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ORIGINAL

May 8, 2006

VIA HAND DELIVERY

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
Betty Easley Conference Center
2540 Shumard Oak Boulevard, Room 110
Tallahassee, FL 32399-0850

Re: Docket No. 060225-EI - Petition for determination of need for West County Units 1 and 2 electrical power plants in Palm Beach County, by Florida Power & Light Company

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are an original and fifteen (15) copies of Rebuttal Testimony of FPL witness Steven D. Scroggs.

Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

R. Wade Litchfield

RWL:ec
Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060225-EI
FLORIDA POWER & LIGHT COMPANY

MAY 8, 2006

IN RE: FLORIDA POWER & LIGHT COMPANY'S PETITION TO DETERMINE NEED FOR WEST COUNTY ENERGY CENTER UNITS 1 AND 2 ELECTRICAL POWER PLANT

REBUTTAL TESTIMONY OF:

STEVEN D. SCROGGS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF STEVEN D. SCROGGS

DOCKET NO. 060225-EI

May 8, 2006

Q. Please state your name and business address.

A. My name is Steven D. Scroggs and my business address is 9250 West Flagler Street, Miami, Florida 33174.

Q. Have you previously provided testimony in this docket?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony addresses the direct testimony provided by Ms. Judy Harlow of the Florida Public Service Commission Staff. Contained in Ms. Harlow's testimony are statements or conclusions that indicate she may have overlooked or been unaware of certain facts pertaining to FPL's resource planning process and actions taken by FPL to utilize and encourage fuel diverse methods of generation. My rebuttal testimony seeks to provide this information in response to the issues raised by Ms. Harlow.

Q. In general terms, what issues in Ms. Harlow's testimony will you address?

A. First, it is important to note that the issues discussed in Ms. Harlow's testimony are peripheral to the core issue in this hearing: a Determination of Need for West County 1 and 2. The issues identified by Ms. Harlow are important and complex; however, addressing these issues does not negate the need for West County 1 and 2 in 2009 and 2010, respectively. Nevertheless, it is important that FPL provide its views in response to the issues raised in Ms. Harlow's testimony. Therefore, I will direct my comments to four areas: (1) FPL's Integrated Resource Planning (IRP) Process, (2) FPL's actions in regard to developing solid fuel generation options, (3) FPL's support of renewable generation and other fuel diverse technologies and (4) the three specific recommendations made by Ms. Harlow.

I. FPL's Integrated Resource Planning Process

Q. What statements lead you to be concerned regarding Ms. Harlow's characterization of FPL's Resource Planning Process?

A. Ms. Harlow expresses concern over FPL's "level of commitment to a balanced fuel supply (BFS) approach to planning." (p. 1, lines 18-20) and incorrectly characterizes several changes that have occurred in FPL's Ten Year Site Plans as evidence of FPL's "lack of commitment to seriously pursue coal-fired generation for its system." (p. 3, lines 2, 24; p. 4, lines 2-7).

Q. What information or perspectives would you share in response to Ms. Harlow's comments in this regard?

A. I will provide an overview of FPL's Integrated Resource Planning (IRP) process and how that process is actively addressing the important issue of fuel diversity. The primary objective of FPL's IRP process is to ensure continued reliable service at a reasonable cost, consistent with Chapter 25, Section 22 of the Florida Administrative Code (F.A.C.). The IRP process has numerous inputs that evolve and change over time, including: the magnitude and timing of future electricity needs; the existing and potentially available supply and demand side resources to meet these needs; the expected total cost of resource alternatives; the expected reliability and performance of resources; the effect that adding different resources at different locations will have on fuel supply; fuel diversity; transmission related issues; environmental issues and other factors. As FPL has explicitly stated in its Ten Year Site Plan filings, the effect of resource additions on the fuel diversity of the system is one of the most important issues impacting its resource planning decisions.

The changing nature of the inputs is evidenced by recent changes in the rate of load growth on FPL's system, radical shifts in global fuel price markets, evolving generation technologies and developing emission compliance regulation. Because of the dynamic nature of key inputs, the IRP process must be dynamic as well. The Ten Year Site Plan, as the primary means of communicating the results of the IRP process, must therefore be a living

document that adapts to the changes that result from the dynamic nature of the inputs to the process. The yearly changes in FPL's Ten Year Site Plan, contrary to Ms. Harlow's characterization, are actually the best evidence of FPL's diligence and commitment to continuously evaluate and refine its generation plan in order to meet the needs of FPL's customers in the best possible manner. FPL's IRP process and Ten Year Site Plan have been repeatedly reviewed by the FPSC and correctly judged suitable for planning purposes.

In one particular passage (p. 4, lines 1-3), Ms. Harlow states that changes in need for the year 2010 that occurred between the 2003 Ten Year Site Plan and the 2004 Ten Year Site Plan made a coal unit in 2010 "no longer feasible". This is simply not the case. The fact is that information regarding coal generation technology prior to mid-2003, the point at which a decision to add coal generation in 2010 would have been required, did not support a commitment to add coal generation in 2010. Therefore, as evidenced in FPL's Ten Year Site Plan filings, 2010 was never a target date for an FPL coal addition. As explained below, FPL began an in-depth review of recent developments in solid fuel technology, as well as the costs and what steps would be required for implementation of that technology in the second half of 2003, when evidence of advances in coal technology became available, and completed its analysis in early 2005. It was based on the results of this evaluation that FPL concluded that the addition of coal fired generation would

be beneficial for its customers. Because it is estimated to take at least seven years to place a greenfield (i.e., new site without previously built coal units) coal-fired unit in service after the decision is made, the result identified in the 2005 Ten Year Site Plan was a target date of 2012 for the addition of a greenfield coal unit on FPL's system. The decision could not have been made any earlier.

Q. Are there other areas of Ms. Harlow's testimony that you feel may incorrectly characterize FPL's IRP process?

A. Yes. In discussing IGCC technology (p. 4, lines 17-18) and fuel diverse generation (p. 5, lines 21-22), Ms. Harlow implies that FPL will only consider resources of a size sufficient to completely satisfy a need in a given year. In fact, there is no such limitation and FPL has taken steps to facilitate the participation of smaller generators.

In regard to IGCC, FPL's investigations continue to indicate that there are significant cost and reliability uncertainties that prevent FPL from recommending this technology as a viable alternative for FPL's customers at present. FPL's concerns arise from the current state of development of IGCC technology and are not in any way related to the size of current IGCC additions. For example, FPL has found that manufacturers are unwilling to provide adequate performance guarantees for the gasification equipment or to provide a firm price proposal that FPL could reliably use in its economic

analyses and as the basis for its decision. As it applies to the economic evaluation, advanced technology supercritical coal generation offers significant economies of scale in both cost and efficiency that promote this technology as the most cost-effective and reliable solid fuel technology - and it is offered at a size that can have a significant fuel diversity impact on FPL's 22,000 MW system.

It is also important to note that the Orlando Utilities Commission IGCC project that Ms. Harlow refers to is a "demonstration" project that is substantially funded by the Department of Energy and is being conducted for the purpose of determining whether IGCC technology will effectively operate on Powder River Basin coal. The project is to be configured such that if the project does not operate on Powder River Basin coal, it can be run as a combined-cycle natural gas-fired unit. While FPL recognizes that investigative steps such as these are important in the continued development of IGCC as a viable technology, FPL believes that the more certain cost and performance offered by its advanced technology coal projects are the proper focus for our customers.

The facts surrounding fuel diverse purchases are that FPL has five purchase contracts with Municipal Solid Waste generators equaling approximately 150 MW, four purchase contracts of coal-fueled purchases totaling 1,892 MW, and over 600 MW of additional purchases that are priced on a basis other than

natural gas. FPL also purchases energy on an as-available basis from four renewable generators that contributed over 304,000 MWH of non-natural gas based generation to the FPL system in 2005.

The Request for Proposal (RFP) process is designed to facilitate generators that cannot, independently, satisfy the defined capacity needs. In the past two RFPs, FPL has provided an alterative generating unit, sized smaller than FPL's Next Planned Generating Unit, with the specific intent of facilitating the participation of smaller sized proposals that alone would not satisfy FPL's resource need. In FPL's evaluation process, smaller proposals can be combined with the alternative generating unit and/or other small proposals to meet the total capacity need. Additionally, qualifying facilities, which may use renewable fuels, are exempt from the capacity block size limitations defined in the RFP minimum requirements.

II. FPL's Actions in Developing Solid Fuel Generation

Q. Ms. Harlow's testimony refers to a data request made by FPSC staff in relation to the 2003 Ten Year Site Plan. Would you please describe the specific data requests related to the addition of coal fired generation and FPL's response to those requests?

