

Ruth Nettles

090505-EI

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Sent: Wednesday, February 17, 2010 7:46 AM
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Cc: cecilia_bradley@oag.state.fl.us; John Moyle; John T. Butler (John.Butler@fpl.com); Ken Hoffman; Lisa Bennett; Vickie Gordon Kaufman (vkaufman@kagmlaw.com); Wade Litchfield
Subject: e-filing (Dkt. No. 090505-EI)
Attachments: 090505 OPC Prehearing Statement.sversion.doc

Electronic Filing

a. Person responsible for this electronic filing:

Charlie Beck, Deputy Public Counsel
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c/o The Florida Legislature
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b. Docket No. 090505-EI

In re: Review of replacement fuel costs associated with the February 26, 2008 outage on Florida Power & Light Company's electrical system.

c. Document being filed on behalf of Office of Public Counsel

d. There are a total of 6 pages.

e. The document attached for electronic filing is Citizens' Prehearing Statement.

(See attached file: 090505 OPC Prehearing Statement.sversion.doc)

Thank you for your attention and cooperation to this request.

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DOCUMENT NUMBER: 090505-EI

01051 FEB 17 2010

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Review of Replacement Fuel Costs) Docket No. 090505-EI
Associated with the February 26, 2008 outage)
On Florida Power & Light's electrical system)
Filed February 17, 2010
_____)

CITIZENS' PREHEARING STATEMENT

Pursuant to Order No. PSC-09-0854-PCO-EI issued December 30, 2009, the Citizens of Florida, through the Office of Public Counsel, file this Prehearing Statement.

Witness

Dr. David E. Dismukes will testify on behalf of the Citizens of Florida. Dr. Dismukes provides an expert opinion on the net replacement power cost estimate proposed by Florida Power & Light Company in this case. His testimony (1) offers an opinion on the merits of FPL's proposal; (2) provides a series of alternative net replacement power cost credit calculations, including an alternative replacement power cost recommendation for the Commission's consideration; and (3) rebuts many of the Company's policy rationales for proposing a significantly reduced net replacement power cost credit to FPL's ratepayers.

DOCUMENT NUMBER-DATE

01051 FEB 17 2010

FPSC-COMMUNICATIONS SECTION

Prefiled Exhibits

The following prefiled exhibits accompany the testimony of Dr. Dismukes:

CV OF DAVID E. DISMUKES, PH.D.....DED-1
ORDER APPROVING STIPULATION AND CONSENT AGREEMENT....DED-2
PROPOSED RESOLUTION OF ISSUES.....DED-3
HYPOTHETICAL EXAMPLE.....DED-4
FPL PEAKING COST CALCULATION.....DED-5
FPL REPLACEMENT COST ESTIMATE.....DED-6
FIRST ALTERNATIVE RPC CALCULATION.....DED-7
SECOND ALTERNATIVE RPC CALCULATION.....DED-8
FPL RPC ESTIMATE.....DED-9
COMPARISON OF NON-FUEL BASE RATES.....DED-10
NUCLEAR INVESTMENT OF DISALLOWANCES AND OVERRUNS.....DED-11
NUCLEAR LEGISLATION AND REGULATION.....DED-12

Statement of Basic Position

On February 26, 2008, portions of the lower two-thirds of Florida experienced a loss of electrical service after a fault occurred on the system. The event led to the loss of 22 transmission lines, 4,300 megawatts (“MWs”) of generation capacity, and 3,750 MW of customer load. According to the FERC, approximately 596,000 FPL customer accounts and 354,000 non-FPL customer accounts were out of service.

As a result of the incident, two nuclear plants tripped offline. Turkey Point Unit 3 was offline for 158 hours, and Turkey Point Unit 4 was offline for 107 hours. This required FPL to procure high cost replacement power and to generate power using far more expensive fuel than is used when generating electricity with nuclear power.

When the actual replacement power costs are compared to the costs which would have been incurred had the two nuclear plants continued to operate, FPL incurred (and charged customers) an extra \$15,974,055 in costs. The full amount of \$15,974,055, plus interest, should be refunded to customers if FPL is to be truly responsible for the replacement power costs associated with this incident.

FPL's proposal is deficient because (1) it artificially assumes an outage of eight hours, even though the two nuclear power plants were out for over 100 hours each, and (2) it does not compare the replacement power cost to the cost of running nuclear plants. If accepted by the Commission, FPL's proposal would have customers subsidize the company almost \$14 million for the outage.

Issues

Issue 1: Should FPL credit to customers the replacement power costs attributable to the February 26, 2008 outage?

OPC Position: Yes. FPL agreed that it would be responsible for the cost of the replacement power attributable to the February 26, 2008 outage.

Accordingly, this issue is now moot.

Issue 2: How should the replacement power costs attributable to the February 26, 2008 outage be measured, and what is the amount of such costs?

OPC Position: The Commission should use the true replacement power cost of \$15,974,055, plus interest. This amount reflects the net replacement power costs for the outages of 158 hours at Turkey Point Unit 3 and 107 hours at Turkey Point Unit 4.

Issue 3: What is the appropriate method to credit customers for the replacement power costs determined pursuant to Issue 2?

OPC Position: No position at this time.

Stipulations

Citizens entered into a stipulation with FPL and the Attorney General concerning responsibility for replacement power costs. The Commission accepted the stipulation on January 26, 2010.

Pending Motions

Citizens have no pending motions.

Claims for Confidentiality

Citizens have not made any claims of confidentiality.

Objection to Witness' Qualifications as an Expert

Citizens do not object to the qualifications of any witness who has already filed testimony.

Compliance with Requirements of Order Establishing Procedure

Citizens believe we have complied with the requirements of the Order Establishing Procedure.

Respectfully submitted,

s/ Charlie Beck
Charlie Beck
Deputy Public Counsel

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Citizens' Prehearing Statement has been furnished by electronically and by U.S. Mail on this 17th day of February, 2010, to the following persons:

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