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Public Service Commission

March 4, 2008

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J. R. Kelly, Esquire
Office of Public Counsel
c/o the Florida Legislature
111 West Madison Street, #812
Tallahassee, FL 32399-1400

STAFF'S DATA REQUESTS

Re: Docket No. 080001-EI - Fuel and purchased power cost recovery clause with generating performance incentive factor.

Dear Mr. Kelly:

On January 31, 2008, Florida Power & Light Company (FPL) filed a petition in the fuel docket to seek approval of an alternative to hedging. FPL has requested that this petition be considered prior to May 1, 2008. Staff is gathering information from various parties to the original hedging resolution to prepare a staff recommendation for a Proposed Agency Action on FPL's petition. The Office of Public Counsel's (OPC) input would be of assistance to staff in preparing its recommendation. Accordingly, staff requests that OPC provide responses to the following data requests.

1. Do you agree that whether mid-course percents favor mid-course corrections depends on the relation between the aggregate cost-recovery factor and aggregate expenses, which may reflect hedging gains or losses, expressed in cents/kWh?
2. Do you believe that a utility's ability to petition the Commission for mid-course corrections to cost-recovery factors, when conditions warrant such petitions, is beneficial to rate payers? to utilities? Please explain.
3. Attached is a copy of Exhibit TFB-4 referenced in Order No. PSC-02-1484-FOF-EI. Considering the implementation of the Order and the experience with hedging during the past five years, is the information contained in this document sufficient for purposes of risk management plan filings? If not, what changes should be made to risk management plan filings, and why?
4. Order No. PSC-02-1484-FOF-EI, Page 6, Section 5 identifies the filing requirements of hedging results of the final true-up year for each investor-owned utility. Considering the implementation of the Order and the experience with hedging during the past five years, is the information referenced in Section 5 sufficient for purposes of reviewing the effectiveness of fuel price hedging by utilities? If not, what changes should be made to risk management plan filings, and why?

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5. Is the year- to-year operation of the Commission's annual fuel factor, in conjunction with the mid-course correction mechanism and physical hedging, the optimal method for controlling the volatility of fuel costs for utility customers? Explain.
6. Is the year-to-year operation of the Commission's annual fuel factor, in conjunction with the mid-course correction mechanism, and the terms detailed in Order No. PSC-02-1484-FOF_EI, the optimal method for controlling the volatility of fuel costs for utility customers? Explain.
7. If neither of the price volatility control methods described in Questions 6 and 7 are optimal, please describe the method which is optimal, then describe the second best method, and your reasons/rationale.

Please file the original and five copies of the requested information by Friday, March 14, 2008, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6230 if you have any questions.

Sincerely,



Lisa C. Bennett
Senior Attorney

LCB:th

cc: Office of Commission
Division of Economic Regulation (McNulty, Lester)
Docket 080001-EI - Parties

Exhibit TFB-4 (Page 1 of 1)

COMPONENTS OF A UTILITY'S FUEL PROCUREMENT RISK MANAGEMENT PLAN

When a utility files its fuel procurement risk management plan with the Commission, this plan should include information regarding the following components:

1. Identify overall quantitative and qualitative risk management objectives;
2. Identify minimum quantity of fuel to be hedged;
3. Identify and quantify each risk, general and specific, that the utility may encounter with its fuel procurement;
4. Describe the utility's oversight of its fuel procurement activities;
5. Verify that the utility provides its fuel procurement activities with independent and unavoidable oversight;
6. Describe the utility's corporate risk policy regarding fuel procurement activities;
7. Verify that the utility's corporate risk policy clearly delineates individual and group transaction limits and authorizations for all fuel procurement activities;
8. Describe the utility's strategy to fulfill its risk management objectives;
9. Verify that the utility has sufficient policies and procedures to implement its strategy;
10. Indicate the number and type of personnel who are responsible for fulfilling the utility's risk management objectives;
11. Verify that the utility has a sufficient number and type of personnel who can fulfill its risk management objectives.
12. Describe the utility's cost effective response to each general and specific risk associated with its fuel procurement;
13. Describe the utility's reporting system for fuel procurement activities;
14. Verify that the utility's reporting system consistently and comprehensively identifies, measures, and monitors all forms of risk associated with fuel procurement activities; and
15. If the utility has current limitations in implementing certain hedging techniques that would provide a net benefit to ratepayers, provide the details of a plan for developing the resources, policies, and procedures for acquiring the ability to use effectively the hedging technique.