

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery  
clause with generating performance incentive  
factor.

DOCKET NO. 100001-EI  
ORDER NO. PSC-11-0041-PHO-EI  
ISSUED: January 24, 2011

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on January 19, 2011, in Tallahassee, Florida, before Commissioner Lisa Polak Edgar, as Prehearing Officer.

APPEARANCES:

JOHN T. BUTLER and R. WADE LITCHFIELD, ESQUIRES, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420  
On behalf of Florida Power & Light Company (FPL).

PATRICIA A. CHRISTENSEN and CHARLIE BECK, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400  
On behalf of the Citizens of the State of Florida (OPC).

PATRICK K. WIGGINS, ESQUIRE, Patrick K. Wiggins, P.A., Post Office Drawer 1657, Tallahassee, Florida 32302  
On behalf of the Association For Fairness In Rate Making (AFFIRM).

KAREN S. WHITE, ESQUIRE, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, FL 32403-5319  
On behalf of Federal Executive Agencies (FEA).

JON C. MOYLE, JR. and VICKI GORDON KAUFMAN, ESQUIRES, Keefe, Anchors, Gordon & Moyle, P.A., 118 North Gadsden Street, Tallahassee, Florida 32301  
On behalf of the Florida Industrial Power Users Group (FIPUG).

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III, ESQUIRES, Young van Assenderp, P.A., 225 South Adams Street, Suite 200, Tallahassee, Florida 32301  
On behalf of the Florida Retail Federation (FRF).

CECILIA BRADLEY, ESQUIRE, Office of the Attorney General, The Capitol – PL01, Tallahassee, Florida 32399-1050  
On behalf of Attorney General Pam Bondi (OAG).

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ERIK L. SAYLER and KATHERINE E. FLEMING, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

On behalf of the Florida Public Service Commission (Staff).

MARY ANNE HELTON, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850  
Advisor to the Florida Public Service Commission.

**PREHEARING ORDER**  
**FLORIDA POWER & LIGHT COMPANY (FPL)**

I. CASE BACKGROUND

As part of the continuing fuel and purchased power adjustment and generating performance incentive clause proceedings, an administrative hearing will be held by the Public Service Commission on January 26-28, 2011. The Commission will address those issues listed in this prehearing order. The Commission has the option to render a bench decision on any or all of the issues listed below.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

- (1) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

#### V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.

## VI. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, each witness whose name is preceded by an asterisk (\*) will be excused from this hearing if no Commissioner assigned to this case seeks to cross-examine the particular witness. Parties shall be notified as soon as possible as to whether any such witness shall be required to be present at the hearing. The testimony of excused witnesses will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony shall be identified as shown in Section IX of this Prehearing Order and be admitted into the record.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
*G. Yupp	FPL	2A, 2B, 2C, 8-10, 12
*K. Ousdahl	FPL	2D
*T.J. Keith	FPL	2E, 6-7, 8-16, 24A, 27-33
*G.F. St. Pierre	FPL	8-10, 12
*C.A. Priore, III	FPL	20A, 21, 22
*Kathy L. Welch	STAFF	2A, 2B

## VII. BASIC POSITIONS

### UTILITY:

FPL: None necessary.

**INTERVENOR:**

**OPC:** None

**AFFIRM:** None

**FEA:** FEA's positions are preliminary and based on materials filed by the parties and on discovery. FEA's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

**FIPUG:** As a matter of general principle, FIPUG contends that it would be in the interest of energy efficiency for the Commission to more specifically identify all fixed and non-volatile costs presently incorporated in the fuel clause and to require utilities to segregate these costs in fuel cost recovery dockets for appropriate action. Cost recovery clauses by their nature should deal with volatile and unusual costs rather than fixed costs. This is especially true now that utilities have redesigned their base rate structures to put more emphasis on collecting for fixed costs through energy consumption charges. Electric consumption falls in economically recessed times putting fixed cost recovery in peril unless new rate increases are granted or concepts, such as, revenue decoupling are introduced. When fixed costs are included in the energy charge it likewise discourages utilities from promoting fuel saving conservation. Utilities have no economic incentive to conserve fuel when all the fuel cost risk has been shifted to customers. Identifying fixed and non-volatile costs contained within the fuel clause will increase transparency.