A. Yes. The Staff's Supplemental Data Request for 2003 asked two specific questions (#5 and #6) regarding the addition of coal fired generation.

Question #5 asked for the "earliest possible in-service date for a pulverized coal unit or a coal gasification combined cycle unit". FPL's response indicated that the development timeline would require six years from the issuance of an RFP with an additional year in advance of that required for site development. The total seven year timeline, if undertaken in 2003, would result in 2010 being the earliest possible in-service date for a pulverized coal unit. FPL further indicated that it was engaged in refining the cost estimates surrounding such an option, identifying suitable sites for a coal-fueled unit and developing a plan to obtain community support at those locations.

Question #6 asked "what levels natural gas prices would have to reach, and for what period, such that a pulverized coal unit or coal gasification combined cycle unit would become a cost-effective addition for FPL?" FPL's response cautioned that fuel prices were only one consideration in deciding on a specific generation alternative. Further, FPL indicated that a preliminary analysis indicated that under the then current fuel forecast for natural gas and delivered coal, a new 2010 pulverized coal unit would be only marginally more economical than a 2010 gas fired combined cycle unit.

Q. Was this response to Staff's question intended as a complete analysis, or an indication that a decision in favor of adding coal generation in 2010 (or any year) was imminent?

A. No. FPL was being responsive and forthcoming with the most current information available at the time. FPL stated in the responses, and later in its 2004 Ten Year Site Plan, that the process of refining the analysis, identifying the best and most reliable technology and locating and securing sites that could host the technology was actively underway. FPL did not state or imply that it had made a decision that would result in the addition of a coal unit in 2010.

Q. Ms. Harlow states that she "expected a formal announcement of a coal unit and a need filing in the first quarter of 2004". Do you agree with this statement?

A. FPL can not speak to Ms. Harlow's expectation, and regrets any miscommunication that may have occurred. However, to be very clear, in early 2004 FPL was in the process of conducting the in-depth investigations, negotiations and analyses necessary to determine whether the selection of coal generation was prudent and in the best interest of our customers. Until this necessary work was completed, FPL could not properly justify the selection of a coal unit. Absent FPL's presentation of such a justification, the Commission would not have before it the information needed to grant a Determination of Need.

Q. Ms. Harlow also states that "FPL should have issued an RFP for a coal unit or requested a waiver from the Commission's RFP rules sometime during 2005". Do you agree with this statement?

A. No. Although FPL had completed studies necessary to include advanced coal generation in its generation plan, additional steps were necessary to more fully develop the cost and risk profiles of coal-fuel generation additions in Florida. FPL believes that it is necessary to have this information prior to issuing an RFP or in the alternative, requesting an exemption from the Bid Rule.

Q. What has been the recent history of the evaluation of coal fired generation in FPL's IRP process and how have these results been communicated to the FPSC and the public?

A. FPL has routinely evaluated the economics of solid fuel generation as part of its resource planning efforts since 1992, when FPL petitioned for a Determination of Need to enter into a power purchase agreement with an entity that proposed to build a coal plant. After that 1992 petition, it was not until late 2003 that FPL's analysis results began to indicate that adding solid fuel generation could be beneficial for FPL's customers at some future point. This analysis was conducted reflecting recent coal generation technology developments and using the then current fuel market conditions and future fuel price forecasts. FPL's initial indications of the economic competitiveness of solid fuel generation were reflected in our 2003 Ten Year Site Plan and responses to the FPSC Staff's 2003 Supplemental Request. In 2004 FPL

confirmed that advanced technology coal generation held promise, but it also determined that there were critical areas of uncertainty that needed to be investigated before FPL could commit to coal generation on behalf of its customers. FPL informed the Commission that it would complete a study of all factors related to coal generation and present a report to the Commission to convey the findings of that study. As Ms. Harlow states, FPL completed the study and presented the report to the Commission in March 2005. FPL indicated that it would proceed with the intent of adding coal generation to its system by 2012. FPL also made it clear that even following this deliberate and detailed study, there were critical areas of uncertainty that could affect the cost-effectiveness of adding coal generation, and that FPL would continue to evaluate these areas of uncertainty and keep the Commission informed. At that point the Commission and the Staff expressed their agreement with FPL's proposed course of action and the proposed timetable. FPL has endeavored throughout to maintain the Commission abreast of the most current information available on these critical issues. It is important to note that regarding the critical areas of uncertainty identified in the March 2005 report, the imposition of a high carbon tax that could make coal generation more costly than other generation alternatives is now considered a distinct possibility.

