

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Clause with
Generating Performance Incentive Factor

Docket No: 140001-EI
Date: September 15, 2014

**FLORIDA POWER AND LIGHT COMPANY'S WITHDRAWAL OF REQUEST FOR
CONFIDENTIAL CLASSIFICATION OF CERTAIN INFORMATION PROVIDED IN
TESTIMONY SUPPORTING FPL'S PETITION FOR PRUDENCE DETERMINATION
REGARDING THE ACQUISITION OF GAS RESERVES**

Florida Power & Light Company ("FPL") files this Withdrawal of its Request for Confidential Classification of Certain Information Provided in Testimony Supporting FPL's Petition for Prudence Determination Regarding the Acquisition of Gas Reserves, and states:

1. On June 25, 2014, FPL submitted its Petition for Prudence Determination Regarding the Acquisition of Gas Reserves ("Petition"). Along with the Petition, FPL submitted its Request for Confidential Classification of certain material provided in connection with its Petition. Included in that request was a request to classify as confidential certain information within Exhibit SF-9, attached to the testimony of FPL Witness Sam Forrest.
2. In order to accommodate a request by the Office of Public Counsel, FPL hereby withdraws its Request for Confidential Classification of the information that was designated as confidential in Exhibit SF-9, a copy of which is attached as Exhibit A in unredacted form.

Respectfully submitted this 15TH day of September, 2014.

R. Wade Litchfield, Vice President
and General Counsel
John T. Butler, Assistant General Counsel - Regulatory
Scott A. Goorland, Principal Attorney
Attorneys for Florida Power & Light Company
700 Universe Boulevard
Juno Beach, Florida 33408-0420
Telephone: (561) 691-7101
Facsimile: (561) 691-7135

By: s/ Scott A. Goorland
Scott A. Goorland
Fla. Bar No. 0066834

CERTIFICATE OF SERVICE
Docket No. 140001-EI

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished
by electronic service on this 15th day of September, 2014 to the following:

Martha F. Barrera, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
mbarrera@psc.state.fl.us

Jon C. Moyle, Esq.
Moyle Law Firm, P.A.
Attorneys for FIPUG
118 N. Gadsden St.
Tallahassee, Florida 32301
jmoyle@moylelaw.com

Beth Keating, Esq.
Gunster Law Firm
Attorneys for FPUC
215 South Monroe St., Suite 601
Tallahassee, Florida 32301-1804
bkeating@gunster.com

John T. Burnett, Esq.
Dianne M. Triplett, Esq.
Attorneys for DEF
299 First Avenue North
St. Petersburg, Florida 33701
john.burnett@duke-energy.com
dianne.triplett@duke-energy.com

James D. Beasley, Esq.
J. Jeffrey Wahlen, Esq.
Ashley M. Daniels, Esq.
Ausley & McMullen
Attorneys for Tampa Electric
P.O. Box 391
Tallahassee, Florida 32302
jbeasley@ausley.com
jwahlen@ausley.com
adaniels@ausley.com

Jeffrey A. Stone, Esq.
Russell A. Badders, Esq.
Steven R. Griffin, Esq.
Beggs & Lane
Attorneys for Gulf Power
P.O. Box 12950
Pensacola, Florida 32591-2950
jas@beggslane.com
rab@beggslane.com
srg@beggslane.com

Robert Scheffel Wright, Esq.
John T. LaVia, III, Esq.
Gardner, Bist, Wiener, et al
Attorneys for Florida Retail Federation
1300 Thomaswood Drive
Tallahassee, Florida 32308
schef@gbwlegal.com
jlavia@gbwlegal.com

James W. Brew, Esq.
F. Alvin Taylor, Esq.
Attorney for White Springs
Brickfield, Burchette, Ritts & Stone, P.C
1025 Thomas Jefferson Street, NW
Eighth Floor, West Tower
Washington, DC 20007-5201
jbrew@bbrslaw.com
ataylor@bbrslaw.com

