

**ORIGINAL**

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**Subject:** Filing for Docket No. 050001-EI  
**Attachments:** MIA2001\_416768\_1.DOC; Incremental hedging resolution.pdf

On behalf of Florida Power & Light Company ("FPL"), please accept for electronic filing in Docket No. 050001-EI the attached Prehearing Statement, including Attachment A thereto. The Prehearing Statement, including the attached certificate of service and Attachment A, totals 23 pages.

A copy of this filing has been sent electronically to counsel for all parties of record.

Thank you for your assistance with this filing.

Sincerely,

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 COM 5 \_\_\_\_\_  
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10/17/2005

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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

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DOCKET NO. 050001-EI  
 FILED: October 17, 2005

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

Pursuant to Order No. PSC-05-0281-PCO-EI, issued March 15, 2005 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 W. E. Gwinn K. M. Dubin	Fuel Adjustment True-up and Projections	1 - 3 and 6 1 - 3 and 6 1 - 10
K. M. Dubin	Benchmark Levels for Gains Eligible for Shareholder Incentive	11 - 12
G. J. Yupp	2004 Hurricane Season	14A
G. J. Yupp	Incremental Hedging O&M	14B
K. M. Dubin	Collecting true-up over 2 years	14C
G. J. Yupp	Mitigated Price Risk	14D
W. E. Gwinn	Turkey Point Replacement Fuel Costs	14E
W. E. Gwinn K. M. Dubin	St. Lucie 2 Sleeving Project	14F
W. E. Gwinn K. M. Dubin	DOE Settlement	14G
K. M. Dubin	Inverted Residential Fuel Factors	14H

G. J. Yupp	2005 Hurricane Season	14I
P. Sonnelitter	GPIF Reward, and Targets / Ranges	18-19
K. M. Dubin	Capacity Cost Recovery True-Up and Projections	24-29
K. M. Dubin W. E. Gwinn	Incremental Plant Security Expenses	31A

**B. EXHIBITS**

**WITNESSES AND SUBJECT MATTER**

WITNESS	SPONSOR	SUBJECT MATTER	EXHIBIT TITLES
G. YUPP	FPL	2004 Hedging Activity	GJY-1
G. YUPP	FPL	2004 Light Oil Procurement Example	GJY-2
G. YUPP	FPL	2004 Solid Fuel Activity	GJY-3
G. YUPP	FPL	Evaluation of Petcoke Supply Bids for 2004 (SJRPP)	GJY-4
G. YUPP	FPL	Long Term PRB RFP Feb-Mar 2004 (Miller and Scherer)	GJY-5
G. YUPP	FPL	Long Term PRB RFP Aug-Sep 2004 (Scherer)	GJY-6
G. YUPP	FPL	Fuel Cost Recovery Forecast Assumptions	GJY-7
K. M. DUBIN	FPL	Levelized Fuel Cost Recovery and Capacity Cost Recovery Final True-up for January 2004 Through December 2004	KMD-1 KMD-2
K. M. DUBIN	FPL	Fuel Cost Recovery and Capacity Cost Recovery Estimated/Actual True-Up January 2005 through December 2005	KMD-3 KMD-4

G. YUPP	FPL	APPENDIX II	KMD-5
K. M. DUBIN	FPL	Levelized Fuel Cost Recovery	
W.E. GWINN	FPL	Factors for January 2006 through December 2006	
W.E. GWINN	FPL	St. Lucie Unit 2 Steam Generators Tube Plugging	WEG-1
W.E. GWINN	FPL	St. Lucie Unit 2 Steam Generators Sleeving Timeline	WEG-2
W.E. GWINN	FPL	St. Lucie 2006 Budget Comparison	WEG-3
K. M. DUBIN	FPL	Capacity Cost Recovery Factors for January 2006 through December 2006	KMD-6
K. M. DUBIN	FPL	Fuel Cost Recovery Revised Estimated/Actual January 2005 through December 2005 and Revised Factors for January 2006 through December 2006	KMD-7
P. SONNELITTER	FPL	GPIF, Performance Results January, 2004 – December, 2004	PS-1
P. SONNELITTER	FPL	GPIF, Incentive Factor Targets & Ranges January, 2006 – December, 2006	PS-2

**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, 2004 through December, 2004?

**FPL:** \$7,707,142 under-recovery. (DUBIN)

**ISSUE 2:** What are the appropriate estimated/actual fuel adjustment true-up amounts for the period January, 2005 through December 2005?