Q. More to Ms. Harlow's concerns, what specific actions has FPL taken to actively pursue the addition of solid fuel generation to its system?

A. FPL's actions since late 2003 have been directed towards (1) defining the terms under which the addition of solid fuel generation would be beneficial to FPL's customers, (2) refining the solid fuel addition strategy to enhance the benefits and reduce risks to its customers and (3) implementing that addition as early as is reasonably possible. This is the same process FPL follows regarding any and all types of generation.

Specifically, FPL has taken a number of substantive actions towards bringing solid fuel generation into the system. These actions include:

- FPL conducted and disseminated a comprehensive study on current opportunities and issues regarding solid fuel generation (***FPL's Report on Clean Coal Generation, March 2005***). This study was the result of over a year of engineering due diligence, commercial negotiation and analytical review.
- A dedicated team was staffed to develop all necessary aspects of FPL's future advanced coal technology projects including: local approvals and public outreach, environmental issues and concerns, and a considerable effort to obtain competitive rail transport and coal terminal agreements.
- FPL contracted with Sargent & Lundy to develop conceptual designs for the coal plant.
- FPL contracted with Worley-Parsons to develop detailed design engineering plans for the Southwest St. Lucie Power Project (SWSLPP).

- FPL conducted extensive activities directed at obtaining zoning and other governmental approvals and encouraging public understanding and acceptance of the SWSLPP project, as set forth in more detail below.
- FPL completed a site certification application, prior to obtaining the required county approval (which subsequently was not granted), as part of FPL's efforts to accelerate the development of the SWSLPP.

As a result of these activities, FPL spent approximately $4.4 million in an effort to add coal-based generation to the FPL system as rapidly as possible in advance of any regulatory approvals. These efforts, while originally targeted to support the SWSLPP project, have remained engaged and are now focused on the advanced coal project currently reflected in FPL's 2006 Ten Year Site Plan.

It is important to note that FPL must overcome a number of significant challenges before it can proceed to construct a coal-fueled unit. It must obtain a new site, as well as the local zoning, permits and authorizations. In addition, once the coal-fueled addition is granted a Determination of Need, approval by Florida's Power Plant Siting Board is required. Obtaining all the numerous governmental approvals on a timely basis is not assured.

Q. Could you please discuss the efforts that FPL has conducted to site coal-fired generating capacity in St. Lucie County?

A. As part of its coal generation efforts, FPL conducted a comprehensive site selection study encompassing a geographic area that included Southern Georgia, Southeastern Alabama, all of Florida, and the Bahamas. In the fall of 2004 FPL determined that the best location for its proposed supercritical pulverized coal addition would be a 7,300 acre site in Southwest St. Lucie County. FPL submitted the County-required rezoning and conditional use application for the site in April 2005.

FPL conducted an extensive community outreach program to share information about the project and develop support for siting it in St. Lucie County. The outreach efforts began in January of 2005 and continued into November 2005. Dozens of presentations and opportunities for dialogue were provided to homeowners' associations, civic clubs, local governments and community organizations. FPL utilized numerous channels to obtain and respond to community input, including open houses, newsletters, advertising, a toll free number to contact project representatives and an interactive website. As a result, the project was developed addressing and incorporating community interests. FPL committed to design the project in a way that would offer significant environmental benefit by using excess stormwater and provide an opportunity for the South Florida Water Management District to acquire a large portion of the site for use in its Indian River Lagoon project. In addition, FPL committed to donate another large portion of the site to the county for use as a park and a preserve area. FPL worked extensively with

local government agencies to ensure that the project met their standards and provided opportunities for improvements to local infrastructure and emergency services. Overall public support for the project was positive, with 73% of those polled in St. Lucie County indicating their approval of the project.

In October 2005, the County staff recommended approval of the FPL application, the independent investigator retained by the County recommended approval of the FPL project, and the St. Lucie County Planning and Zoning Board voted for approval of the application. These were encouraging results. Unfortunately, however, the St. Lucie County Commission rejected the application on November 7, 2005.

Q. What action has FPL taken since St. Lucie County's rejection to obtain an alternate site for its proposed coal-fueled units?

