

**Ruth Nettles**

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**From:** John\_Butler@fpl.com  
**Sent:** Tuesday, June 03, 2008 4:01 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** Charles Beck; burgess.steve@leg.state.fl.us; cecilia\_bradley@oag.state.fl.us; Jeff Stone; Jim Beasley; jbrew@bbrslaw.com; John McWhirter; John Burnett; Keino Young; Lisa Bennett; Lee Willis; Joe McGlothlin; miketwomey@talstar.com; Russell Badders; kelly.jr@leg.state.fl.us; nhorton@lawfla.com  
**Subject:** Re: Electronic Filing for Docket No. 080001-EI/ FPL's Petition for Mid-Course Correction  
**Attachments:** FPL midcourse correction petition FINAL.DOC; 20080603124148558.pdf

**Electronic Filing**

**a.** Person responsible for this electronic filing:

John T. Butler, Esq.

700 Universe Boulevard

Juno Beach, FL 33408

561-304-5639

John\_Butler@fpl.com

**b.** Docket No. 080001-EI

In Re: Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor

**c.** The documents are being filed on behalf of Florida Power & Light Company.

**d.** There are a total of **28** pages (8-page petition in Word and 20-page appendix in PDF).

**e.** The documents attached for electronic filing are the Petition of Florida Power & Light Company for Mid-Course Correction to its Fuel Adjustment Factors, with accompanying Appendix A.

*(See attached file: FPL midcourse correction petition FINAL.DOC)(See attached file: 20080603124148558.pdf)*

DOCUMENT NUMBER-DATE  
04735 JUN-3 08  
FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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

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DOCKET NO. 080001-EI  
FILED: June 3, 2008

**PETITION OF FLORIDA POWER & LIGHT COMPANY  
FOR MID-COURSE CORRECTION TO ITS FUEL ADJUSTMENT FACTORS**

Florida Power & Light Company ("FPL") hereby petitions the Commission to approve a \$746.2 million increase in the amount to be recovered in 2008 through its Fuel and Purchased Power Cost Recovery ("FCR") Clause. This midcourse correction will have the effect of increasing the levelized FCR factor from 5.553 cents per kWh to 7.137 cents per kWh (see Appendix A, page 2), and increasing time differentiated rates from 6.011 cents per kWh to 7.595 cents per kWh for on-peak periods and from 5.354 cents per kWh to 6.938 cents per kWh for off-peak periods (see Appendix A, pages 8 through 9). The FCR factors by rate group that are being requested are provided in Appendix A, pages 10 through 11. FPL requests that the Commission consider this Petition at its July 1, 2008 Agenda Conference and, at that time, approve these new FCR factors to become effective with customer billings on August 4, 2008 (cycle day 3), and authorize FPL to continue these charges in effect until modified by subsequent Commission order. In support of this Petition, FPL states:

1. FPL is a utility subject to the jurisdiction of the Florida Public Service Commission pursuant to chapter 366, Florida Statutes. It has principal offices located at 700 Universe Boulevard, Juno Beach, Florida.

**DOCUMENT NO. DATE**

04735-08 6/3/08  
FPSC - COMMISSION CLERK

2. All notices, pleadings and other communications required to be served on the petitioner should be directed to:

Jeffrey S. Bartel  
Vice President - Regulatory Affairs  
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3. Since the time that FPL presented its fuel cost projections for 2008 at the November 2007 hearing in Docket No. 070001-EI, it has seen world-wide fuel prices for 2008 increase dramatically. For example, FPL originally projected the average 2008 commodity cost of natural gas to be \$8.17 per MMBtu (September 4, 2007 filing) whereas FPL's current estimate is \$10.75, an increase of 31.6%. Additionally, FPL originally projected the average 2008 commodity cost of heavy oil to be \$9.03 per MMBtu or \$57.81 per barrel (September 4, 2007 filing) whereas FPL's current estimate is \$13.91 per MMBtu or \$89.02 per barrel, an increase of 54.0%.

4. The company has taken, and is continuing to take, numerous steps to mitigate the impact of fuel costs by improving the efficiency of its existing plants and building new generation facilities with low or no fuel costs. For example:

a. FPL's fossil fuel power plant fleet is the most fuel efficient among large-scale utilities nationwide. FPL has improved fleet fuel efficiency by 10 percent in the past five years and by 18 percent since 1990. As a fossil power plant increases in efficiency, it can generate the same megawatt hour of electricity with less fuel, thus saving money for FPL customers and producing fewer greenhouse gases.

b. Much of FPL's fossil fuel generation fleet has dual-fuel capability, which gives FPL the flexibility to burn either gas or oil depending upon which is the lowest cost fuel at any given point in time. This helps to minimize the fuel cost to customers.

c. FPL has four existing nuclear units and is in the process of upgrading those units to produce an additional 400 megawatts of power. This upgrade is the equivalent of a medium-sized fossil fuel plant. Fuel costs for nuclear plants are dramatically lower than for fossil-fuel generation, costing roughly half a cent per kilowatt hour compared to 7 cents for natural gas and 10 cents for fuel oil. Moreover, nuclear fuel costs are stable and largely independent of the fluctuations in gas and oil prices.

d. Looking forward, FPL has proposed to modernize its power plants at Riviera Beach and Cape Canaveral, a move that will save customers roughly \$450 million in fuel and other savings over the life of the project. The new units will be considerably more efficient than the existing facilities, using 33 percent less fuel to produce the same amount of power.

e. FPL has also proposed building new solar and wind generation facilities in Florida. The fuel used to power these renewable energy sources is free.

