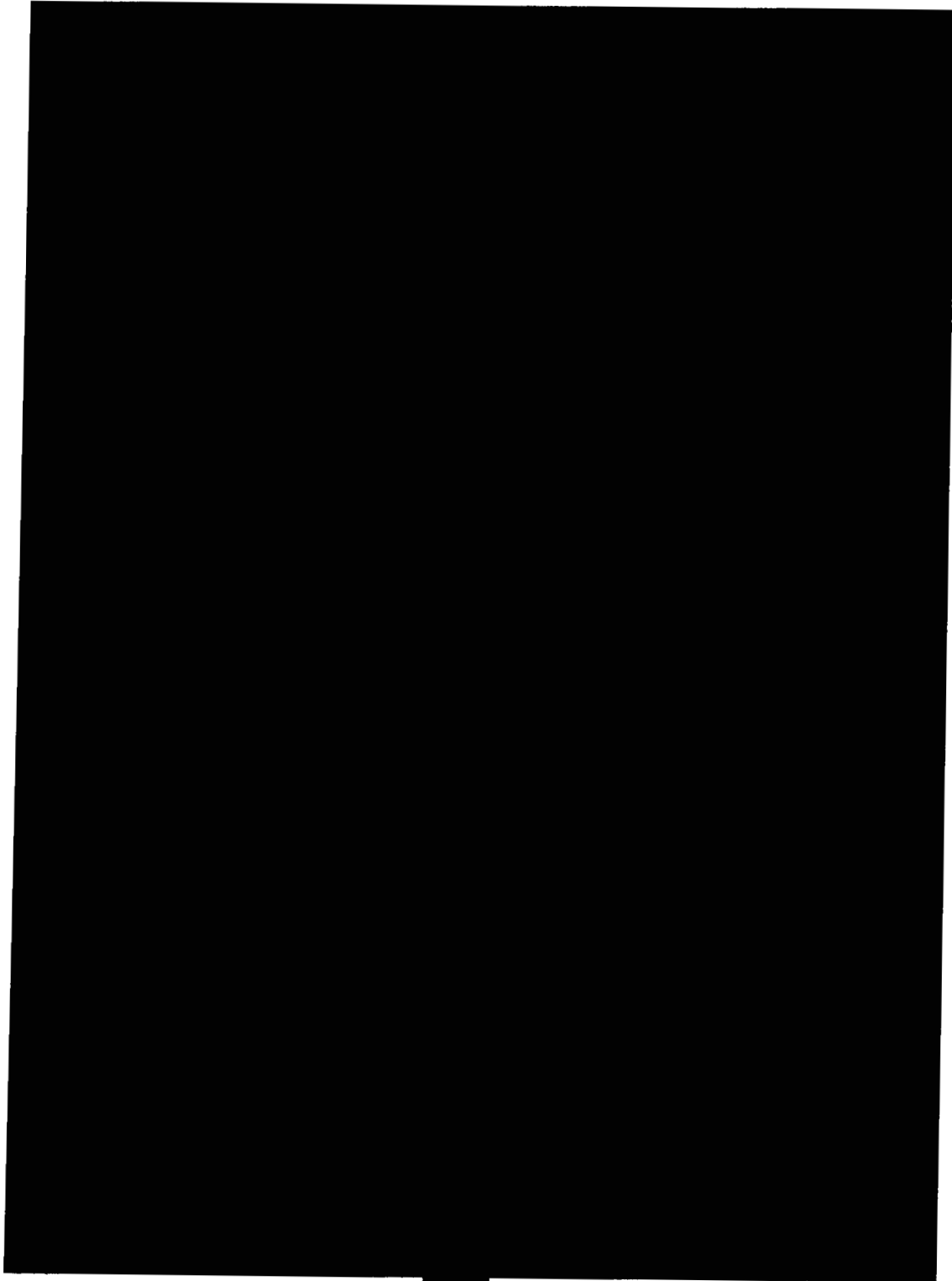
FCR- 07-3780

CONFIDENTIAL

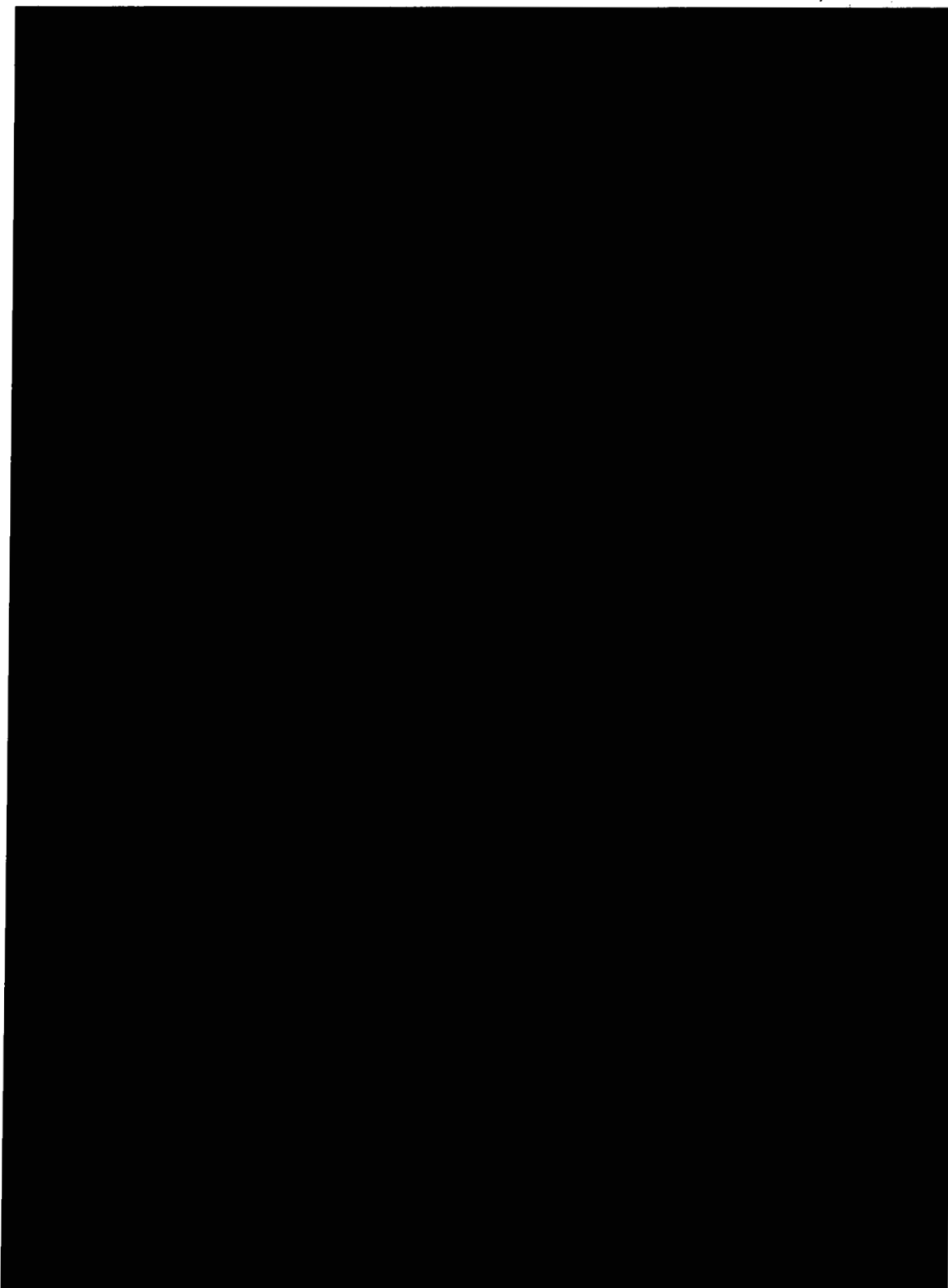


FCR-07-3781

CONFIDENTIAL

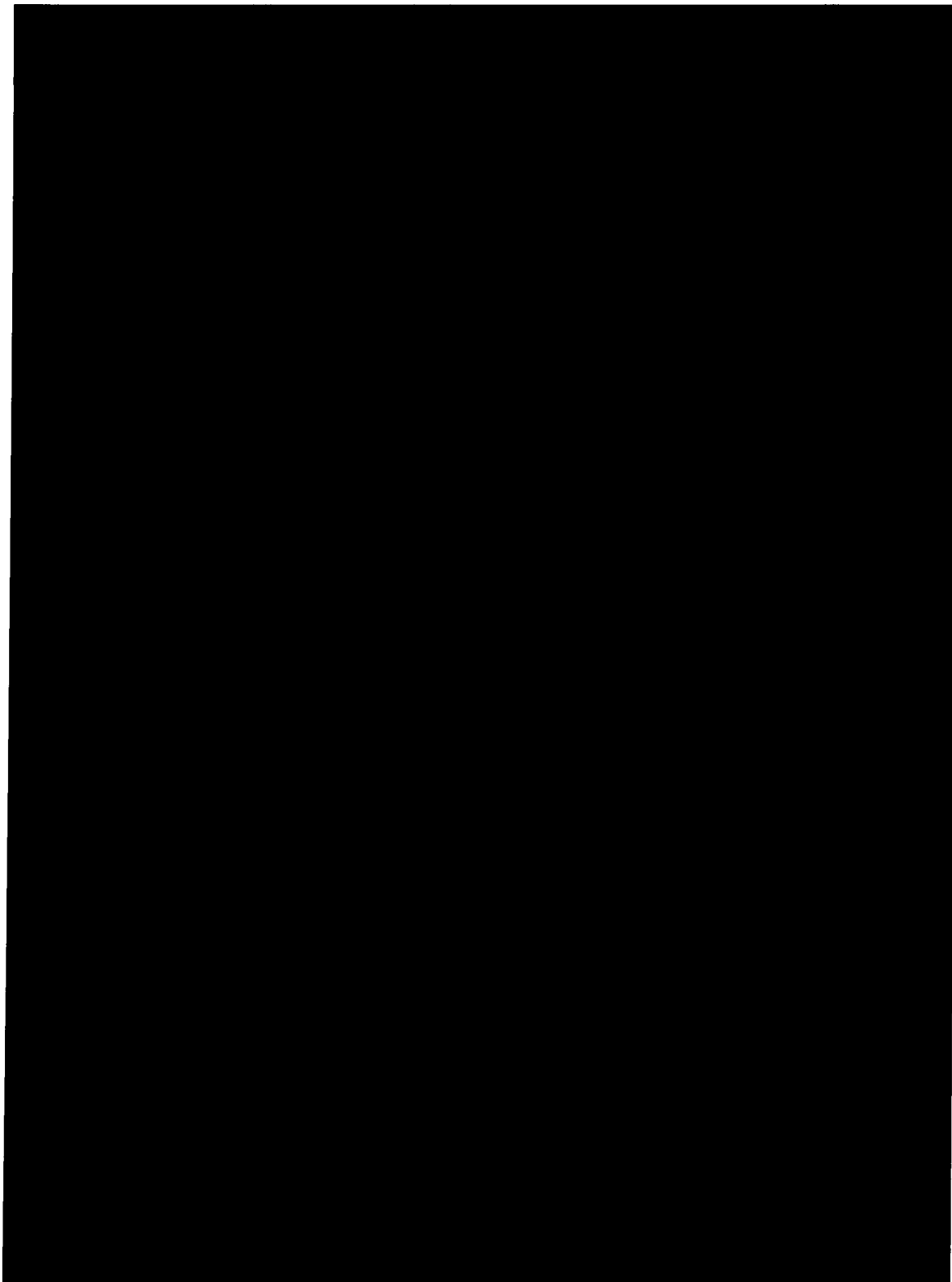


CONFIDENTIAL



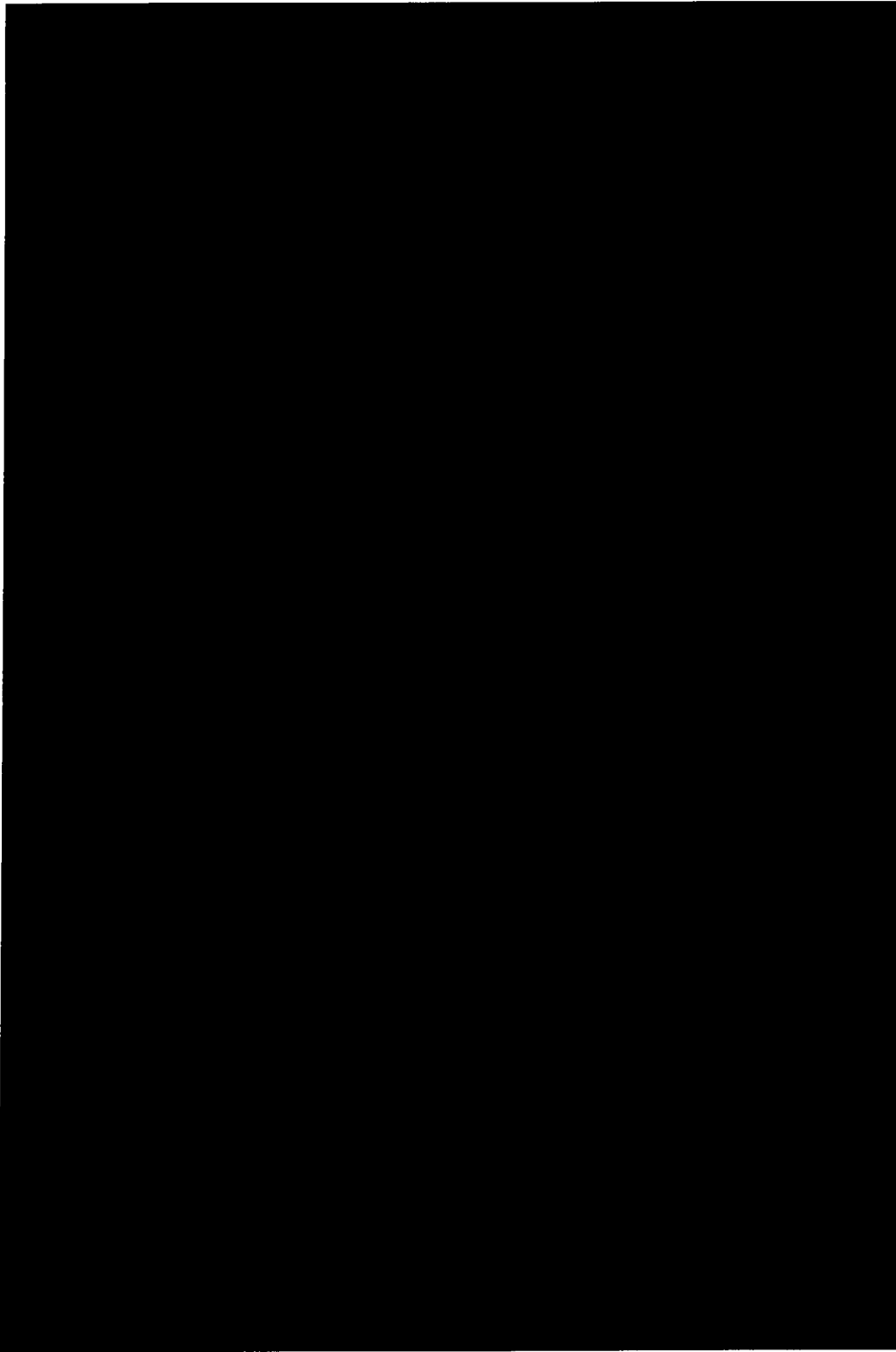
FCR-07-3783

CONFIDENTIAL



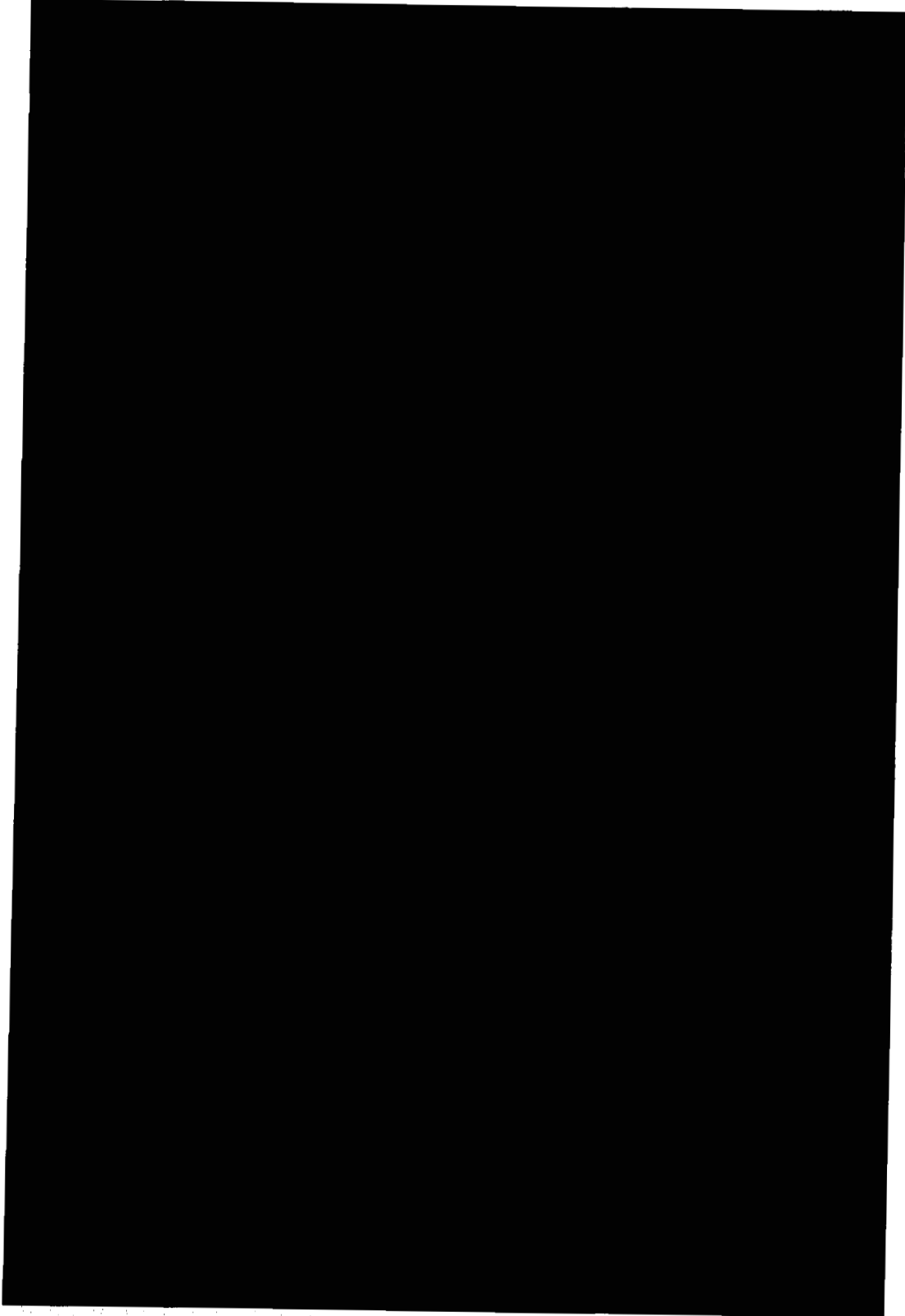
FCR-07-3784

CONFIDENTIAL



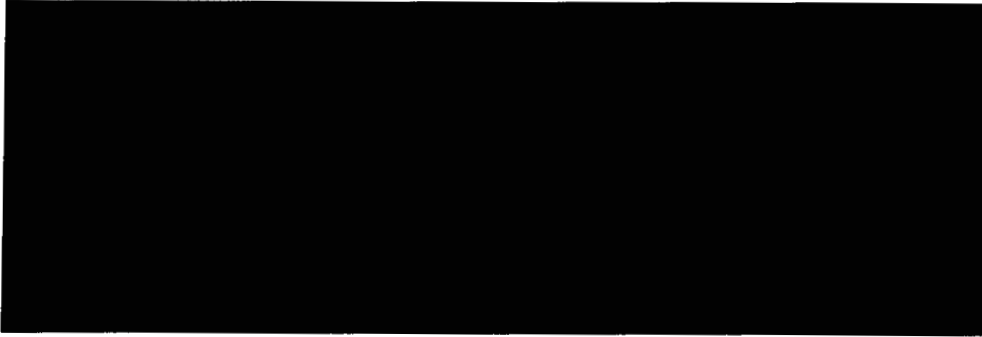
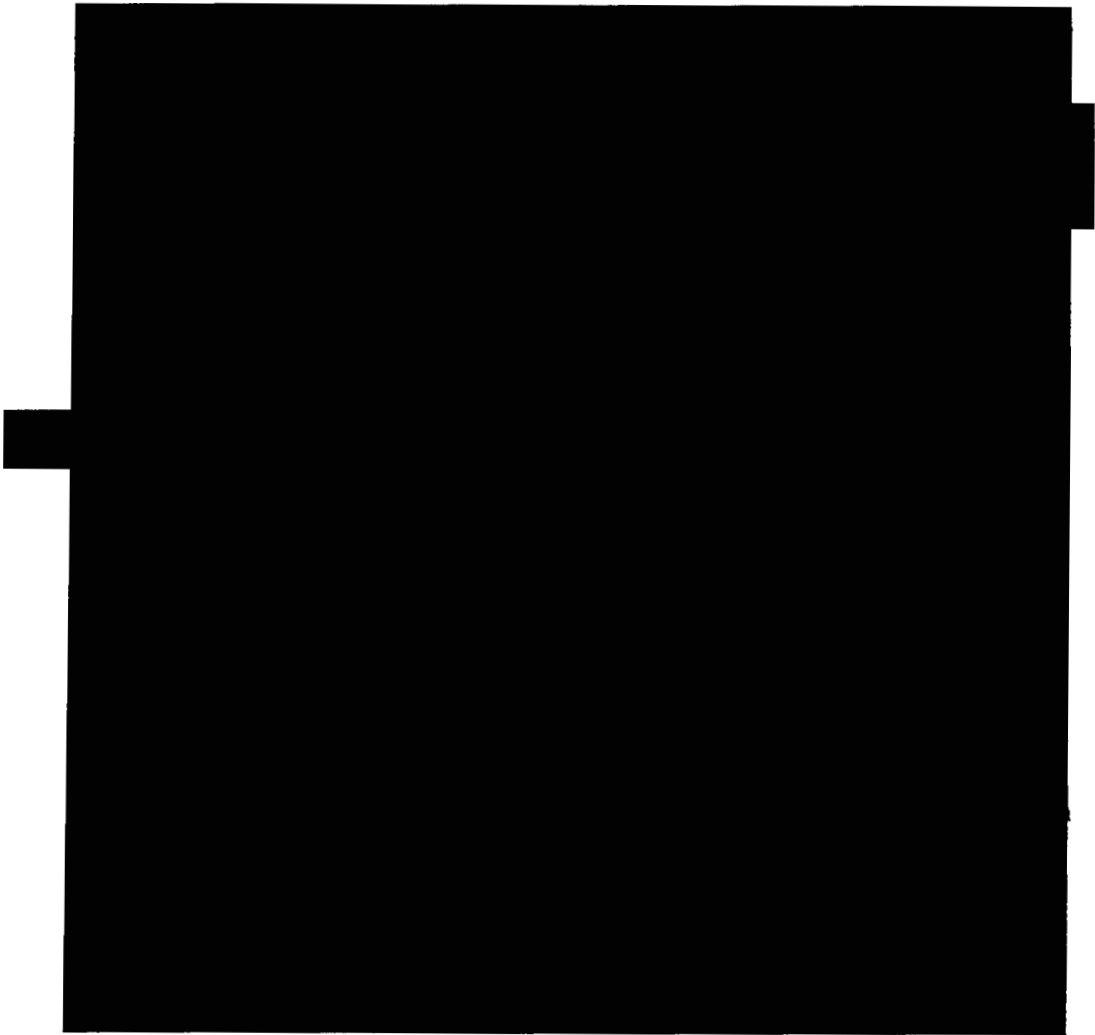
CONFIDENTIAL