**FPL:** \$965,027,393 under-recovery. (DUBIN)

**ISSUE 3:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January, 2006 through December, 2006?

**FPL:** The total fuel adjustment true-up amount is \$972,734,535. FPL proposes to spread this amount over a two-year period. Therefore, one-half of the total under-recovery or \$486,367,268 under-recovery should be collected from January 2006 through December 2006. (DUBIN)

**ISSUE 4:** Should the Commission revise the fuel cost recovery factors in April 2006, after the final 2005 true-up filing, if a utility's estimated 2005 under-recovery developed during the 2005 hurricane season exceeds the actual under-recovery?

**FPL:** FPL takes no position at this time, but reserves the right to do so at the time of the prehearing conference.

**ISSUE 5:** 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, 2006 through December, 2006?

**FPL:** 1.00072. (DUBIN)

**ISSUE 6:** What are the appropriate projected net fuel and purchased power cost recovery amounts to be included for the period January, 2006 through December, 2006?

**FPL:** \$5,844,519,808. (DUBIN)

**ISSUE 7:** What are the appropriate levelized fuel cost recovery factors for the period January, 2006 through December, 2006?

**FPL:** 5.960 cents/kWh. (DUBIN)

**ISSUE 8:** 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 9:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

**FPL:**

(1) GROUP	(2) RATE SCHEDULE	(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) FUEL RECOVERY FACTOR
A	RS-1 first 1,000 kWh all additional kWh	5.960 5.960	1.00196 1.00196	5.622 6.622
A	GS-1, SL-2, GSCU-1	5.960	1.00196	5.972
A-1*	SL-1, OL-1, PL-1	5.879	1.00196	5.891
B	GSD-1	5.960	1.00189	5.971
C	GSLD-1 & CS-1	5.960	1.00095	5.966
D	GSLD-2, CS-2, OS-2 & MET	5.960	0.99429	5.926
E	GSLD-3 & CS-3	5.960	0.95824	5.711
A	RST-1, GST-1 ON-PEAK OFF-PEAK	6.348 5.789	1.00196 1.00196	6.360 5.801
B	GSDT-1, CILC-1(G), ON-PEAK HLTF (21-499 kW) OFF-PEAK	6.348 5.789	1.00189 1.00189	6.360 5.800
C	GSLDT-1, CST-1, ON-PEAK HLTF (500-1,999 kW) OFF-PEAK	6.348 5.789	1.00095 1.00095	6.354 5.795
D	GSLDT-2, CST-2, ON-PEAK HLTF (2,000+) OFF-PEAK	6.348 5.789	0.99533 0.99533	6.318 5.762
E	GSLDT-3, CST-3, ON-PEAK CILC -1(T) OFF-PEAK & ISST-1(T)	6.348 5.789	0.95824 0.95824	6.083 5.548
F	CILC -1(D) & ON-PEAK ISST-1(D) OFF-PEAK	6.348 5.789	0.99374 0.99374	6.308 5.753

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

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

ON PEAK: JUNE 2006 THROUGH SEPTEMBER 2006 - WEEKDAYS 3:00 PM TO 6:00 PM  
OFF PEAK: ALL OTHER HOURS

(1) GROUP	(2) OTHERWISE APPLICABLE RATE SCHEDULE	(3) AVERAGE FACTOR	(4) FUEL RECOVERY LOSS MULTIPLIER	(5) SDTR FUEL RECOVERY FACTOR	
B	GSD(T)-1	ON-PEAK	6.327	1.00189	6.339
		OFF-PEAK	5.846	1.00189	5.857
C	GSLD(T)-1	ON-PEAK	6.327	1.00095	6.333
		OFF-PEAK	5.846	1.00095	5.851
D	GSLD(T)-2	ON-PEAK	6.327	0.99533	6.298
		OFF-PEAK	5.846	0.99533	5.818

Note: All other months served under the otherwise applicable rate schedule.  
See Schedule E-1E, Page 1 of 2.