Because fuel charges are now based more on forecasts rather than actual experience, customers are disadvantaged. By Commission order midcourse corrections only occur when utilities opt to revise their forecasts or when the forecasts are in error by more than 10 percent. It appears to FIPUG that the new procedure gives utilities too much leeway in setting fuel charges based on internal forecasts that they are at liberty to accelerate or postpone. FIPUG recommends that fuel cost forecasts be mandated quarterly or that the Commission revert to basing fuel charges on actual rather than forecasted results.

Finally, in recent years, there is growing concern that the commodities markets may currently be governed more by derivative transactions than actual demand for the commodity. FIPUG suspects that when prices fell dramatically below forecasts in the fall of 2008 and 2009 a significant amount of the benefits customers received when prices were rising have been wiped out by utility hedging practices. FIPUG remains concerned about significant hedging losses, but must continue to rely heavily on the Commission staff to protect consumer interest in connection with the derivative commodities markets because, in part, utility hedging practices are deemed to be trade secrets unavailable to the general public.

**FRF:** All of the investor-owned electric utilities bear the burden of proving the reasonableness and prudence of their expenditures for which they seek recovery through their Fuel and Purchased Power Cost Recovery Charges.

**OAG:** None at this time.

**STAFF:** Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

### VIII. ISSUES AND POSITIONS

#### **COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES**

##### **Florida Power & Light Company**

**ISSUE 2A:** *Proposed Type C Stipulation, See Section X.*

**ISSUE 2B:** *Proposed Type C Stipulation, See Section X.*

**ISSUE 2C:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 2D:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 2E:** *Proposed Type B Stipulation, See Section X.*

#### **GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 7:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 8:** *Proposed Type C Stipulation, See Section X.*

**ISSUE 9:** *Proposed Type C Stipulation, See Section X.*

**ISSUE 10:** *Proposed Type C Stipulation, See Section X.*

**ISSUE 11:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 12:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 13:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 14:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 15:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 16:** *Proposed Type B Stipulation, See Section X.*

**COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR (GPIF) ISSUES**

**Florida Power & Light Company**

**ISSUE 20A:** *Proposed Type B Stipulation, See Section X.*

**GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 21:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 22:** *Proposed Type B Stipulation, See Section X.*

**COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES**

**Florida Power & Light Company**

**ISSUE 24A:** *Proposed Type B Stipulation, See Section X.*

**GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 27:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 28:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 30:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 31:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 32:** *Proposed Type B Stipulation, See Section X.*

**ISSUE 33:** *Proposed Type B Stipulation, See Section X.*

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>Description</u>
<u>Direct</u>		
G. Yupp	FPL	GJY-1 2009 Hedging Activity
G. Yupp	FPL	GJY-2 2011 Risk Management Plan
G. Yupp	FPL	GJY-3 Hedging Information Report
G. Yupp	FPL	GJY-4 Revised Fuel Cost Recovery (Supplemental) Forecast Assumption
T.J. Keith	FPL	TJK-1 Fuel Cost Recovery Final True-Up for January, 2009 through December, 2009
T.J. Keith	FPL	TJK-2 Capacity Cost Recovery Final True-Up for January, 2009 through December, 2009
T.J. Keith	FPL	TJK-3 Fuel Estimated/Actual True-Up January, 2010 through December, 2010
T.J. Keith	FPL	TJK-4 Capacity Estimated/Actual True-Up January, 2010 through December, 2010
G. Yupp G.F. St. Pierre T.J. Keith	FPL	TJK-5 Revised Levelized Fuel (Supplemental) Cost Recovery Factors for January, 2011 through December, 2011
T.J. Keith	FPL	TJK-6 Revised Capacity Cost (Supplemental) Recovery Factors for January, 2011 through December, 2011



<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
T.J. Keith	FPL	TJK-7 (Supplemental)	Revised Fuel Cost Recovery Factors for January, 2011 through May, 2011 and June, 2011 through December, 2011 based on Stipulation and Settlement Agreement
K. Ousdahl	FPL	KO-1	Determination of Revenue Requirement of WCEC-3 Power Station
K. Ousdahl	FPL	KO-2	Capital Structure Calculation and Support for the Revenue Requirement of the WCEC-3 Power Station
C. A. Priore, III	FPL	CP-1	Generating Performance Incentive Factor Performance Results for January, 2009 through December, 2009
C. A. Priore, III	FPL	CP-2 (Supplemental)	Revised Generating Performance Incentive Factor January, 2011 through December, 2011
C. A. Priore, III	FPL	CP-3 (Supplemental)	Revised Generating Performance Incentive Factor January, 2010 through December, 2010