CONFIDENTIAL

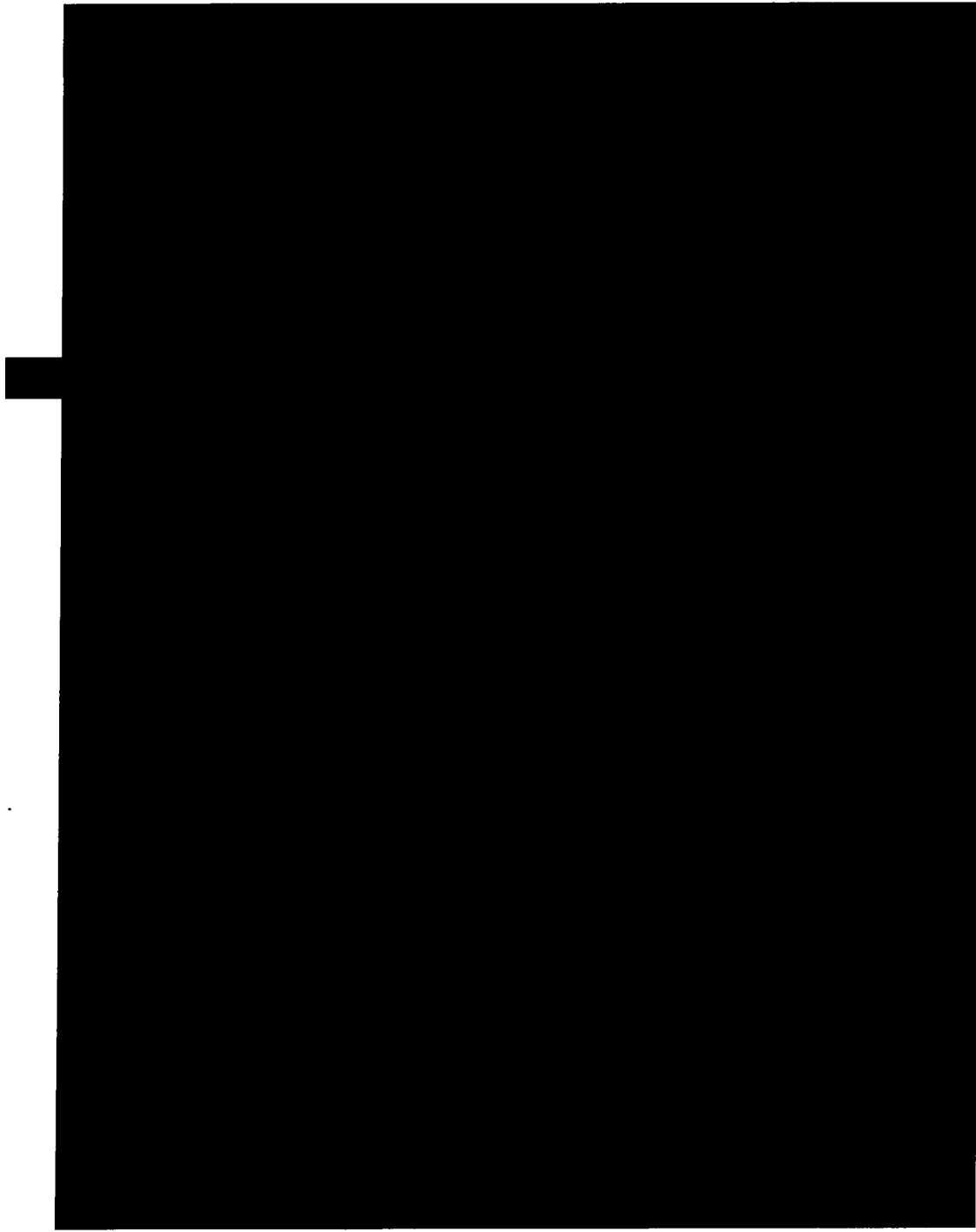


FCR-07-3786

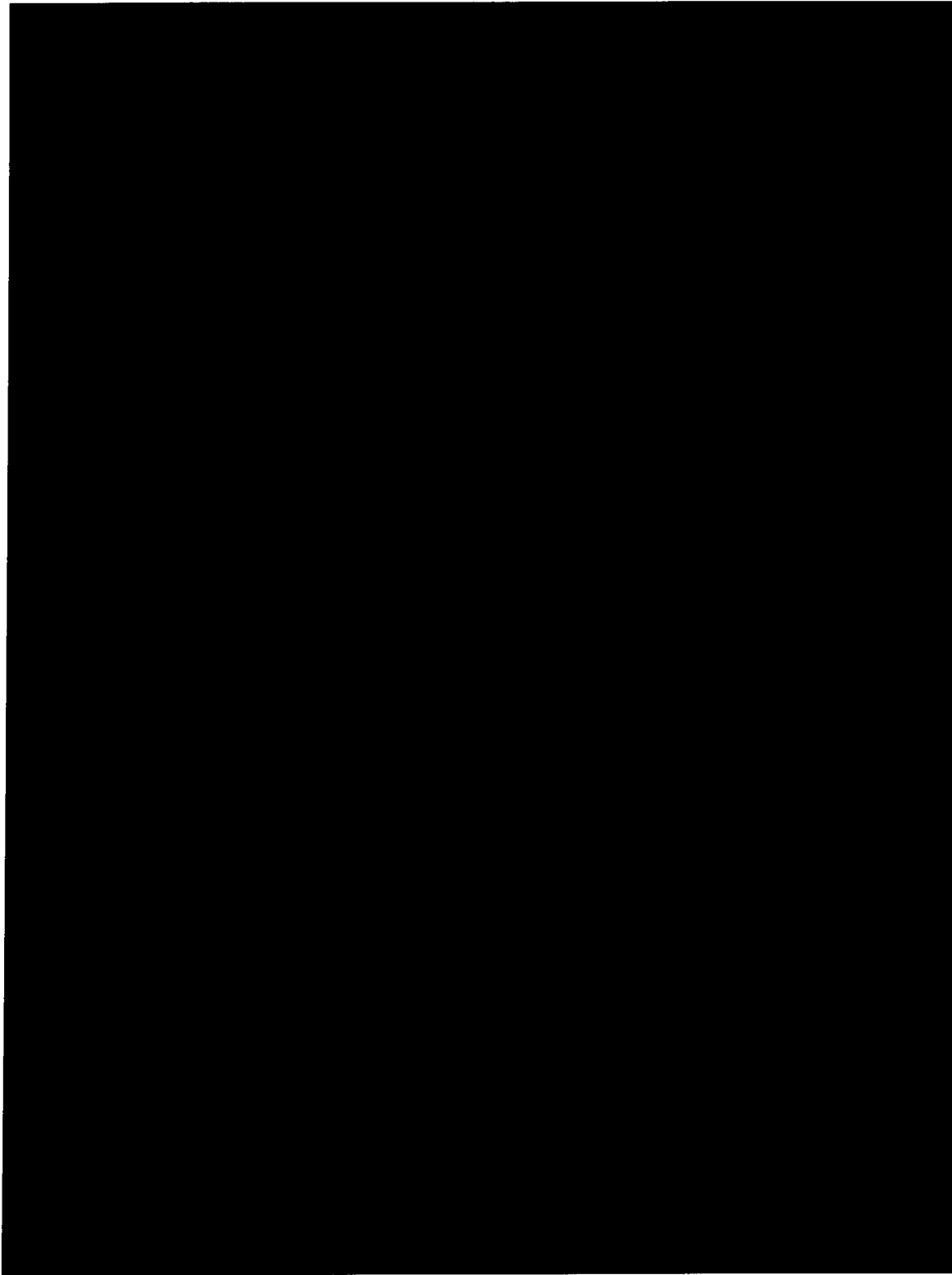
CONFIDENTIAL



CONFIDENTIAL

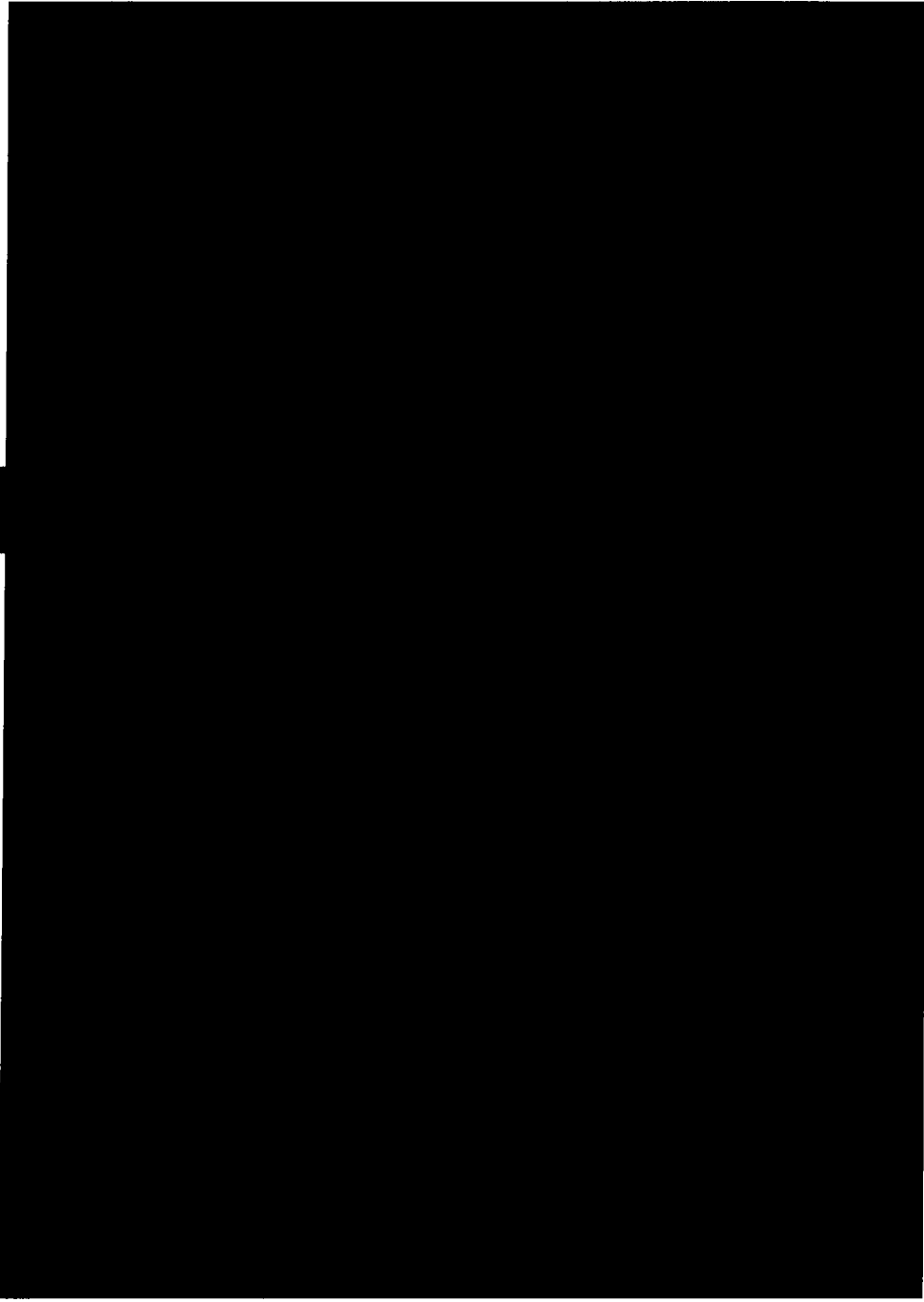


CONFIDENTIAL

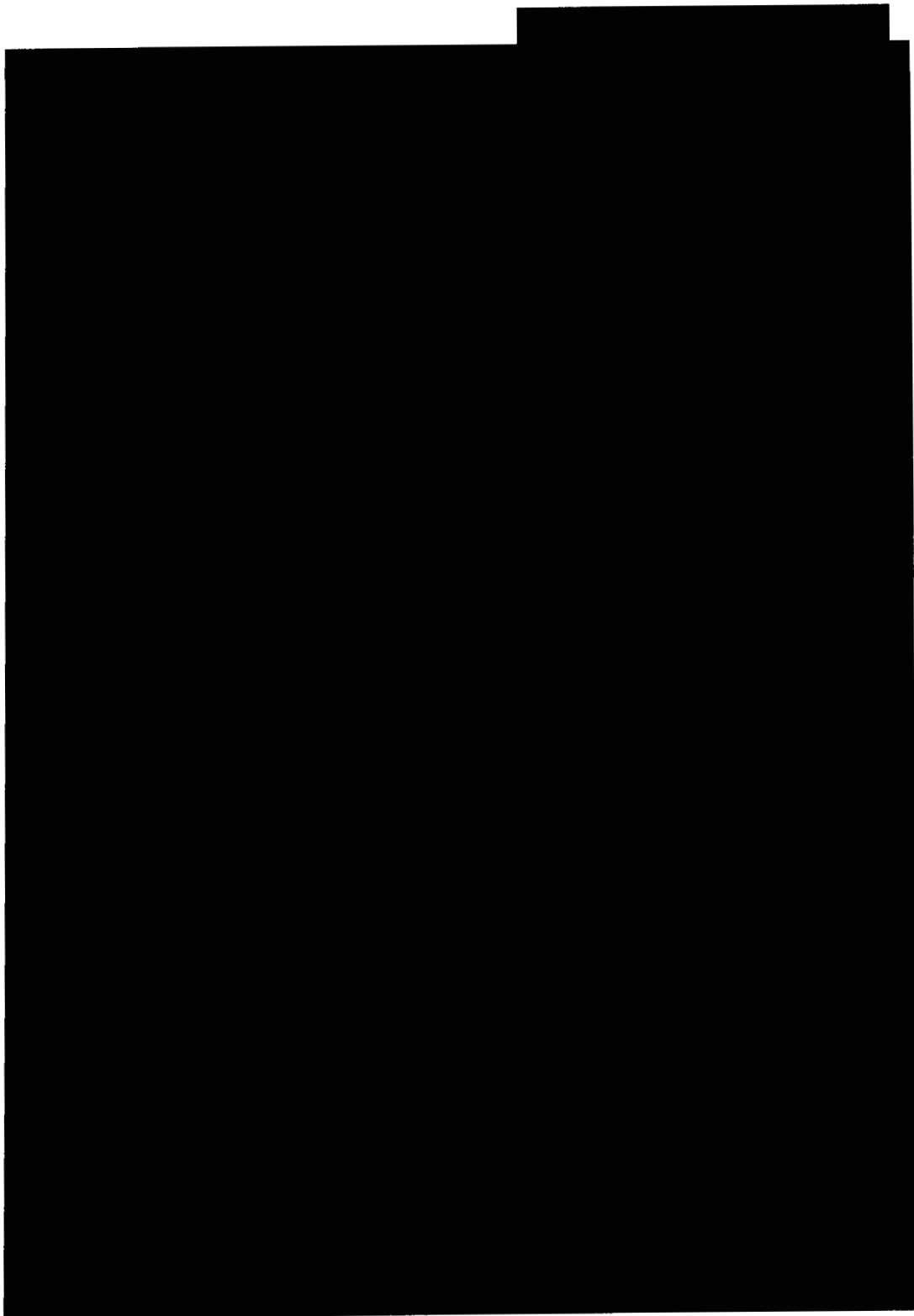


FCR-07-3789

CONFIDENTIAL

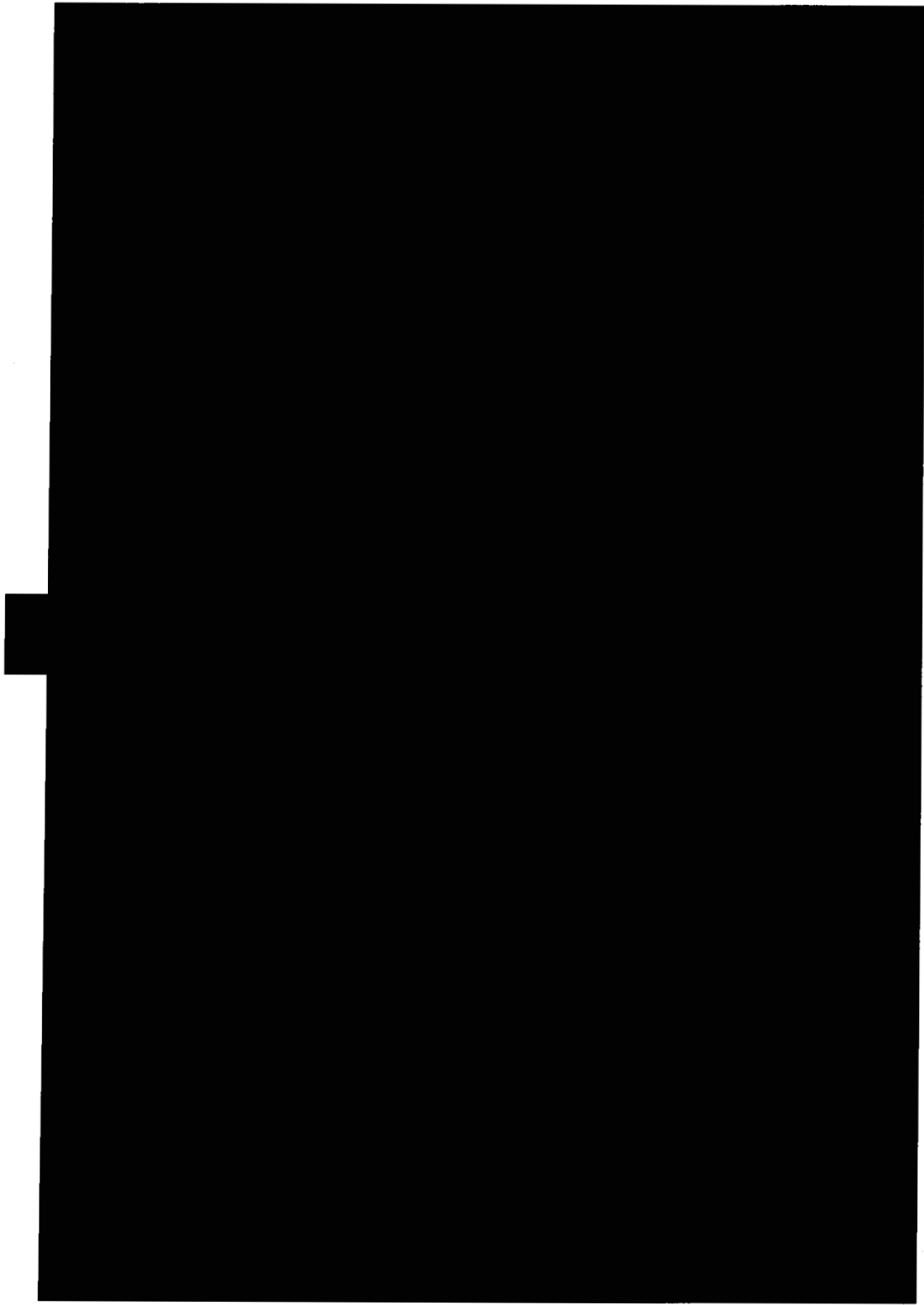


CONFIDENTIAL

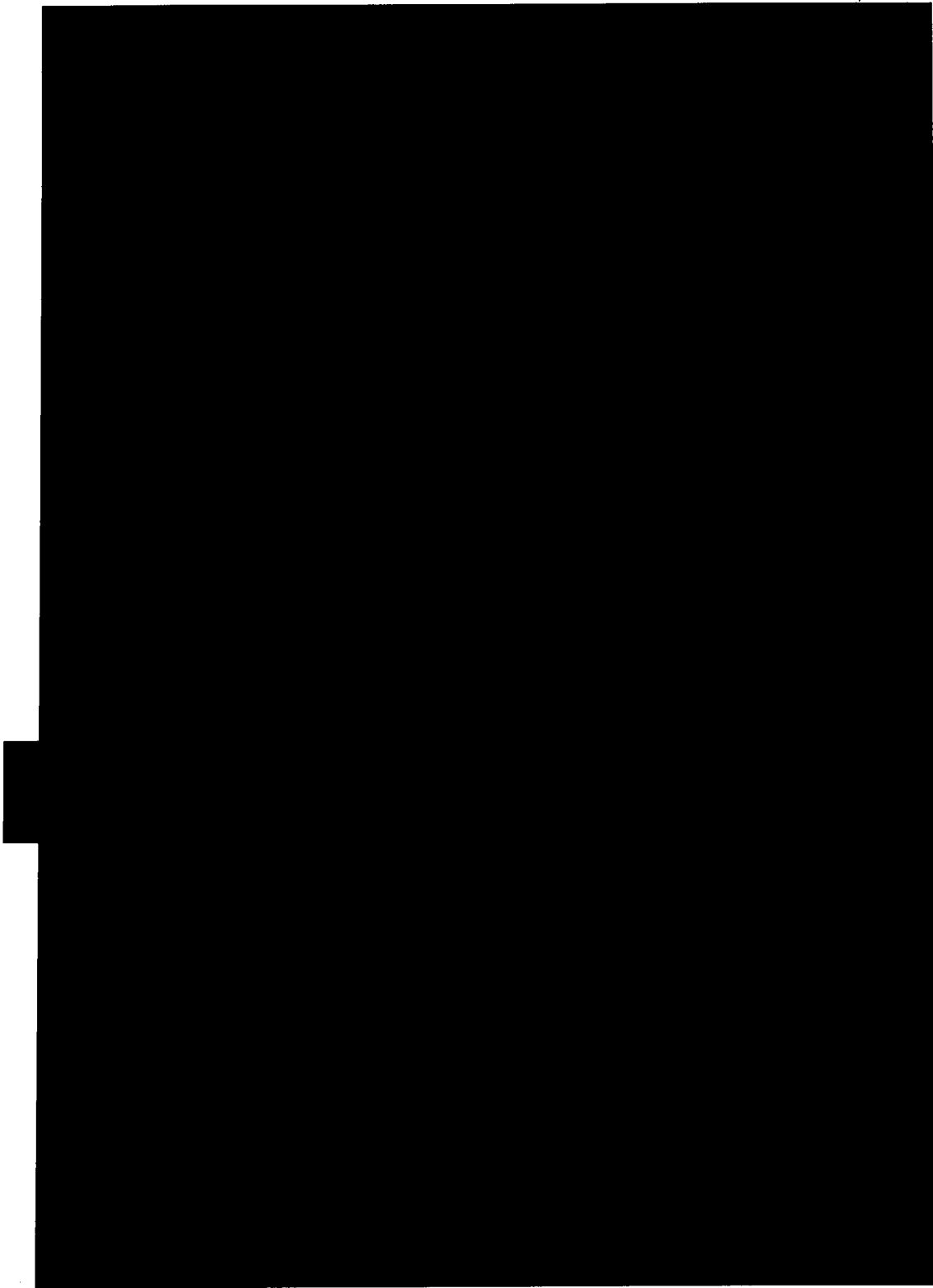


