

Diamond Williams

100001-EI

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Sent: Monday, October 04, 2010 4:48 PM
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Cc: CHRISTENSEN.PATTY; McGLOTHLIN.JOSEPH; KELLY.JR; Charles Beck; 'Ken Slater'
Subject: Electronic Filing 100001-EI - OPC's & AG's Response to FPL's Motion for Leave and Motion for Extension of Time to File Testimony
Attachments: OPC's and AG's Response to FPL's Motion for Leave and Motion for Extension of Time.pdf

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 100001-EI

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

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

d. There are a total of eight (8) pages.

e. The document attached for electronic filing is **Citizens' and AG's Response to FPL's Motion for Leave to Revise Fuel Cost Recovery Projections and Motion for Extension of Time to File Testimony.**

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DOCUMENT NUMBER - DATE

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10/4/2010

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 100001-EI
FILED: October 4, 2010

**OPC'S AND AG'S RESPONSE TO FPL'S MOTION FOR LEAVE TO
REVISE FUEL COST RECOVERY PROJECTIONS
AND
MOTION FOR EXTENSION OF TIME TO FILE TESTIMONY**

The Citizens of the State of Florida, through the Office of Public Counsel ("OPC"), and the Attorney General of the State of Florida ("AG") respond to FPL's Motion for Leave to revise its fuel cost recovery projections, and also move for an order extending the deadline for the filing of Intervenor testimony on the subject of projected fuel savings associated with FPL's West County Unit 3, and state:

1. On September 1, 2010, Florida Power & Light Company submitted the testimony of Gerard Yupp. Mr. Yupp sponsored the calculation of the fuel savings to be associated with placing FPL's West County Unit 3 into commercial service.

2. The fuel savings calculation sponsored by Mr. Yupp relates to provisions of a proposed settlement agreement reached among FPL, OPC, AG, and several other intervenors in Docket No. 080677, FPL's recent base rate proceeding. The proposed settlement agreement and a motion seeking approval of the settlement agreement is presently pending before the Commission. The thrust of the proposed settlement agreement is to freeze FPL's rates through the end of calendar year 2012, with limited exceptions. One exception relates to the revenue requirements associated with FPL's West County Unit 3, which is scheduled to be added to FPL's system in June 2011. If approved, the terms of the settlement agreement will permit FPL to collect in 2011, through the capacity cost recovery clause, the portion of the non-fuel revenue requirements of West County 3 that is equivalent to the reduction in fuel costs that the new unit is projected to accomplish during June-December 2011 (the portion of calendar year 2011 during which FPL projects West County 3 will be in service). The terms of the proposed settlement

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agreement contemplate that OPC, AG and the other signatories will have the opportunity to review and, if warranted, challenge FPL's quantification of fuel savings (and therefore the corresponding amount of West County's related capacity cost that FPL may collect through the capacity cost recovery clause.)

3. The calculation of the fuel savings sponsored by Mr. Yupp involves the use of proprietary computer software to perform production costing simulations, using projections and assumptions. On September 14, 2010, OPC and AG filed a motion seeking an extension of time until and including October 4, 2010 for the purpose of filing testimony addressing FPL's calculation of fuel savings associated with West County 3. At the time, OPC believed this extension, while ambitious, would be sufficient to enable OPC's consultant, Ken Slater, to complete his analysis. However, despite FPL's good cooperation, the extension has been proven to be inadequate for the purpose. Specifically, Mr. Slater entered a confidentiality agreement with the owner of the proprietary production costing software, and FPL provided Mr. Slater with the input files and output reports underlying its calculations in a proprietary electronic medium. FPL also has performed one of several alternative simulations that Mr. Slater requested for his needs. However, OPC also served interrogatories and a request to produce documents on the subject of FPL's calculated fuel savings figure pursuant to the Commission's order extending the discovery deadline. OPC received the answers to interrogatories this date and expects to receive responsive documents soon; however, as of today, Mr. Slater has not yet been able to review them. Also, OPC has asked FPL to perform additional alternative production costing simulations prescribed by Mr. Slater that are designed to enable Mr. Slater to examine the effects of certain of FPL's assumptions. That process is progressing, too; however, once Mr. Slater receives the runs he will need time to assess them and factor them into his analysis. (See affidavit of Ken Slater, attached).

4. Finally, after apprising parties of its intent to do so, on October 1, 2010 FPL file a motion for leave to revise its fuel cost recovery calculations to reflect an updated fuel forecast. As Mr. Slater explains in the attached affidavit, the subject calculation of fuel savings is sensitive to virtually all of FPL's assumptions.

5. OPC informed FPL that OPC does not object to FPL's proposal to revise its fuel filing to reflect anticipated reductions in fuel prices, on the condition that the Commission also extends

the deadline for Intervenor testimony. If the Commission grants FPL's motion, then OPC will need sufficient time to review the new filings in terms of the impact on FPL's calculation of fuel savings associated with West County 3.