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
C. A. Priore, III	FPL	CP-4 (Supplemental)	Revised Annual Generating Performance Incentive Factor Over/(Under) Recovery From ANOHR Calculation Refinement – 1994-2009
Kathy L. Welch	STAFF	KLW-1	History of Testimony, Kathy L. Welch
Kathy L. Welch	STAFF	KLW-2	Audit Report – FPL Hedging Activity, 12 Months ended July 31, 2010

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

As referenced in Section VIII, above, the parties have reached Type A, Type B, or Type C stipulations on the issues described below. *Type A Stipulation* reflects an agreement between all the parties on an issue; *Type B Stipulation* reflects an agreement between the investor-owned utility and staff with all other parties not objecting to the agreement; and *Type C Stipulation* is like a *Type B Stipulation*, but indicates that while FIPUG has concerns about FPL's hedging practices, it takes no position on the issue because it is FIPUG's understanding that the Commission is considering hedging issues on a separate track and FIPUG will participate in that process. There are no *Type A Stipulations*. There are *Type C Stipulations* for Issues 2A, 2B, 8, 9, and 10 and are noted with an (\*). There are *Type B Stipulations* for all remaining issues.

## COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES

### Florida Power & Light Company

**ISSUE 2A:** Should the Commission approve as prudent, Florida Power & Light Company's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in Florida Power & Light Company's April 2010 and August 2010 hedging reports?\*

#### *\* Type C Stipulation*

**Stipulation:** *Yes. FPL's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices for the 12 month period ending July 31, 2010. FPL entered into its hedging positions at market prices. Commission staff has audited the company's hedging activity and results for this period and has found that the company has followed its Risk Management Plan when entering into hedging positions. Therefore, the company's hedging results for this period are prudent.*

*Staff believes the appropriate overall objective of a utility hedging program is to mitigate fuel price volatility. With a prudently managed hedging program, the utility will incur hedging gains, or savings, in some periods and will incur hedging losses, or costs, in other periods. Staff believes the appropriate determinants of prudent hedging activities do not lie within hedging gains or losses, but rather in whether the utility entered into hedging positions at market prices, followed its Risk Management Plan and did not speculate on future market conditions.*

**ISSUE 2B:** Should the Commission approve Florida Power & Light Company's 2011 Risk Management Plan?\*

#### *\* Type C Stipulation*

**Stipulation:** *Yes. FPL's 2011 Risk Management Plan complies with Commission guidelines. The Commission has established guidelines for a utility's Risk Management Plan by Order No. PSC-08-0667-PAA-EI. These guidelines specify the utility must file a minimum quantity of volumes of fuel to be hedged, ensure separation of duties when carrying out hedging activities and ensure the utility is dealing with credit-worthy counter-parties. By following their 2011 Risk Management Plan, FPL would accomplish the Commission goal of utility hedging by reducing fuel price volatility, and would not engage in speculative hedging activities. Staff notes that FPL's Risk Management Plan has not changed significantly from the company's previously approved Risk Management Plan.*

**ISSUE 2C:** What are the appropriate projected jurisdictional fuel savings associated with West County Energy Center Unit 3 (“WCEC-3”) for the period January 2011 through December 2011?

**Stipulation:** *The projected \$96,175,160 jurisdictional fuel savings associated with WCEC-3, which are approximately \$1.1 million lower than FPL’s original September 1, 2010 estimate, are appropriate assuming the projected in-service date of June 1, 2011.*

**ISSUE 2D:** What are the appropriate projected jurisdictional non-fuel revenue requirements associated with WCEC-3 for the period January 2011 through December 2011?

