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October 18, 2004

**-VIA ELECTRONIC FILING AND U.S. MAIL-**

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Director, Commission Clerk and Administrative Services  
Florida Public Service Commission  
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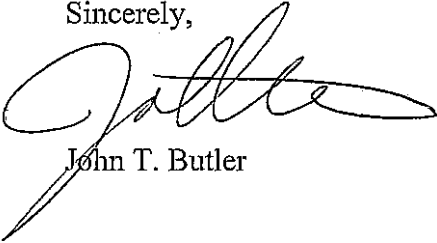
**Re: Docket No. 040001-EI**

Dear Ms. Bayó:

I am enclosing for electronic filing in the above docket Florida Power & Light Company's Prehearing Statement. I will send you with the hard copy of this letter a diskette containing the electronic version of said Response. The diskette is HD density, the operating system is Windows XP, 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

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

MIA2001 368807v1

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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

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DOCKET NO. 040001-EI  
FILED: OCTOBER 18, 2004

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

Pursuant to Order No. PSC-04-0161-PCO-EI, issued February 17, 2004 establishing the prehearing procedure in this docket (the "Order Establishing Procedure"), Florida Power & Light Company ("FPL") hereby submits its Prehearing Statement.

**A. WITNESSES**

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUES</u>
G. Yupp	Fuel Adjustment	1 - 9
J. R. Hartzog	True-Up	1 - 9
K. M. Dubin	and Projections	1 - 9
K. M. Dubin	Benchmark Levels for Gains Eligible for Shareholder Incentive	10 - 11
K.M. Dubin	Capacity Cost Recovery Filing Schedules	12
T. Hartman	Approval of Purchase Power Agreements	14A-14C
P. Sonnelitter	GPIF Reward, Targets / Ranges	17-18
K. M. Dubin	Capacity Cost Recovery True-Up and Projections	23-28
K. M. Dubin J.R. Hartzog	Incremental Plant Security Expenses	31A

**B. EXHIBITS**

<b><u>EXHIBITS</u></b>	<b><u>WITNESS</u></b>	<b><u>DESCRIPTION</u></b>
(GY-1)	G. Yupp	Hedging Information
(GY-2)	G. Yupp	Appendix I/ Fuel Cost Recovery Forecast Assumptions
(KMD-1 and KMD-2)	K. M. Dubiii	Appendix I and II Fuel Cost Recovery and Capacity Cost Recovery – Final Time-up Calculation – January, 2003 tlvoudgli December, 2003
(KMD-3 and KMD-4)	K. M. Dubiii J.R. Hartzog	Appendix I and II/Fuel Cost Recovery and Capacity Cost and Recovery Estimated/Actual True-up for January, 2004 tlvoudgli December, 2004
(ICMD-5)	G. Yupp K. M. Dubin J. R. Hartzog	Appendix II/Fuel Cost Recovery E Schedules, Levelized Fuel Cost Recovery Factors for January, 2005 through December, 2005
(KMD-6)	K. M. Dubin	Appendix III / Capacity Cost Recovery Factors for January, 2005 through December. 2005
(PS-1)	P. Sonnelitter	GPIF, Performance Results January, 2003 through December, 2003
(PS-2)	P. Sonnelitter	GPIF, Targets and Ranges, January, 2005 through December, 2005
(TLH-1 through TLH-8)	T. Hartman	Purchase Power Agreements, Economic Analyses, Timeline and Queue for Southern Company Transmission Requests

**C. STATEMENT OF BASIC POSITION**

None necessary.

**D. STATEMENT OF ISSUES AND POSITIONS**

**FUEL ADJUSTMENT ISSUES**

**ISSUE 1:** What are the appropriate final fuel adjustment true-up amounts for the period January, 2003 through December, 2003?

**FPL:** \$41,808,676 over-recovery. (DUBIN)

**ISSUE 2:** What are the appropriate estimated/actual fuel adjustment true-up amounts for the period January, 2004 through December 2004?

**FPL:** \$182,196,299 under-recovery. (DUBIN)

**ISSUE 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January, 2005 through December, 2005?

**FPL:** \$140,387,623 under-recovery. (DUBIN)

**ISSUE 4:** 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, 2005 through December, 2005?

**FPL:** 1.01597. (DUBIN)

**ISSUE 5:** What are the appropriate projected net fuel and purchased power cost recovery amounts to be included for the period January, 2005 through December, 2005?