6. In sum, at this point due to the highly technical nature of the fuel calculations and the logistics for obtaining needed information, as well as and in addition to FPL's motion for leave to resubmit its fuel filing in light of updated fuel price forecasts, OPC needs additional time within which to review FPL's calculations and capacity cost recovery amounts in order to make a full assessment.

7. OPC has contacted counsel for FPL, FIPUG, FEA, FRF, PCS, AFFIRM, STAFF, PEF, TECO, GULF, and FPUC. FPL stated that it does not object to an extension to October 12 if FPL's deadline for rebuttal testimony were extended to Friday, October 22. FIPUG, FEA, and PCS stated that they have no objection to the motion. PEF indicated that it had no position on the motion. AFFIRM, FRF, Staff, FPUC, TECO, and Gulf had not respond by the time the motion had to be filed.

WHEREFORE, OPC and AG move for an order extending the time for filing testimony by Intervenors on the subject of fuel savings that should be associated with West County 3 during June-December, 2011, to and including October 12, 2010.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of **OPC'S and AG's RESPONSE TO FPL'S MOTION FOR LEAVE TO REVISE FUEL COST RECOVERY PROJECTIONS AND MOTION FOR EXTENSION OF TIME TO FILE TESTIMONY** has been furnished by electronic mail on this 4th day of October, 2010, to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 100001-EI

Filed: October 4, 2010

MUNICIPALITY OF MANLY

STATE OF NEW SOUTH WALES, AUSTRALIA

AFFIDAVIT OF KENNETH J. SLATER

Kenneth J. Slater, after first being duly sworn, deposes and states:

1. My name is Kenneth J. Slater. My business address is PO Box 550189, Atlanta, Georgia 30355. I am President of Slater Consulting, which I founded in August 1990. The firm is a small engineering-economic and management consultancy with particular expertise in energy and public utility matters.

2. The Office of Public Counsel has asked me to review Florida Power & Light Company's (FPL) calculation of fuel savings that should be associated with the addition and operation of FPL's new West County Unit 3 in the period June-December, 2011. The calculation arises from the terms of a proposed settlement agreement between FPL and several Intervenors in its recent base rate proceeding, the approval of which is pending before the Commission.

3. The terms of the settlement agreement call for FPL to first simulate its system, using its fuel forecast and all other inputs to a production cost simulation model, to quantify system fuel costs for the purpose of deriving its proposed fuel cost recovery factor. This simulation would include the addition of West County 3 and the "participation" of the new unit as a system resource during June-December, as FPL projects. Then, FPL is to perform the same simulation using identical inputs, with the exception that it will remove West County 3 from the system

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resources incorporated in the model. The difference in system fuel costs will represent the fuel savings associated with West County 3.

4. The calculation of fuel savings, like the calculation of projected system fuel costs used to derive the fuel cost recovery factor, is sensitive to the accuracy and reasonableness of all of the utility's projections and assumptions. Thus, virtually all of the inputs to the simulation would potentially affect the fuel savings number. To review and analyze the calculation of fuel savings requires access to the input files and output reports underlying the calculation. A full review process also requires the ability to either direct the utility to perform runs containing modified inputs or the ability to perform them independently.

5. When OPC engaged me to review FPL's calculation of fuel savings, OPC provided me with the testimony of FPL witness Yupp, who describes and sponsors FPL's calculation of fuel savings associated with West County 3, and with replies to OPC interrogatories. With FPL's cooperation, I signed a confidentiality agreement with the owner of the proprietary PMAREA simulation software that FPL employed to calculate its quantification of fuel savings. FPL then provided me with a PMAREA manual and certain relevant PMAREA runs, output reports and input files in the proprietary electronic format.

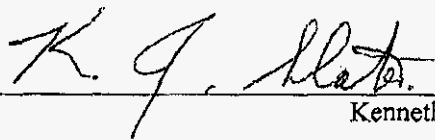
6. In my initial review, I flagged four "variables" that in my estimation warranted further study. Each of these variables affects the amount of fuel savings that would be associated with West County 3 under the comparison delineated in the proposed settlement agreement.

7. At this point in time I have not completed my review, and have not formed any conclusions with respect to whether any adjustments to FPL's calculation of fuel savings are warranted. FPL is in the process of providing me with some additional PMAREA runs that I have requested. Further, when the Commission provided an additional discovery time frame for the subject, OPC served on FPL some additional interrogatories and a request for documents. At the time I am preparing this affidavit, we have not received the additional simulations or answers to the

interrogatories or the documents that OPC requested, although, as I understand it, we expect to receive the responses to the discovery requests on the same day this affidavit will be filed.

8. In addition, Counsel informed me that FPL is in the process of seeking leave to revise its request for a fuel cost recovery factor based on very recent developments in the prices of fuel. If the Commission approves FPL's request, I would need more time to review FPL's latest, revised projections, and the additional runs I have requested, which will take the revised fuel forecasts into account.


FURTHER AFFIANT SAYETH NAUGHT.



Kenneth J. Slater

DATED at Moranby NSW, Australia, this fourth day
of October, 2010.

Sworn to and subscribed before me this 4th day of
OCTOBER, 2010.



Justice of the Peace
J. M. MITCHELL
No: 188794