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Matthew M. Childs, P.A.

October 31, 2001

- VIA HAND DELIVERY -

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399


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COMMISSION
CLERK

RE: DOCKET NO. 010001-EI

Dear Ms. Bayó:

Enclosed for filing please find the original and fifteen (15) copies of Florida Power & Light Company's Prehearing Statement, together with a diskette containing the electronic version of same. The enclosed diskette is HD density, the operating system is Windows 98, and the word processing software in which the document appears is WordPerfect 9.

Very truly yours,



Matthew M. Childs, P.A.

MMC/gc
Enclosures

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- RGO
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cc: All Parties of Record (w/enclosures)

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power)
Cost Recovery Clause and)
Generating Performance)
Incentive Factor)

DOCKET NO. 010001-EI
FILED: OCTOBER 31, 2001

**FLORIDA POWER & LIGHT COMPANY'S
PREHEARING STATEMENT**

Pursuant to Order No. PSC-01-1885-PCO-EI, issued September 21, 2001, establishing the prehearing procedure in this docket, Florida Power & Light Company ("FPL") hereby submits its Prehearing Statement.

A. APPEARANCES

Matthew M. Childs, P. A.
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Suite 601
Tallahassee, FL 32301

B. WITNESSES

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUES</u>
G. Yupp J. R. Hartzog K. M. Dubin	Fuel Adjustment True-Up and Projections	1 - 8 1 - 8 1 - 8
K. M. Dubin	Benchmark Levels for Gains Eligible for Shareholder Incentive	9 - 10
G. Yupp K. M. Dubin	Hedging, Risk Management, Fuel Procurement	11-18I
K. M. Dubin	Cedar Bay	18J-18K
R. Silva	GPIF Reward, Targets / Ranges	23-24
K. M. Dubin	Capacity Cost Recovery True-Up and Projections	25-30

C. EXHIBITS

<u>EXHIBITS</u>	<u>WITNESS</u>	<u>DESCRIPTION</u>
(GY-1)	G. Yupp	Appendix I/ Fuel Cost Recovery Forecast Assumptions
(KMD-1 and KMD-2)	K. M. Dubin	Appendix I and II Fuel Cost Recovery and Capacity Cost Recovery – Final True-up Calculation – January, 2000 through December, 2000
(KMD-3 and KMD-4)	K. M. Dubin	Appendix I and II/Fuel Cost Recovery and Capacity Cost and Recovery Estimated/Actual True-up for January, 2001 through December, 2001
(KMD-5)	G. Yupp K. M. Dubin J. R. Hartzog	Appendix II/Fuel Cost Recovery E Schedules, Levelized Fuel Cost Recovery Factors for January, 2002 through December, 2002
(KMD-6)	K. M. Dubin	Appendix III / Capacity Cost Recovery Factors for January, 2002 through December, 2002
(RS-1)	R. Silva	GPIF, Performance Results January, 2000 through December, 2000
(RS-2)	R. Silva	GPIF, Targets and Ranges, January, 2002 through December, 2002

These exhibits should be identified separately rather than as a composite.

D. STATEMENT OF BASIC POSITION

None necessary.

E. STATEMENT OF ISSUES AND POSITIONS

FUEL ADJUSTMENT ISSUES

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period January, 2000 through December, 2000?

FPL: \$76,807,071 underrecovery. This amount was approved by the Commission in Order No. PSC-01-0963-PCO-EI for recovery from April 2, 2001 through December, 2001 as a result of the midcourse correction. Additionally, pursuant to Commission Order No. PSC-00-2385-EI, FPL is including an underrecovery of \$259,002,688 in the fuel factor for January 2002 through December 2002. This amount represents the remaining portion of the 2000 estimated/actual true-up underrecovery of \$518,005,376 that is being recovered over 24 months. (DUBIN)

ISSUE 2: What are the appropriate estimated/actual fuel adjustment true-up amounts for the period January, 2001 through December 2001?

