

**Matilda Sanders**

From: John\_Butler@fpl.com  
 Sent: Friday, September 22, 2006 3:36 PM  
 To: Filings@psc.state.fl.us  
 Cc: Alex Glenn, Esq. ; Charles Beck; Patty Christensen, Esq.; damund.williams@tyndall.af.mil; Jeffrey Stone, Esq.; James Beasley, Esq.; jlvia@yvlaw.net; John McWhirter, Jr., Esq.; John Burnett; karen.white@tyndall.af.mil; Kory\_Dubin@fpl.com; Lisa Bennett; Lee Willis, Esq.; Joseph A. McGlothlin; Harold Mclean; miketwomey@talstar.com; nhorton@lawfla.com; Russell Badders, Esq.; swright@yvlaw.net; Tim Perry, Esq.  
 Subject: Electronic Filing for Docket Nos. 060001-EI and 060362-EI -- FPL's list of issues and positions (gas storage project)

Attachments: Gas Storage Preliminary List of Issues and Positions.doc



Gas Storage  
 Preliminary List of  
 Issues and Positions  
 Electronic Filing

a. Person responsible for this electronic filing:

John T. Butler  
 Senior Attorney  
 Florida Power & Light Company  
 700 Universe Boulevard  
 Juno Beach, FL 33408-0420  
 (561) 304-5639  
 john\_butler@fpl.com

b. Docket Nos. 060001-EI and 060362-EI

c. Document is being filed on behalf of Florida Power & Light Company.

d. There is a total of 5 pages.

e. The document attached for electronic filing is Florida Power & Light Company's List of Issues and Positions with respect to the gas storage project.

(See attached file: Gas Storage Preliminary List of Issues and Positions.doc)

- CMP \_\_\_\_\_
- COM \_\_\_\_\_
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
- GCL \_\_\_\_\_
- OPC \_\_\_\_\_
- RCA \_\_\_\_\_
- SCR \_\_\_\_\_
- SGA \_\_\_\_\_
- SEC   1
- OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

08801 SEP 22 06

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 060001-EI

IN RE: Petition to recover natural )  
gas storage costs through fuel )  
cost recovery clause, by Florida )  
Power & Light Company )

DOCKET NO. 060362-EI  
FILED: September 22, 2006

**FLORIDA POWER & LIGHT COMPANY'S  
LIST OF ISSUES AND POSITIONS**

**ISSUE 1:** Should the Commission approve FPL's proposal to recover the MoBay Gas Storage Costs including Base (pad) Gas and Fuel Storage Carrying Costs through the Fuel Cost Recovery ("FCR") Clause beginning in 2008?

**FPL:** Yes. The Gas Storage Project will substantially increase FPL's ability to hedge the physical supply of natural gas, resulting in a significant increase in system reliability and a reduction in natural gas volatility. As a physical hedge, the prudently incurred costs associated with the project are recoverable through the FCR Clause pursuant to the Proposed Resolution of Issues (the "Hedging Resolution") approved by the Commission in Order No. PSC-02-1484-FOF-EI, dated October 30, 2002. Recovery of Gas Storage Project costs through the FCR Clause is consistent with FPL's 2005 Rate Case Stipulation and the stipulation approved by the Commission in Order No. PSC-05-1252-FOF-EI, Docket No. 050001-EI, dated December 23, 2005, which permitted FPL to recover hedging costs through the FCR Clause throughout the term of the 2005 Rate Case Stipulation. There are three general categories of costs associated with the Gas Storage Project, which are recoverable through the FCR Clause for the following reasons.

The monthly storage reservation charge, injection/ withdrawal charges, and insurance charges are conventional gas transportation costs that, in addition to being recoverable hedging-related costs, are recoverable through the FCR Clause pursuant to Commission Order No. 14546, Docket No. 850001-EI-B, dated July 8, 1985 (lists transportation costs among the types of fuel-related costs that may be recovered through the FCR Clause).

Base Gas is provided by FPL to help maintain pressure in the gas storage facility, and it remains in the facility for so long as FPL's gas storage arrangement continues at the facility. Because it is needed to facilitate FPL's storage of gas in the Gas Storage Project, Base Gas is a hedging-

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FPSC-COMMISSION CLERK

related cost. In addition, Base Gas is directly analogous to the “non-recoverable oil” that sits at the bottom of oil storage tanks (*i.e.*, “tank bottoms”) and should be recovered in the same manner. Order No. 12645, Docket No. 830001-EI, dated November 3, 1983, authorizes utilities to charge the cost of non-recoverable oil to the FCR Clause when the oil is loaded into the tanks, with a credit to the FCR Clause when it is ultimately removed and burned. This is the same manner in which FPL proposes to recover the cost of the Base Gas it supplies for the Gas Storage Project.

