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October 24, 2002

-VIA HAND DELIVERY-

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

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COMMISSION
CLERK


Re: Docket No. 020001-EI

Dear Ms. Bayó:

I am enclosing for filing in the above docket the original and seven (7) 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 2000, and the word processing software in which the documents appear is Word 2000.

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

Very truly yours,


John T. Butler, P.A.

Enclosure

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

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 020001-EI
DATED: October 24, 2002

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

Pursuant to Order No. PSC-02-0377-PCO-EI, issued March 20, 2002, establishing the prehearing procedure in this docket, Florida Power & Light Company ("FPL") hereby submits its Prehearing Statement.

A. APPEARANCES

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B. WITNESSES

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUES</u>
G. Yupp	Fuel Adjustment	1 - 8
J. R. Hartzog	True-Up	1 - 8
K. M. Dubin	and Projections	1 - 8
K. M. Dubin	Benchmark Levels for Gains Eligible for Shareholder Incentive	9 - 10
G. Yupp	Recovery of GRI Surcharge	11
K. M. Dubin	Mechanism for	12

Recovery of Incremental Security Costs

J.R. Hartzog	Recovery of 2002/2003 Incremental Security Costs	14A
G. Yupp	Recovery of 2002/2003 Incremental Hedging Costs	14B
K. M. Dubin J. R. Hartzog	Proper Regulatory Treatment For Reactor Pressure Vessel Head Inspection and Repair Costs	14C
F. Irizarry	GPIF Reward, Targets / Ranges	18-19
K. M. Dubin	Capacity Cost Recovery True-Up and Projections	24-29

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, 2001 through December, 2001
(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, 2002 through December, 2002
(KMD-5)	G. Yupp K. M. Dubin J. R. Hartzog	Appendix II/Fuel Cost Recovery E Schedules, Levelized Fuel Cost Recovery Factors for January, 2003 through December, 2003
(KMD-6)	K. M. Dubin	Appendix III / Capacity Cost Recovery Factors for

		January, 2003 through December, 2003
(RS-1)	F. Irizarry	GPIF, Performance Results January, 2001 through December, 2001
(FI-2)	F. Irizarry	GPIF, Targets and Ranges, January, 2003 through December, 2003

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 2001 through December 2001?

FPL: \$103,006,559 overrecovery. This amount was included in the midcourse correction for April 15, 2002 through December, 2002. (DUBIN)

ISSUE 2: What are the appropriate estimated/actual fuel adjustment true-up amounts for the period January 2002 through December 2002?

FPL: \$74,471,089 overrecovery. (DUBIN)

ISSUE 3: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2003 to December 2003?

FPL: \$74,471,089 overrecovery. (DUBIN)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period January 2003 to December 2003?

FPL: 2.608 cents/kWh is the levelized recovery charge to be collected during the period January 2003 to December 2003. (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 2003 through December 2003. 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	2.608	1.00206	2.613
A-1*	SL-1,OL-1,PL-1	2.556	1.00206	2.561
B	GSD-1	2.608	1.00199	2.613
C	GSLD-1 & CS-1	2.608	1.00083	2.610
D	GSLD-2,CS-2,OS-2 & MET	2.608	.99417	2.593
E	GSLD-3 & CS-3	2.608	.95413	2.488

GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RST-1,GST-1	2.849	1.00206	2.854
	ON-PEAK			
B	OFF-PEAK	2.501	1.00206	2.506
	GSDT-1,CILC-1(G)	2.849	1.00199	2.851
ON-PEAK				
C	OFF-PEAK	2.501	1.00199	2.503
	GSLDT-1 & CST-1	2.849	1.00083	2.832
ON-PEAK				
D	OFF-PEAK	2.501	1.00083	2.486
	GSLDT-2 & CST-2	2.849	.99417	2.718
	ON-PEAK			
	OFF-PEAK	2.501	.99417	2.386

E	GSLDT-3,CST-3 CILC-1(T)&ISST-1(T)			
	ON-PEAK	2.849	.95413	2.829
	OFF-PEAK	2.501	.95413	2.483
F	CILC-1(D) & ISST-1(D)			
	ON-PEAK	2.849	.99300	2.829
	OFF-PEAK	2.501	.99300	2.483

*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 2003 through December 2003?