FPL: \$13,794,067 overrecovery. FPL calculated an estimated/actual true-up overrecovery of \$151,894,067 for 2001, however FPL has reduced its fuel factors for the period October 2001 through December 2001 by \$138,100,000 pursuant to Commission Order No. PSC-01-1945-PCO-EI. Therefore, FPL is requesting to include the remaining overrecovery of \$13,794,067 in the fuel factor for January 2002 through December 2002. (DUBIN)

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January, 2002 through December, 2002?

FPL: \$245,208,621 underrecovery. (DUBIN)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January, 2002 through December 2002?

FPL: 2.890 cents/kwh is the levelized recovery charge to be collected during the period January, 2002 through December, 2002. (DUBIN)

ISSUE 5: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

FPL: The Company is requesting that the new Fuel Cost Recovery Factors should become effective with customer bills for January, 2002 through December, 2002. This will provide 12 months of billing on the Fuel Cost Recovery and Capacity Cost Recovery Factors for all customers. (DUBIN)

ISSUE 6: 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?

FPL: The appropriate Fuel Cost Recovery Loss Multipliers are provided in response to Issue No. 7. (DUBIN)

ISSUE 7: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

FPL:

GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RS-1,GS-1,SL2	2.890	1.00210	2.896
A-1*	SL-1,OL-1,PL-1	2.836	1.00210	2.842
B	GSD-1	2.890	1.00202	2.896
C	GSLD-1 & CS-1	2.890	1.00078	2.892
D	GSLD-2,CS-2,OS-2 & MET	2.890	.99429	2.873
E	GSLD-3 & CS-3	2.890	.95233	2.752
GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RST-1,GST-1			
	ON-PEAK	3.145	1.00210	3.152
	OFF-PEAK	2.777	1.00210	2.783
B	GSDT-1,CILC-1(G)			
	ON-PEAK	3.145	1.00202	3.151
	OFF-PEAK	2.777	1.00202	2.783
C	GSLDT-1 & CST-1			
	ON-PEAK	3.145	1.00078	3.147
	OFF-PEAK	2.777	1.00078	2.780
D	GSLDT-2 & CST-2			
	ON-PEAK	3.145	.99429	3.127
	OFF-PEAK	2.777	.99429	2.762
E	GSLDT-3,CST-3			
	CILC-1(T)&ISST-1(T)			
	ON-PEAK	3.145	.95233	2.995
	OFF-PEAK	2.777	.95233	2.645
F	CILC-1(D) & ISST-1(D)			
	ON-PEAK	3.145	.99331	3.124
	OFF-PEAK	2.777	.99331	2.759

*WEIGHTED AVERAGE 16% ON-PEAK AND 85% OFF-PEAK (DUBIN)

ISSUE 8: 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, 2002 through December, 2002?

FPL: 1.01597 is the revenue tax factor to be applied for the projection period of January, 2002 through December, 2002. (DUBIN)

ISSUE 9: What is the appropriate benchmark level for calendar year 2001 for gains on non-separated wholesale energy sales eligible for a shareholder

incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

FPL: \$52,953,147. (DUBIN)

ISSUE 10: What is the appropriate estimated benchmark level for calendar year 2002 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

FPL: \$37,870,079 subject to adjustments in the April 2002 filing to include all actual data for the year 2001. (DUBIN)

FPL IS ADDRESSING ISSUES 11-17 BELOW, PURSUANT TO THE REVISED PROCEDURAL ORDER PSC-01-1829-PCO-EI ISSUED ON SEPTEMBER 11, 2001.

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

FPL: Yes. (YUPP)

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

FPL: The appropriate regulatory treatment of the gains and losses that result from hedging fuel and wholesale energy transactions is to include both in the Fuel Cost Recovery Clause. (YUPP)

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?