J. R. Kelly, Esq.
Patricia Christensen, Esq.
Charles Rehwinkel, Esq.
Joseph A. McGlothlin, Esq.
Erik L. Saylor, Esq.
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399
kelly.jr@leg.state.fl.us
christensen.patty@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
mcglathlin.joseph@leg.state.fl.us
saylor.erik@leg.state.fl.us

Michael Barrett
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
mbarrett@psc.state.fl.us

By: s/ Scott A. Goorland
Scott A. Goorland
Fla. Bar No. 0066834

EXHIBIT A

GAS RESERVES GUIDELINES

Florida Power and Light Company's ("FPL" or "the Company") goals in purchasing natural gas to supply its power plants are reliability, price stability and low cost. Participating in gas reserve projects through a joint development agreement is a form of long-term hedging that can be a valuable supplement to FPL's existing short-term hedging program.

The Florida Public Service Commission ("Commission") previously has found "that the purpose of hedging is to reduce the impact of volatility in the fuel adjustment charges paid by an IOU's customers, in the face of price volatility for the fuels (and fuel price-indexed purchased power energy costs) that the IOU must pay in order to provide electric service." Further, the Commission found the primary purpose of hedging is to "reduce the variability or volatility in fuel costs paid by customers over time." (*Order No. PSC-08-0667-PAA-EI, Attachment A, page 2*)

Because of the natural depletion rate of shale-based gas production, it is understood that FPL will need to continue pursuing new gas reserve project opportunities to compensate for declining production from existing projects, as well as to expand the percentage of FPL's gas requirements that are hedged long-term. Moreover, it is clear that market participants and potential counterparties expect and value the ability to respond to opportunities quickly. Accordingly, a successful market strategy requires an established framework within which FPL may negotiate and consummate transactions.

I. SCOPE OF GAS RESERVE PROJECT PARTICIPATION

- Gas reserve projects will help reduce the overall portfolio price volatility and supply risk. The transactions will lessen the impact to customers if gas prices spike or rise and stay high for an extended period of time. Even though each transaction individually will represent a very small percentage of the Company's supply portfolio, collectively these transactions would help dampen the effects of price volatility.
- Guideline I.A: Overall, the estimated aggregate output of all gas reserve projects will not exceed the following percentages of FPL's projected average daily natural gas burn:

Year	Maximum Volume as a Percentage of Average Daily Burn
2015	15%
2016	20%
2017	25%

- Guideline I.B: FPL will provide an annual update to the three year window presented in Guideline I.A as part of its Risk Management Plan filed in early August each year with the Estimated/Actual Testimony filing.
- Guideline I.C: Because gas reserve transactions provide a hedging benefit for FPL and its customers, the estimated aggregate volumes of natural gas from all gas reserve transactions in each calendar year will be netted against the amounts that FPL forecasts

GAS RESERVES GUIDELINES

to hedge pursuant to FPL's annual Risk Management Plan. FPL will hedge the net amount as prescribed in the Risk Management Plan.

- Guideline I.D: FPL will not obligate itself to invest more than \$750 MM in the aggregate on gas reserve projects over the course of any one calendar year.