**Stipulation:** *The projected 2011 jurisdictional non-fuel revenue requirements associated with WCEC-3 are \$99,629,081, assuming the projected in-service date of June 1, 2011.*

**ISSUE 2E:** Has FPL included \$13,854,054 for replacement power cost as a result of the February 26, 2008 Flagami Transmission Event as a credit to the 2011 Fuel Factors, as required by Order No. PSC-10-0381-FOF-EI?

**Stipulation:** *Yes. FPL revised its E schedules and its positions to include in its 2011 fuel costs the \$13,854,054 credit for replacement power costs resulting from the February 26, 2008 Flagami Transmission Event as required by Order No. PSC-10-0381-FOF-EI. FPL credited \$13,854,054, with interest to the 2011 fuel factors for the replacement power costs associated with the Flagami Transmission Event. On December 21, 2010, FPL re-filed two sets of E schedules, both of which include the revised fuel factors with the \$13,854,054, plus interest, credit applied. One set of schedules includes the revised fuel factors assuming the Settlement Agreement is approved. The second set of schedules includes the revised fuel factors assuming the Settlement Agreement is not approved.*

*Staff is aware that FPL’s Motion for Reconsideration of Order No. PSC-10-0381-FOF-EI is pending. The Commission’s decision regarding the Motion for Reconsideration may affect the amount of the credit. In the event the Commission approves FPL’s motion for reconsideration or approves a different credit amount, FPL should make the appropriate adjustment in its 2011 actual/estimated true-up calculations.*

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2010 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**Stipulation:** \$15,415,773.

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2011 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**Stipulation:** \$10,833,838.

**ISSUE 8:** What are the appropriate fuel adjustment true-up amounts for the period January 2009 through December 2009?\*

*\*Type C Stipulation*

**Stipulation:** \$8,771,414 *under-recovery.*

**ISSUE 9:** What are the appropriate fuel adjustment true-up amounts for the period January 2010 through December 2010?\*

*\*Type C Stipulation*

**Stipulation:** \$207,968,846 *under-recovery.*

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2011 to December 2011?\*

*\*Type C Stipulation*

**Stipulation:** \$216,740,260 *under-recovery.*

**ISSUE 11:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2011 to December 2011?

**Stipulation:** 1.00072.

**ISSUE 12:** What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2011 to December 2011?

**Stipulation:** \$4,287,925,847

**ISSUE 13:** What are the appropriate levelized fuel cost recovery factors for the period January 2011 to December 2011?

**Stipulation:** *Because the Commission approved the Settlement Agreement, the fuel factors should be reduced as of the in-service date of WCEC-3 to reflect the projected jurisdictional fuel savings for WCEC-3. The projected in-service date for WCEC-3 is June 1, 2011. The appropriate levelized fuel cost recovery factors should be:*

*(a) 4.295 cents/kWh from the effective date of the new factors as set forth in Issue 16 through the day prior to the WCEC-3 in-service date (projected to be May 31, 2011); and*

*(b) 4.145 cents/kWh from the WCEC-3 in-service date (projected to be June 1, 2011) through December 2011*

**ISSUE 14:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

**Stipulation:** *The appropriate line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class are shown below:*

GROUP	RATE SCHEDULE	FUEL RECOVERY LOSS MULTIPLIER
A.	RS-1 first 1,000 kWh all additional kWh	1.00207 1.00207
A.	GS-1, SL-2, GSCU-1, WIES-1	1.00207
A-1.*	SL-1, OL-1, PL-1,	1.00207
B.	GSD-1	1.00202
C.	GSLD-1 & CS-1	1.00116
D.	GSLD-2, CS-2, OS-2 & MET	0.99426
E.	GSLD-3 & CS-3	0.96229
A.	RST-1, GST-1, ON-PEAK OFF-PEAK	1.00207 1.00207
B.	GSDT-1, CILC -1(G), HLFT-1 (21-499 kW) ON-PEAK OFF-PEAK	1.00201 1.00201
C.	GSLDT-1, CST-1, HLFT-2 (500-1,999 kW) ON-PEAK OFF-PEAK	1.00127 1.00127
D.	GSLDT-2, CST-2 HLFT-3 (2,000+ kW) ON-PEAK OFF-PEAK	0.99552 0.99552
E.	GSLDT-3, CST-3, CILC-1(T) & ISST-1(T) ON-PEAK OFF-PEAK	0.96229 0.96229
F.	CILC-1(D) & ISST-1(D) ON-PEAK OFF PEAK	0.99484 0.99484

\* WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK

**ISSUE 15:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

**Stipulation:** *Because the Commission approved the Settlement Agreement, the appropriate fuel cost recovery factors commencing with (a) the 2011 effective date through May 2011, and (b) June 2011 through December 2011, are shown below.*

FUEL RECOVERY FACTORS -- BY RATE GROUP FOR PERIOD COMMENCING WITH  
THE 2011 EFFECTIVE DATE THROUGH MAY 2011  
(ADJUSTED FOR LINE/TRANSFORMATION LOSSES)

GROUP	RATE SCHEDULE	FUEL RECOVERY FACTOR (¢/kWh)
A	RS-1 first 1,000 kWh All additional kWh	3.950 4.950
A	GS-1,SL-2, GSCU-1, WIES-1	4.304
A-1*	SL-1,OL-1,PL-1	4.161
B	GSD-1	4.304
C	GSLD-1, CS-1	4.300
D	GSLD-2,CS-2,OS-2, MET	4.271
E	GSLD-3, CS-3	4.133
A	RST-1,GST-1 ON-PEAK OFF-PEAK	4.941 4.011
B	GSDT-1,CILC-1(G),HLFT-1(21- 499 kW) ON-PEAK OFF-PEAK	4.941 4.011
C	GSLDT-1 & CST-1, HLFT2(500- 1,999 kW) ON-PEAK OFF-PEAK	4.937 4.008
D	GSLDT-2, CST-2, HLFT 3(2,000+ kW) ON-PEAK OFF-PEAK	4.909 3.985
E	GSLDT-3,CST-3 CILC-1(T), ISST-1(T) ON-PEAK OFF-PEAK	4.745 3.852
F	CILC-1(D), ISST-1(D) ON-PEAK OFF-PEAK	4.906 3.983
*WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK		



FUEL RECOVERY FACTORS – BY RATE GROUP FOR PERIOD JUNE 2011 THROUGH  
DECEMBER 2011  
(ADJUSTED FOR LINE/TRANSFORMATION LOSSES)

GROUP	RATE SCHEDULE	FUEL RECOVERY FACTOR (¢/kWh)
A	RS-1 first 1,000 kWh All additional kWh	3.800 4.800
A	GS-1,SL-2, GSCU-1, WIES-1	4.153
A-1*	SL-1,OL-1,PL-1	4.009
B	GSD-1	4.153
C	GSLD-1, CS-1	4.149
D	GSLD-2,CS-2,OS-2, MET	4.121
E	GSLD-3, CS-3	3.988
A	RST-1,GST-1 ON-PEAK OFF-PEAK	4.790 3.860
B	GSDT-1,CILC-1(G),HLFT-1(21- 499 kW) ON-PEAK OFF-PEAK	4.790 3.860
C	GSLDT-1 & CST-1, HLFT2(500- 1,999 kW) ON-PEAK OFF-PEAK	4.786 3.857
D	GSLDT-2, CST-2, HLFT 3(2,000+ kW) ON-PEAK OFF-PEAK	4.759 3.835
E	GSLDT-3,CST-3 CILC-1(T), ISST-1(T) ON-PEAK OFF-PEAK	4.600 3.707
F	CILC-1(D), ISST-1(D) ON-PEAK OFF-PEAK	4.756 3.833
*WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK		

SEASONAL DEMAND TIME OF USE RIDER (SDTR)  
 FUEL RECOVERY FACTORS

ON PEAK: JUNE 2011 THROUGH SEPTEMBER 2011 – WEEKDAYS 3:00 PM TO 6:00 PM  
 OFF PEAK: ALL OTHER HOURS

GROUP	OTHERWISE APPLICABLE RATE SCHEDULE	SDTR FUEL RECOVERY FACTOR
B	GSD(T)-1 ON-PEAK OFF-PEAK	4.955 3.896
C	GSLD(T)-1 ON-PEAK OFF-PEAK	4.951 3.893
D	GSLD(T)-2 ON-PEAK OFF-PEAK	4.925 3.872

Note: All other months served under the otherwise applicable rate schedule.