FCR-07-3791

CONFIDENTIAL

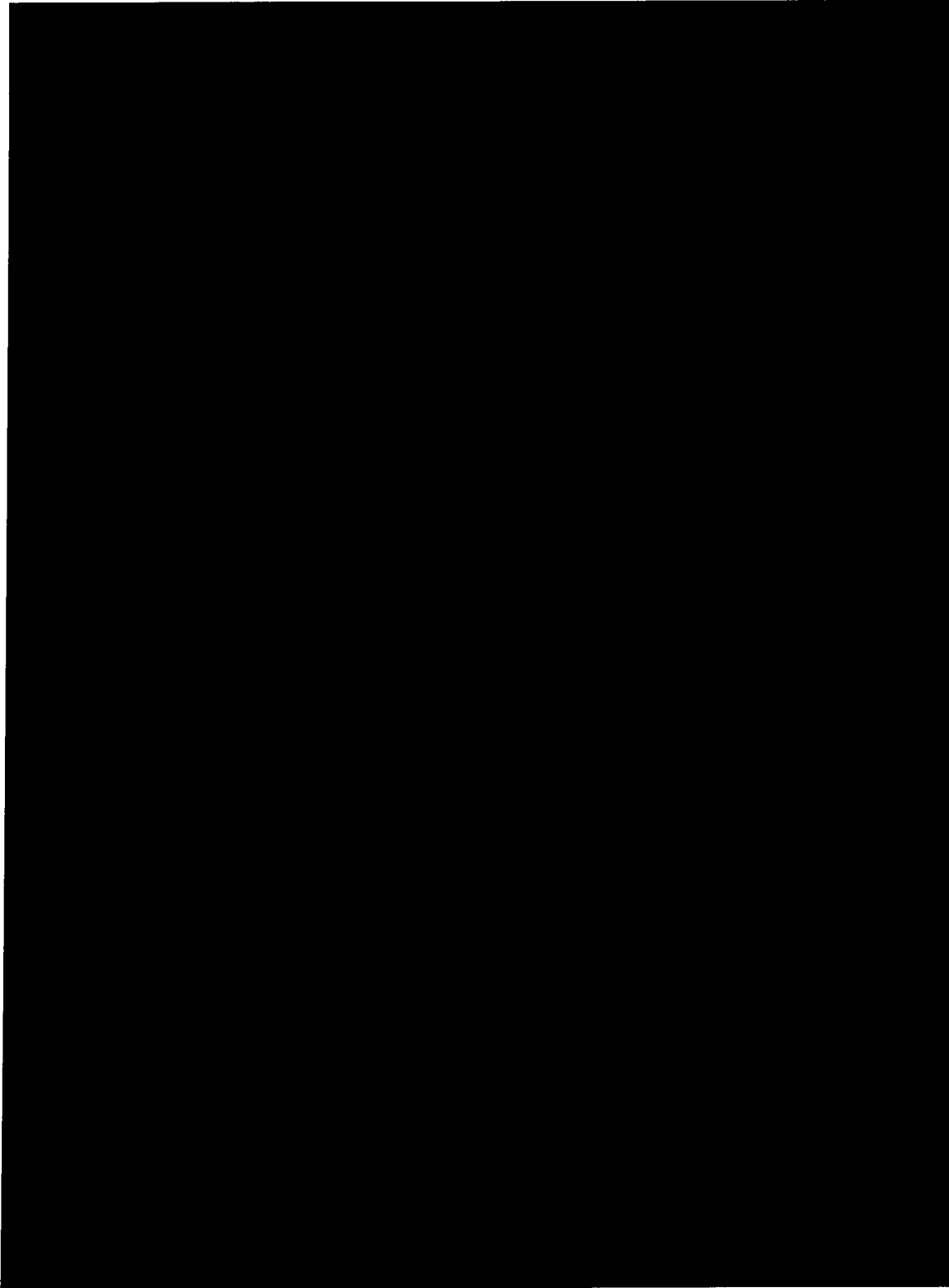


CONFIDENTIAL



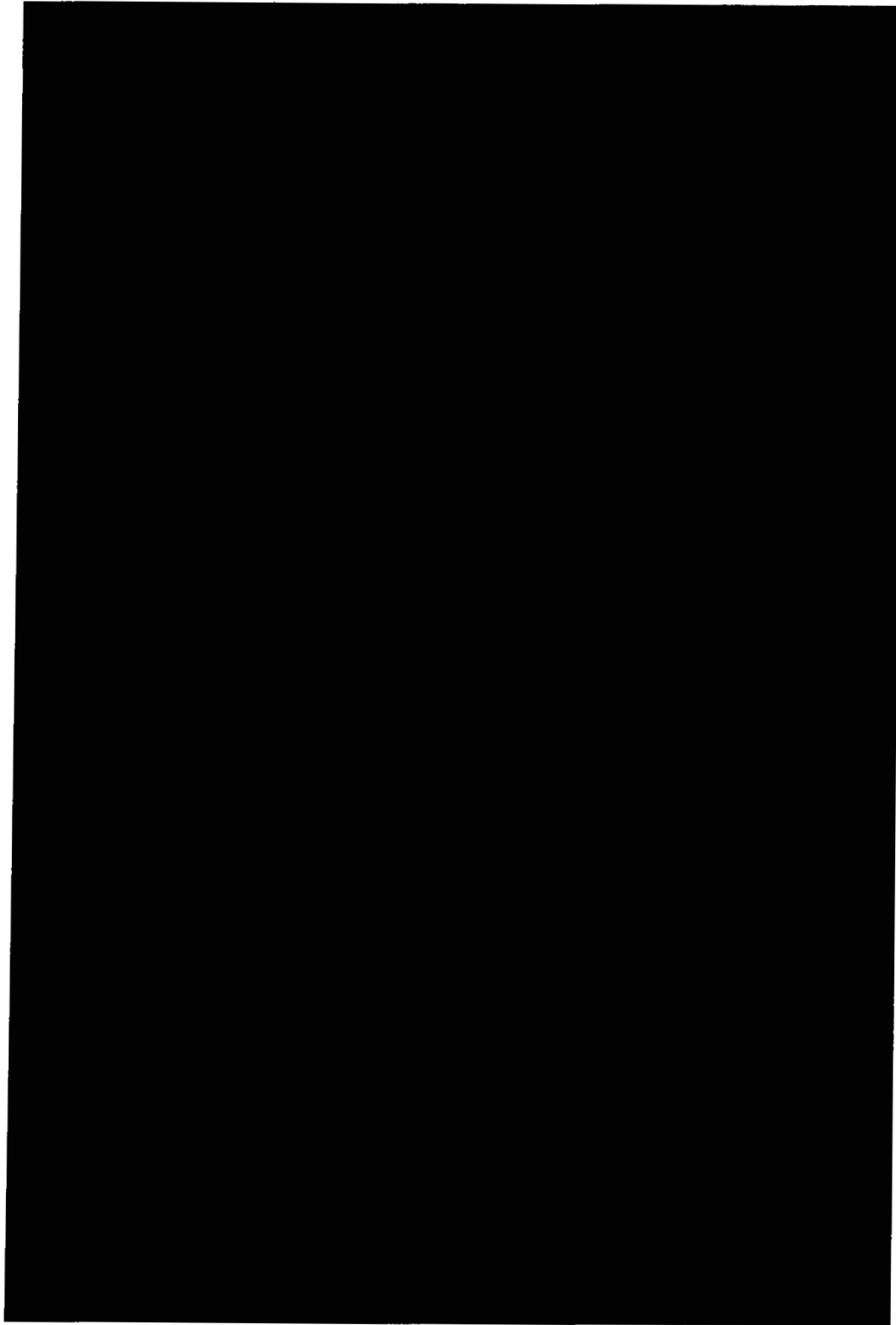
FCR-07-3793

CONFIDENTIAL



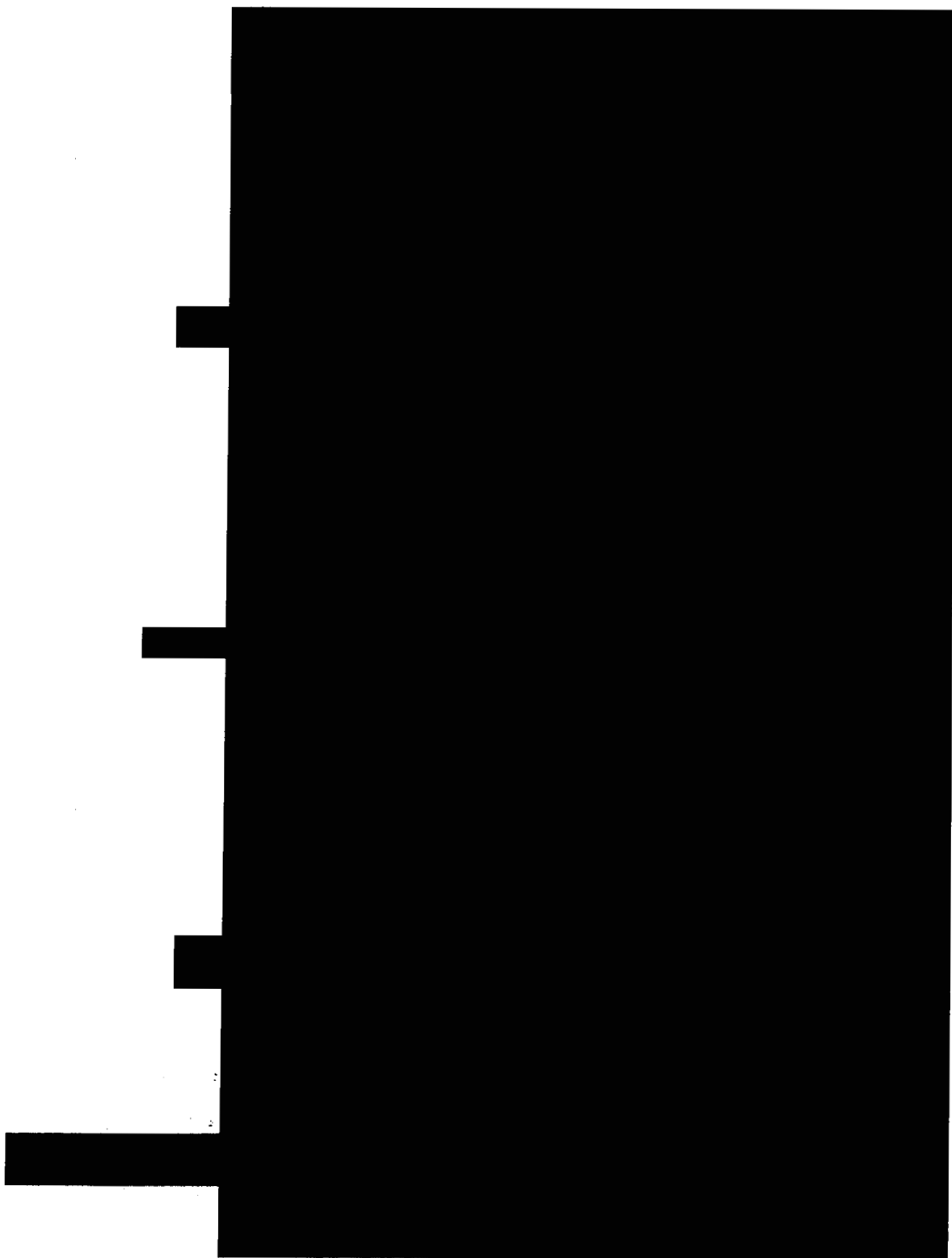
FCR-07-3794

CONFIDENTIAL

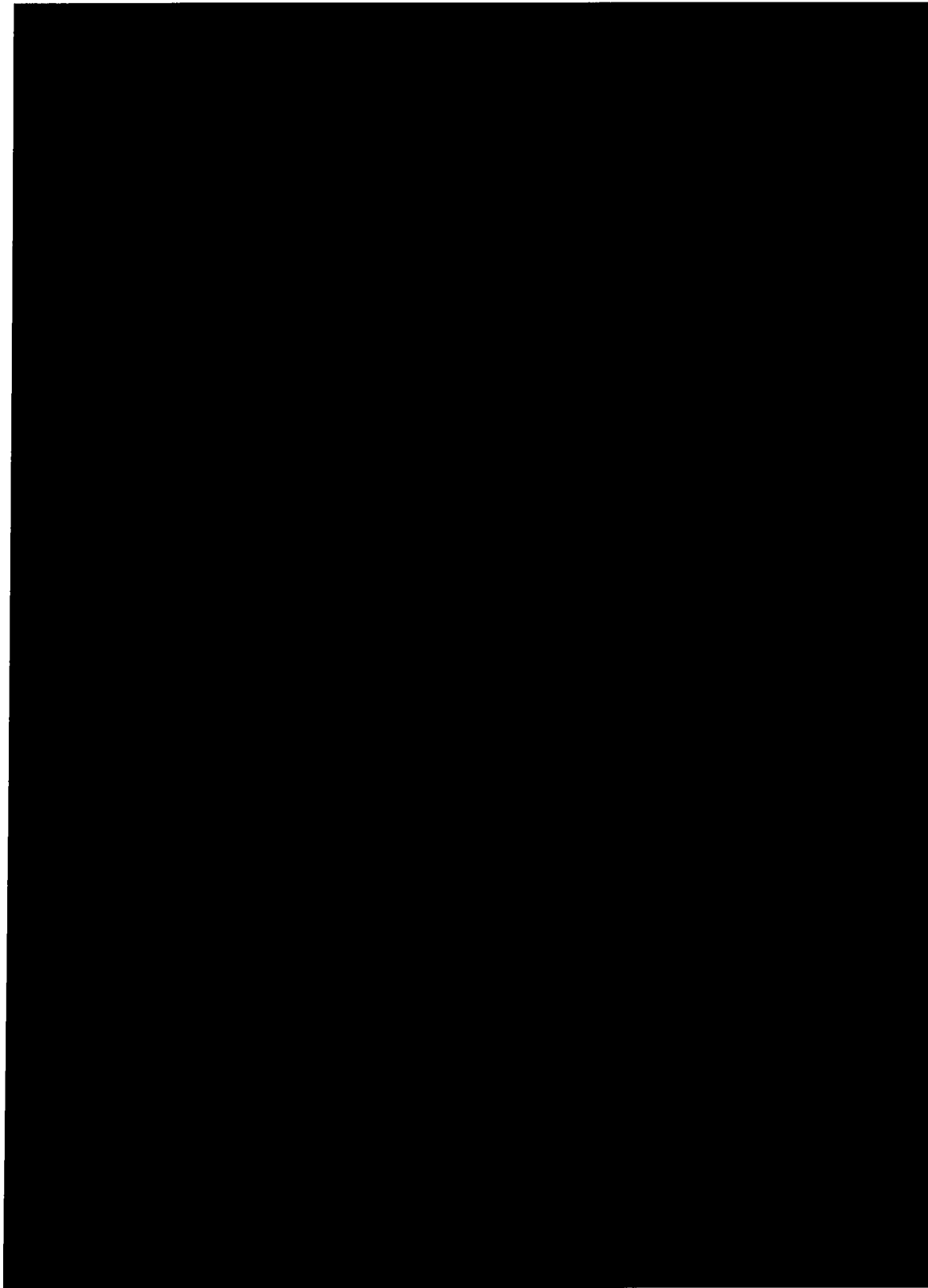


FCR- 07-3795

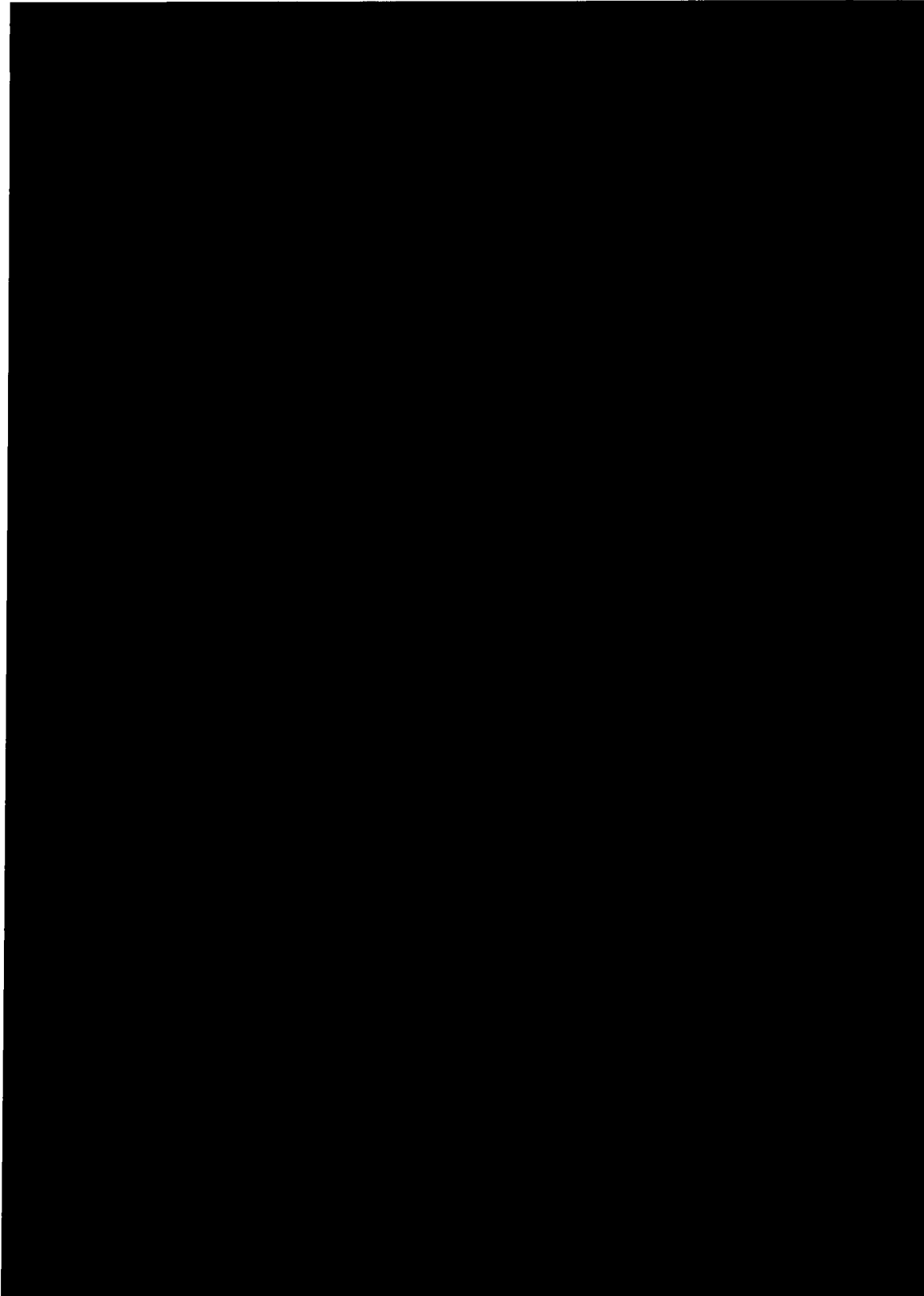
CONFIDENTIAL