FPL: Since the premiums received and paid are a direct and customary component of hedging fuel and wholesale energy, they should be included in the Fuel Cost Recovery Clause, for the delivery period for which it relates, as a normal and acceptable component of procuring fuel. (YUPP)

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

FPL: Since the transaction costs associated with hedging fuel and wholesale energy are a direct and customary cost of hedging fuel and wholesale energy, they should be included in the Fuel Cost Recovery Clause, for the

delivery period for which it relates, as the normal and acceptable cost of hedging fuel and wholesale energy. (YUPP)

ISSUE 15: What is the appropriate regulatory treatment for capital projects with an in-service date on or after January 1, 2002, that are expected to reduce long-term fuel costs?

FPL: The appropriate regulatory treatment for capital projects that are expected to reduce fuel costs is the treatment prescribed by the Commission in Order No. 14546 in Docket No. 850001-EI-B where the Commission listed the types of costs that are recoverable through the Fuel Cost Recovery Clause. Item No. 10 in the Order States:

"10. Fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers. Recovery of such costs should be made on a case by case basis after Commission approval." (DUBIN)

ISSUE 16: What is the appropriate rate of return on the unamortized balance of capital projects with an in-service date on or after January 1, 2002, that are expected to reduce long-term fuel costs?

FPL: Consistent with Commission practice, the return on the unamortized balance of capital projects should be computed using capital ratios and cost rates approved in the Company's last rate proceeding. (DUBIN)

ISSUE 17: If an investor-owned electric utility exceeds the ceiling on its authorized return on common equity, can and/or should the Commission reduce by a commensurate amount recovery of prudently-incurred expenditures through the Commission's fuel and purchased power cost recovery clause?

FPL: It is FPL's understanding that this issue will be withdrawn. If this is not the case, FPL will take a position by the Prehearing Conference.

ISSUE 17A: Should voluntary funding of the Gas Research Institute (GRI) surcharge be recovered through the fuel and purchased power cost recovery clause?

FPL: It is FPL's understanding that this issue will be deferred. If this is not the case, FPL will take a position by the Prehearing Conference.

FPL IS ADDRESSING ISSUES 18A-18G BELOW, PURSUANT TO THE REVISED PROCEDURAL ORDER PSC-01-1829-PCO-EI ISSUED ON SEPTEMBER 11, 2001.

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?

FPL: Yes. FPL's natural gas procurement practices were reasonable and prudent. FPL's procurement strategies in this highly volatile market enabled FPL to achieve cost and volatility minimization to its customers. (YUPP)

ISSUE 18B: Is FPL's aerial survey method of its coal inventory at Plant Scherer as stated in Audit Disclosure No. 1 of Audit Control No. 01-053-4-1 consistent with the method set forth in Order No. PSC-97-0359-FOF-EI, in Docket No. 970001-EI, issued March 31, 1997?

FPL: No. Plant Scherer is located in Georgia and although the accounting procedures required by Georgia Public Service Commission are similar to those stated in Order No. PSC-97-0359-FOF-EI, there are some differences. However, these accounting procedures produce virtually the same coal inventory adjustments. For example, from January 2000 through July 2001, the net difference between the two methods is \$(239). (DUBIN)

ISSUE 18C: What is the appropriate regulatory treatment for sales of natural gas and transportation capacity made by FPL to an affiliated company?

FPL: In order to reduce overall fuel costs to customers, revenues from sales of natural gas and transportation capacity should be flowed back to customers through the Fuel Cost Recovery Clause. No distinction should be made between a sale made to an affiliated company versus a sale made to an unaffiliated company. (DUBIN)

ISSUE 18D: What is the appropriate regulatory treatment for sales of natural gas and transportation capacity made by FPL to an unaffiliated company?

FPL: In order to reduce overall fuel costs to customers, revenues from sales of transportation capacity should be flowed back to customers through the Fuel Cost Recovery Clause. No distinction should be made between a sale made to an affiliated company versus a sale made to an unaffiliated company. (DUBIN)

ISSUE 18E: How should FPL allocate the costs associated with its sales of natural gas to Florida Power and Light Energy Services?