**ISSUE 16:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

**Stipulation:** *The revised fuel and capacity factors should become effective with the first billing cycle starting 30 days after the Commission renders its decision. Thereafter, FPL's fuel adjustment factors and capacity cost recovery factors should remain in effect until modified by the Commission.*

*Staff believes that the currently approved factors should remain in effect until such time as the Commission renders its decision in this docket. FPL may make the appropriate adjustments in its 2011 actual/estimated true-up calculation to reflect 2011 actual revenues and actual expenses affected by the delayed implementation of the 2011 fuel factors.*

**COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR (GPIF) ISSUES**

**Florida Power & Light Company**

**ISSUE 20A:** What should FPL's revised GPIF Average Net Operating Heat Rate (ANOHR) targets/ranges be for the period January, 2010 through December, 2010?

**Stipulation:** *The Commission should approve FPL's proposed adjustment to the 2010 GPIF ANOHR targets/ranges to remove the effect of the gas adjustment factor (GAF). The GAF is not required for FPL's newer combined cycle units that are fired almost exclusively with gas and are now the primary fossil-fueled GPIF units. The revised ANOHR targets/ranges for the period January 2010 through December 2010 are as set forth in FPL's GPIF testimony and exhibits including the following:*

<b><u>Plant/Unit</u></b>	<b><u>Revised ANOHR Target BTU/KWH</u></b>
Ft. Myers 2	7,230
Martin 8	7,099
Manatee 3	7,020
Sanford 4	7,247
Sanford 5	7,247
Scherer 4	10,151
St. Lucie 1	10,868
St. Lucie 2	11,207
Turkey Point 3	11,474
Turkey Point 4	11,470

## **GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 21:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2009 through December 2009 for each investor-owned electric utility subject to the GPIF?

**Stipulation:** *\$8,115,900 reward. This reflects a credit of \$832,595 to customers, including interest, as a result of removing the gas adjustment factor from the calculations of GPIF target and rewards/penalties for prior periods.*

**ISSUE 22:** What should the GPIF targets/ranges be for the period January 2011 through December 2011 for each investor-owned electric utility subject to the GPIF?

**Stipulation:** *The targets and ranges should be as set forth in FPL's GPIF testimony and exhibits including the following:*

<u>Plant / Unit</u>	<u>EAF Target (%)</u>	<u>Heat Rate Target BTU/KWH</u>
Ft. Myers 2	84.0	7,225
Martin 8	81.3	7,091
Manatee 3	84.9	6,991
Sanford 4	93.7	7,273
Sanford 5	94.4	7,240
Scherer 4	85.9	10,030
St. Lucie 1	63.5	11,348
St. Lucie 2	66.8	10,822
Turkey Point 3	93.2	11,608
Turkey Point 4	78.5	11,495
Turkey Point 5	90.7	7,017

**COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES**

**Florida Power & Light Company**

**ISSUE 24A:** Has Florida Power & Light Company included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 100009-EI?

**Stipulation:** *Yes. FPL has included \$31,288,445 in its 2011 capacity cost recovery clause factors. This is the amount provided in the stipulation of issues that was approved by the Commission on September 7, 2010 in Docket No. 100009-EI.*

**GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 27:** What are the appropriate capacity cost recovery true-up amounts for the period January 2009 through December 2009?

**Stipulation:** *\$20,891,498 over-recovery.*

**ISSUE 28:** What are the appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010?

**Stipulation:** *\$85,933,800 under-recovery.*

**ISSUE 30:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2011 through December 2011?

**Stipulation:** *\$65,042,302 under-recovery.*

**ISSUE 31:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2011 through December 2011?

**Stipulation:** *The projected net purchased power capacity cost recovery amount to be recovered over the period January 2011 through December 2011 is \$606,646,448, including prior period true-ups, Nuclear Cost Recovery and revenue taxes.*

**ISSUE 32:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2011 through December 2011?

**Stipulation:** The appropriate jurisdictional separation factors are:

FPSC	98.03105%
FERC	1.96895%

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2011 through December 2011?