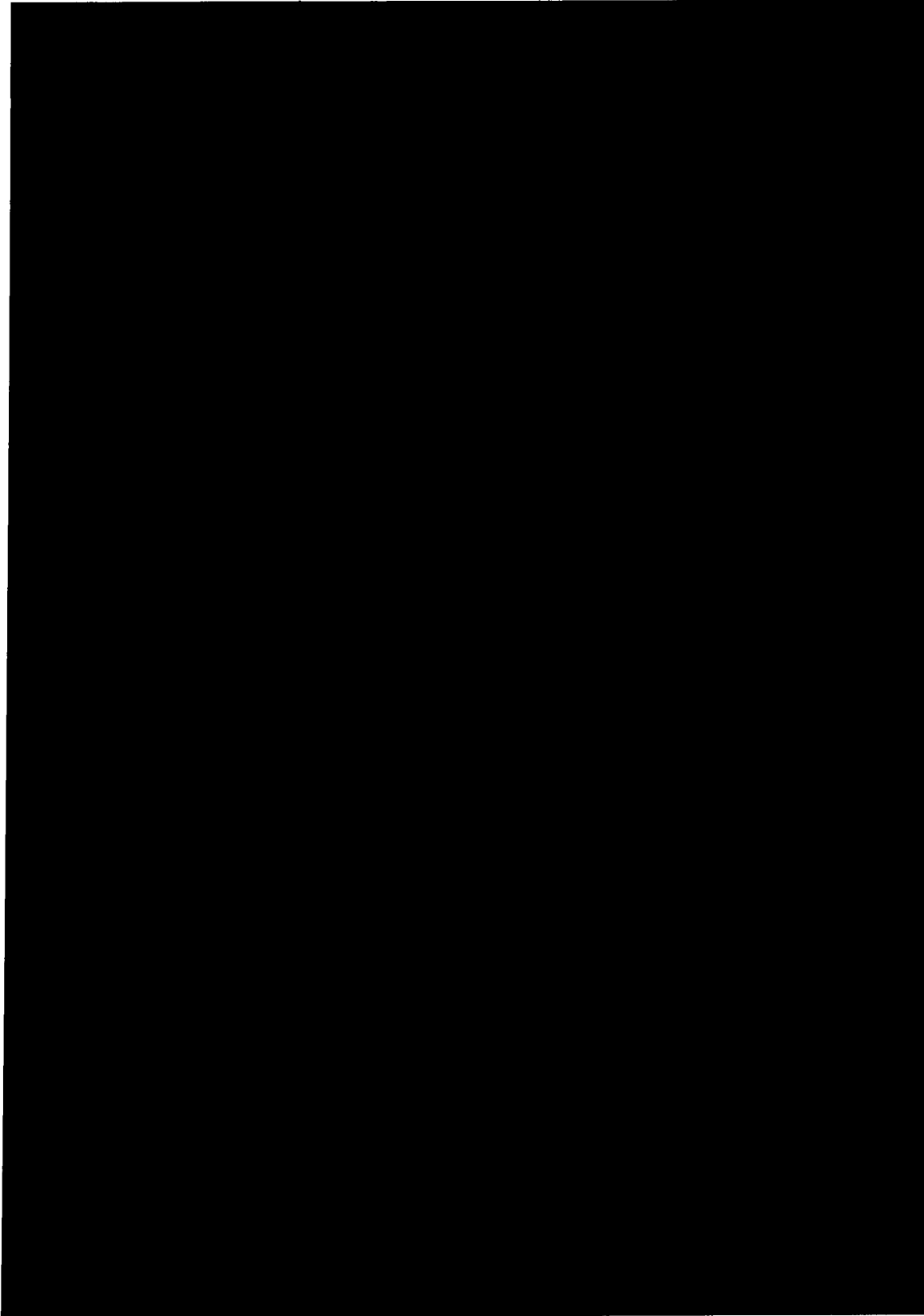
CONFIDENTIAL



CONFIDENTIAL

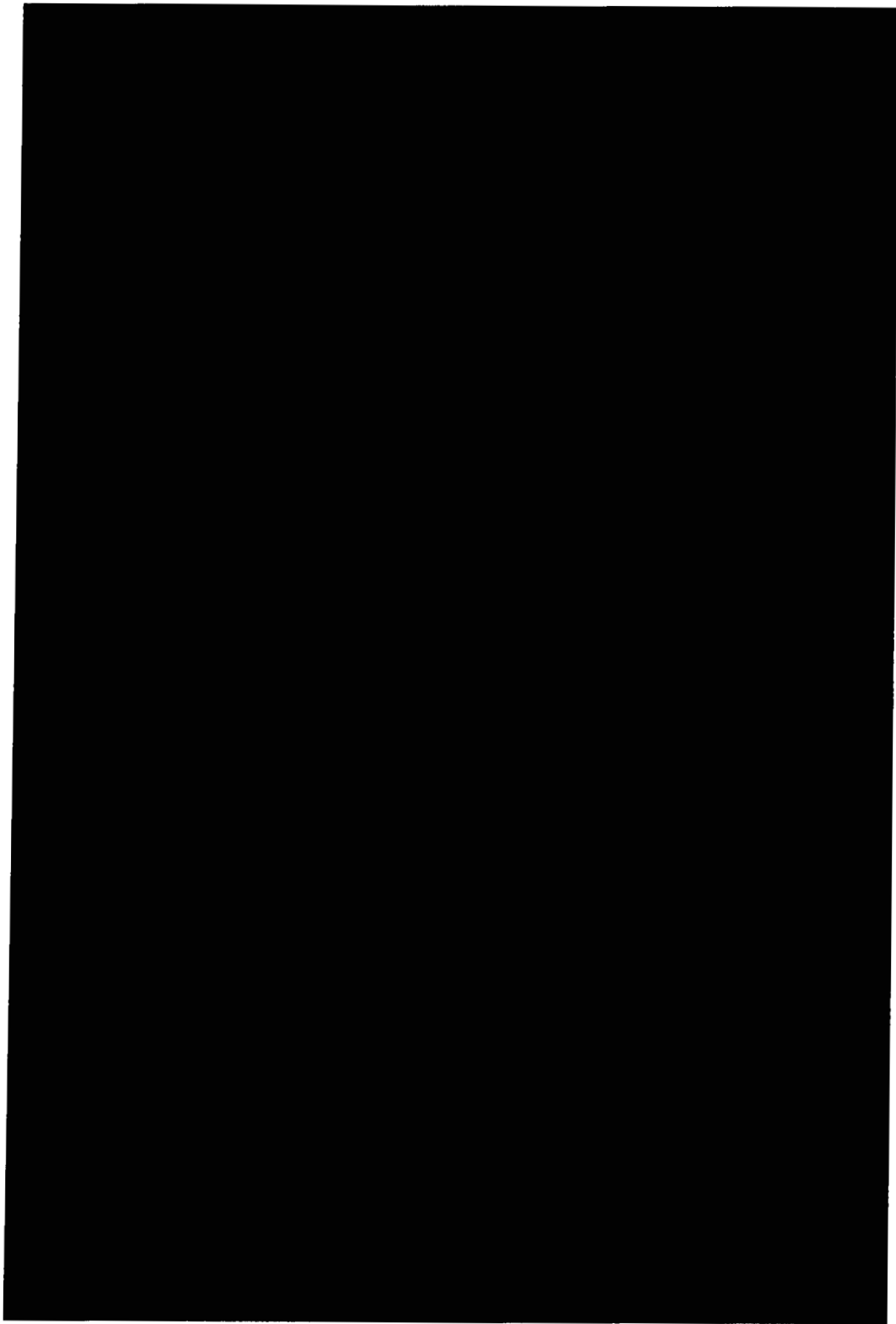


CONFIDENTIAL

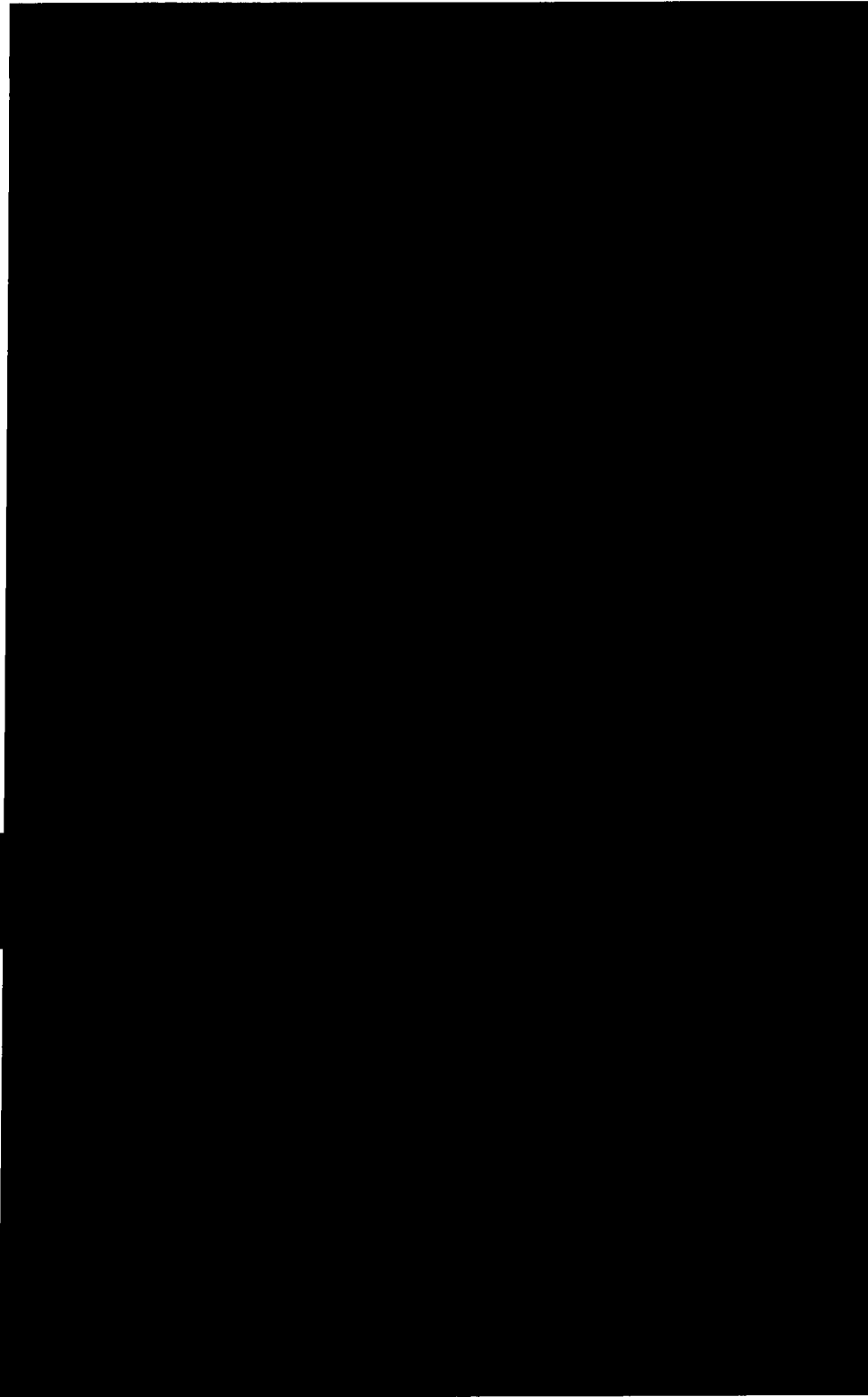


FCR- 07-3799

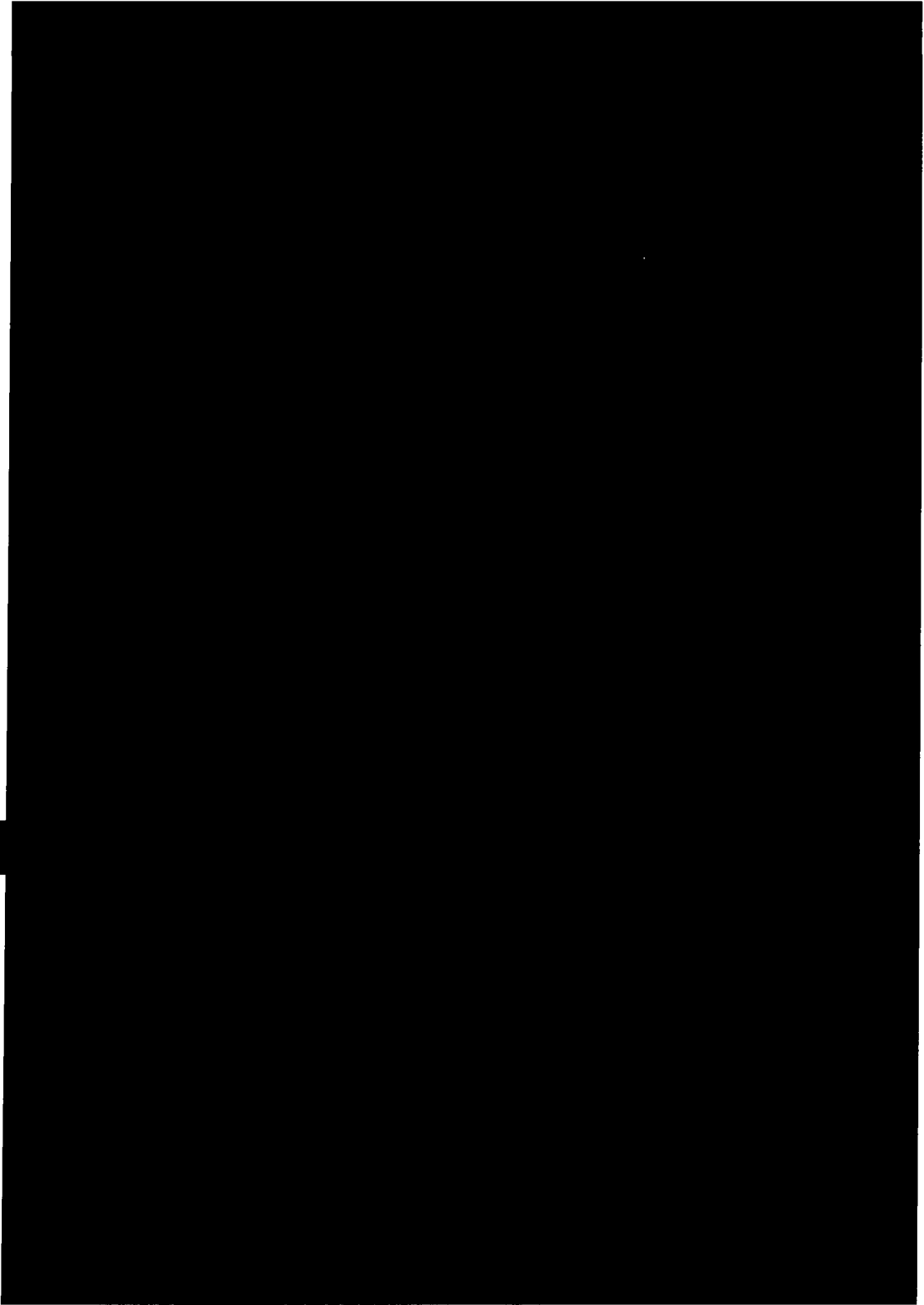
CONFIDENTIAL



CONFIDENTIAL



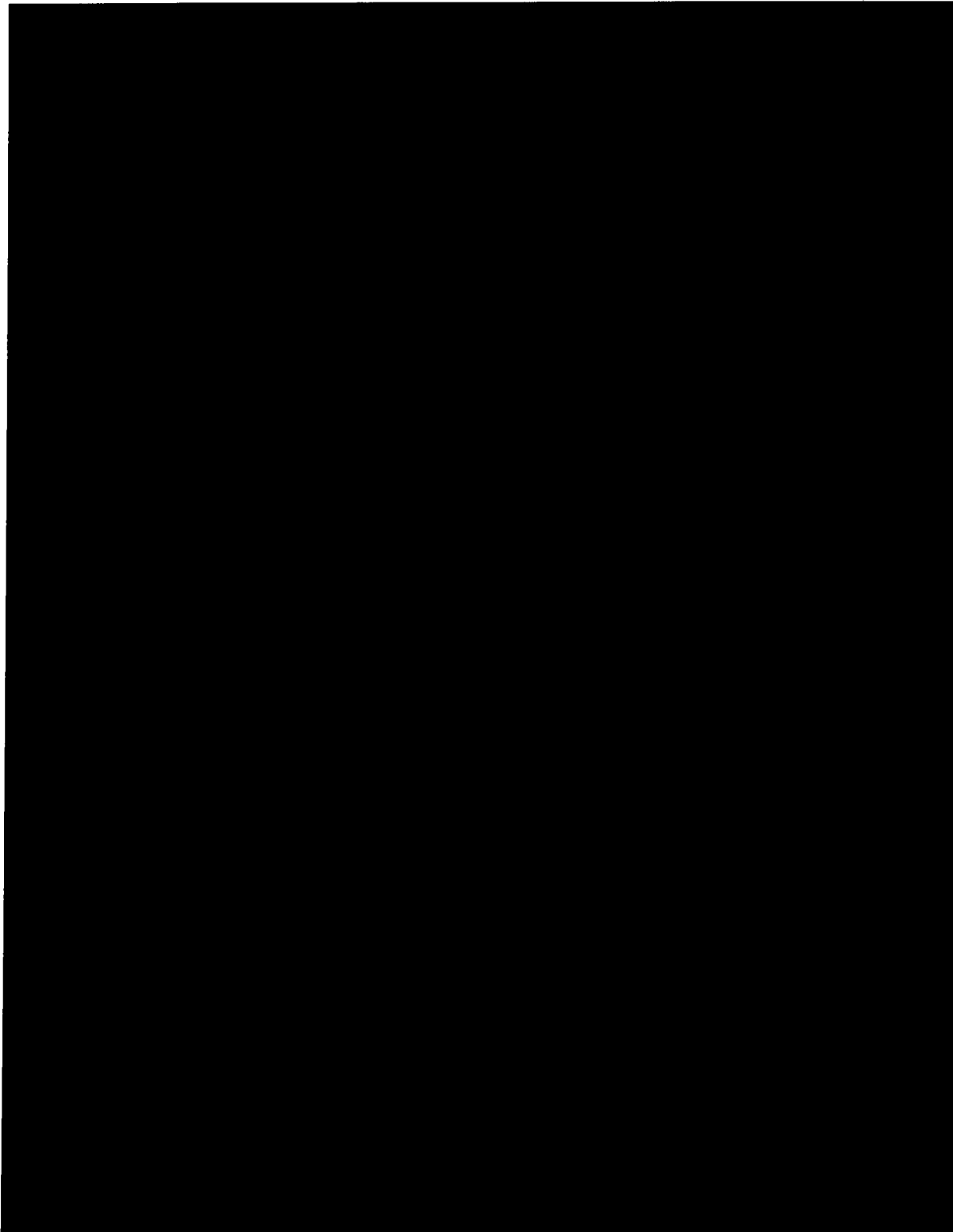
CONFIDENTIAL



CONFIDENTIAL



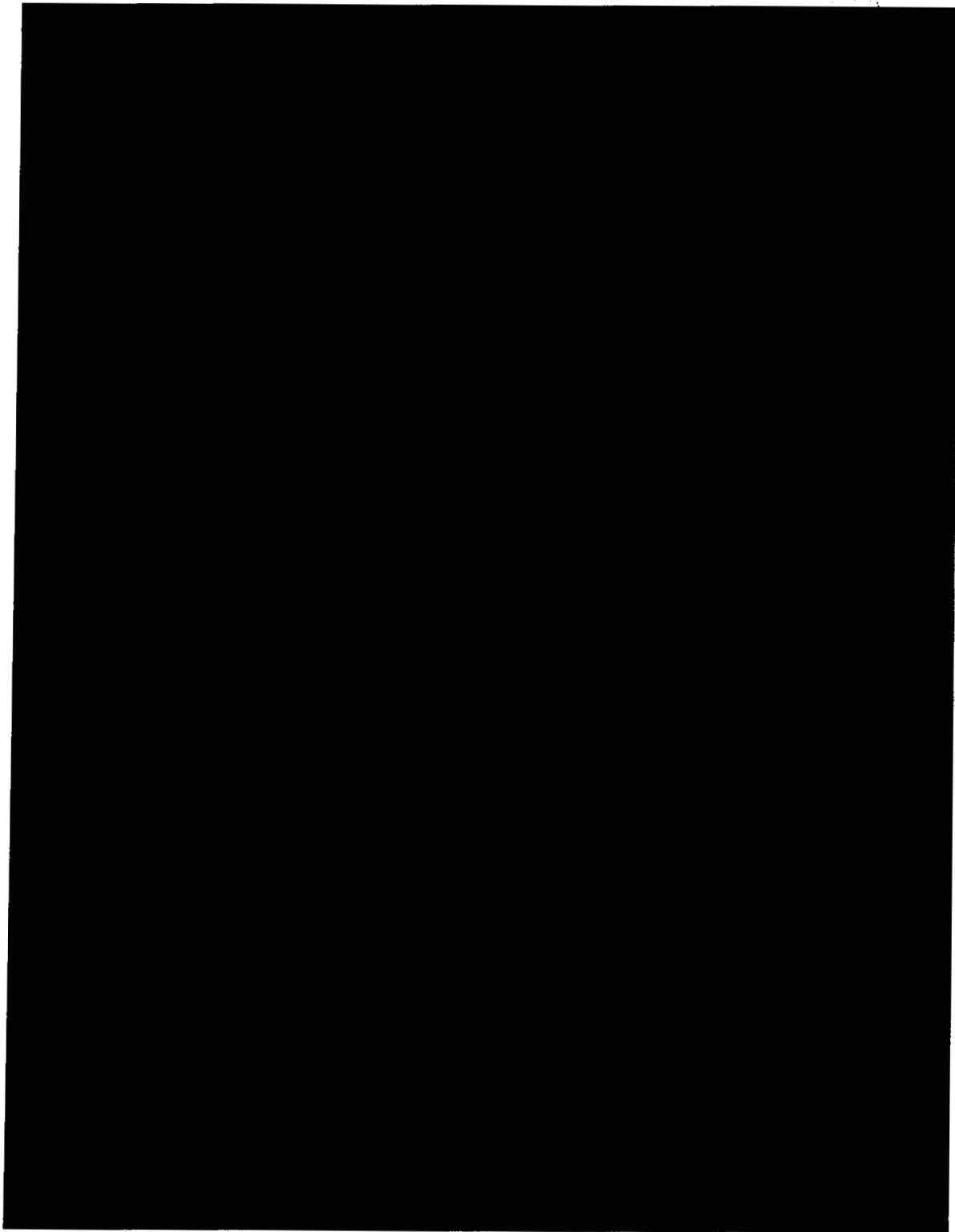
CONFIDENTIAL