FPL: 1.01597 is the revenue tax factor to be applied for the projection period of January, 2003 through December, 2003. (DUBIN)

ISSUE 9: What is the appropriate 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: \$38,143,278. (DUBIN)

ISSUE 10: What is the appropriate estimated benchmark level for calendar year 2003 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: \$21,879,156 subject to adjustments in the April 2003 filing to include all actual data for the year 2002. (DUBIN)

ISSUE 11: Should the Commission authorize each utility to recover voluntary funding of the Gas Research Institute (GRI) surcharge through the fuel and purchased power cost recovery clause?

FPL: FPL only pays GRI surcharges that are mandatory. The Commission should authorize recovery of those mandatory payments through the fuel and purchased power cost recovery clause. (YUPP)

ISSUE 12: Should the Commission require recovery of incremental security costs incurred in response to the terrorist acts committed on and after September 11, 2001, through base rates beginning January 1, 2006, or the effective

date of a final order from each utility's next base rate proceeding, whichever comes first?

FPL: No. It is unnecessary and premature to make such a decision at this time. Whether to recover incremental security costs in base rates should be considered the next time base rates change. (DUBIN)

FPL HAS NO POSITION ON ISSUES 13A THROUGH 13I, AS THEY ARE SPECIFIC TO OTHER COMPANIES.

ISSUE 14A: Should the Commission authorize FPL to recover, through the fuel and purchased power cost recovery clause, expenditures of \$13.5 million for incremental 2002 and 2003 operation and maintenance expenses associated with security costs? [NOTE: FPL CURRENTLY PROJECTS THAT ITS 2002 AND 2003 INCREMENTAL POWER PLANT SECURITY COSTS WILL TOTAL \$13.5 MILLION, WHICH CONSISTS OF THE \$1.9 MILLION ORIGINALLY PROJECTED IN NOVEMBER 2001 AND THE ADDITIONAL \$11.6 MILLION OF EXPENDITURES THAT FPL PROJECTED AT THE TIME IT FILED TESTIMONY IN THIS DOCKET. FPL RECOMMENDS THAT THIS ISSUE REFER TO \$13.5 MILLION AS THE 2002 AND 2003 PROJECTED EXPENDITURES.]

FPL: Yes. Consistent with Order No. PSC-01-2516-FOF-EI, issued on December 26, 2001, FPL should be authorized to recover prudently incurred incremental security costs for its power plants. The incremental security costs for 2002 and 2003 are presently projected to be \$13.5 million. The amount to be ultimately recovered should be FPL's actual incremental security costs. (HARTZOG, DUBIN)

ISSUE 14B: Is FPL's expenditure of \$3,448,147 for incremental 2002 and 2003 operation and maintenance expenses associated with its hedging program prudent?

FPL: Yes. As adjusted, FPL's projected 2002 and 2003 projected incremental hedging program costs are \$3,278,147. Those costs are prudent. (YUPP)

ISSUE 14C: What is the appropriate regulatory treatment for the \$32.6 million in additional operation and maintenance expense associated with the inspection and repair of the reactor pressure vessel heads at FPL's four nuclear units?

FPL: FPL has entered into a stipulation with the Office of Public Counsel and FIPUG that would provide for the costs of the Reactor Pressure Vessel Head Project (the "RPVH Project") to be recovered in base rates by amortizing the costs over a 5-year period starting in 2002. If the

stipulation is approved, FPL will withdraw its testimony and petition concerning the RPVH Project and Staff will withdraw certain discovery requests that relate to it. A copy of the stipulation is attached hereto as Exhibit 1. The Commission should approve the attached stipulation. It stipulation is reasonable and fair to all parties, because it provides FPL with an appropriate means of recovering extraordinary expenses that could not have been foreseen at the time FPL prepared its MFRs in Docket No. 001148-EI. According to FAS 71, the Commission's approval of the stipulation is necessary in order for FPL to establish a regulatory asset for the RPVH Project costs and amortize them as contemplated in the stipulation. (HARTZOG, DUBIN)

FPL HAS NO POSITION ON ISSUES 16A THROUGH 17F, AS THEY ARE SPECIFIC TO OTHER COMPANIES.

GENERATING PERFORMANCE INCENTIVE FACTOR (GPIF) ISSUES

ISSUE 18: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2001 through December 2001 for each investor-owned electric utility subject to the GPIF?

