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April 5, 2002

-VIA HAND DELIVERY-

Blanca S. Bayó, Director
Division of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 011605-EI

Dear Ms. Bayó:

Enclosed for filing in the above docket are the original and seven (7) copies of Florida Power & Light Company's Response to Reliant Energy Power Generation, Inc.'s Request for Status Conference, together with a diskette containing the electronic version of same. The enclosed diskette is HD density, the operating system is Windows 2000, and the word processing software in which the document appears is Word 2000.

If there are any questions regarding this transmittal, please contact me at 305-577-2939.

Sincerely,

John T. Butler, P.A.
John T. Butler, P.A.

Enclosure

cc: Counsel for Parties of Record (w/encl.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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|-------------------------------------|---|----------------------|
| In Re: Review of investor-owned |) | |
| electric utilities' risk management |) | DOCKET NO. 011605-EI |
| policies and procedures. |) | Filed: April 5, 2002 |
| _____ |) | |

**FLORIDA POWER & LIGHT COMPANY'S RESPONSE
TO RELIANT ENERGY POWER GENERATION, INC.'S
REQUEST FOR STATUS CONFERENCE**

Florida Power & Light Company ("FPL"), hereby respectfully responds to Reliant Energy Power Generation, Inc. ("Reliant Energy's") Request for Status Conference (the "Request") and states the following:

1. The Request complains of Reliant Energy's inability to convince the Commission Staff to convert this docket from a review of investor-owned electric utilities' policies and procedures for hedging against volatility in the prices of fuel and wholesale power, into an open forum on "the factual, technical, and policy implications of the relative risks of purchased power and of owning and operating power plants." Request at ¶7. It seeks to have the prehearing officer convene a status conference for the purpose of identifying and adding such issues to those that have previously been identified for resolution. The Request should be denied because it is unnecessary and counterproductive to the purposes of this docket. Moreover, the fact that Reliant Energy has requested such a transformation is further evidence of its intent to misuse this docket in service of its interests as a provider of wholesale power and in blatant disregard of the prehearing officer's express instructions to the contrary.

2. The Request would divert this proceeding from the purposes for which the docket was established. Order No. PSC-02-0192-PCO-EI, dated February 12, 2002, recites the origins

DOCUMENT NUMBER-DATE
03878 APR -5 2002
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of this docket. The order notes that the Office of Public Counsel (“OPC”) moved in Docket No. 010001-EI to defer consideration of six issues that were to be considered at the December 2001 fuel adjustment hearing. The Commission granted OPC’s motion in Order No. PSC-01-2273-PCO-EI, dated November 19, 2001, at 55, and this docket was opened a week later “for the purpose of addressing the deferred issues” Order No. PSC-02-0192-PCO-EI, at 1.

3. The six issues deferred to this docket were as follows:

ISSUE 11. Has each investor-owned electric utility taken reasonable steps to manage the risk associated with its *fuel transactions* through the use of physical and financial hedging practices?

ISSUE 12. What is the appropriate regulatory treatment for gains and losses from hedging an investor-owned utility’s *fuel transactions* through futures contracts?

ISSUE 13. What is the appropriate regulatory treatment for the premiums received and paid for hedging an investor-owned electric utility’s *fuel transactions* through options contracts?

ISSUE 14. What is the appropriate regulatory treatment for the transaction costs associated with an investor-owned electric utility’s hedging its *fuel transactions*?

ISSUE 18A. For the period March 1999, to March 2001, did FPL take reasonable steps to *manage the risk associated with changes in natural gas prices*?

ISSUE 19D. For the period March 1999, to March 2001, did Florida Power take reasonable steps to *manage the risk associated with changes in natural gas prices*?

See Order No. PSC-01-2273-PCO-EI, at 20, 25, 26 and 55 (emphasis added). As one can readily see, each of these issues is expressly directed to the subject of how investor-owned electric utilities handle their fuel transactions.