II. CUSTOMER SAVINGS

- Investment in gas reserve projects can offer significant price stability for the volumes produced, while also providing customer savings in a market of rising gas prices. A benefit of a well-managed gas reserves investment program is secure low-cost natural gas for our customers for years into the future that delivers an expected pricing discount relative to the forward curve. Since typical wells produce for 40 to 60 years, gas production joint ventures can provide stable pricing for decades to come, thus helping to achieve the Commission's stated goal for hedging to reduce price volatility for customers.
- Transactions of this type can result in lost opportunities for savings in the fuel costs to be paid by customers if fuel prices actually settle at lower levels than at the time the gas reserves investments were made. However, since only a portion of FPL's fuel requirements is procured through gas reserves investments, FPL maintains the ability to purchase low priced fuel when the opportunity arises. Moreover, in some projects it may be possible to delay the drilling plan and/or reduce the production volume from existing wells in the event of unexpected price declines. Conversely, when fuel prices settle at higher levels than at the time the gas reserves investments were made, increased customer savings are a direct result of the gas production joint venture.
- Guideline II.A: Evaluation of the prudence of FPL's having entered into a new gas reserve project will be based on a showing that the project is estimated to generate savings for customers on a net present value basis, relying solely on information relative to these Guidelines available to FPL at the time the transaction was entered, including the use of an independent third party reserve engineering report and FPL's standard fuel price forecasting methodology.

III. SUPPLY DIVERSITY

- Gas reserve projects will provide beneficial geographic diversity of fuel supply. Catastrophic events, such as hurricanes, affect FPL's ability to procure and deliver fuel. Investments in multiple gas reserves across various regions will reduce the impact of a single event disrupting FPL's entire fuel supply.
- Gas reserve projects also will increase the diversity of FPL's supply from a physical perspective, as well as a financial one. The longer time frame of these investments

GAS RESERVES GUIDELINES

offers diversity when compared to the current financial and physical contract lengths in the existing hedging program.

- FPL intends over time to transact with a wide range of suppliers so as to minimize concentration of supply with any one producer. This will allow FPL to transact in multiple regions and will also provide for reduced credit exposure to any one entity.
- Guideline III.A: FPL will only enter into transactions for onshore gas reserve projects, located in areas with reserves that have a well-established history of gas production. Florida does not meet these criteria.
- Guideline III.B: Because one of the primary purposes of gas reserve projects is a physical source of supply to serve its substantial gas needs, FPL will only enter into a transaction if there is a transportation path available to deliver the gas produced from that project to FPL's service territory. Texas, Louisiana, Oklahoma, Arkansas, Mississippi, Alabama, West Virginia, Ohio, and Pennsylvania currently meet this criterion. FPL will make use of its transportation portfolio, along with considering new physical paths. The costs of any new transportation needed to deliver gas from a gas reserve project will be taken into consideration when analyzing the economics of that project.

IV. CHARACTERISTICS OF GAS RESERVES

- Natural gas production consists of a combination of hydrocarbons, which can include methane, natural gas liquids ("NGLs"), and oil. The composition of natural gas production varies region by region and within individual regions.
- FPL's natural gas plants burn primarily methane and can accommodate only a very small percentage of other hydrocarbons. However, there are active third party markets for purchase and sale of NGLs and oil.
- There are a range of designations for reserves denoting the degree of certainty that the predicted quantity of gas is commercially recoverable from the well under current conditions: Proved, Probable, and Possible. FPL's gas reserve portfolio would appropriately be comprised of a wide range of projects, including reserves that fall within each of those categories.
- Guideline IV.A: Although there is significant customer value in the production and sale of NGLs and oil, the purpose of FPL's gas reserves program is to provide a source of physical supply of natural gas to serve its power plants. For that reason, FPL will only enter into a transaction for a gas reserve project if the estimated output of the wells in the project contains at least 50% from methane by volume.
- Guideline IV.B: All NGLs and oil produced from a gas reserve project will be sold at market prices and the resulting revenues will be credited to the Fuel Clause to offset the production costs for which customers are responsible, thus lowering the effective cost of natural gas. The projected revenues from NGLs and oil produced from a gas reserve project will be taken into consideration when analyzing the economics of that project.

GAS RESERVES GUIDELINES

Flexibility to respond to market opportunities is in the best interest of FPL and its customers. Therefore, it is understood that FPL may (i) propose modifications to these guidelines in the annual update provided pursuant to Guideline I.B above, and (ii) seek Fuel Clause recovery for a project that deviates from one or more of the guidelines upon a showing that the project nonetheless is expected to benefit FPL customers.