

Ann Cole

From: Mary Bane
Sent: Friday, September 12, 2008 3:16 PM
To: Bill McNulty
Cc: Tim Devlin; Marshall Willis; Cayce Hinton; Betty Ashby; Chuck Hill; William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Mary Macko; Ann Cole; Mary Bane
Subject: FW: Requested Changes to Staff Recommendation in Docket No. 080001-EI on the 9/16/2008 Agenda Conference (Item 11 - FPL's Petition for Approval of Hedging Guidelines)

The proposed revisions are approved.

At the agenda conference, please orally clarify the following two points:

- (1) that in addition to TECO and PEF, Gulf also supports the proposed guidelines (your items 2. and 3.)
- (2) the months to be covered in each of the two hedging data report filings (your item 5.)

From: Bill McNulty
Sent: Friday, September 12, 2008 2:24 PM
To: Mary Bane
Cc: Tim Devlin; Marshall Willis; Cayce Hinton
Subject: Requested Changes to Staff Recommendation in Docket No. 080001-EI on the 9/16/2008 Agenda Conference (Item 11 - FPL's Petition for Approval of Hedging Guidelines)

Staff is requesting approval to make corrections to the recommendation that is Item 11 on the 9/16/08 Agenda Conference. The requested corrections are:

1. Page 2, 2nd full paragraph, 2nd sentence: Insert "(Staff Management Audit, or management audit)" after "a hedging review". The corrected version in type and strike format reads:

At the request of the Division of Economic Regulation (ECR), the Division of Competitive Markets and Enforcement (CMP) conducted a hedging review (Staff Management Audit, or management audit) which involved an assessment of the IOUs' fuel hedging program costs and benefits realized since the issuance of the Hedging Order.

2. Page 4, 1st full paragraph, 5th sentence: Insert "Gulf" after "TECO, and". The corrected version in type and strike format reads:

FPL indicated PEF, TECO, and Gulf supported the proposed guidelines.

3. Page 4, 1st full paragraph, 7th sentence: Insert "Gulf" after "TECO, and". The corrected version in type and strike format reads:

At the meeting, PEF, TECO, and Gulf expressed support for the guidelines, but also indicated that they were not proposing the guidelines.

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4. Page 7, 1st full paragraph in section titled “The Guidelines”, 2nd sentence: This sentence should be deleted in its entirety. The corrected version in type and strike format reads:

~~FPL last revised the guidelines after meeting with staff and parties on August 27, 2008.
Delete sentence.~~

5. Page 8, section titled “Sections II and III”, last sentence: The phrase “the previous calendar year” should be replaced with “August 1 to December 31 of the prior year (in 2009, the report will cover all of calendar year 2008)”. The corrected version in type and strike format reads:

To facilitate the prudence review, the IOUs will file monthly hedging data in two reports: a Hedging Activity True-Up Report filed in April that covers ~~the previous calendar year August 1 to December 31 of the prior year (in 2009, the report will cover all of calendar year 2008)~~, and a Hedging Activity Supplemental Report filed by August 15, covering the months of the current year through July 31.

6. Page 9, 2nd full paragraph, 1st sentence: Insert “conducted by RCA” after “financial audits”. The corrected version in type and strike format reads:

The financial audits conducted by RCA did not identify any problems with the IOUs’ hedging program.

7. Page 11, section titled “Minor Wording Changes”: Delete section. It is no longer relevant based on minor revisions made to Attachment A on September 10, 2008. The corrected version in type and strike format reads:

~~Minor Wording Changes~~

~~Staff recommends several minor changes to the wording of FPL’s proposed guidelines. These wording changes do not change the substance of the guidelines but do help in clearly stating the purpose and intent of the guidelines. Staff notes that on Section I of the Hedging Order guidelines, it begins with the word “File.” Although I.a. indicates that the IOU will file a comprehensive plan, for purposes of clarity the Section should begin with the instructions “Investor-owned utilities shall [f]ile.” Likewise, in Section IV., the section begins with the word “Establish” without giving guidance to who established the guiding principles. The guidelines should reflect that the Commission approved these principles. In Subsection III. A., the guidelines require the utility to file a Hedging Activity Final True-Up Report in April, covering the prior calendar year. However, after this year’s fuel proceeding, the Commission will have already ruled on the prudence of a portion of the hedging activities for that calendar year. Accordingly, the guidelines should reflect that the utility will only file a true-up report for August through December of the prior year. Finally Section I.a makes reference to an Exhibit TFB-4 which was included in the original Hedging Order. That exhibit, for purposes of reference, should be attached to the new Hedging Order Clarification Guidelines.~~

Thank you.

