49

FPL’s Responses to Staff’s Sixth Set of Interrogatories, Nos. 35.

QUESTION:
Please refer the Direct Testimony of Gerard J. Yupp, filed with Florida Power & Light's *Petition for Approval of Fuel Cost Recovery and Capacity Cost Recovery Factors for January through December 2023* (Petition), page 4, lines 4-10 for the following request. Regarding point "5" of the items listed in this section of testimony, please elaborate, in general, on the typical points of variability (i.e., contractual terms that affect pricing) that ultimately affect the cost of natural gas contained in FPL's natural gas supply and transportation contracts. If possible, please also generally comment on the typical extent or range of cost variability associated with the contractual terms referenced in this section of the testimony in any given year.

RESPONSE:
The primary terms of FPL's natural gas supply contracts that ultimately affect the cost of natural gas include the contractual pricing mechanism, the term of the supply contract, and the supply point.

FPL utilizes index-based pricing for the vast majority of its natural gas supply contracts. Supply transactions are typically based on NYMEX settlements or market survey publications such as Platts Inside FERC or Gas Daily. Pricing based on monthly NYMEX settlements will typically include an additional pricing component (either positive or negative) that represents the basis differential between Henry Hub and the location where the supply is being delivered. Platts indices include an embedded basis differential for the applicable supply point, however an additional pricing component may also be part of the pricing mechanism given variables such as market conditions, supplier, season, and the term of the transaction. Inside FERC pricing sets the price for the month, while Gas Daily pricing sets the price on a daily basis based on the actual gas traded at a particular location each day. The term of the supply transaction will generally drive whether a monthly or daily index price is utilized. Gas Daily pricing can result in more variability during the month since the pricing reflects real-time market conditions. The range of variability associated with each of these contractual terms is difficult to quantify. In general, the variability associated with each supply contract is based on the aggregate of the terms, rather than one specific term, however, supply location is a primary driver of variability.

The primary terms of FPL's transportation agreements that impact the cost of natural gas include the fixed demand payment on each pipeline, variable transportation costs on each pipeline, the term of the transportation agreement, the subscribed capacity, and the designated receipt points on each pipeline. The length and subscribed capacity of transportation agreements can play a role in the fixed demand rate, as well as current market conditions. Variable transportation costs can change over the duration of a transportation agreement. As described above, the supply location is directly correlated to the commodity price, so designated receipt points on each transportation contract play a role in the variability of natural gas prices.

DECLARATION

I, Gerard J. Yupp, sponsored the answer to Interrogatory No. 35 from **Staff's Sixth Set of Interrogatories (No. 35)** to Florida Power & Light Company in Docket No. 20220001-EI, and the response is true and correct based on my personal knowledge.

Under penalties of perjury, I declare that I have read the foregoing declaration and the interrogatory answer identified above, and that the facts stated therein are true.

Gerard J Yupp

Gerard J. Yupp

Date: 10/3/22