FPL: \$7,049,431 reward. (IRIZARRY)

ISSUE 19: What should the GPIF target/ranges be for the period January 2003 through December 2003 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 F. Irizarry including the following:

PLANT/UNIT	EAF TARGET (%)	HEAT RATE HR. TARGET (BTU/KWH)
CAPE CANAVERAL 2	89.5	9030
LAUDERDALE 4	91.7	7435
LAUDERDALE 5	90.3	7366
MANATEE 2	87.7	9862
MARTIN 1	91.8	9546
MARTIN 2	83.5	9590
MARTIN 3	92.8	6829
MARTIN 4	93.8	6753
TURKEY POINT 1	85.1	9128
TURKEY POINT 2	94.9	9512
TURKEY POINT 3	85.4	11148

TURKEY POINT 4	85.4	11119
ST. LUCIE 1	93.6	10834
ST. LUCIE 2	85.4	10843
SCHERER	93.6	9992

(IRIZARRY)

FPL HAS NO POSITION ON ISSUES 23A OR 23B, AS THEY ARE SPECIFIC TO ANOTHER COMPANY.

GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

ISSUE 24: What are the appropriate final capacity cost recovery true-up amounts for the period January 2001 through December 2001?

FPL: \$2,528,058 underrecovery. (DUBIN)

ISSUE 25: What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January 2002 through December 2002?

FPL: \$49,140,148 overrecovery. (DUBIN)

ISSUE 26: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2003 through December 2003?

FPL: \$46,612,090 overrecovery. (DUBIN)

ISSUE 27: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2003 through December 2003?

FPL: \$570,138,284 (DUBIN)

ISSUE 28: What are the appropriate jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January 2003 through December, 2003?

FPL: The appropriate jurisdictional separation factors are:
 FPSC 99.01742%
 FERC 0.98258% (DUBIN)

ISSUE 29: What are the projected capacity cost recovery factors for each rate class/delivery class for the period January 2003 through December 2003?

RATE CLASS	CAPACITY RECOVERY FACTOR (\$/KW)	CAPACITY RECOVERY FACTOR (\$/KWH)
RS1	-	.00650
GS1	-	.00596
GSD1	2.34	-
OS2	-	.00392
GSLD1/CS1	2.33	-
GSLD2/CS2	2.30	-
GSLD3/CS3	2.31	-
CILCD/CILC	2.43	-
G		
CILCT	2.34	-
MET	2.44	-
OL1/SL1/PL1	-	.00307
SL2	-	.00425

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE) (\$/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) (\$/KW)
ISST1D	.30	.14
SST1T	.28	.13
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, 2002 through December, 2002	KMD-3 KMD-4
G. YUPP K. M. DUBIN J. R. HARTZOG	FPL FPL FPL	Levelized Fuel Cost Recovery Factors for January, 2003 through December, 2003	KMD-5

K. M. DUBIN	FPL	Capacity Cost Recovery Factors for January, 2003 through December, 2003	KMD-6
K. M. DUBIN	FPL	Levelized Fuel Cost Recovery and Capacity Cost Recovery Final True-up for January, 2001 Through December, 2001	KMD-1 KMD-2
F. IRIZARRY	FPL	GPIF, Performance Results January, 2001 – December, 2001	RS-1
F. IRIZARRY	FPL	GPIF, Incentive Factor Targets & Ranges January, 2003 – December, 2003	FI-1

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, the Office of Public Counsel and FIPIG have stipulated to the amortization of the costs of FPL's RPVH Project, as described in the stipulation attached hereto as Exhibit 1. If approved by the Commission, this stipulation will resolve Issue 14C.

I. PENDING MOTIONS

FPL is aware of no outstanding motions at this time.

J. PENDING REQUEST FOR CONFIDENTIALITY

FPL presently has pending requests for confidential classification, or has given notice of its intent to seek confidential classification, of information and documents responsive to Staff's First Set of Production of Documents, Nos. 7 and 9-11, Staff's Second Set of Interrogatories, Nos. 34-37, 39 and 49-50, and Staff's Third Set of Interrogatories, Nos. 54, 61-63, 65-67, 77, 79, 91, 94 and 95.


K. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

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

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Respectfully submitted,

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By: 
John T. Butler, P.A.
Fla. Bar No. 283479

CERTIFICATE OF SERVICE
Docket Nos. 020001-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 United States Mail on this 24th day of October, 2002, to the following:

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Pensacola, Florida 32576-2950


By: 
John T. Butler, P.A.