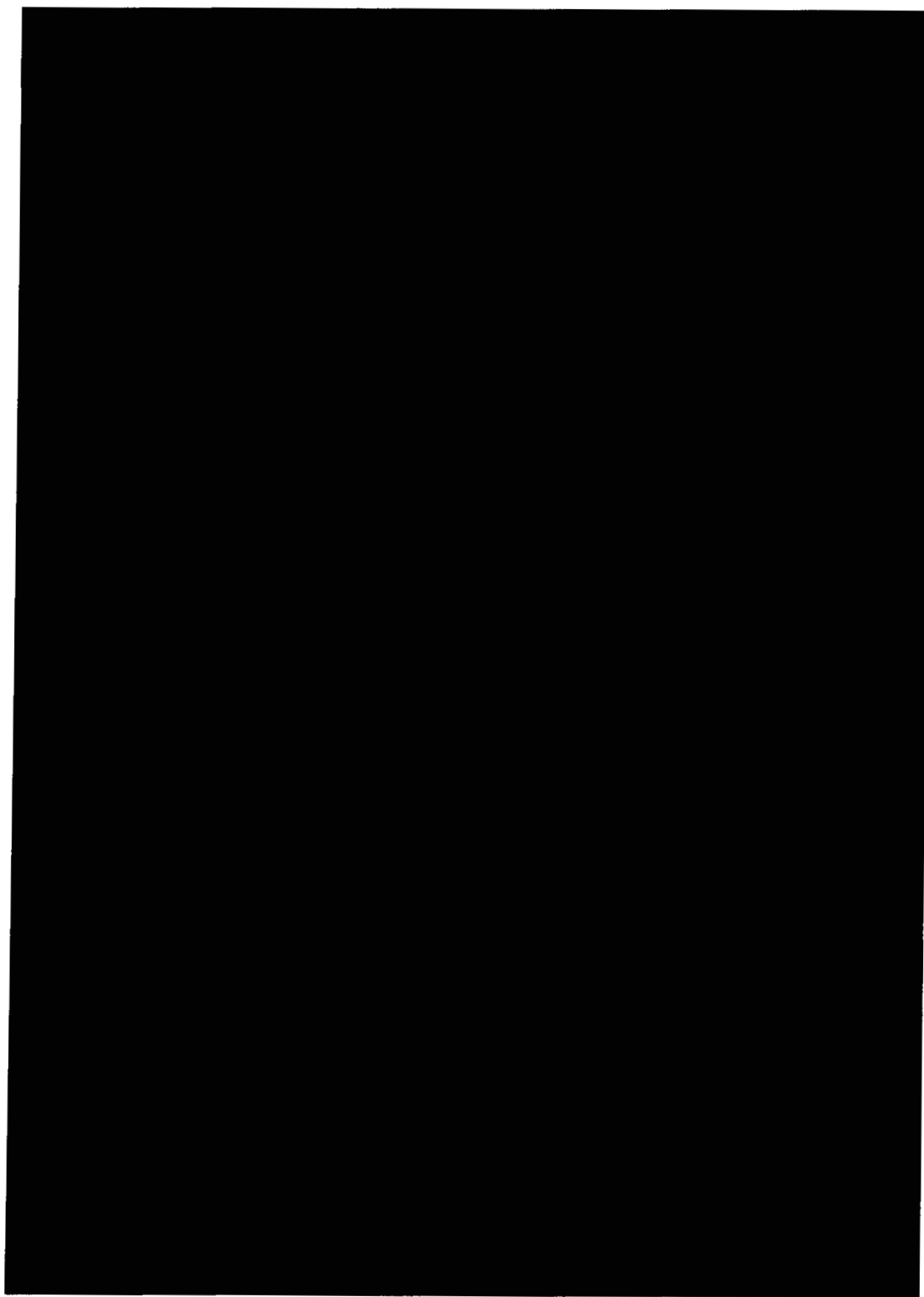
CONFIDENTIAL



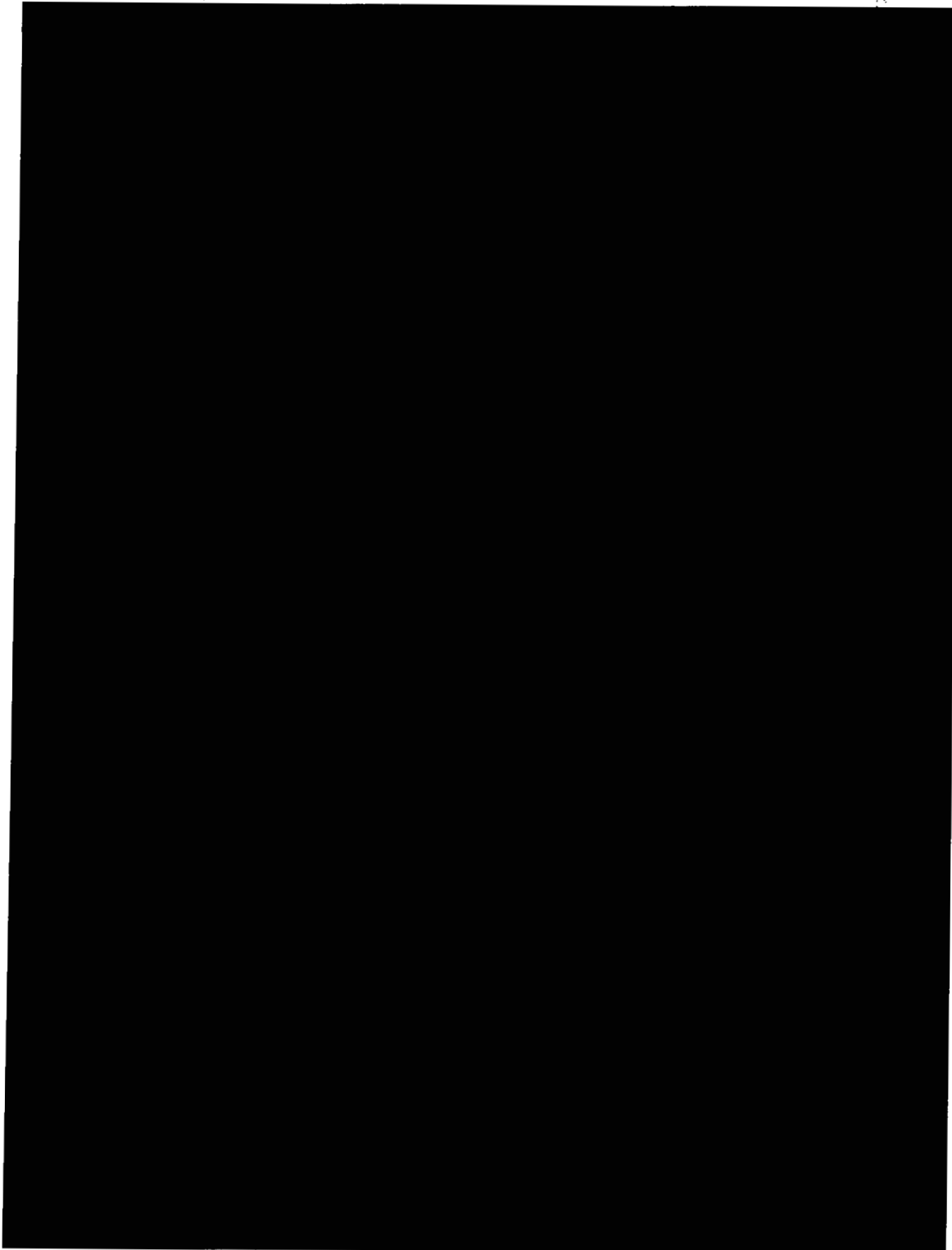
CONFIDENTIAL



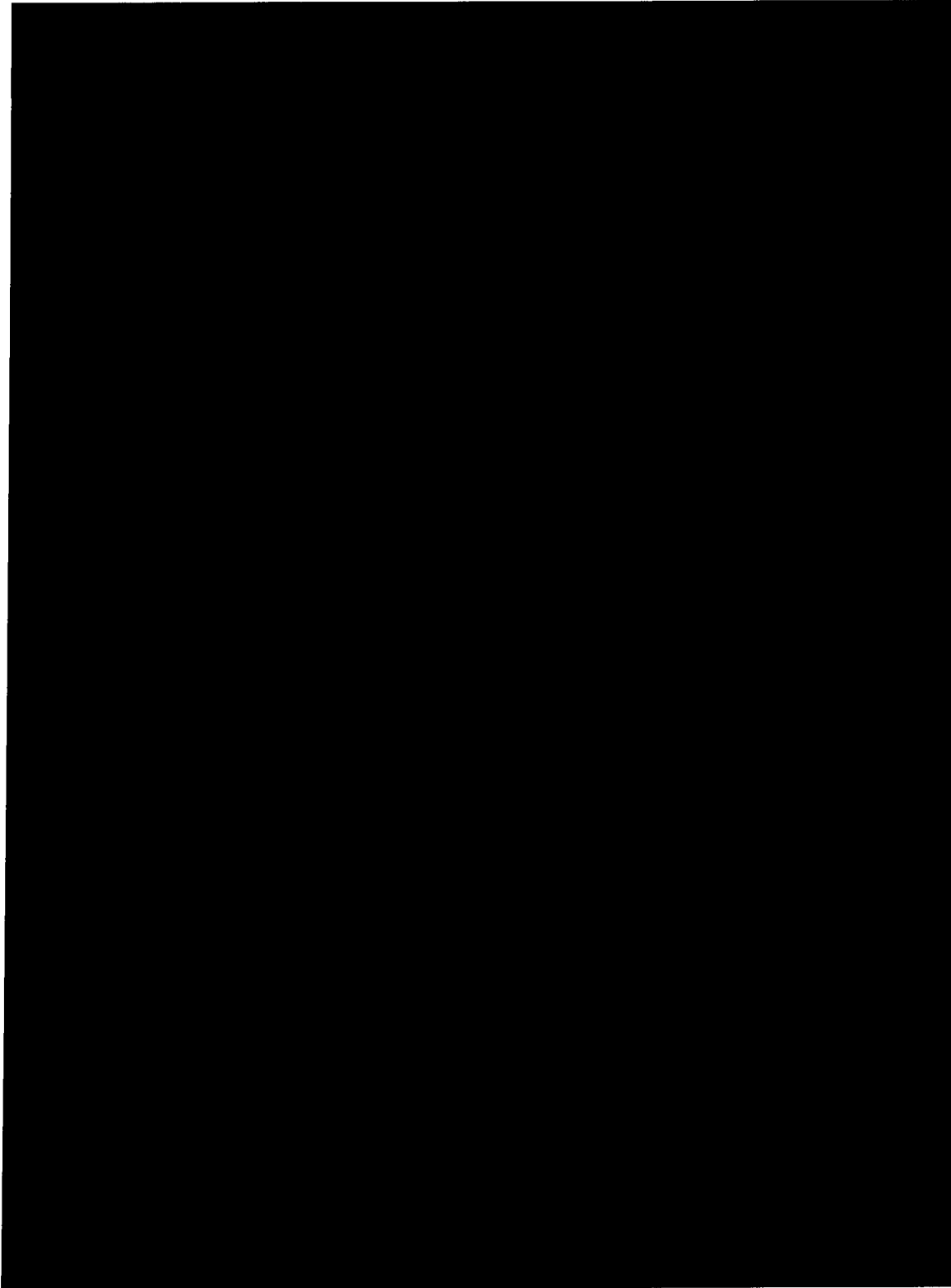
CONFIDENTIAL



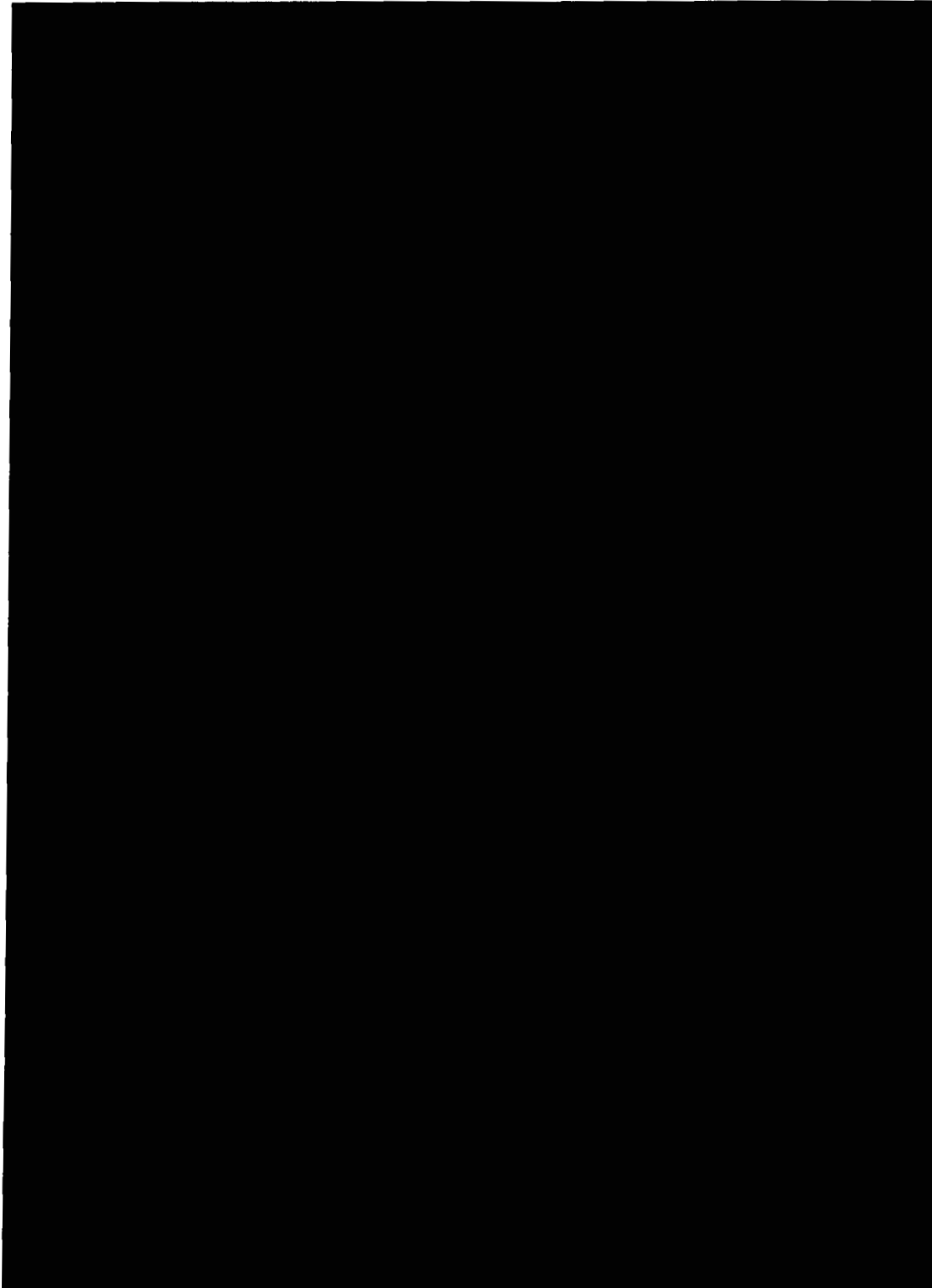
CONFIDENTIAL



CONFIDENTIAL



CONFIDENTIAL



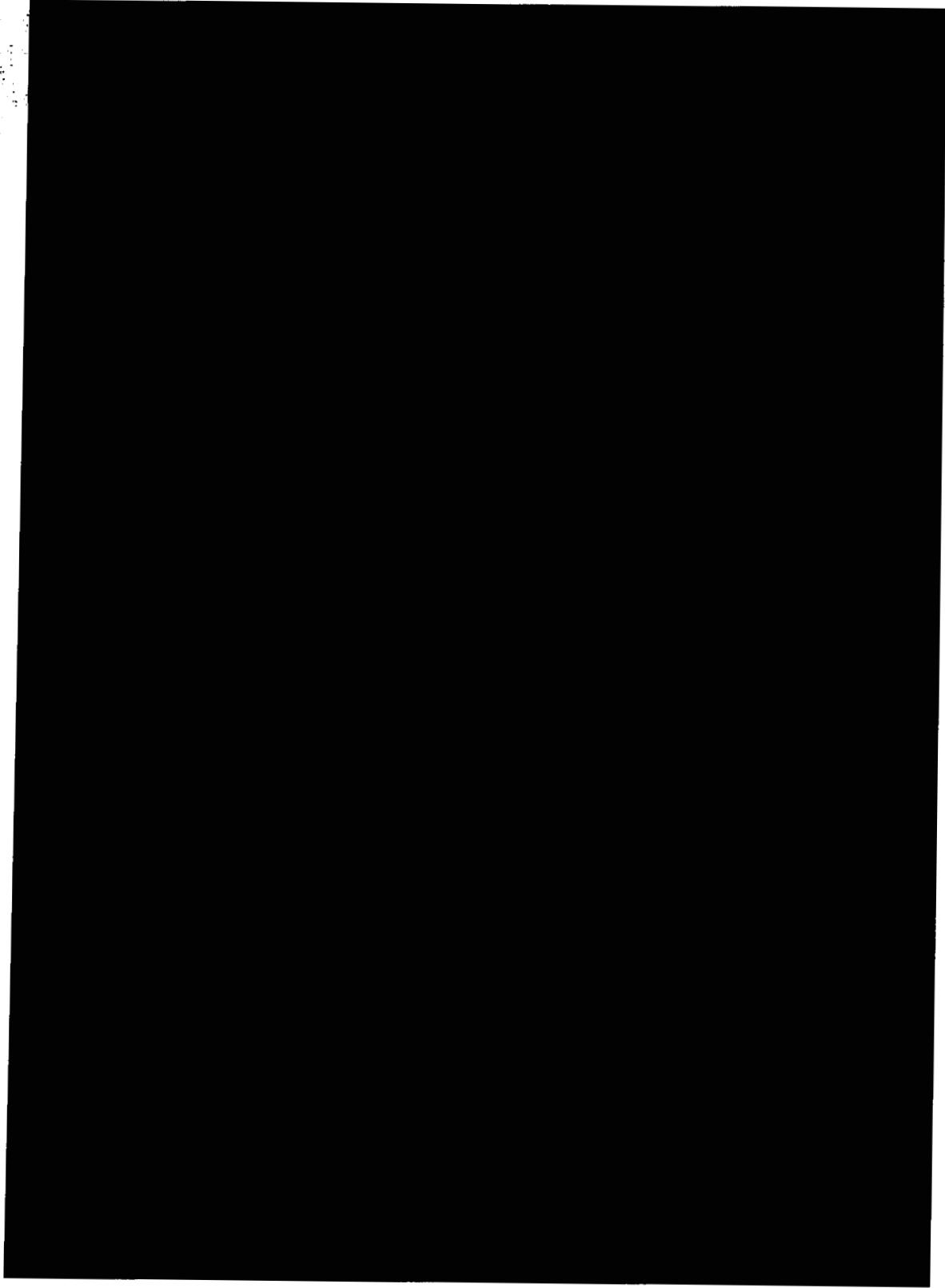
CONFIDENTIAL



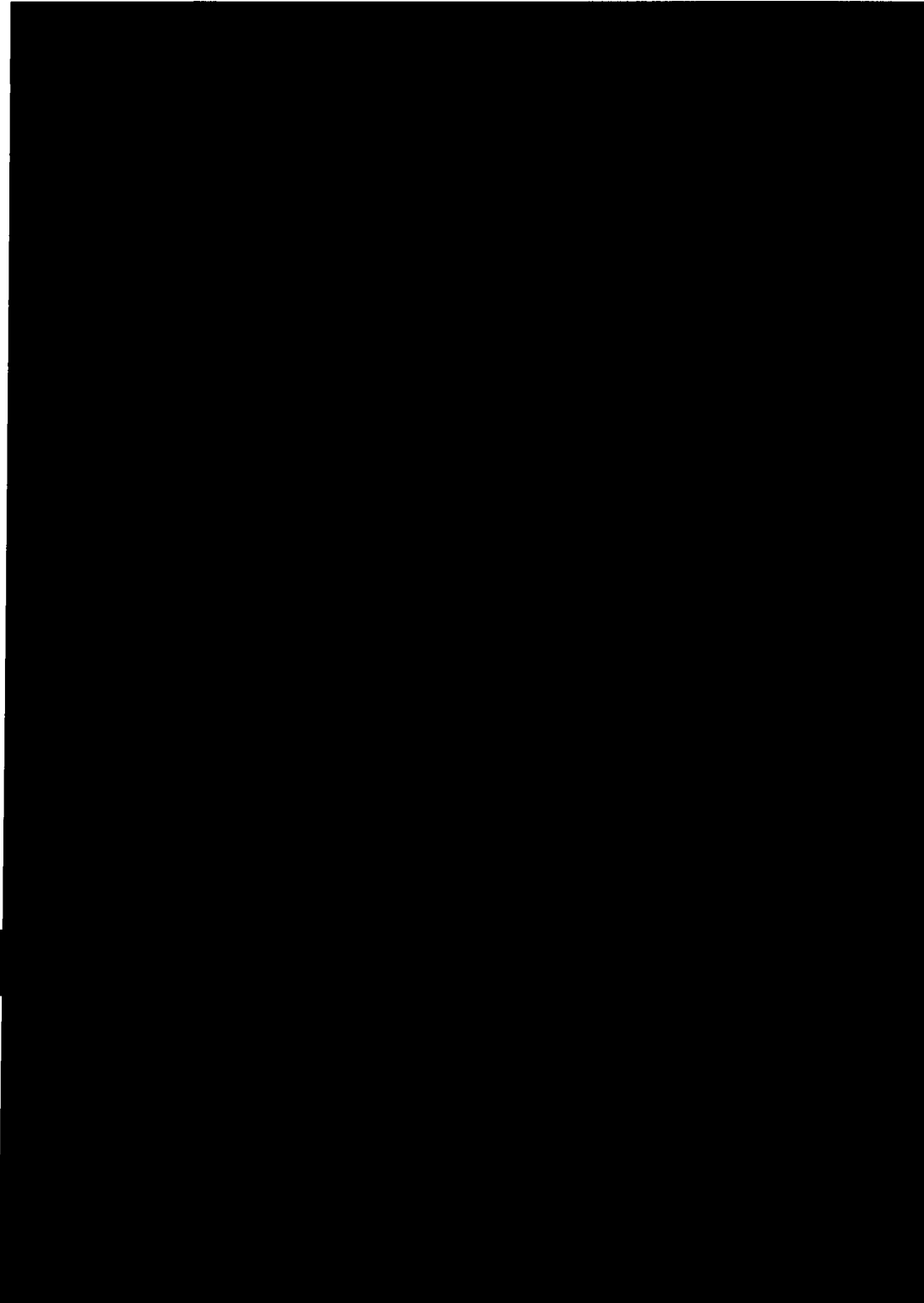