FPL: It is FPL's understanding that this issue will be withdrawn. If this is not the case, FPL will take a position by the Prehearing Conference.

ISSUE 18F: What is the appropriate regulatory treatment of Florida Power & Light Energy Services' revenues and costs made to customers within FPL's service area?

FPL: It is FPL's understanding that this issue will be withdrawn. If this is not the case, FPL will take a position by the Prehearing Conference.

ISSUE 18G: What is the appropriate regulatory treatment of Florida Power & Light Energy Services' revenues and costs made to customer outside of FPL's service area?

FPL: It is FPL's understanding that this issue will be withdrawn. If this is not the case, FPL will take a position by the Prehearing Conference.

ISSUE 18H: Are the costs associated with Florida Power & Light Company's purchase of 50 MW firm capacity and associated energy from Florida Power Corporation reasonable?

FPL: Yes. (YUPP)

ISSUE 18I: Are the costs associated with Florida Power & Light Company's purchase of approximately 1,000 MW of capacity and associated energy from Progress Energy Ventures, Reliant Energy Services, and Oleander Power L.P. reasonable?

FPL: Yes. (YUPP)

ISSUE 18J: Should the Commission allow Florida Power and Light Company to recover through the fuel and capacity cost recovery clauses payments made to Cedar Bay resulting from litigation between FPL and Cedar Bay?

FPL: Yes. In Order No. PSC-99-2512-FOF-EI, Docket No. 990001-EI, the panel consisting of three Commissioners allowed FPL to recover these costs as proposed through the Fuel and Capacity Cost Recovery Clauses pending resolution of this issue by the full Commission. After the Commission's decision in December of 1999, Docket No. 991780-EG was opened so that the full Commission could address this fuel and capacity clause issue. Waiting on completion of the appeals process, no schedule had been established in Docket No. 991780-EG. Since, all appeals have been exhausted and all payments have been made, and since a change was made this past year for the fuel panel to consist of the full Commission, FPL believes it is appropriate to bring this issue to closure in this docket. (DUBIN)

ISSUE 18K: What is the status of FPL's request to recover costs associated with the contract dispute with Cedar Bay through the Fuel and Capacity Cost Recovery Clauses?

FPL: See response to Issue 18J. (DUBIN)

GENERATING PERFORMANCE INCENTIVE FACTOR (GPIF) ISSUES

ISSUE 23: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January, 2000 through December, 2000 for each investor-owned electric utility subject to the GPIF?

FPL: \$9,004,713 reward. (SILVA)

ISSUE 24: What should the GPIF target/ranges be for the period January, 2002 through December, 2002 for each investor-owned electric utility subject to the GPIF?

FPL: The targets and ranges should be as set forth in the Testimony and Exhibits of R. Silva including the following:

PLANT/UNIT	EAF TARGET (%)	HEAT RATE HR. TARGET (BTU/KWH)
CAPE CANAVERAL 1	90.3	9163
CAPE CANAVERAL 2	88.2	9209
LAUDERDALE 4	91.8	7351
LAUDERDALE 5	91.9	7303
MANATEE 1	81.5	9861
MANATEE 2	85.4	10054
MARTIN 1	89.2	9147
MARTIN 2	90.8	8884
MARTIN 3	94.9	6828
MARTIN 4	87.9	6734
PORT EVERGLADES 3	94.3	9355
PORT EVERGLADES 4	86.0	9192
PUTNAM 1	84.7	8679
RIVIERA 3	84.4	9809
RIVIERA 4	93.1	9797
TURKEY POINT 1	85.4	8960
TURKEY POINT 2	94.3	9410
TURKEY POINT 3	93.6	11137
TURKEY POINT 4	86.0	11079
ST. LUCIE 1	86.0	10793
ST. LUCIE 2	93.6	10826
SCHERER	84.4	10098

GPIF SYSTEM WEIGHTED AVERAGE NET OPERATING HR (SILVA)

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 25: What are the appropriate final capacity cost recovery true-up amounts for the period January, 2000 through December, 2000?