A. Beginning immediately after the St. Lucie County Commission vote, FPL refocused its efforts on updating its comprehensive site analysis completed in advance of the SWSLPP effort, to identify alternate sites for advanced technology supercritical coal power plant development. To this end, FPL completed an independent analysis of the local permitting requirements in the most likely candidate counties for development, conducted meetings with local leadership committees, and performed other information-gathering activities designed to ascertain the level of receptivity of those counties to the

economic benefits associated with the construction and operation of an advanced technology coal-fired electric power plant.

The effort also included a comprehensive study of potential sites, based on the following six criteria:

(1) Dual rail access allowing competition at origin and destination for the delivery of domestic and foreign coal and petroleum coke;

(2) Adequate property to site a large-coal fired power plant (approximately 1.5 acres or more per megawatt of generation);

(3) Adequate water supplies with multiple water sources;

(4) Location of property close to FPL's major load centers;

(5) Location of property allowing feasible transmission interconnection and integration; and

(6) Sites with a minimum of environmental impediments to permitting (e.g., wetlands, threatened and endangered species, contamination, etc.).

As a result of these efforts, alternate sites have been identified and site acquisition negotiations are underway. Once a site or sites are acquired, FPL will commence public outreach activities, local permitting activities, and preparation of the requisite Site Certification Application (SCA) studies and documentation. Thus, FPL continues to actively and aggressively pursue alternative sites.

Q. Has FPL undertaken any other actions to mitigate the impact of high and volatile natural gas prices on the FPL system?

A. Yes. The addition of self-build coal fired generation is not the only effort to address fuel diversity or mitigate the impact of high and volatile natural gas prices. FPL's other actions include:

- FPL publicly communicated its desire for fuel diverse generation in several documents, including the 2005 RFP for over 2,400 MW of generation in the period 2009-2011 (the result being the subject of this docket). However, even though this RFP was open to solid fuel and diverse generation sources, no bids of this type were received.
- FPL re-evaluated its capacity for cost-effective DSM reflecting the significant load forecast change and higher forecasted fuel prices following the summer of 2005. As a result of this evaluation, FPL expects to increase DSM capability by over 300 MW above the current DSM Goals by 2009.
- FPL held an RFP for Liquefied Natural Gas (LNG) supply in early 2005, the conclusion of which was that none of the proposals submitted provided sufficient customer benefits needed to enter into a long term supply agreement necessary to support a new LNG facility. However, FPL has continued to pursue this alternative.
- FPL continues to investigate the feasibility of Integrated Gasification Combined Cycle (IGCC) generation to resolve the reliability and cost uncertainty around this technology.

- FPL has maintained close ties to its existing renewable and solid fuel generation providers aimed at maintaining or extending current agreements. FPL purchases power from seven generators using renewable sources. FPL also is pursuing additional purchases of coal-based energy and capacity as those opportunities arise on the market or are presented by developers.
- FPL voluntarily instituted a natural gas hedging program that uses market contract instruments to reduce the volatility of natural gas prices through a systematic purchasing program. FPL continues to pursue this and other gas procurement strategies that can reduce fuel price volatility.
- FPL submitted a Letter of Intent to the Nuclear Regulatory Commission on April 3, 2006 indicating it is taking the initial steps necessary to develop new nuclear power generation.
- As stated in my direct testimony, the addition of West County 1 and 2 will improve FPL's system average heat rate by about 4 percent. This means that in general, FPL will utilize 4 percent less natural gas to produce the same amount of electricity, thus mitigating the effect of high gas prices.

III. FPL's Support of Renewable Generation and other Fuel Diverse Generation

Q. Ms. Harlow takes issue with FPL's recent actions in regard to renewable generation. What would you offer in response to this criticism?

A. The issues raised by Ms. Harlow regarding the "avoided cost" and contract terms under a Standard Offer Contract for the purchase of electricity

generated from renewable sources are the subject of a separate proceeding and not directly related to the petition for Determination of Need filed by FPL for West County 1 and 2. FPL believes its 2008 Renewable Standard Offer contract is fully compliant with all applicable statutes and rules. I assume that any concerns will be adequately and appropriately addressed in the currently open docket on the Renewable Standard Offer Contract. Furthermore, based on the avoided cost rules in effect today, FPL believes that the revenue stream that results from the application of its proposed avoided unit provides sufficient incentives to developers that intend to provide reliable capacity and energy from renewable resources.