CONFIDENTIAL



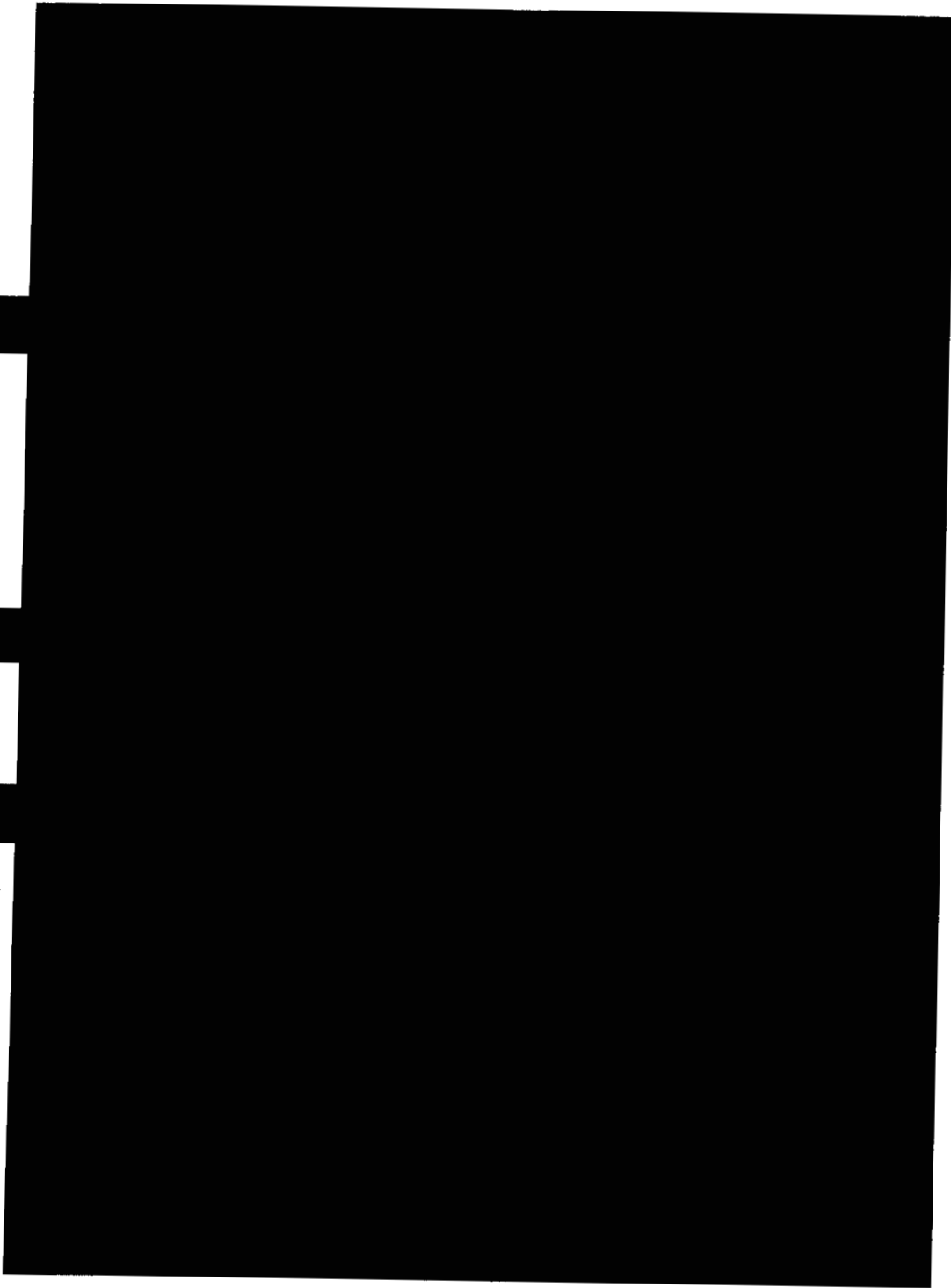
CONFIDENTIAL



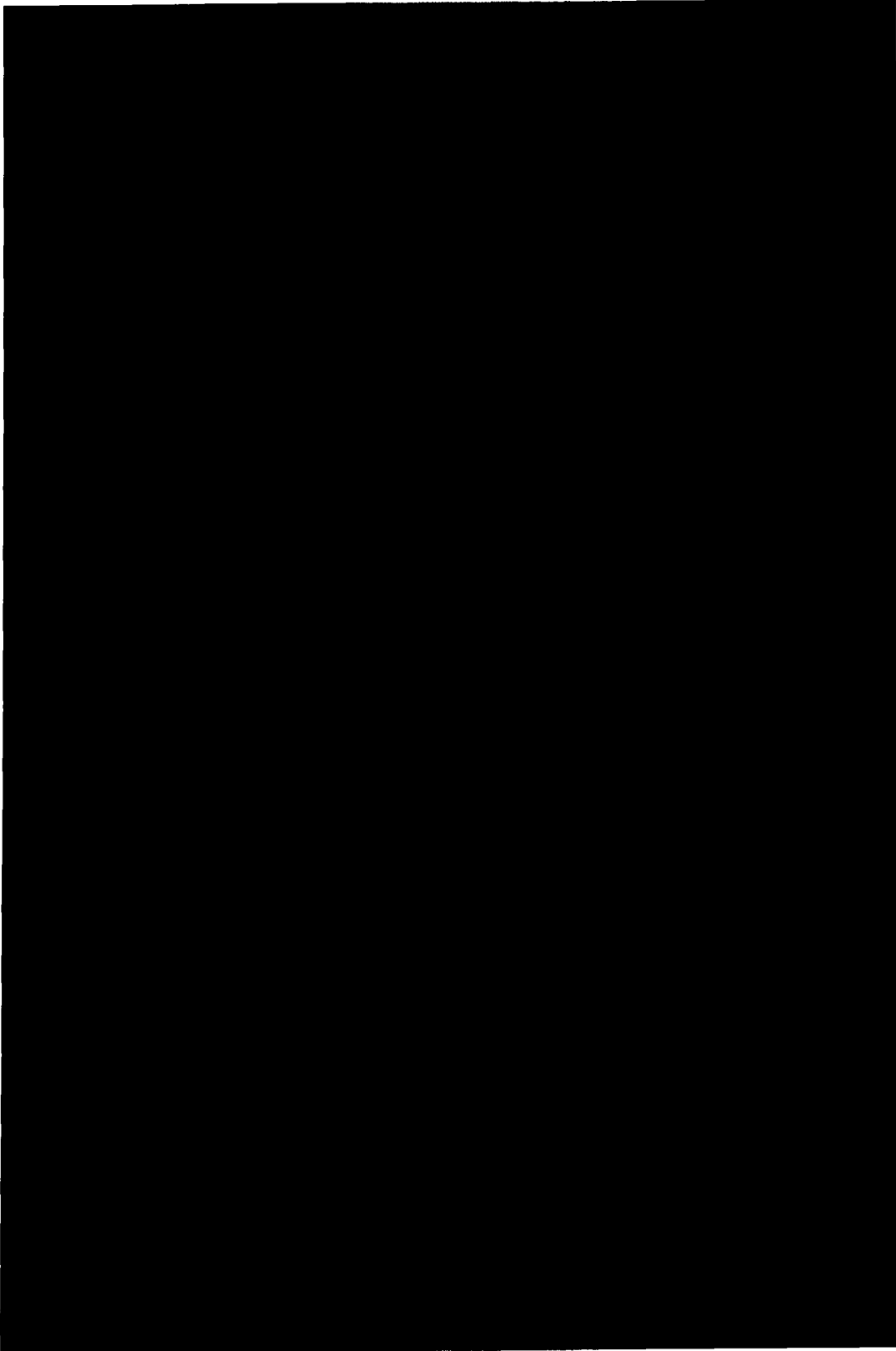
CONFIDENTIAL



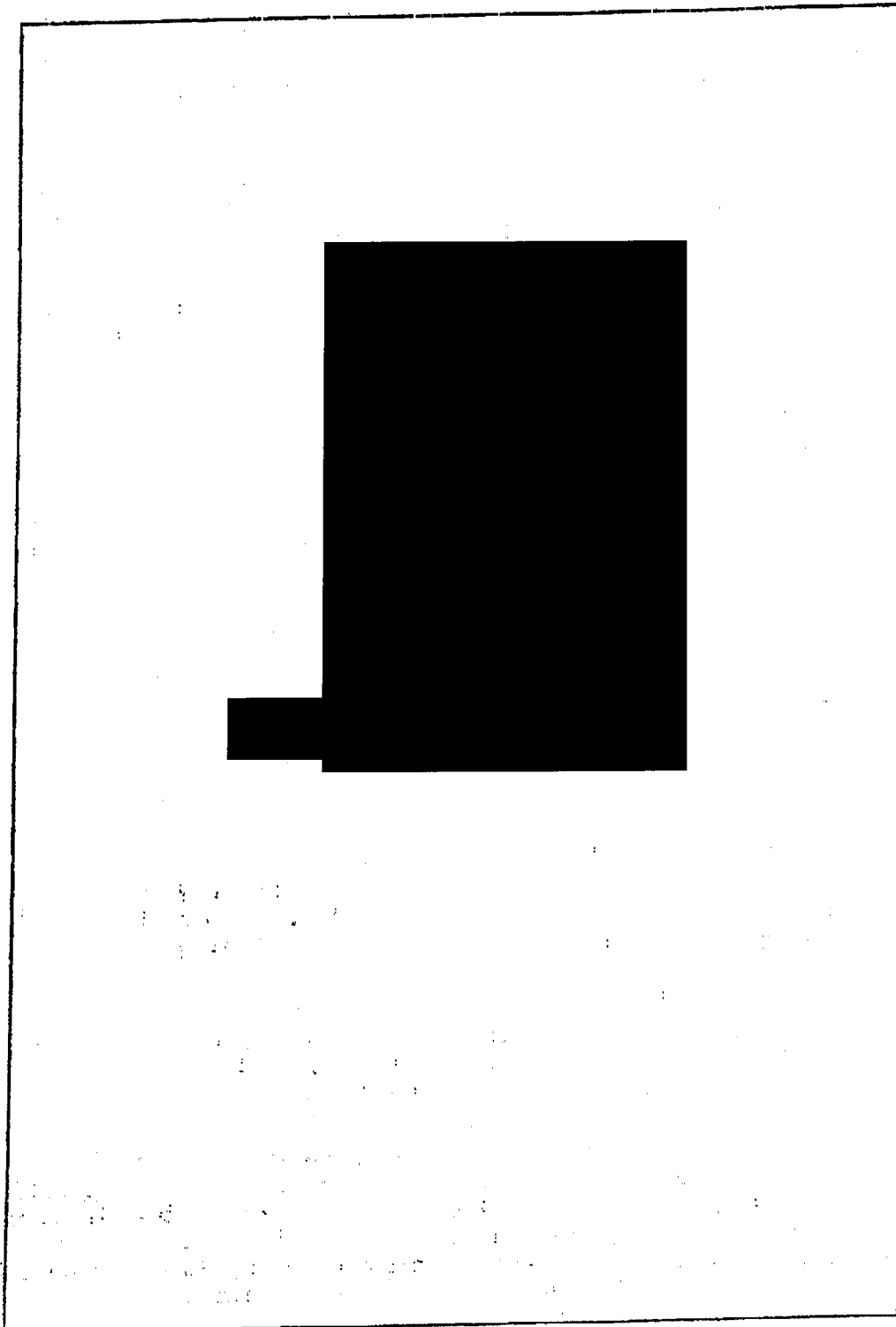
CONFIDENTIAL



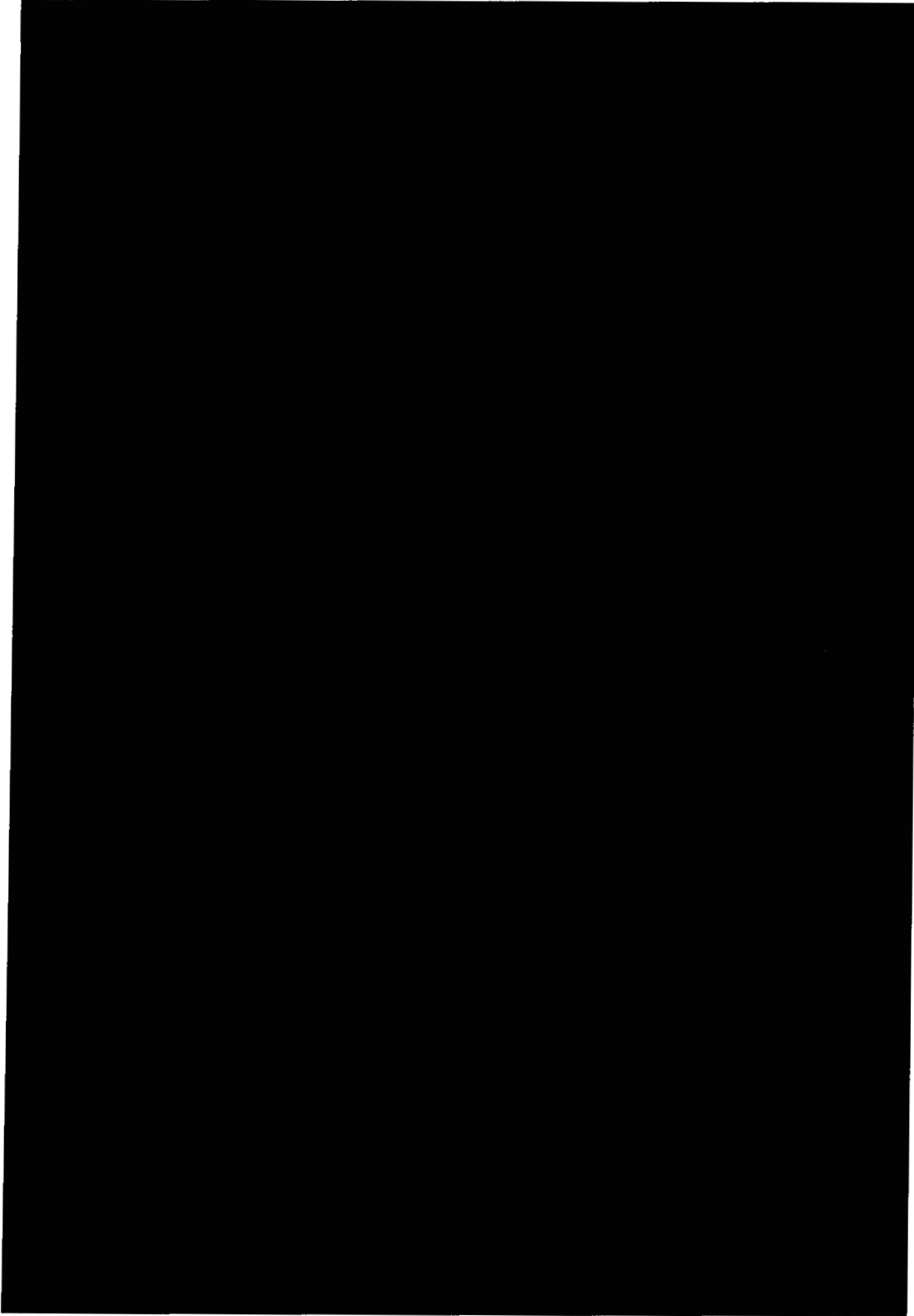
CONFIDENTIAL



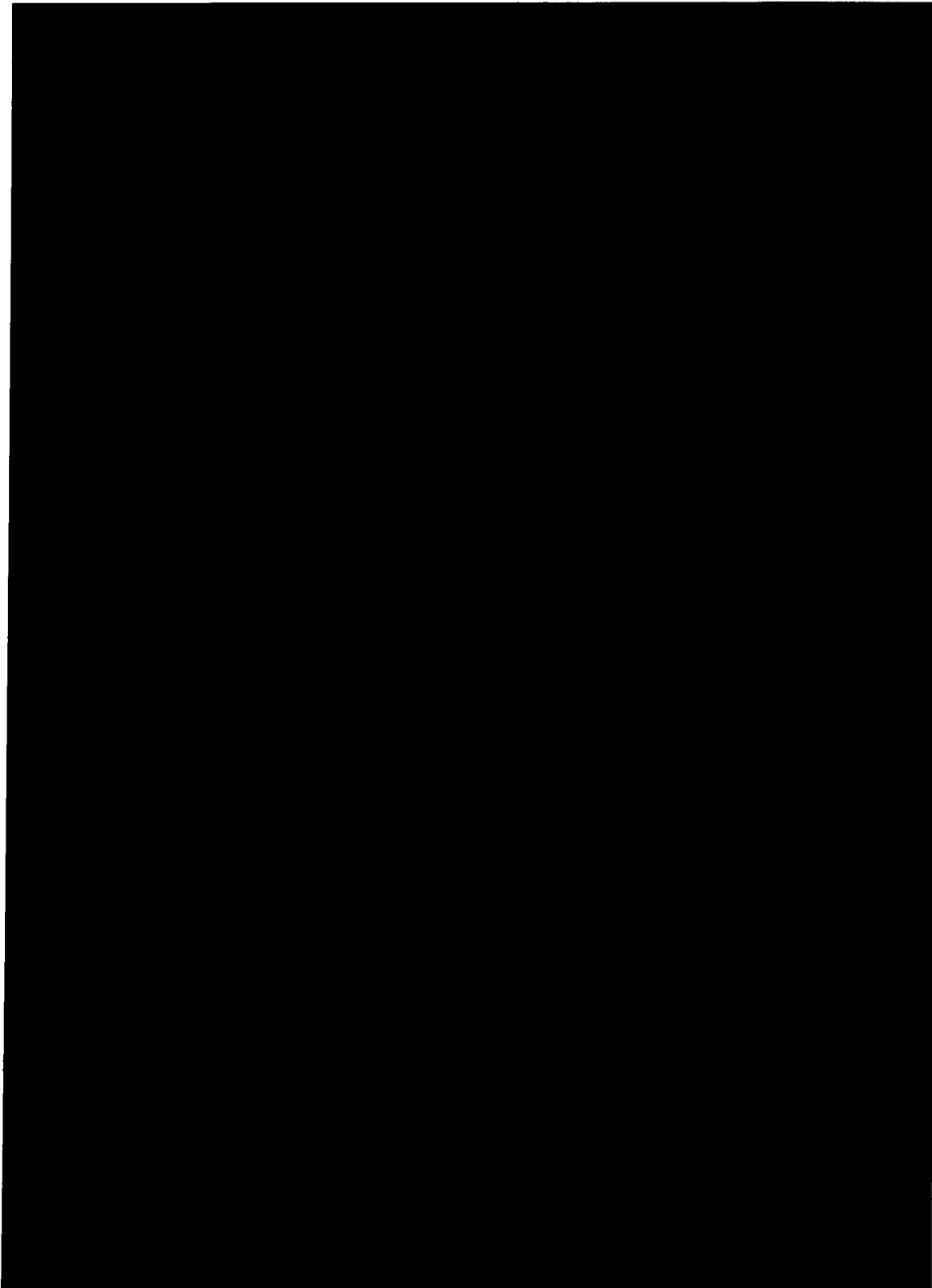
CONFIDENTIAL



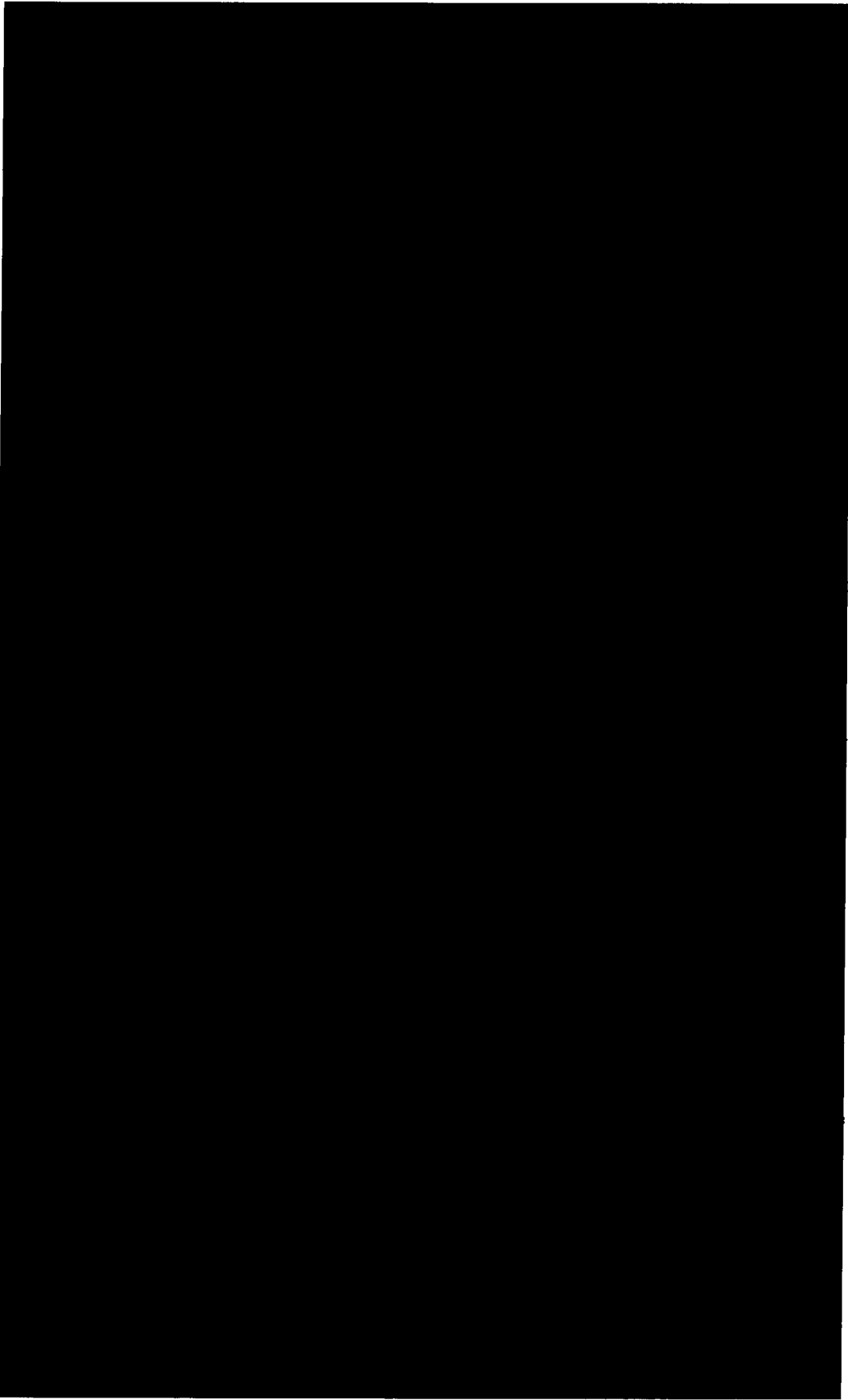
CONFIDENTIAL