4. Attachment A to Order No. PSC-02-0192-PCO-EI is a list of “tentative issues” for resolution in this docket. Those “tentative issues” expand the references in the issues cited above to “fuel transactions,” so that they now read “fuel and purchased power transactions.” This change merely broadens slightly the range of “hedging” transactions into which the

Commission intends to inquire. It no more suggests a open-ended inquiry into the relative merits of self-generation versus purchasing wholesale power than it does an inquiry into the relative merits of coal-fired versus natural-gas fired power plants. Rather, Attachment A simply gives notice that the Commission is interested in how investor-owned electric utilities “hedge” their purchases of energy, in whatever form those purchases may take.

5. Expanding this docket into an open forum on wholesale power would seriously dilute the current focus on “hedging” transactions. There is no necessary connection or commonality between these subjects that compels combining them. To the contrary, they are substantively distinct and their pairing would serve only to confuse and disrupt the proceedings. Moreover, the Commission already has at least two vehicles available to it for considering the role of wholesale purchased power in an investor-owned electric utility’s power-supply mix: the ten-year site plans that are filed annually by each such utility and the need-determination proceedings that must be conducted with respect to new generating facilities that utilities propose to build. Reliant Energy has shown nothing to suggest that those vehicles are inadequate to consider valid issues about the role of wholesale purchased power.

6. FPL must again express its concern over Reliant Energy’s true motivation for participating in this docket. Reliant Energy is a “developer of independent power projects throughout the United States, including Florida.” Reliant Energy Petition to Intervene, at ¶3. It also claims to be, somewhat incidentally, a retail customer of Florida Power Corporation, receiving standby service for its independent power projects in Florida. *Id.* at ¶4. As FPL has previously warned, the Petition to Intervene strongly suggested that Reliant Energy wanted to use its retail-customer status as a Trojan Horse, to justify intervention that would then give Reliant Energy a chance to steer the docket toward subjects of particular importance to wholesale

providers. Reliant Energy was expressly warned by the prehearing officer against trying to do this:

....Reliant's petition to intervene is granted so that Reliant may represent its interests as a retail customer in this proceeding. As a retail customer, Reliant is not precluded from presenting evidence regarding benefits it may receive as a result of utility power purchases from wholesale providers, so long as the evidence is relevant to the issues established in this docket and not otherwise objectionable. *However, the grant of intervenor status to Reliant shall not be construed to permit Reliant's interests as a wholesale provider to be represented in this proceeding.* Pursuant to Rule 25-22.039, Florida Administrative Code, Reliant takes the case as it finds it.

Order No. PSC-02-0357-PCO-EI, dated March 15, 2002, at 3 (emphasis added).

7. The Request openly flouts the prehearing officer's instructions. It argues the very same points that caused FPL concern in the Petition to Intervene. *Cf.* Petition to Intervene at ¶¶6-8, and Request at ¶7. The only cover Reliant Energy offers for ignoring the prehearing officer's instructions is to assert that its interests as a retail customer and as a wholesale provider are identical.¹ This is sophistry at its worst and is simply not credible. Reliant Energy is attempting to leverage a simple truism -- that retail customers are interested in seeing the electric utilities that serve them rely on wholesale power where appropriate -- into justification for its all-consuming obsession with the terms upon which wholesale power and self-generated power compete. No retail customer truly interested in protecting its interests as such would share such an obsession, and in fact neither the OPC nor FIPUG has shown any inclination to do so.

WHEREFORE, Reliant Energy's Request for a Status Conference should be denied as unnecessary and counterproductive to the purposes of this docket, and Reliant Energy should

¹ Footnote 1 to the Request asserts that "with respect to the relative risks to an IOU of constructing, owning and operating a power plant, on the one hand, and purchasing power through contractual terms from a wholesale provider, on the other, Reliant's positions as a retail customer are identical to those it holds as a wholesale provider."

again be instructed that its participation in this docket is limited to issues that legitimately relate to its interests as a retail customer of Florida Power Corporation.

Respectfully submitted,

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CERTIFICATE OF SERVICE
Docket No. 011605-EI

I certify that a copy of Florida Power & Light Company's Response to Reliant Energy Power Generation, Inc.'s Request for Status Conference was served by hand delivery (*) or U.S. mail on the 5th day of April, 2002, to the following persons:

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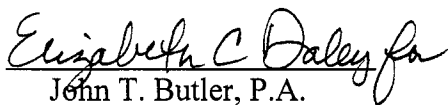
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