**Stipulation:** *Because the Commission approved the Settlement Agreement, the FPL's fuel adjustment factors and capacity cost recovery factors will change on the date that WCEC-3 goes into service (projected to be June 1, 2011), to reflect, respectively, the projected jurisdictional WCEC-3 fuel savings of \$96,175,160 and recovery of the portion of the jurisdictional WCEC-3 non-fuel revenue requirements equal to those projected fuel savings. Because WCEC-3 is projected to go into service on June 1, 2011, the following capacity cost recovery factors for the period commencing with the effective date of the new factors through May 2011 do not reflect recovery of WCEC-3 non-fuel revenue requirements, consistent with the Settlement Agreement. The capacity cost recovery factors for the period June 2011 through December 2011 (and until thereafter modified) are based on*

*recovery through the capacity cost recovery clause of the portion of WCEC-3 non-fuel revenue requirements equal to the projected WCEC-3 fuel savings of \$96,175,160, consistent with the Settlement Agreement.*

Capacity Cost Recovery Factors for the period commencing with the 2011 effective date and continuing through May 2011

Rate Schedule	Capacity Recovery Factor (\$/kw)	Capacity Recovery Factor (\$/kwh)
RS1/RST1	-	0.00651
GS1/GST1	-	0.00622
GSD1/GSDT1/HLFT1 (21-499 kW)	1.95	-
OS2	-	0.00594
GSLD1/GSLDT1/CS1/CST1/HLFT2 (500-1,999 kW)	2.45	-
GSLD2/GSLDT2/CS2/CST2/HLFT3(2,000+ kW)	2.36	-
GSLD3/GSLDT3/CS3/CST3	2.38	-
ISST1D		-
ISST1T	**	-
SST1T	**	-
SST1D1/SST1D2/SST1D3	**	-
CILC D/CILC G	2.54	-
CILC T	2.54	-
MET	2.46	-
OL1/SL1/PL1	-	0.00234
SL2, GSCU1	-	0.00428

	Reservation Demand Charge ** (\$/kw)	Sum of Daily Demand Charge ** (\$/kw)
ISST1D	\$0.29	\$0.14
ISST1T	\$0.29	\$0.14
SST1T	\$0.29	\$0.14
SST1D1/SST1D2/SST1D3	\$0.29	\$0.14

Capacity Cost Recovery Factors for the period June 2011 through December 2011

RATE SCHEDULE	Jan 2011- Dec 2011 Capacity Recovery Factor		WCEC-3 Capacity Recovery Factor		Total Capacity Recovery Factor Jun 2011-Dec 2011	
	(\$/kw)	(\$/kwh)	(\$/kw)	(\$/kwh)	(\$/kw)	(\$/kwh)
RS1/RST1	-	0.00651	-	0.00166	-	0.00817
GS1/GST1/WIES1	-	0.00622	-	0.00158	-	0.00780
GSD1/GSDT1/HLFT1 (21-499 kW)	1.95	-	0.49	-	2.44	-
OS2	-	0.00594	-	0.00149	-	0.00743
GSLD1/GSLDT1/CS1/CST1/HLFT2 (500-1,999 kW)	2.45	-	0.61	-	3.06	-
GSLD2/GSLDT2/CS2/CST2/HLFT3 (2,000+ kW)	2.36	-	0.59	-	2.95	-
GSLD3/GSLDT3/CS3/CST3	2.38	-	0.60	-	2.98	-
ISST1D	**	-	**	-	**	-
ISST1T	**	-	**	-	**	-
SST1T	**	-	**	-	**	-
SST1D1/SST1D2/SST1D3	**	-	**	-	**	-
CILC D/CILC G	2.54	-	0.64	-	3.18	-
CILC T	2.54	-	0.64	-	3.18	-
MET	2.46	-	0.62	-	3.08	-
OL1/SL1/PL1	-	0.00234	-	0.00058	-	0.00292
SL2/GSCU1	-	0.00428	-	0.00107	-	0.00535
TOTAL						

	Jan 2011- Dec 2011 Capacity Recovery Factor		WCEC-3 Capacity Recovery Factor		Total Capacity Recovery Factor Jun 2011-Dec 2011	
	RDC ** (\$/kw)	SDD ** (\$/kw)	RDC ** (\$/kw)	SDD ** (\$/kw)	RDC ** (\$/kw)	SDD ** (\$/kw)
ISST1D	\$0.29	\$0.14	\$0.05	\$0.02	\$0.34	\$0.16
ISST1T	\$0.29	\$0.14	\$0.05	\$0.02	\$0.34	\$0.16
SST1T	\$0.29	\$0.14	\$0.05	\$0.02	\$0.34	\$0.16
SST1D1/SST1D2/SST1D3	\$0.29	\$0.14	\$0.05	\$0.02	\$0.34	\$0.16