~~CONFIDENTIAL~~



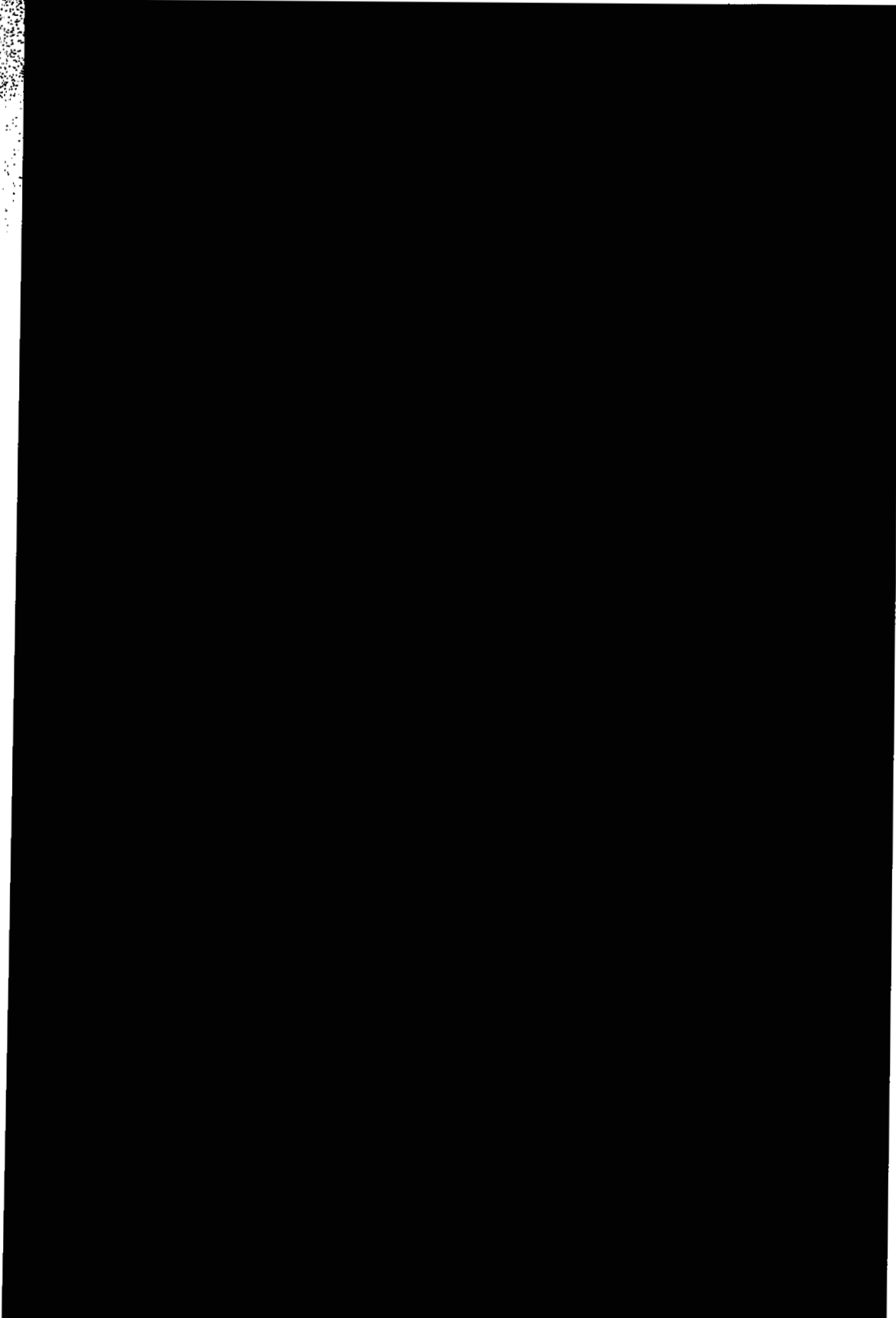
CONFIDENTIAL



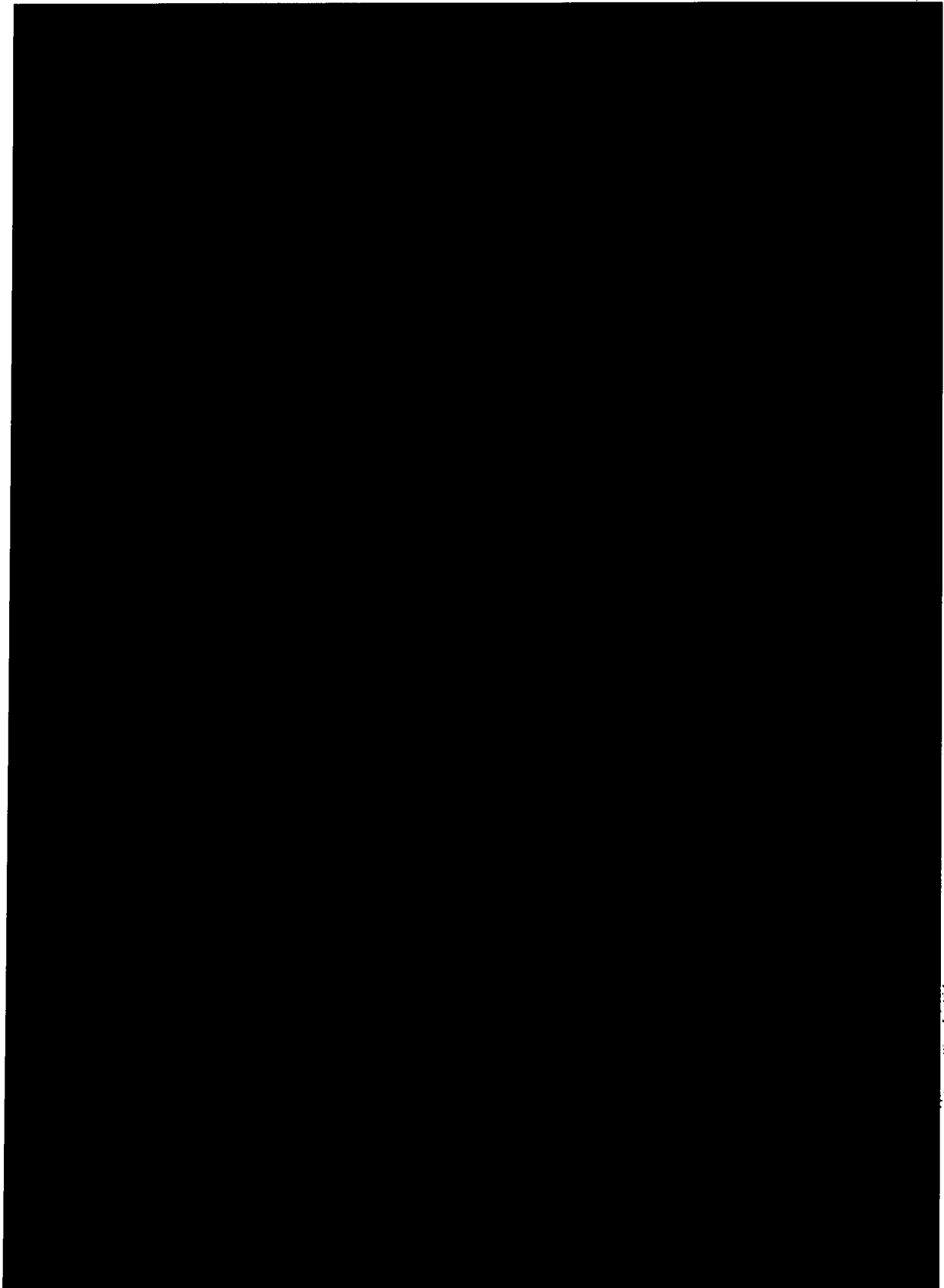
CONFIDENTIAL



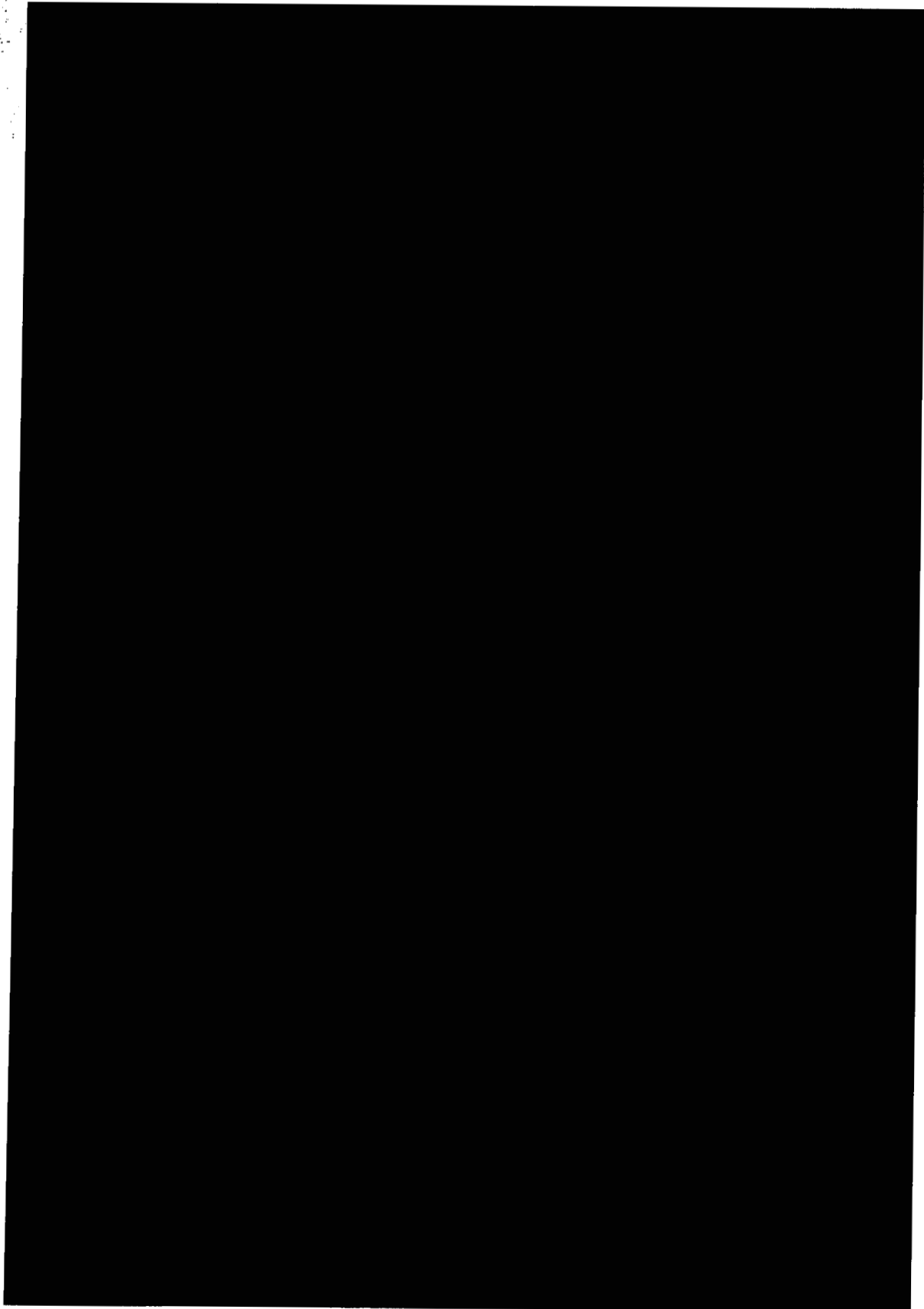
CONFIDENTIAL



CONFIDENTIAL



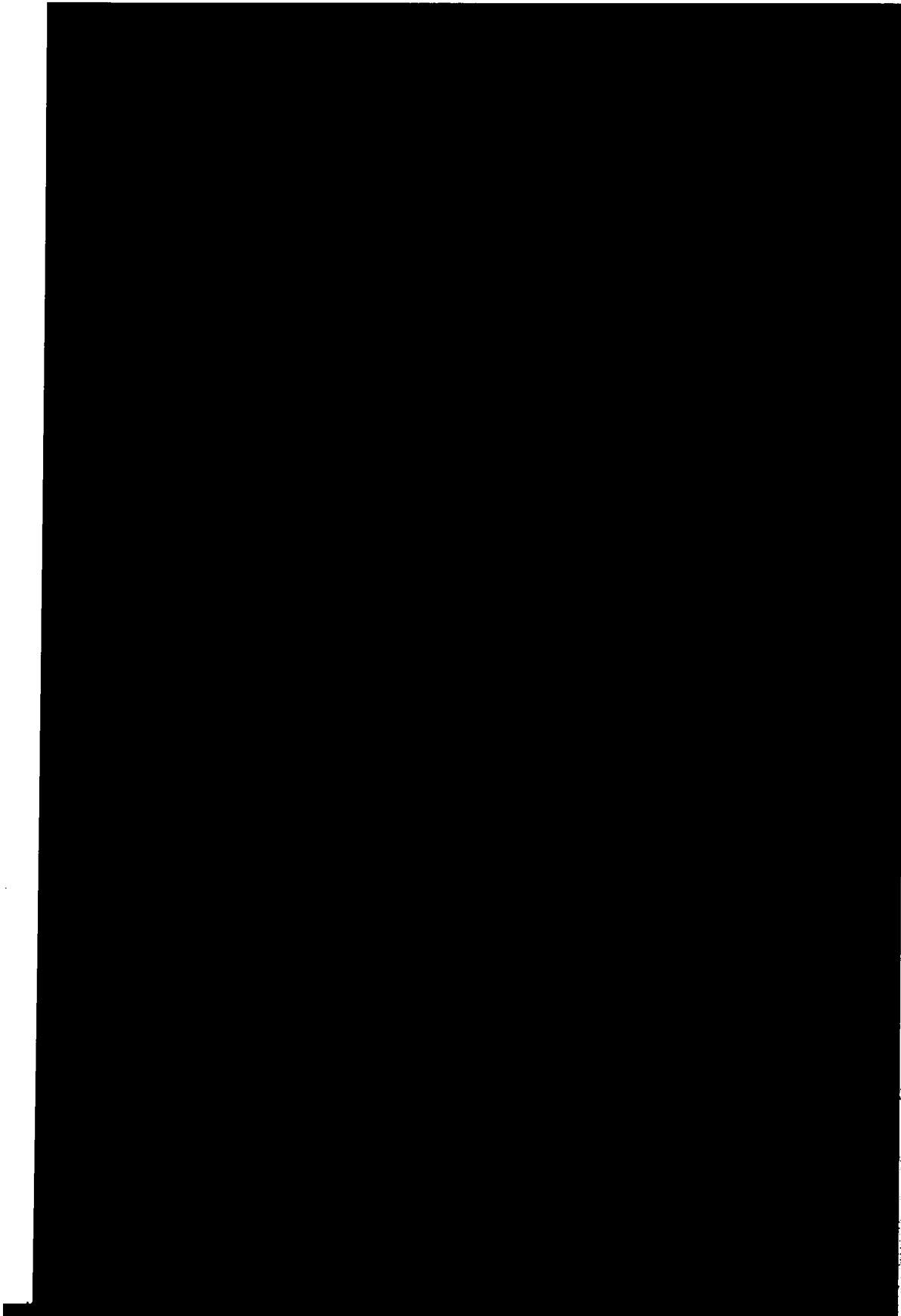
CONFIDENTIAL



CONFIDENTIAL



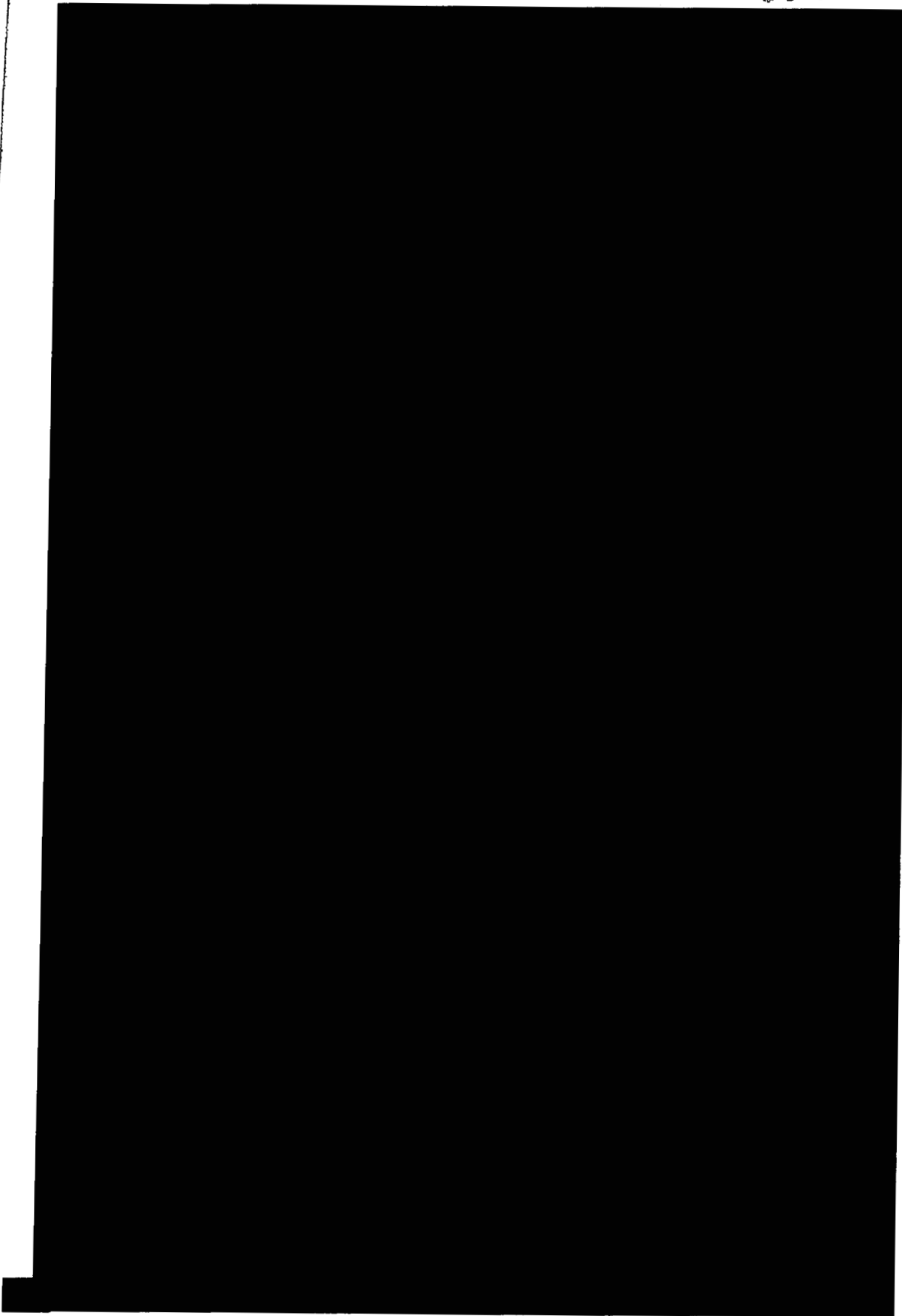
CONFIDENTIAL



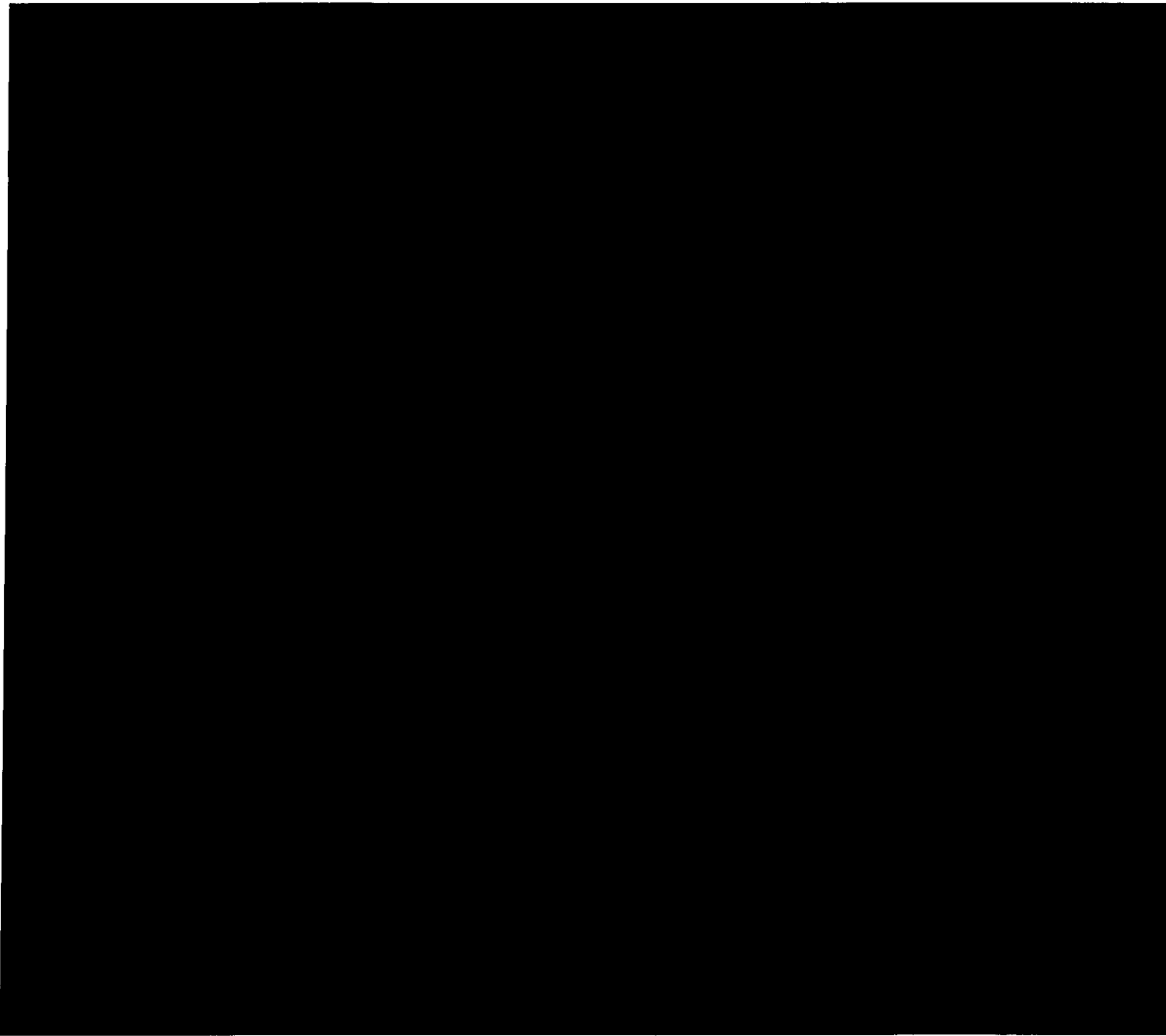