FPL: \$2,850,420 underrecovery. (DUBIN)

ISSUE 26: What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January, 2001 through December, 2001?

FPL: \$25,003,277 overrecovery. (DUBIN)

ISSUE 27: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January, 2002 through December, 2002?

FPL: \$22,152,857 refunded. (DUBIN)

ISSUE 28: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January, 2002 through December, 2002?

FPL: \$573,968,082 (DUBIN)

ISSUE 29: What are the appropriate jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January, 2002 through December, 2002?

FPL: The appropriate jurisdictional separation factors are:
FPSC 99.03598%
FERC 0.96402% (DUBIN)

ISSUE 30: What are the projected capacity cost recovery factors for each rate class/delivery class for the period January, 2002 through December, 2002?

RATE CLASS	CAPACITY RECOVERY FACTOR (\$/KW)	CAPACITY RECOVERY FACTOR (\$/KWH)
RS1	-	.00680
GS1	-	.00590
GSD1	2.28	-
OS2	-	.00301
GSLD1/CS1	2.33	-
GSLD2/CS2	2.31	-
GSLD3/CS3	2.42	-
CILCD/CILC	2.43	-
G		
CILCT	2.45	-
MET	2.47	-
OL1/SL1/PL	-	.00177
1		
SL2	-	.00432

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) (\$/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) (\$/KW)
ISST1D	.31	.15
SST1T	.29	.14
SST1D	.29	.14

(DUBIN)

WITNESSES AND SUBJECT MATTER

WITNESS	SPONSOR	SUBJECT MATTER	EXHIBIT TITLES
G. YUPP	FPL	Fuel Cost Recovery Forecast Assumptions	GY-1
K. M. DUBIN	FPL	Fuel Cost Recovery and Capacity Cost Recovery Estimated/Actual True-Up January, 2001 through December, 2001	KMD-3 KMD-4
G. YUPP K. M. DUBIN J. R. HARTZOG	FPL FPL FPL	Levelized Fuel Cost Recovery Factors for January, 2002 through December, 2002	KMD-5
K. M. DUBIN	FPL	Capacity Cost Recovery Factors for January, 2002 through December, 2002	KMD-6
K. M. DUBIN	FPL	Levelized Fuel Cost Recovery and Capacity Cost Recovery Final True-up for January, 2000 Through December, 2000	KMD-1 KMD-2
R. SILVA	FPL	GPIF, Performance Results January, 2000 – December, 2000	RS-1
R. SILVA	FPL	GPIF, Incentive Factor Targets & Ranges January, 2002 – December, 2002	RS-2

F. STATEMENT OF LEGAL ISSUES AND POSITIONS

FPL: None at this time.

G. STATEMENT OF POLICY ISSUES AND POSITIONS

FPL: None at this time.

H. STIPULATED ISSUES

FPL: None at this time.

I. PENDING MOTIONS

FPL is aware of no outstanding motions at this time.

J. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

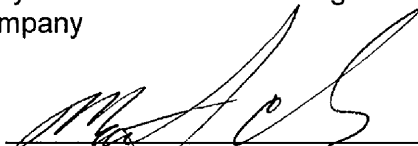
There are no requirements of the Order Establishing Procedure with which FPL can not comply.

Dated this 31st day of October, 2001.

Respectfully submitted,

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Attorneys for Florida Power & Light
Company

BY:



Matthew M. Childs, P.A.

**CERTIFICATE OF SERVICE
DOCKET NO. 010001-EI**

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Prehearing Statement has been furnished by hand delivery (*), or U S. mail this 31st day of October, 2001, to the following:

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By: 
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