FPL incurs carrying costs on the quantity of gas that it stores in the Gas Storage Project. Because the purpose of storing gas is to effect a physical hedge, the stored gas carrying costs are appropriately considered hedging costs and recoverable through the FCR Clause. It would be misleading and unfair to FPL to treat the stored gas as fuel inventory that may only earn a return through inclusion in the base rate working capital determination. Such treatment would effectively deny FPL recovery of the stored gas carrying charges, because FPL’s base rate MFRs have not reflected any stored gas costs in the calculation of working capital. Moreover, stored natural gas is not “fuel inventory” in the conventional sense; storing the gas serves the purpose of hedging rather than meeting ordinary operational needs of FPL’s gas-fired plants. Gulf Power Company’s inclusion of stored gas in its 2002 base rate working capital calculation is not analogous precedent. Gulf was already storing gas at the time of its 2002 base rate proceeding, and because the Hedging Resolution had not yet been approved at that time, there was no mechanism for recovering the carrying costs for the stored gas through the FCR Clause. Inclusion of the stored gas cost in the working capital calculation was thus Gulf’s only avenue of recovery. In contrast, FPL did not begin any program of firm gas storage until after the Hedging Resolution was approved and has never included, or sought to include, any of the costs associated with gas storage in the determination of base rates. (YUPP/DUBIN)

**ISSUE 2:** Should the Commission approve FPL’s request to recover Carrying Costs on gas stored at the Bay Gas facility through the FCR Clause commencing upon approval of FPL’s petition?

**FPL:** Yes, for the reasons discussed in FPL’s position on Issue 1. FPL has included costs associated with the Bay Gas Storage Contract in the FCR Clause since the contract’s inception in 2003. However, until now FPL has inadvertently failed to include the carrying cost associated with natural gas stored at the Bay Gas facility in the FCR Clause. Commencing upon the Commission’s approval in this proceeding, FPL proposes to begin including in the FCR Clause the natural gas inventory carrying costs associated with the Bay Gas Storage Contract. FPL is not seeking recovery of these costs retroactively, even though such costs should have been appropriately recovered through the FCR Clause. (YUPP/DUBIN)

**WITNESSES AND SUBJECT MATTER**

WITNESS	SPONSOR	SUBJECT MATTER	EXHIBIT TITLES
G. YUPP	FPL	Description of Gas Storage Project and Its Benefits to FPL and Customers	GJY-3 (Petition to Recover Natural Gas Storage Costs)  GJY-4 (Gas Storage Costs)
K. M. DUBIN	FPL	Precedent for Recovery of Gas Storage Costs Through the FCR Clause	

Respectfully submitted this 22nd day of September, 2006.

R. Wade Litchfield, Esq.  
Associate General Counsel  
John T. Butler, Esquire  
Senior Attorney  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, FL 33408  
Telephone: (561) 304-5639  
Facsimile: (561) 691-7135

By:           /s/ John T. Butler            
John T. Butler  
Fla. Bar No. 283479

**CERTIFICATE OF SERVICE**  
**Docket Nos. 060001-EI and 060362-EI**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic delivery on the 22nd day of September, 2006, to the following:

Lisa Bennett, Esq.  
Wm. Cochran Keating IV, Esq.  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

Charles J. Beck, Esq.  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, Florida 32399

Lee L. Willis, Esq.  
James D. Beasley, Esq.  
Ausley Law Firm  
Attorneys for Tampa Electric  
P.O. Box 391  
Tallahassee, Florida 32302

John T. Burnett, Esq.  
Progress Energy Service Company,  
LLC  
P.O. Box 14042  
St. Petersburg, Florida 33733-4042

Timothy J. Perry, Esq.  
McWhirter, Reeves, McGlothlin,  
Davidson, et al.  
Attorneys for FIPUG  
117 South Gadsden Street  
Tallahassee, Florida 32301

Norman H. Horton, Jr., Esq.  
Floyd R. Self, Esq.  
Messer, Caparello & Self  
Attorneys for FPUC  
P.O. Box 1876  
Tallahassee, Florida 32302-1876

John W. McWhirter, Jr., Esq.  
McWhirter, Reeves, McGlothlin,  
Davidson, et al.  
Attorneys for FIPUG  
400 North Tampa Street, Suite 2450  
Tampa, Florida 33602

Jeffrey A. Stone, Esq.  
Russell A. Badders, Esq.  
Beggs & Lane  
Attorneys for Gulf Power  
P.O. Box 12950  
Pensacola, Florida 32576-2950

Capt. Damund E. Williams  
Lt. Col. Karen S. White  
AFLSA/JACL - ULT  
139 Barnes Drive  
Tyndall Air Force Base, FL 32403-5319

Michael B. Twomey, Esq.  
Post Office Box 5256  
Tallahassee, Florida 32314-5256  
Attorney for AARP

Robert Scheffel Wright, Esq.  
John T. LaVia, III, Esq.  
Young van Assenderp, P.A.  
Attorneys for Florida Retail Federation  
225 South Adams Street, Suite 200  
Tallahassee, FL 32301

By: /s/ John T. Butler  
John T. Butler