XI. PENDING MOTIONS

Motion for temporary protective order for certain confidential information included in Exhibit GJY-1 filed with the testimony of Gerard J. Yupp on 4/1/10, DN 02429-10, dated April 27, 2010

Motion for temporary protective order for certain confidential information included in FPL's hedging information report filed 8/16/10, DN 06764-10, dated August 24, 2010

Motion for temporary protective order for certain confidential information contained in FPL's response to OPC's 1<sup>st</sup> Request for Production of Documents Nos. 1, 2, 5 and 9), dated October 5, 2010

XII. PENDING CONFIDENTIALITY MATTERS

Florida Power & Light Company's request for confidential classification of information provided in response to Staff's First Set of Interrogatories and First request for PODs, DN 01467-10, dated March 4, 2010

Florida Power & Light Company's first request for extension of confidential classification of materials provided pursuant to Staff's 3<sup>rd</sup> Request for Production of documents, DN 06271-08, dated May 5, 2010.

Florida Power & Light Company's renewed request for confidential classification of certain materials provided to Staff in connection with Audit No. 08-003-4-2, DN 04588-08, dated May 6, 2010.

Florida Power & Light Company's renewed request for confidential classification of certain materials provided to Staff in connection with Audit No. 08-003-4-3, DN 05626-08, dated May 6, 2010.

Florida Power & Light Company's request for confidential classification of materials provided pursuant to Audit No. 10-004-4-3, DN 06189-10, dated July 29, 2010

Florida Power & Light Company's request for confidential classification of certain information on the 2011 Risk Management Plan contained in Appendix III to the 2010 estimated/actual true-up petition, DN 06316-10, dated August 2, 2010.

Florida Power & Light Company's request for confidential classification of materials obtained in connection with audit No. 10-004-4-1, DN 06422-10, dated August 4, 2010.

Florida Power & Light Company's request for confidential classification of certain information contained in the fuel hedging information report (Exhibit GJY-3), DN 06764-10, dated August 16, 2010

Florida Power & Light Company's request for confidential classification of capacity payments to non-cogenerators provided in Schedules E12, DN 07388-10, dated September 1, 2010.

Florida Power & light Company's request for confidential classification of Forms 423-1, 423-1(a), 423-1(b) for 6/10 and 7/10, Forms 423-2(a) and (b) for SJRPP for 6/10 and 7/10, and Forms 423-2,423-2(a) and 423-2(b) for Plant Scherer for 5/10 and 6/10, DN 08019-10, dated September 24, 2010.



Florida Power & Light Company's request for confidential classification of information provided in response to Staff's 6<sup>th</sup> set of Interrogatories Nos. 53, 57 and 61, DN 08274-10, dated October 1, 2010.

Florida Power & Light Company's request for confidential classification of materials provided pursuant to Audit No. 10-130-4-1, DN 08555-10, dated October 13, 2010.

Florida Power & Light Company's request for confidential classification of information provided in response to Staff's 7<sup>th</sup> set of Interrogatories No. 99, DN 08737-10, dated October 19, 2010.

Florida Power & Light Company's first request for extension of confidential classification of information contained in FPL's Exh No. 58, DN 10865-08, dated November 8, 2010.

Florida Power & Light Company's first request for extension of confidential classification of certain information contained in the hedging information report (Exh GJY-2), DN 07118-08, dated November 8, 2010.

Florida Power & Light Company's first request for extension of confidential classification of fuel hedging information, DN 02591-08, dated November 8, 2010.

### XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 40 pages and shall be filed at the same time.


### XIV. RULINGS

Opening statements, if any, shall not exceed 5 minutes per party.

It is therefore,

ORDERED by Commission Lisa Polak Edgar, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Lisa Polak Edgar, as Prehearing Officer, this 24th day of January, 2011.

  
LISA POLAK EDGAR  
Commissioner and Prehearing Officer

( S E A L )

ELS/KEF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.