Exhibit 1

**PROPOSED RESOLUTION OF ISSUE
DOCKET NO. 020001-EI
OCTOBER 10, 2002**

Components of Proposed Resolution:

1. As an alternative to collecting the incremental inspection and repair costs for the Reactor Pressure Vessel Head Project (the "Project") through the Fuel and Purchased Power Cost Recovery Clause (the "Fuel Clause"), FPL will recover the total cost of the Project in base rates by amortizing the cost over a 5-year period. No change to FPL's existing base rates will result from this amortization during the period of FPL's current rate stipulation. The amortization will begin in 2002 based on the current estimate of the total inspection and repair costs of \$67.3 million for 2002 through 2004. This estimate will be adjusted based on actual and updated estimates, with amortization changing beginning in the month of the updated estimate. In other words, the unamortized amount of the updated inspection and repair costs will be divided by the remaining months. FPL will not accumulate AFUDC on the unamortized portion of the inspection and repair costs.
2. FPL will withdraw its testimony and petition that concern the recovery of the Project costs through the Fuel Clause; provided, however, that in the event this proposed resolution is not approved by the Commission, FPL may renew its petition for recovery of Project costs through the Fuel Clause without prejudice to any party's rights to support or oppose said petition.
3. FPL understands that Staff will withdraw the following discovery requests: Staff's Second Request for Production of Documents, Nos. 12 - 18 and Staff's Third Set of Interrogatories Nos. 68, 73, 74, 75, 76, 81 and 82, without prejudice to its right to renew those discovery requests if FPL were to renew its petition for recovery of the Project costs through the Fuel Clause as contemplated in Paragraph 3.
4. FPL's current annual estimates for the Project are provided below:

Inspection and Repair Estimate (\$ millions)

2002	2003	2004	Total
\$13.5	\$39.1	\$14.7	\$67.3

5 Year Amortization of the Project
(Current Estimate: \$67.3 million)

2002	2003	2004	2005	2006	TOTAL
\$13.46	\$13.46	\$13.46	\$13.46	\$13.46	\$67.3

5. This proposed resolution may be executed in counterparts, and all such counterparts shall constitute one instrument binding on the signatories, notwithstanding that all signatories are not signatories to the original or the same counterpart. Facsimile transmission of an executed copy of this proposed resolution shall be accepted as evidence of a party's execution of the proposed resolution.

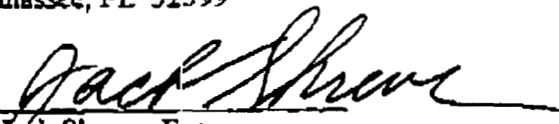
Agreed and accepted on behalf of:

Florida Power & Light Company
Steel Hector & Davis LLP
Suite 4000
200 South Biscayne Boulevard
Miami, Florida 33131-2398

By: 
John T. Butler, P.A.

Date: 10/10/02

Office of Public Counsel
111 West Madison Street, Suite 810
Tallahassee, FL 32399

By: 
Jack Shreve, Esq.

Date: 10/10/02

Florida Industrial Power Users Group
McWhirter, Reeves, McGlothlin,
Davidson, Decker, Kaufman,
Arnold & Steen, P.A.
P.O. Box 3350
Tampa, FL 33601-3350

By: _____
John W. McWhirter, Jr., Esq.

Date: _____

5. This proposed resolution may be executed in counterparts and all such counterparts shall constitute one instrument binding on the signatories, notwithstanding that all signatories are not signatories to the original or the same counterpart. Facsimile transmission of an executed copy of this proposed resolution shall be accepted as evidence of a party's execution of the proposed resolution.

Agreed and accepted on behalf of:

Florida Power & Light Company
Steel Flector & Davis LLP
Suite 4000
200 South Biscayne Boulevard
Miami, Florida 33131-2398

By: 
John T. Butler, P.A.

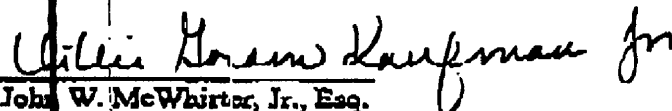
Date: 10/10/02

Office of Public Counsel
111 West Madison Street, Suite 810
Tallahassee, FL 32399

By: _____
Jack Shreve, Esq.

Date: _____

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John W. McWhirter, Jr., Esq.

Date: 10/14/02