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September 24, 2012

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COMMISSION  
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-VIA HAND DELIVERY -

Ms. Ann Cole, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Docket No. 120015-EI

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are the original and five (5) copies of its responses to Staff's Second Data Request dated September 17, 2012.

Please contact me at 561-304-5802 if you or your staff have any questions regarding this filing.

Sincerely,

*Jordan A. White*  
Jordan A. White

Enclosure

cc: Parties of Record (w/encl.)

- COM \_\_\_\_\_
- AFD \_\_\_\_\_
- APA \_\_\_\_\_
- ECO \_\_\_\_\_
- ENG \_\_\_\_\_
- GCL \_\_\_\_\_
- IDM \_\_\_\_\_
- TEL \_\_\_\_\_
- CLK \_\_\_\_\_

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by hand delivery to the Clerk, and electronic delivery to the Parties, this 24th day of September, 2012, to the following:

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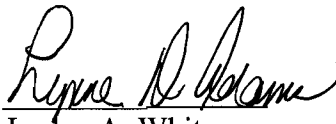
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By:   
for Jordan A. White

**QUESTION**

Please refer to FPL's response to item 9(f) of staff's first data request. Also refer to paragraph 12(a)(ii) and to the bullet on the Asset Management Agreement (AMA).

- a. Will the third party be independent of FPL and Next Era Energy? Please explain and, as part of the response to this question, define "third party" as used in the stipulation and settlement.
- b. The AMA would allow the optimization of functions such as gas storage, gas deliveries, upstream gas purchases, gas transportation, electric transmission, and possibly other functions to be outsourced to a third party. This suggests that efficiencies would be gained with this outsourcing. Why hasn't FPL already sought to take advantage of these efficiencies and pass the benefits on to customers?
- c. In addition to the above, please refer to FPL's response to item 10(a) of staff's first data request. Why does FPL not currently sell gas out of storage for gains and credit the gain to fuel costs?
- d. In addition to the above, please refer to FPL's response to item 10(b) of staff's first data request. Why does FPL not currently sell idle gas transportation and idle electric transmission and credit the gain to fuel costs?

**RESPONSE**

- a. Yes. FPL intends the reference to a third party in paragraph 12(a)(ii) to be defined as an entity that is independent of FPL or NextEra Energy.
- b. FPL has had discussions with unaffiliated third parties regarding Asset Management Agreements within the past two years. Given the decrease in the volatility of natural gas prices, the overall lower level of natural gas prices, and the narrowing of basis differentials between geographic locations, to date FPL has not been able to reach commercially acceptable terms with a third party that are advantageous to FPL's customers. FPL anticipates that, if those market conditions changed in the future, however, that it may become beneficial to FPL and its customers to engage in an Asset Management Agreement.
- c. Selling natural gas out of storage is not currently part of an approved optimization program and is not part of the existing incentive mechanism. Absent an approved program and associated incentive mechanism, FPL would bear the risk for the outcome of each transaction, with no prospect for sharing in the gain. Due to this asymmetrical risk, FPL has not entered into sales of natural gas from storage.

- d. FPL does not currently sell idle gas transportation for the same reasons indicated in response to subpart (c).

FPL does engage in the sale of idle electric transmission. FPL owns long-term firm electric transmission service on the Southern Company system to support its UPS purchased power agreements. Under the terms of the UPS agreements, if FPL does not schedule UPS power by the day-ahead deadline defined in each agreement, FPL loses its scheduling rights for the next-day. If FPL determines that it does not require UPS power for a given day, it can re-post its electric transmission service on Southern Company's OASIS system for other entities to purchase. The revenues from any such sales of idle electric transmission capacity are credited to customers through the fuel clause and/or capacity clause.

**QUESTION**

Please refer to paragraphs 12(a)(i) and (ii) of the proposed stipulation and settlement. For short-term wholesale sales, short-term wholesale purchases, gas storage utilization, delivered city-gate gas sales using existing transport, production (upstream) area sales, capacity release of gas transport, capacity release of electric transmission, and the AMA, please provide an estimate of the gains for 2013.

**RESPONSE**

FPL has not estimated potential gains for additional asset optimization measures in 2013. Several of the asset optimization measures described in paragraph 12(a)(ii) are highly dependent on market conditions and given the relatively low volatility that currently exists in the natural gas market, FPL believes that it could be difficult to execute these types of transactions in 2013. FPL does, however, provide estimates for gains on wholesale sales and savings on wholesale purchases as part of its annual projection filing. As filed on August 31, 2012 as part of its 2013 Projection Filing in Docket No. 120001-EI, FPL is projecting gains on wholesale sales of \$4,238,116 and savings on wholesale purchases of \$30,907,083 for 2013. These projections for 2013 are reflective of current market conditions, as well as the continued change in FPL's generation fleet. In 2010 and 2011, the gains on economy sales were very similar to those projected for 2013. However, the savings on economy purchases were considerably higher in 2010 and 2011 (\$78.3 million and \$64.6 million, respectively). The delta on purchases can be attributed to the significant price disparity between gas and oil, as well as higher burns of heavy oil in the earlier period versus the 2013 and beyond projections.

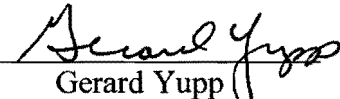
**QUESTION**

Please refer to paragraph 12(b) of the proposed stipulation and settlement. Please provide an estimate of total "incremental optimization costs" for 2013 by function, i.e., short-term wholesale purchases, short-term wholesale sales, etc. and, within each function, by expense category, i.e., incremental personnel, software, etc.

**RESPONSE**

FPL has not definitively determined what level of incremental optimization costs would be required to support an expanded optimization program in 2013. Although subject to change, FPL estimates that two to three additional personnel could be required, in addition to the necessary computer hardware and software to support the additional personnel and activities for 2013. These personnel would be responsible for activities such as gas optimization and scheduling, as well as incremental economy power purchases and sales. The expanded optimization program would be formalized and implemented over time, so it is difficult to predict the ultimate costs that would be incurred during 2013. However, it could be anticipated that the annual incremental costs for three additional personnel, fully loaded, as well as supporting computer hardware and software would be approximately \$500K. FPL is projecting that its wholesale sales volume will not exceed 514,000 MWh in 2013 and therefore, the incremental variable plant O&M costs will be \$0.

**AFFIDAVIT**


  
Gerard Yupp

State of Florida )

County of Palm Beach )

I hereby certify that on this 18 day of September, 2012, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Gerard Yupp, who is personally known to me, and he acknowledged before me that he sponsored the answers to **Data Request Nos. 1-3**, from Staff's Second Set of Data Requests to Florida Power & Light Company in Docket No. 120015-EI, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 18 day of September, 2012.

  
Notary Public, State of Florida

Notary Stamp:

