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June 4, 2002

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-VIA FEDERAL EXPRESS-

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

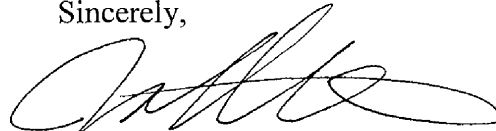
Re: Docket No. 011605-EI

Dear Ms. Bayó:

Enclosed for filing in the above docket are the original and seven (7) copies of Florida Power & Light Company's ("FPL's") Proposed Risk Sharing Program, which is being filed in response to the directions in Order No. PSC-02-0428-PCO-EI that "each party shall file in writing, by Wednesday, June 5, 2000, either a proposed incentive plan or a statement explaining why such an incentive is not appropriate." Also enclosed is a diskette containing the electronic versions of FPL's Proposed Risk Sharing Program. 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.

Enclosure

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

DOCUMENT NUMBER DATE

05885 JUN-5 2002

FPSC-COMMISSION CLERK

**Florida Power & Light Company
Fuel Cost Recovery
Proposed Risk Sharing Program
Docket No. 011605-EI**

OBJECTIVE

To reduce fuel cost volatility to FPL's customers

SUMMARY OF FPL's PLAN

- To become effective for the 2003 Fuel Cost Recovery period.
- Applies only to the commodity portion of the delivered price of oil and natural gas; all other fuels, as well as the non-commodity portion of oil and natural gas, charged at actual cost under present recovery mechanism. The following discussion relates to oil and natural gas recovery.
- Customers will not pay actual fuel cost.
- Instead, customers will pay an average cost based on an agreed percentage of the volume at a fixed price and the remainder of the volume at a spot index price.
- FPL assumes risks inherent in the hedging program.
- The fixed price will also include a small risk premium to compensate FPL for those risks that FPL takes by agreeing to recover, based on a pre-determined fixed price, a set percentage of fuel requirements.
- FPL's Proposed Plan includes an "extreme event" (force majeure) provision associated with unpredictable events.
- FPL's Proposed Plan also calls for a sharing of the savings associated with purchased power and sales transactions.

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FPL's PROPOSED PLAN

1. For fuel, FPL's Proposed Plan applies to the "commodity portion" of natural gas, and residual and distillate fuel oil only.
2. Under FPL's Proposed Plan, beginning in 2003, FPL will no longer recover actual oil and natural gas costs. Instead, FPL will recover the commodity cost for oil and natural gas on an average fixed price and spot indexed price basis where –
 - a) FPL will agree to recover a predetermined percentage of the actual volume purchased for natural gas, and residual and distillate fuel oil, at an agreed fixed price for each fuel. Each year, prior to FPL's Fuel Cost Recovery Projection filing, FPL will seek Commission approval of the percentage of volume purchased and the methodology to determine the fixed prices to be used for the upcoming year.

AND

- b) The balance of the actual natural gas and oil purchases will be based on an agreed spot index price.

AND

- c) FPL will assume risks inherent in the hedging process and to compensate FPL for these risks, the Plan assumes the Commission will allow FPL to recover a risk premium.

(See Approval/ Implementation Process section.)

3. FPL's Proposed Plan assumes that the Commission will allow recovery of all prudent transaction/hedging costs (e.g., broker commissions, fees, costs of margin requirements, the cost of developing and implementing the risk management system, the incremental cost of maintaining and operating the trading floor associated with the risk management plan), and natural gas, and residual and distillate fuel oil non-commodity related costs (e.g., basis, transportation.), on a dollar-for-dollar basis.
4. FPL's Proposed Plan assumes that in the case of a force majeure event, the Commission will allow recovery of FPL's fuel cost to revert to the existing actual-cost recovery mechanism. A force majeure event is defined as unpredictable events that result in an oil and natural gas generation variance

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for a given month of at least 45% above the projected level or at least 30% below the projected level. Examples of force majeure events are extended unscheduled nuclear outages and acts of God, government and war.

5. FPL's Proposed Plan will not change the format of the Fuel Cost Recovery filing requirements, i.e., E-Schedules and A-Schedules. These schedules will continue to reflect the costs to be recovered from FPL's customers.
6. Under FPL's Proposed Plan, FPL's customers and FPL will share (80% to FPL's customers and 20% to FPL) savings/gains associated with wholesale power transactions. Savings associated with purchase power transactions would be calculated under the established methodology used for the Commission Fuel Cost Recovery Schedule A9. Gains associated with non-separated wholesale sales would be calculated under the established methodology used for the Commission Fuel Cost Recovery Schedules A6 and A6a.
7. Under FPL's Proposed Plan, the true-up mechanism will work in the same manner that it currently does where monthly and annual over- and under-recoveries are deferred and recovered in subsequent fuel adjustment periods. However, for oil and natural gas, the fuel prices used to calculate the recoverable fuel costs will be based upon the fixed prices and spot price indices approved by stipulation as described in the Approval/ Implementation Section of this plan. For all other fuel types, the recoverable fuel costs will continue to be based on actual fuel prices paid by FPL. Consistent with the existing Fuel Cost Recovery Clause, these recoverable fuel costs for all fuel types will be totaled and compared to actual monthly fuel revenues to determine the over- and under- recoveries each month. The over- and under-recoveries will be deferred and recovered in subsequent fuel adjustment periods.
8. All other components of the Fuel and Purchased Power Cost Recovery Factor will remain unchanged from the current regulatory treatment.

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Approval/ Implementation Process

1. In July of each year FPL will file a proposed stipulation containing the percentage of fuel volume that will be recovered on a fixed-price basis, the methodology to determine the fixed prices, the spot price indices, and the percent risk premium to be used for the upcoming year. In order to ensure the maximum benefit to FPL's customers, FPL will request confidential treatment for this information. At the same time it is filed, the proposed stipulation and accompanying confidential information will be provided, on a confidential basis, to Staff, the Office of Public Counsel and the Florida Industrial Power Users Group (FIPUG), and also to other parties that have been granted intervention in the fuel adjustment docket as the Commission determines is necessary to protect legitimate interests of FPL retail customers.
2. FPL will request that the proposed stipulation be addressed at the next available Agenda Conference for Commission approval.
3. The Company will implement this stipulation and include it in the calculation of their September Fuel Cost Recovery filing only if :
 - all parties agree to the Stipulation and,
 - the Commission approves the Stipulation.
4. If the conditions listed in item no. 3 do not occur, then the July proposed stipulation will not become the basis for the fuel cost recovery charge in the coming year. In that event, FPL will submit a second (revised) proposed stipulation (on a confidential basis) approximately two weeks before the November Fuel Hearing. This revised proposed stipulation will contain the percentage of fuel volume that will be recovered on a fixed-price basis, the methodology to determine the fixed prices, the spot price indices, and the percent risk premium to be used for a portion of the upcoming year beginning in April. FPL will request that this revised proposed stipulation be addressed at the November Fuel Hearing for Commission approval.
5. If approved by the Commission, the Company will implement this stipulation effective in April. If it is not approved, then all fuel volume will be recovered in the upcoming year based on the existing actual-cost recovery mechanism.
6. Prompt resolution of FPL's proposed stipulation is essential to the working of the Proposed Plan. FPL must know within a short time after it has proposed a stipulation whether or not it can rely upon recovery based upon the elements of the stipulation.

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Schedule

In order to incorporate a filing for a proposed stipulation to become effective in January 2003, the schedule provided in Order No. PSC-02-0377-PCO-EI Establishing Procedure in the Fuel Docket No. 020001-EI would need to be modified as stated below.

Utilities' True-Up Filings and Testimony	April 1, 2002 (completed)
REVISED - FPL Files Proposed Stipulation	July 1, 2002
REVISED - Staff Recommendation	July 11, 2002
REVISED - Agenda Conference	July 23, 2002
Utilities' Actual/Estimated True-Up Filings and Testimony	August 20, 2002
Utilities' Projection Filings and Testimony	September 20, 2002
Intervenors' Direct Testimony and Exhibits	October 10, 2002
Staff's Direct Testimony and Exhibits, if any	October 17, 2002
Rebuttal Testimony and Exhibits	October 24, 2002
Prehearing Statements	October 24, 2002
Prehearing Conference	November 4, 2002
Hearing	November 20-22, 2002

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Transition Period (if necessary)

1. It may be that Docket No. 011605-EI will not conclude in time to accommodate the schedule above. If this is the case, a transition filing will be made for the first year (2003). Rather than making a filing in July 2002 to become effective January 2003, FPL will submit a proposed stipulation (on a confidential basis) with its September 20, 2002 projection filing to become effective in April 2003. This filing will contain the percentage of fuel volume that will be recovered on a fixed-price basis, the methodology to determine the fixed prices, the spot price indices, and the percent risk premium to be used for a portion of the upcoming year beginning in April 2003.
2. FPL will request that this proposed stipulation be addressed at the November 20-22, 2002 Fuel Hearing for Commission approval.
3. If approved by the Commission, the Company will implement this stipulation effective in April 2003.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Proposed Risk Sharing Program, has been furnished by Federal Express (*) or U.S. Mail this 4th day of June, 2002, to the following:

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