5. In spite of FPL's efforts to mitigate fuel costs, the recent dramatic increases in world-wide fuel oil prices have impacted FPL's fuel costs. FPL now projects that continuing to apply its current fuel adjustment factors through the end of the year would result in substantially under-recovering its fuel costs in 2008 and the accumulation of a large true-up balance to be added to the fuel adjustment factors next year. Consistent with the Commission's policy on mid-course corrections, FPL is filing this petition to change the fuel adjustment factors at the earliest feasible time and thus avoid burdening customers with the accumulated true-up next year.

6. In Order No. PSC-08-0030-FOF-EI, dated January 8, 2008 the Commission approved FPL's currently authorized FCR factors to be applied to customers' bills from January 2008 through December 2008. The calculations underlying those factors were based on an "estimated/actual" under-recovery of \$25,577,700 for January 2007 through December 2007. FPL actually experienced a \$146,613,806 under-recovery in 2007. Netting the \$25,577,700 "estimated/actual" under-recovery against the actual under-recovery of \$146,613,806 results in a \$121,036,106 final under-recovery for 2007 that is not being recovered through FPL's current FCR factors.

7. This final under-recovery of \$121,036,106 for 2007 was included in the 2007 Final True-up Testimony of K.M. Dubin filed with the Commission on March 3, 2008 and incorporated herein by reference. The 2007 true-up and variance calculations are provided in Appendix A, pages 17 through 20.

8. FPL also projects that, if its FCR factors remain unchanged for the remainder of the current period, it will under-recover its 2008 FCR costs by

\$625,117,310 (see Appendix A, page 5, column 13, lines C7 plus C8). This \$625,117,310 under-recovery is based on January through April 2008 actual data and revised projections for May through December 2008 (see Appendix A, pages 4 and 5). When the total of the final under-recovery of \$121,036,106 for 2007 and projected 2008 under-recovery of \$625,117,310 are compared to the currently projected fuel revenues for 2008, the result exceeds the 10% materiality threshold for mid-course FCR corrections that the Commission discussed in Order No. PSC-07-0333-EI, Docket No. 070001-EI, dated April 16, 2007.

9. The projected \$625,117,310 under-recovery for 2008 is due primarily to a \$283,690,850 (4.6%) increase in Jurisdictional Total Fuel Costs and Net Power Transactions (page 6, line C6), a \$329,450,601 (5.4%) decrease in Jurisdictional Fuel Revenues (page 6, line C3), and \$11,804,759 in interest (page 6, line C8).<sup>1</sup>

10. The \$283,690,850 increase in Jurisdictional Total Fuel Costs and Net Power Transactions is primarily due to higher than originally projected natural gas and heavy oil costs.<sup>2</sup>

11. The \$329,450,601 (5.4%) decrease in Jurisdictional Fuel Revenues is primarily due to lower than originally projected jurisdictional sales, which are now based on actuals through April 2008 and revised projections for May through December 2008.

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<sup>1</sup> Although FPL is projected to experience a reduction of approximately \$278 million in Jurisdictional Total Fuel Costs due to the lower fuel consumption that accompanies the projected reduction in MWh sales, this is more than offset by a projected increase of approximately \$549 million related to the much higher fuel cost per MWh.

<sup>2</sup> FPL has mitigated much of the volatility and impact of these higher natural gas and heavy oil prices through its hedging program.

The current projection is for jurisdictional sales to be 5,697,643,867 kWh, 5.1% lower than the original projection (page 6, line B3).

12. Based on the \$121,036,106 final under-recovery of 2007 FCR costs and the \$625,117,310 projected under-recovery of 2008 costs discussed above, FPL projects its total under-recovery to be \$746,153,416 at the end of 2008 if FPL's current FCR factors remain unchanged (see Appendix A, page 6). FPL believes that it would be appropriate and in the best interests of FPL's customers to adjust its FCR factors to recover this projected \$746,153,416 under-recovery throughout the remainder of 2008 rather than carrying it forward to be recovered in the following year. Accordingly, FPL requests that this matter be considered at the Commission's July 1, 2008 Agenda, so that the revised FCR factors may become effective for the August through December 2008 billing period.

13. A residential bill for 1,000 kWh for the period August through December 2008 under this request will be \$118.91, an increase of \$16.28 or 15.9%. The 1,000 kWh residential bill includes a base rate charge of \$39.37, an FCR charge of \$68.15, a conservation cost recovery charge of \$1.45, a capacity cost recovery charge of \$5.46, an environmental cost recovery charge of \$0.40, a storm restoration surcharge of \$1.11 and a gross receipts tax of \$2.97. See Appendix A, page 16.

14. Appendix A, pages 1-20, is attached hereto and incorporated herein by reference.

WHEREFORE, FPL requests that its levelized FCR factors be increased to 7.137 cents per kWh for non-time differentiated rates, and 7.595 per kWh and 6.938 cents per kWh for on-peak and off-peak time differentiated rates, and that the Commission approve

application of the new factors to become effective with customer billings on August 4, 2008 (cycle day 3 of August 2008) and to continue these charges in effect until modified by a subsequent order of this Commission.

Respectfully submitted,

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

**CERTIFICATE OF SERVICE**

**Docket Nos. 080001-EI**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing Petition of Florida Power & Light Company for Mid-Course Correction to its Fuel Adjustment Factors has been furnished by electronic delivery on this 3<sup>rd</sup> day of June, 2008, to the following:

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