**FPL:** \$3,926,412,793. (DUBIN)

**ISSUE 6:** What are the appropriate levelized fuel cost recovery factors for the period January, 2005 through December, 2005?

**FPL:** 4.001 cents/kWh. (DUBIN)

**ISSUE 7:** 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. 8. (DUBIN)

**ISSUE 8:** 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	4.001	1.00201	4.009
A-1*	SL-1,OL-1,PL-1	3.949	1.00201	3.957
B	GSD-1	4.001	1.00194	4.008
C	GSLD-1 & CS-1	4.001	1.00097	4.004
D	GSLD-2,CS-2,OS-2 & MET	4.001	.99390	3.976
E	GSLD-3 & CS-3	4.001	.95678	3.828
WEIGHTED AVERAGE 16% ON-PEAK AND 84% OFF-PEAK				

**TIME OF USE RATES**

GROUP	RATE SCHEDULE	AVERAGE FACTOR	FUEL RECOVERY LOSS MULTIPLIER	FUEL RECOVERY FACTOR
A	RST-1,GST-1			
	ON-PEAK	4.246	1.00201	4.254
	OFF-PEAK	3.892	1.00201	3.900
B	GSDT-1,CILC-1(G)			
	ON-PEAK	4.246	1.00194	4.254
	OFF-PEAK	3.892	1.00194	3.900
C	GSLDT-1 & CST-1			
	ON-PEAK	4.246	1.00097	4.250
	OFF-PEAK	3.892	1.00097	3.896
D	GSLDT-2 & CST-2			
	ON-PEAK	4.246	.99513	4.225
	OFF-PEAK	3.892	.99513	3.873

E	GSLDT-3,CST-3			
	CILC-1(T)&ISST-1(T)			
	ON-PEAK	4.246	.95678	4.062
	OFF-PEAK	3.892	,95678	3.724
F	CILC-1(D) &			
	ISST-1(D)			
	ON-PEAK	4.246	,99349	4.218
	OFF-PEAK	3.892	,99349	3.867

(DUBIN)

**ISSUE 9:** What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

**PPL:** The Company is requesting that the new Fuel Cost Recovery and Capacity Cost Recovery Factors should become effective with customer bills for January 2005 through December 2005 (cycle day 3 through cycle day 2). Billing cycles may start before January 1, 2005, and the last cycle may be read after December 31, 2005, so that each customer is billed for twelve consecutive months regardless of when the adjustment factor became effective. (DUBIN)

**ISSUE 10:** What are the appropriate actual benchmark levels for calendar year 2004 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**FPL:** \$15,133,577. (DUBIN)

**ISSUE 11:** What are the appropriate estimated benchmark levels for calendar year 2005 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**FPL:** \$13,270,095 subject to adjustments in the 2004 final true-up filing to include all actual data for the year 2004. (DUBIN)

**ISSUE 12:** Should each investor-owned utility be required to report its capacity charges and costs, estimated and actual, for wholesale capacity sales and purchases in a schedule similar in format to Schedules E-6, A-6, E-7, A-7, E-8, A-8, E-9, and A-9?

**FPL:** Yes. FPL does not oppose providing this additional information and has done so for the last several years through the discovery process. (DUBIN)

## **FLORIDA POWER & LIGHT ISSUES**

**ISSUE 14A** Should the Commission defer all issues related to the purchased power agreements between FPL and Southern Company to a separate docket?

**FPL:** No. The Scherer, Harris and Franklin contracts between FPL and Southern Company (PPAs) are intended to replace FPL's existing UPS Agreement. They present a unique opportunity for FPL and its customers that could be missed if the Commission's action in this regard is delayed, and they represent the most beneficial way for FPL to meet its power supply requirements in the 2010-2015 period. The cost of the PPAs is reasonable in comparison to the market alternatives. As noted in FPL's response to Issue 14C, the PPAs provide FPL with, among other benefits, the best opportunity to roll over existing transmission rights into the Southeastern Electric Reliability Council region, which rights provide important benefits to FPL's customers. The resource options that underlie the PPAs are being marketed today for the 2010 - 2015 time frame. (HARTMAN)

**ISSUE 14B:** If the Commission does not defer all issues related to the purchased power agreements to a separate docket, should the Commission require FPL to explore alternatives in the wholesale market prior to seeking approval of the purchased power agreements?

**FPL:** To preserve for its customers benefits associated with the existing UPS Agreement, FPL in fact did explore the relevant wholesale alternatives. The cost of the contracts is reasonable in comparison to the market alternatives. Moreover, a decision that requires FPL to explore other wholesale alternatives in advance of seeking approval of the PPAs has the same effect as a decision to defer the issues for consideration in another docket as indicated in FPL's response to Issue 14A, namely, the probable loss of the opportunity to preserve customer benefits of the existing UPS Agreement upon its expiration in 2010. (HARTMAN)

**ISSUE 14C:** Should the Commission approve contracts between FPL and subsidiaries of the Southern Company for the purchase of power during the period 2010-2015 from Scherer Unit 3, Harris Unit 1 and Franklin Unit 1 (the "Scherer, Harris and Franklin Contracts") for cost recovery through the fuel and purchased power cost recovery clause and the capacity cost recovery clause?

**FPL:** *Yes.* The Schierer, Harris and Franklin Contracts (referred to as PPAs in Issues 14A and 14B) represent the most beneficial way for FPL to meet its power supply requirements in the 2010-2015 period. The cost of the contracts is reasonable in comparison to the market alternatives.

The Scherer, Harris and Franklin Contracts replace the energy and 930 MW of total capacity currently being obtained through FPL's Unit Power Sales Agreement with subsidiaries of the Southern Company, which expires on May 31, 2010. The Schierer, Harris and Franklin Contracts are intended to provide a mechanism for FPL and its customers to continue to receive benefits from importing Southern Company power through the end of 2015, benefits that otherwise will end in mid-2010. One of those benefits is positioning FPL to continue its current firm transmission rights within the Southern Company service territory. Other benefits include: (i) a reduction in energy price volatility due to the firm coal component of the contracts; (ii) the ability to purchase low cost base load energy from the Southeastern Electric Reliability Council region during off-peak periods; (iii) an increase in FPL's system reliability because the power purchased under the contracts is generated outside Florida and because natural gas for the gas-fired Harris and Franklin units is delivered from a pipeline that is independent of the two that serve FPL's plants; and (iv) the opportunity to broaden the range of generation options that FPL can consider for 2015 and beyond, as opposed to an accelerated commitment to additional natural gas generation in 2010. (HARTMAN)

#### **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, 2003 through December, 2003 for each investor-owned electric utility subject to the GPIF?

**FPL:** \$6,615,282 reward. (SONNELITTER)

**ISSUE 19:** What should the GPIF target/ranges be for the period January, 2005 through December, 2005 for each investor-owned electric utility subject to the GPIF?

**PPL:** The targets and ranges should be as set forth in the Testimony and Exhibits of P. Sonnelitter including the following:



PLANT/UNIT	EAF TARGET (%)	HEAT RATE HR. TARGET (BTU/KWH)
LAUDERDALE 4	92.7	7,515
LAUDERDALE 5	75.5	7,511
MANATEE 1	74.6	10,274
MANATEE 2	96.0	10,248
MARTIN 1	76.0	9,994
MARTIN 2	92.9	9,964
MARTIN 3	92.2	6,977
MARTIN 4	92.5	6,926
SCHERER 4	95.5	10,151
ST. LUCIE 1	77.2	10,846
ST. LUCIE 2	93.6	10,866
TURKEY POINT 3	93.6	11,043
TURKEY POINT 4	75.8	11,078

(SONNELITTER)

### GENERIC CAPACITY COST RECOVERY FACTOR ISSUES

**ISSUE 24:** What are the appropriate final capacity cost recovery true-up amounts for the period January, 2003 through December, 2003?

**FPL:** \$7,050,083 under- recovery. (DUBIN)

**ISSUE 25:** What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January, 2004 through December, 2004?

**FPL:** \$73,892,873 under-recovery. (DUBIN)

**ISSUE 26:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January, 2005 through December, 2005?

**FPL:** \$80,942,956 under-recovery. (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, 2005 through December, 2005?

