

State of Florida



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Public Service Commission

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-M-E-M-O-R-A-N-D-U-M- COMMISSION CLERK

DATE: May 25, 2006
TO: All Parties of Record
FROM: Lisa C. Bennett, Attorney, Office of the General Counsel LB
RE: Docket No. 060362-EI - Petition to recover natural gas storage project costs through fuel cost recovery clause, by Florida Power & Light Company, which could impact Docket No. 060001-EI.

VIA ELECTRONIC MAIL

Please note that the Commission Staff will conduct an informal conference call and meeting with Florida Power & Light Company in the above-referenced docket at the following time and place:

9:30 a.m., Tuesday, May 30, 2006
Florida Public Service Commission
Room 362, Gerald L. Gunter Building
2540 Shumard Oak Blvd.
Tallahassee, Florida

The purpose of this meeting is to discuss the request by Florida Power & Light to recover certain expenses associated with a subsurface natural gas storage facility, MoBay Gas Storage Hub, and whether those expenses will be recoverable through the Fuel Cost Recovery Clause. A list of questions to be included in the discussion are found on pages 2-4 of this notice.

CMP Parties wishing to participate by phone should call (850) 921-2560 or Suncom 291-2560
COM at the start time for this meeting.

CTR If you have any questions concerning this meeting, please call me at (850)-413-6230.

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RELIABILITY

1. Regardless of the amount of working gas in storage, isn't reliability keyed to the maximum daily withdrawals?
2. You have stated that the 6,000,000 dkth equates to five days usage for FPL's gas generation. However, if maximum daily withdrawals are limited to 350,000 MMBtus or 1,750,000 dthh for five days doesn't this limitation greatly reduce the reliability benefit of the storage agreement?
3. At the daily withdrawal rate, this is about the amount of gas needed to generate 1100 to 1200 megawatts. Correct? (or How many megawatts can be generated at the daily withdrawal rate?)

HEDGING/FINANCIAL

4. You are proposing to use this storage as a price and supply hedge. What about counterparty credit risk? Have you done a financial analysis on Falcon and Arcapita? If yes, what are your findings? Please provide the S & P credit reports on Falcon and Arcapita.
5. In paragraph 8 of the affidavit, in the first sentence, you mention FPL's participation will help ensure the facility's financial viability. Please explain.
6. Will this storage be solely for the benefit of FPL the utility? Will any of the storage be used for other subsidiaries of FPL Group?
7. Can the storage FPL will reserve be sub-leased or resold? If yes, are there plans to do so?
8. How can the Commission be assured that this storage will be solely for the benefit of FPL's customers? How can the Commission be assured that any gains from storage will be credited to the fuel clause?
9. In paragraph 9.d. of the affidavit, about insurance charges, how does the monthly insurance charge compare to the insurance rate for other types of storage, like salt caverns and above ground storage?
10. In paragraph 9.e. of the affidavit, the carrying costs are for the investment in working gas, not base gas. Is that correct?

11. What are the carrying costs? Do you have a worksheet showing the capital structure and cost rates?

11-A. What incremental O&M hedging costs related to initiating or maintaining a new or expanded hedging program, if any, does FPL anticipate seeking recovery through the fuel clause pursuant to Order No. PSC-02-1484-FOF-EI, Page 6, Paragraph 4?

BAY GAS

12. Should the Mobay gas storage contract be approved, what would be the immediate and long term status of the Bay gas storage agreement?

13. Did FPL seek Commission approval of the Bay gas storage agreement?, If so where and when?

14. Since you have an existing agreement with Bay gas, why did you choose to not expand that agreement and instead go with Mobay.? If cost is a big factor, what were the base gas requirements with Bay?

15. During the 2004 and 2005 hurricane seasons, to what extent was the bay gas storage utilized? During gas shut-ins and after hurricane price spikes, on how many days did you meet your maximum withdrawal limitations?

16. From the standpoint of reliability (Hurricane insurance), since you were able to provide service with your existing resources, including the Bay storage agreement, on what basis is the Mobay storage needed?

17. Other than hurricane reliability, describe on a day to day basis how FPL utilized the Bay gas storage agreement.

18. Has FPL calculated the incremental cost per MMBtu attributable to all charges associated with the Bay Gas storage?

19. Since 2003, FPL has had a storage contract with Bay Gas, which you indicate has been reflected in your hedging activities. Since 2003, what is the annual savings to customers achieved through hedging attributable to this storage contract? Can this information come from your April hedging testimony or are other storage costs included?

20. For 2003, 2004 and 2005, state the costs which have passed through the fuel clause attributable to the Bay contract.

PANCAKING

21. As a benefit of storage you state that pancaked transportation fees can be eliminated. Please explain these savings. Wouldn't there be a transportation fee to get gas to storage and a fee to get the gas to FPL?

22. Will this storage agreement allow you access to on-shore gas. Looking at GOM shut-ins, is this a sound reliability option? Have you considered this option?

23. For on-shore gas, would pancaked transportation fees still apply?

24. State the incremental level of these pancaked charges and the total dollars passed through the fuel clause for 2004 and 2005 attributable to this fee. Would this storage project eliminate this entire amount? If not, what percentage?

BENEFITS

25. In paragraph 6 of the affidavit, you mention using MoBay will allow FPL to realize the maximum benefit of its existing firm transportation arrangements. Please explain. Define these benefits and how they can be maximized. Wouldn't shipping this additional volume of gas without any storage also achieve these benefits?

26. In paragraph 6 of the affidavit, you mention that the storage facility is close to the growing Florida markets and that it can provide benefits to all natural gas consumers in Florida. Please explain this.

cc: Division of Economic Regulation (Lester, McNulty)
Division of the Commission Clerk and Administrative Services (Docket file)