(DUBIN)

**ISSUE 10:** 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 and Capacity Cost Recovery Factors should become effective with customer bills for January, 2006 through December, 2006. This will provide 12 months of billing on the Fuel Cost Recovery and Capacity Cost Recovery Factors for all customers. (DUBIN)

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

**FPL:** \$15,370,850. (DUBIN)

**ISSUE 12:** What are the appropriate estimated benchmark levels for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**FPL:** \$16,571,154 subject to adjustments in the 2005 final true-up filing to include all actual data for the year 2005. (DUBIN)

## FLORIDA POWER & LIGHT ISSUES

**ISSUE 14A:** Did Florida Power & Light prudently incur the additional \$50,162,000 in incremental fuel costs due to the impact of the 2004 hurricane season?

**FPL:** Yes. FPL's incremental fuel costs due to the impact of the 2004 hurricane season are reasonable and were prudently incurred. (YUPP)

**ISSUE 14B:** Is FPL's incremental 2006 hedging O&M expense of \$496,485 reasonable and appropriate for recovery?

**FPL:** Yes. FPL's incremental 2006 hedging O&M expense is reasonable and appropriate for recovery. (YUPP)

**ISSUE 14C:** Should the Commission authorize FPL to defer collecting \$486,367,268 of its 2005 actual/estimated true-up until 2007? [Note: the amount originally stated in Staff's Compilation of Issues was \$384,681,845, but this has been revised consistent with FPL's October 14, 2005 supplemental petition and testimony.]

**FPL:** Yes. In order to mitigate the impact on customer bills, FPL proposes to spread the total under-recovery over a two-year period. (DUBIN)

**ISSUE 14D:** Has FPL adequately mitigated the price risk of natural gas, residual oil, and purchased power for 2004 through 2006?

**FPL:** Yes. FPL's actions to mitigate the price risk of natural gas, residual oil and purchased power for 2004 through 2006 are reasonable and prudent. (YUPP)

**ISSUE 14E:** Are the replacement fuel and purchased power costs associated with the unplanned outage at Turkey Point Unit 4, commencing on June 27, 2005, reasonable and appropriate for recovery at this time?

**FPL:** Yes. The replacement fuel and purchased power costs associated with the unplanned outage at Turkey Point Unit 4, commencing on June 27, 2005, are reasonable and appropriate for recovery at this time. (GWINN/DUBIN)

**ISSUE 14F:** Should the Commission approve FPL's request to recover through the fuel clause approximately \$25 million for its St. Lucie Unit 2 Steam Generator Sleaving Project?

**FPL:** Yes. This treatment is consistent with Order No. 14546 in Docket No. 850001-EI-B issued July 8, 1985 which addressed costs that may be appropriately included in the calculation of recoverable fuel costs. The sleaving project was not recognized or anticipated in the cost levels

used to determine base rates, it is not a routine O&M repair cost, and it is a fuel-related modification that results in fuel savings for FPL's customers.

FPL is undertaking the sleeving project so that St. Lucie Unit No. 2 can continue operating at its full rated output and thus continue to provide low cost nuclear generation to FPL's customers. Because of the large fuel savings that will result from the sleeving project, especially in these times of high fossil fuel costs, FPL believes that recovery of the costs associated with the project through the Fuel Cost Recovery Clause is appropriate. The replacement power cost in 2006 for a single day offline is approximately \$1.26 million. For the period between the Spring 2006 refueling outage and the steam generator replacements in the Fall 2007 outage, having St. Lucie Unit 2 operating at 100% power will save customers \$586 million in replacement power costs compared to what customers would have to pay if the unit were offline throughout that period. If FPL were able to plug tubes in the St. Lucie Unit 2 steam generators in excess of the current 30% plugging limit and return the unit to operation without delay -- which there is no assurance presently that FPL would be able to do -- FPL would have to operate Unit 2 at a reduced power output (presently anticipated to be a reduction of at least 11%) for the next operating cycle. The replacement power costs resulting from this lost output would exceed the cost of the sleeving project by approximately \$34 million. (GWINN/DUBIN)

**ISSUE 14G:** Should FPL credit the net proceeds of \$6,442,183 from the settlement between the U.S. Department of Energy and FPL, among other parties, to the fuel clause?