**FPL:** \$663,254,010 (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, 2005 through December, 2005?

**FPL:** The appropriate jurisdictional separation factors are:  
 FPSC 98.63289%  
 FERC 1.36711% (DUBIN)

**ISSUE 29:** What are the appropriate capacity cost recovery factors for the period January, 2005 through December, 2005?

**FPL:**

RATE CLASS	CAPACITY RECOVERY FACTOR (\$/KW)	CAPACITY RECOVERY FACTOR (\$/KWH)
RS1/RST1		,00739
GS1/GST1	-	,00671
GSD1/GSDT1	2.66	-
OS2	-	,00501
GSLD1/GSLDT1/CS1 /CST1	2.68	-
GSLD2/GSLDT2/CS2 /CST2	2.62	-
GSLD3/GSLDT3/CS3 /CST3	2.68	-
CILCD/CILCG	2.80	-
CILCT	2.76	-
MET	2.77	-
OL1/SL1/PL1	-	.00128
SL2		,00485

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION DEMAND CHARGE)(\$/KW)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE) (\$/KW)
ISST1D	.34	.16
SST1T	.32	.15
SST1D1/SST1D2 /SST1D3	.34	.16
ISST1T	.32	.15

(DUBIN)

**ISSUE 31A** Are Florida Power & Light's actual and projected expenses for 2003 through 2005 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

**FPL:** Yes. All the post-September 11, 2001 security costs that FPL is seeking recovery for are incremental and are required by NRC Orders, Maritime Transportation Security Act (33 CFR 105), Coast Guard Rule and/ or recommendations from the Department of Homeland Security authorities. (HARTZOG/DUBIN)

**E. STATEMENT OF LEGAL ISSUES AND POSITIONS**

**FPL:** None at this time.

**F. STATEMENT OF POLICY ISSUES AND POSITIONS**

**FPL:** None at this time.

**G. STIPULATED ISSUES**

**FPL:** None at this time.

**H. PENDING MOTIONS**

FPL has no outstanding motions at this time.

**I. PENDING REOTJEST FOR CONFIDENTIALITY**

Florida Power & Light Company's Request for Confidential Classification of Hedging Information (Document GY-1) filed on April 20, 2004, Power Purchase Contract Information (Documents TLH-1, TLI-I-2 and TLH-3) filed on September 9, 2004, and for specified responses to Staffs Second Set of Interrogatories filed on October 15, 2004 are pending. FPL anticipates that it may file further requests for confidential classification with respect to responses to other discovery requests that are pending.

**J. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE**

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

**K. OBJECTIONS TO A WITNESS' OUALIFICATION AS AN EXPERT**

Pending the depositions of FIPUG's witnesses Kerrick Knauth and Michael F. Vogt and witness David E. Dismukes who submitted testimony co-sponsored by

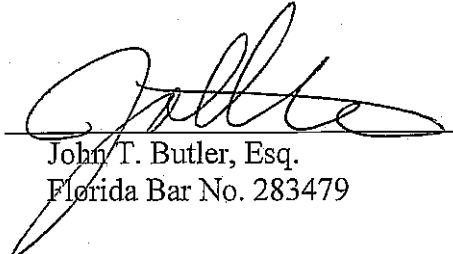
FIPUG, Thomas K. Churbuck and Power Systems Mfg., LLC<sup>1</sup>, and the completion of discovery, FPL reserves its right to object to Mr. Knauth's, Mr. Vogt's and/or Mr. Dismukes' qualifications as an expert.

Respectfully submitted,

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By:



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<sup>1</sup> At the time of this filing, neither Thomas K. Churbuck nor Power Systems, Mfg., has been granted standing to intervene in this proceeding.

**CERTIFICATE OF SERVICE**

**Docket No. 040001-EI**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic delivery and United States Mail on the 18<sup>th</sup> day of October, 2004, to the following:

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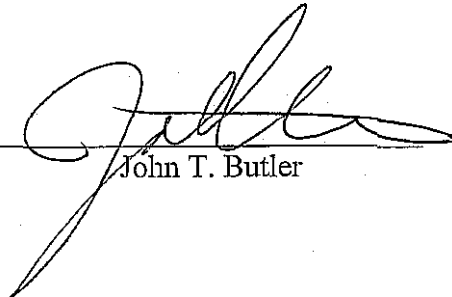
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