FPL promotes the addition of generation that uses renewable resources to produce electricity in a number of ways beyond the Renewable Standard Offer Contract. FPL is willing to negotiate bi-lateral contracts with suppliers of renewable capacity and energy under pricing provisions and terms that may better match the specific characteristics of those suppliers. FPL also invites renewable suppliers to provide proposals in response to FPL's RFPs. FPL will continue to invite existing and potential future renewable suppliers to contact FPL with their plans and proposals.

More specific to this proceeding is the fact that there is not, nor will there be, sufficient renewable generation by 2009 or 2010 to replace or defer West County 1 and 2 in 2009 and 2010, respectively.

IV. FPL's Response to Recommendations

Q. Ms. Harlow makes three recommendations. How do you respond to these recommendations?

A. First, FPL wishes to recognize that the recommendations made by Ms. Harlow are not specifically related to FPL's petition for Determination of Need regarding West County 1 and 2, and that the actions FPL may take in regard to these recommendations would not negate the need for West County 1 and 2. Nevertheless, FPL takes Ms. Harlow's recommendations very seriously and provides the following response.

The first recommendation encourages FPL to accelerate its actions to install coal capacity. I can assure the Commission that FPL has given the addition of coal generation a high priority and that FPL has been pursuing this objective diligently. There is merit to Ms. Harlow's recommendation in that an exemption from the Bid Rule would help streamline the approval process. FPL agrees that the development of the project has matured to a point that it is now appropriate to initiate the regulatory approval process for coal-based generation and FPL does intend to file a petition for exemption from the Bid Rule for advanced coal generation. It is important to note that many of the uncertainties identified in ***FPL's Report on Clean Coal Generation*** remain, including escalating construction costs, dynamic fuel markets and potential

future emission regulations, especially the possibility of a high carbon tax that could make coal generation more costly than other generation alternatives. Furthermore, as stated before, in order to construct a coal plant FPL must obtain a site, as well as the local zoning, permits and authorizations, in a timely manner. Additionally, once a project has received an affirmative Determination of Need, timely approval of that project by the Governor's Power Plant Siting Board is imperative. Obtaining all of the approvals for a new coal-fired plant on a timely basis is not assured. However, FPL will continue to pursue this effort diligently. Obtaining an exemption from the Bid Rule would help to place the coal additions in service sooner.

The second recommendation pertains to FPL's Renewable Standard Offer Contract that is currently under consideration by the Commission in another docket and is unrelated to the petition for Determination of Need filed by FPL for West County 1 and 2. I will reiterate that FPL believes that its 2008 Renewable Standard Offer Contract is fully compliant with all applicable statutes and rules and that FPL believes that the revenue stream that results from the application of its proposed avoided unit provides correct and sufficient incentives to developers of renewable resources.

The third recommendation encourages FPL to actively pursue purchase power opportunities for coal-based generation. FPL continues to pursue all opportunities to obtain coal-based generation for its customers. In general,

there are three sources from which FPL may purchase coal-based generation. Purchased coal-based generation may be delivered "by-wire" via the bulk transmission interconnection with Southeastern Electric Reliability Council (SERC), delivered through the Florida interconnected transmission grid from existing coal-based generation, or delivered through the Florida interconnected transmission grid from developing coal-based generation.

As to the "coal-by-wire" approach, FPL was able to negotiate, and the Commission has approved, a new contract that maintains all the firm coal-based generation from the existing UPS contract that remains after Alabama Power decided to dedicate its Miller units to serve its own retail customers, and retains all of the transmission capacity to deliver potential future coal-based purchases from the SERC region. Maintaining the rights to this transmission capacity is pivotal to providing FPL's customers with access to a region with a significant coal-based generation portfolio. Existing coal-based generation in Florida is fully committed to serve native load customers or existing purchase contracts for the foreseeable future. Finally, the most realistic alternative for adding purchased coal-fueled generation to FPL's system lies in new construction projects in Florida, particularly in south Florida, because projects that rely on transmission from SERC or the central and northern portion of Florida will incur significant transmission-related costs, including the cost of transmission infrastructure and the cost of losses incurred with conveying the power over long distances. Nearly all of the recently announced projects within Florida are being developed by load

serving entities to serve their own native load. FPL has been in discussions with Lakeland Utilities regarding a potential teaming arrangement on a new unit at the McIntosh facility. FPL will continue to pursue opportunities from all three sources in its ongoing resource planning efforts.

Q. Does this conclude your testimony?

A. Yes.