**FPL:** Yes. FPL's portion of the settlement is estimated to be \$6,845,200, and FPL's associated litigation expenses are \$403,017. FPL proposes both to flow back this \$6,845,200 settlement to customers through the Fuel Cost Recovery Clause and to recover the \$403,017 in litigation expenses through the Fuel Cost Recovery Clause, resulting in a net \$6,442,183 reduction in fuel costs in 2005. Recovery of the litigation expenses is consistent with Order No. PSC-93-0443-FOF-EI in Docket No. 930001-EI dated March 23, 1993. (GWINN/DUBIN)

**ISSUE 14H:** Are FPL's proposed inverted residential fuel factors appropriate?

**FPL:** Yes. FPL's proposed inverted fuel factor will send an appropriate price signal to its residential customers. The inverted rate structure recognizes that there is a certain level of electric consumption required to maintain a standard level of household services, including lighting, refrigeration, and so forth. Conversely, usage above 1,000 kWh is more likely to be discretionary. Charging a higher factor for usage above 1,000 kWh provides an incentive for households to reduce discretionary electric usage. (DUBIN)

**ISSUE 14I:** Did FPL prudently incur its incremental fuel costs due to the impact of the 2005 hurricane season?

**FPL:** Yes. FPL's incremental fuel costs due to the impact of the 2005 hurricane season are reasonable and prudently incurred. (YUPP)

#### **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 2004 through December 2004 for each investor-owned electric utility subject to the GPIF?

**FPL:** \$10,816,748 reward. (SONNELITTER)

**ISSUE 19:** What should the GPIF target/ranges be for the period January 2006 through December 2006 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 P. Sonnelitter, including the following:

PLANT/UNIT	EAF TARGET (%)	HEAT RATE HR. TARGET (BTU/KWH)
Ft. MYERS 2	93.1	6,637
LAUDERDALE 4	93.3	7,388
LAUDERDALE 5	92.9	7,411
MARTIN 1	90.8	9,818
MARTIN 2	84.5	9,598
MARTIN 3	73.0	6,933
MARTIN 4	90.8	6,760
SANFORD 5	91.3	6,727
SCHERER 4	85.9	9,802
ST. LUCIE 1	93.6	10,818
ST. LUCIE 2	75.8	10,879
TURKEY POINT 3	86.0	10,848
TURKEY POINT 4	86.8	10,811

(SONNELITTER)

#### **GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 24:** What are the appropriate final capacity cost recovery true-up amounts for the period January, 2004 through December, 2004?

**FPL:** \$5,177,060 over- recovery. (DUBIN)

**ISSUE 25:** What are the appropriate estimated/actual capacity cost recovery true-up amounts for the period January, 2005 through December, 2005?

**FPL:** \$12,294,835 under-recovery. (DUBIN)

**ISSUE 26:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January, 2006 through December, 2006?

**FPL:** \$7,117,775 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, 2006 through December, 2006?

**FPL:** \$647,486,565 (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, 2006 through December, 2006?

**FPL:** The appropriate jurisdictional separation factors are:  
 FPSC 98.62224%  
 FERC 1.37776% (DUBIN)

**ISSUE 29:** What are the appropriate capacity cost recovery factors for the period January, 2006 through December, 2006?

**FPL:**

Rate Schedule	Capacity Recovery Factor (\$/kw)	Capacity Recovery Factor (\$/kwh)
RS1/RST1	-	0.00603
GS1/GST1	-	0.00573
GSD1/GSDT1/HLTF(21-499 kW)	1.94	-
OS2	-	0.00489
GSLD1/GSLDT1/CS1/CST1/HLTF(500-1,999 kW)	2.27	-
GSLD2/GSLDT2/CS2/CST2/HLTF(2,000+ kW)	2.19	-
GSLD3/GSLDT3/CS3/CST3	2.10	-
CILC D/CILC G	2.38	-
CILC T	2.27	-
MET	2.35	-
OL1/SL1/PL1	-	0.00175
SL2, GSCU1	-	0.00402

RATE CLASS	CAPACITY RECOVERY FACTOR (RESERVATION)	CAPACITY RECOVERY FACTOR (SUM OF DAILY DEMAND CHARGE)
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	DEMAND CHARGE (\$/KW)	(\$/KW)
ISST1D	.29	.14
ISST1T	.27	.13
SST1T	.27	.13
SST1D1/SST1D2/ SST	.28	.13

(DUBIN)

## FLORIDA POWER & LIGHT ISSUES

**ISSUE 31A:** Is FPL's requested post-9/11 security compliance cost for 2004, 2005, and 2006 (projected) at its nuclear power plants reasonable and appropriate for recovery?