CONFIDENTIAL



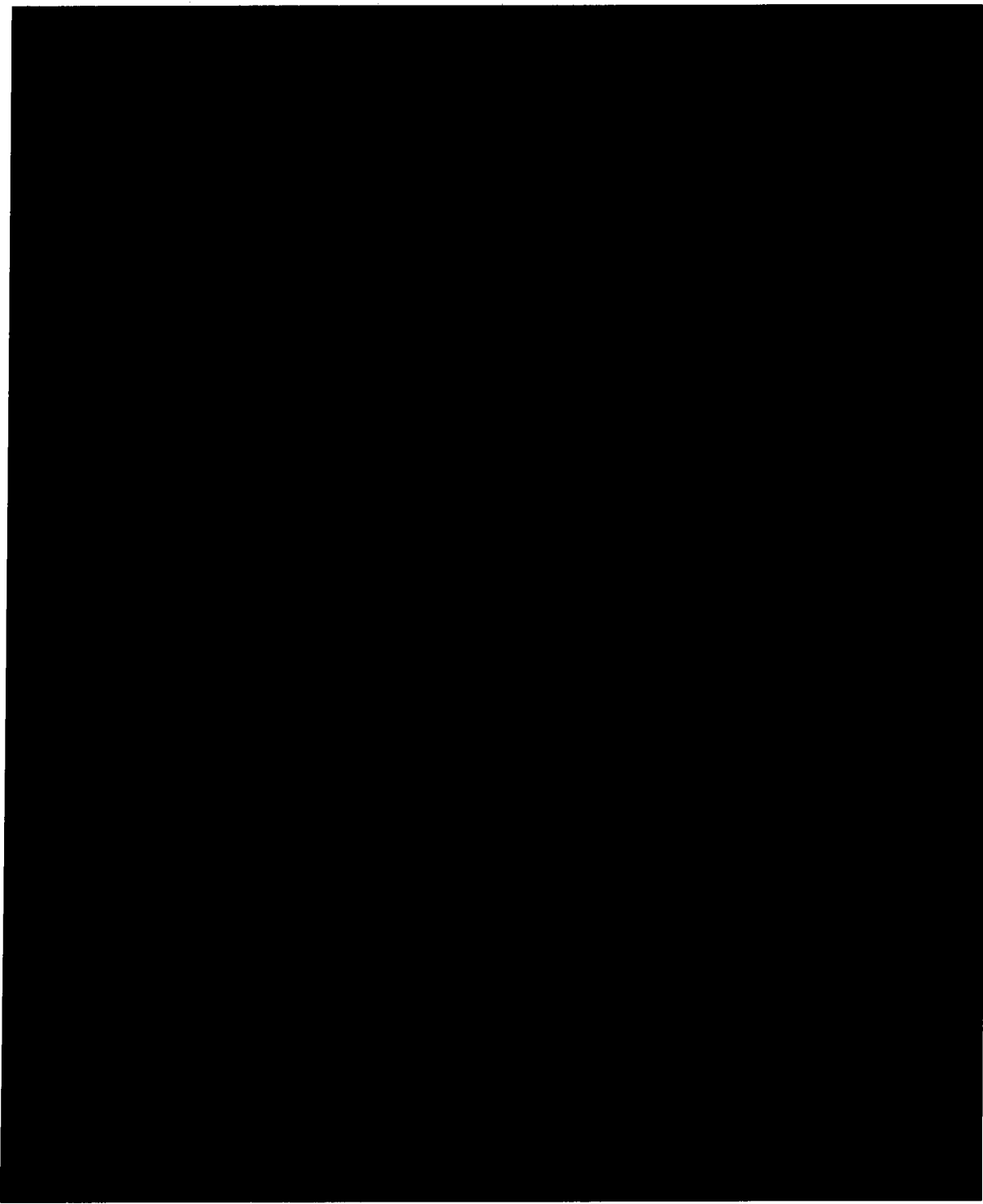
CONFIDENTIAL



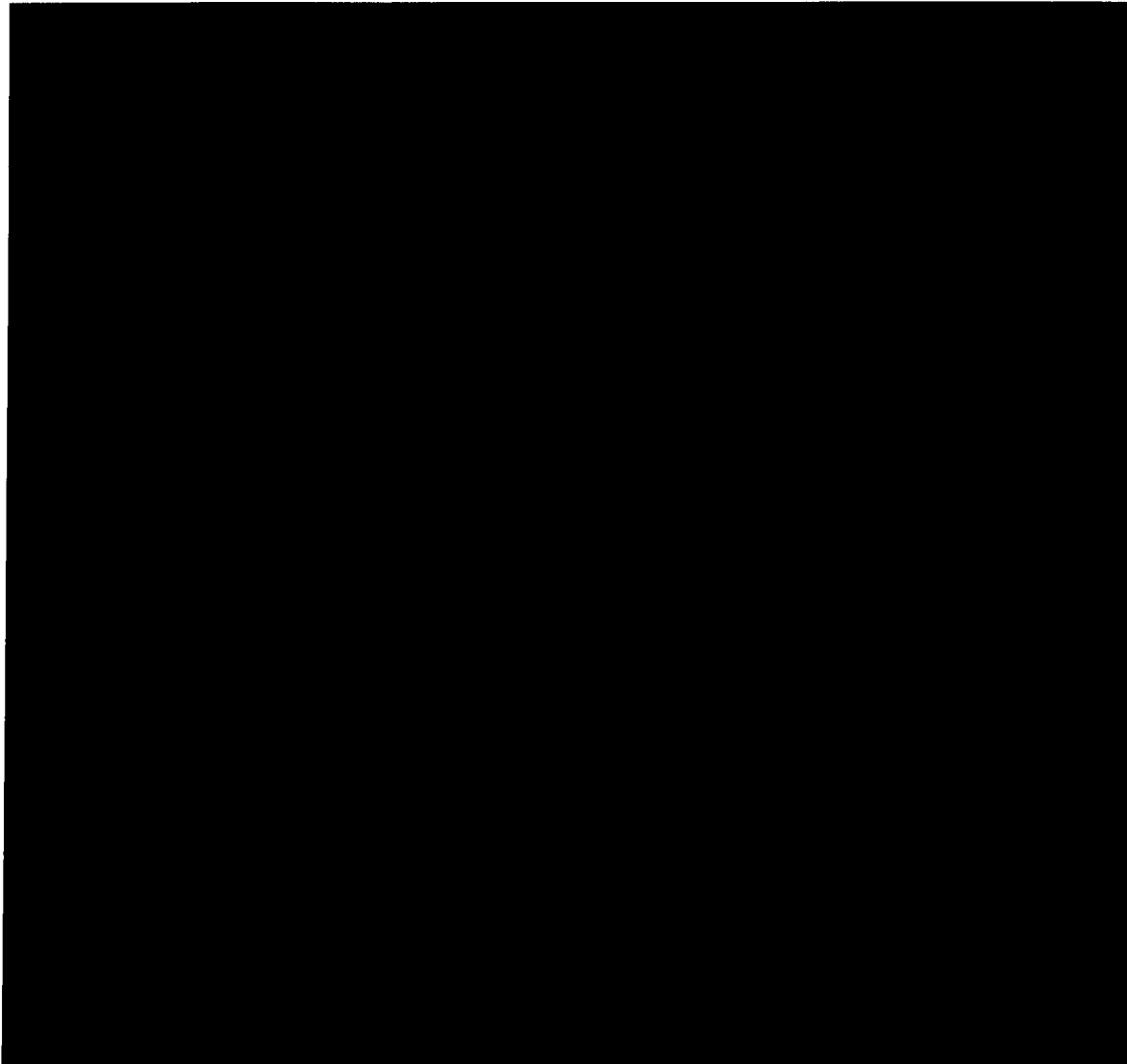
CONFIDENTIAL



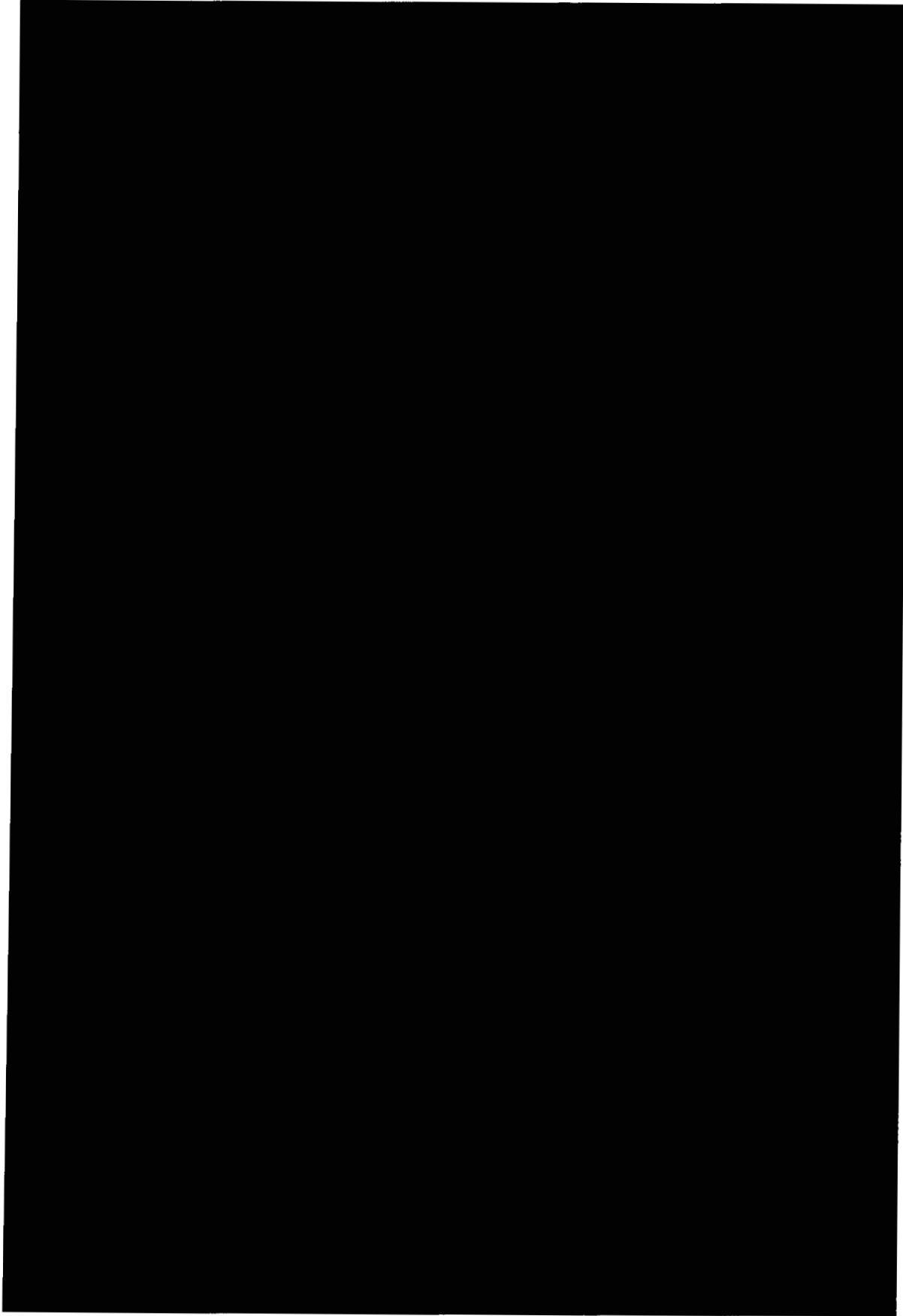
CONFIDENTIAL



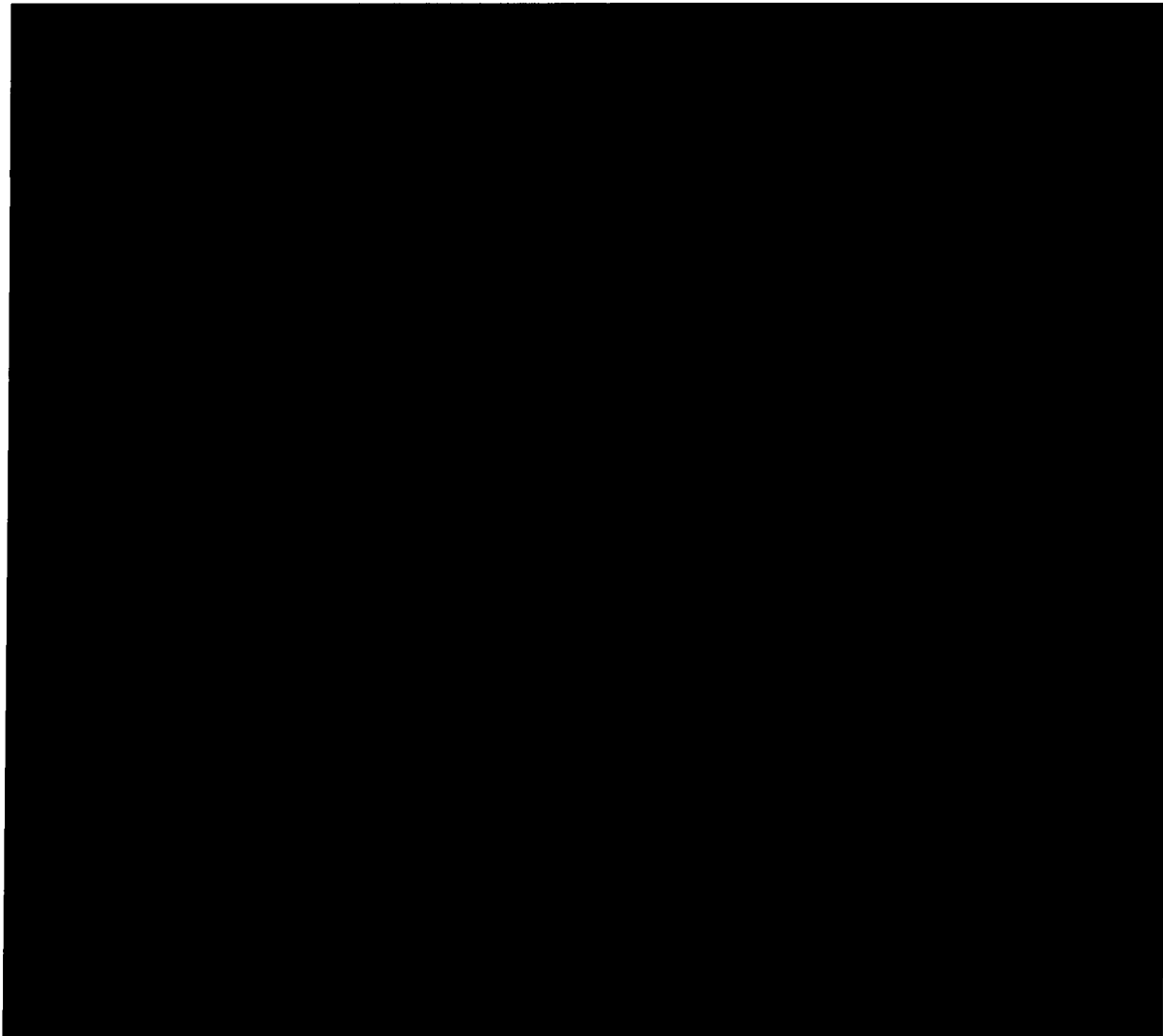
CONFIDENTIAL



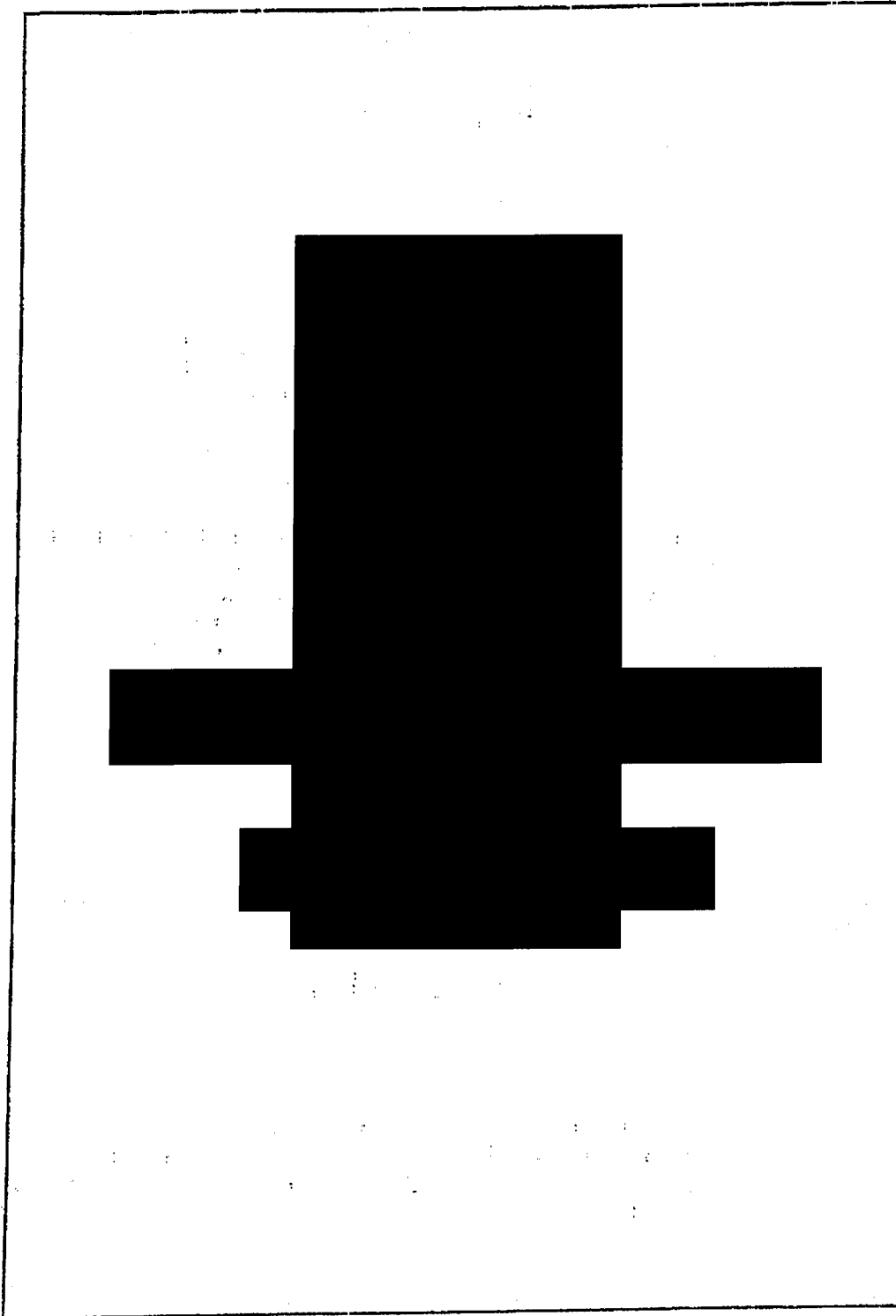
CONFIDENTIAL



CONFIDENTIAL



CONFIDENTIAL



CONFIDENTIAL