**FPL:** Yes. All the post-September 11, 2001 security costs for which FPL is seeking recovery 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. (GWINN/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:** By Order No. PSC-02-1484-FOF-EI, issued in Docket No. 011605-EI on October 30, 2002, the Commission approved a Proposed Resolution of Issues concerning hedging activities (the "Hedging Resolution"), which provided in Paragraph 4 that "each investor-owned electric utility may recover through the fuel and purchased power cost recovery clause (the "Fuel Clause") prudently-incurred incremental [hedging expenses] ... each year until December 31, 2006, or the time of the utility's next rate proceeding, whichever comes first."

FPL petitioned for an increase in its base rates in Docket No. 050045-EI, which was resolved by the Commission's Order No. PSC-05-0902-S-EI, dated September 14, 2005, approving a Stipulation and Settlement (the "Rate Stipulation") to become effective January 1, 2006. The Rate Stipulation continues through at least December

31, 2009 and thereafter remains in effect until terminated on the date that new base rates become effective pursuant to an order of the Commission.

The Rate Stipulation is silent on how incremental hedging costs will be recovered once it becomes effective, but as noted on page 6 of Order No. PSC-05-0902-S-EI, the parties to the Rate Stipulation “intended for recovery of those costs to continue through the Fuel Clause during the term of the [Rate Stipulation].” Order No. PSC-05-0902-S-EI also states on page 6 that, because of the Rate Stipulation’s silence, the parties will “memorialize their intent in the current Fuel Clause proceedings.” Attached hereto as Attachment A is a Proposed Resolution of Issue that has been executed by each party to Docket No. 050045-EI that is also a party to this docket. FPL requests that the following issue and position, which are set forth in Paragraph 2 of the attached Proposed Resolution of Issue, be approved by the Commission as a stipulated issue in this docket:

ISSUE: Should FPL be allowed to continue recovering incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Stipulation and Settlement (the “Rate Stipulation”) that was approved in Order No. PSC-05-0902-S-EI, Docket No. 050045-EI, dated September 14, 2005, on the same basis as FPL has been recovering such costs pursuant to the Proposed Resolution of Issues that was approved in Order No. PSC-02-1484-FOF-EI, Docket No. 011605-EI, dated October 30, 2002?

POSITION: Yes. FPL’s continued recovery of incremental hedging costs through the Fuel and Purchased Power Cost Recovery Clause during the term of the Rate Stipulation is reasonable and consistent with the intention of the parties to the Rate Stipulation.

#### **H. PENDING MOTIONS**

On October 14, 2005 FPL filed a Motion for Leave to File Supplemental Petition for Approval of Levelized Fuel Cost Recovery Factors and Supplemental Testimony of K. M. Dubin with Accompanying Appendix A.

#### **I. PENDING REQUEST FOR CONFIDENTIALITY**

Florida Power & Light Company’s Request for Confidential Classification of Short Term Capacity Payment information (Schedules E/A 12 and E12) filed on September 9, 2005, and for specified responses to Staff’s Fourth Set of Interrogatories filed on October 3, 2005, Staff’s Fifth Set of Interrogatories filed on October 4, 2005, Staff’s Sixth Set of Interrogatories filed on October 13, 2005 are pending. Additionally, on October 14, 2005, FPL filed a Notice of Intent for Confidential Classification of its response to Staff’s First Request for Production of Documents. 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' QUALIFICATION AS AN EXPERT**

**FPL:** None at this time.

Respectfully submitted,

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By: s/ John T. Butler  
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**CERTIFICATE OF SERVICE**  
**Docket No. 050001-EI**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic delivery this 17th day of October 2005, to the following:

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