

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition to determine need for Turkey Point Unit 5 electrical power plant, by Florida Power & Light Company. || DOCKET NO. 040206-EI
ORDER NO. PSC-04-0552-PHO-EI
ISSUED: May 27, 2004

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on May 24, 2004, in Tallahassee, Florida, before Commissioner Rudolph "Rudy" Bradley, as Prehearing Officer.

APPEARANCES:

CHARLES A. GUYTON, ESQUIRE, Steel, Hector & Davis LLP, Suite 601, 215 S. Monroe St., Tallahassee, Florida 32301
R. WADE LITCHFIELD, ESQUIRE, and NATALIE F. SMITH, ESQUIRE, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408
On behalf of Florida Power & Light Company.

JON C. MOYLE, JR., ESQUIRE
Moyle, Flanigan, Katz, Raymond and Sheehan, P.A., The Perkins House, 118 North Gadsden Street, Tallahassee, Florida 32301
On behalf of Calpine Energy Services, Inc.

STEPHEN C. BURGESS, DEPUTY PUBLIC COUNSEL, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

JENNIFER BRUBAKER, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission.

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

II. CASE BACKGROUND

DOCUMENT NUMBER-DATE

06072 MAY 27 04

FPSC-COMMISSION CLERK

Pursuant to Section 403.519, Florida Statutes, and Rule 25-22.081, Florida Administrative Code, Florida Power & Light Company (FPL) filed a petition on March 8, 2004, for determination of need for a proposed electrical power plant located in Dade County. This proceeding is being held to determine whether the proposed Turkey Point Unit 5 meets the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, whether the proposed plant is the most cost-effective alternative available, whether there are any conservation measures that can mitigate the proposed power plant, and any other matters within the Commission's jurisdiction that it deems relevant, according to the requirements of Section 403.519, Florida Statutes.

By Order No. PSC-04-0325-PCO-EI, issued March 30, 2004, a procedural schedule was established for this docket and a hearing was set for June 2 and 3, 2004. By Order No. PSC-04-0432-PCO-EI, issued April 28, 2004, Calpine Energy Services, L.P. (Calpine) was granted intervention in this proceeding. The intervention of the Office of Public Counsel (OPC) was acknowledged by Order No. PSC-04-0506-PCO-EI, issued May 17, 2004. On May 21, 2004, Calpine filed a Notice of Voluntary Dismissal from this proceeding.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapters 120, 366 and 403, Florida Statutes. This prehearing conference will be governed by those Statutes and Chapters 25-22 and 28-106, Florida Administrative Code.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

1. Any parties intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- a) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- c) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- d) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Commission Clerk and Administrative Service's confidential files.

V. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be

included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 40 pages, and shall be filed at the same time.

VI. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VII. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, each witness whose name is preceded by an asterisk (*) has been excused from this hearing if no Commissioner assigned to this case seeks to cross-examine the particular witness. Parties shall be notified as to whether any such witness shall be required to be present at hearing. The testimony of excused witnesses will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony, as shown in Section IX of this Prehearing Order, shall be identified and admitted into the record.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
*Rene Silva	FPL	1, 2, 3, 5, 6
*Steven R. Sim	FPL	1, 2, 3, 4, 5, 6
*Moray P. Dewhurst	FPL	1, 5, 6
*William E. Avera	FPL	5, 6
*C. Martin Mennes	FPL	1, 2, 3, 5, 6
*N. Dag Reppen	FPL	2, 3, 5, 6
*Leonardo E. Green	FPL	2, 3, 5, 6
*Gerard J. Yupp	FPL	2, 3, 5, 6
*David N. Hicks	FPL	3, 5, 6, 7
*Alan S. Taylor	FPL	3, 5, 6

VIII. BASIC POSITIONS

FPL: FPL seeks a determination of need for Turkey Point Unit 5. FPL needs Turkey Point Unit 5 to maintain electric system reliability and integrity and to continue to provide adequate electricity to its customers at a reasonable cost. Without the timely addition of Turkey Point Unit 5, FPL will fail to meet its required 20 percent reserve margin in 2007.

Turkey Point Unit 5 is also needed to help address the issues associated with the Southeast Florida imbalance of load and generation on FPL's system, such as reducing demand and energy losses and costs associated with operating more expensive Southeast Florida combustion turbines. As discussed in FPL's 2003 Ten Year Site Plan and as highlighted in its 2003 Request for Proposals ("RFP"), there is a growing imbalance between the amount of generating capacity located in the southeast area of FPL's service territory and the electrical load for this region. The electrical load for this region has traditionally been the largest portion of FPL's entire system load, and it continues to grow. There are no scheduled generation additions in the area or transmission upgrades that would increase the capability to import more power into this area.

FPL decided to proceed with licensing of Turkey Point Unit 5 only after conducting an internal review of supply-side and demand-side alternatives and after engaging in an extensive capacity solicitation process in accordance with Rule 25-22.082, Florida Administrative Code (the "Bid Rule"). During its internal review of supply-side alternatives, FPL quantified and evaluated each alternative's impact on FPL's system production costs, as well as transmission-related costs. Ultimately, FPL selected Turkey Point Unit 5 as the best, most cost-effective alternative.

Turkey Point Unit 5 will be a highly efficient and highly reliable, state-of-the-art unit. The location of the new Unit 5 at the existing Turkey Point complex and the selection of the combined cycle technology will maximize the beneficial use of the site while minimizing environmental, land use and cost impacts typically associated with development of a nominal 1,144 MW power plant.

FPL also engaged in an extensive capacity solicitation process through its RFP in compliance with the Bid Rule. Proposals received in response to its RFP were used to develop candidate portfolios in configurations that satisfied the 2007 need. FPL's and the independent evaluator's extensive economic evaluations of these proposals included quantifying and considering generation-related costs, transmission-related costs (including transmission interconnection and integration costs, energy and capacity losses and increased operational costs), as well as the impact of each portfolio on FPL's capital structure minus mitigating factors offered by purchased power options. FPL calculated each option's transmission-related costs by calculating the revenue requirements associated with transmission interconnection and integration for each option as well as each option's impact on FPL's transmission losses and costs of operating less efficient gas turbines in Southeast Florida.

The impact of purchased power portfolios on FPL's capital structure was recognized by an equity adjustment according to the methodology contained in the RFP. Because rating agencies treat a portion of a purchasing utility's firm capacity payment as an off-balance sheet obligation, the equity adjustment represents a real cost associated with purchasing power that must be recognized in assessing purchased power options. Purchased power options provide some mitigation, through completion and performance security, to potential costs the purchasing utility might otherwise incur through a self-build alternative. This mitigating value was estimated and factored into the evaluation. The value of the mitigation is applied in the equity adjustment calculation to offset the cost of portfolios containing purchased power options. The sum of each portfolio's generation costs, transmission costs, and cost impact on capital structure minus

the mitigating factors represented the total system costs to FPL customers for the portfolio.

- * FPL's final cost comparisons from its RFP evaluation demonstrated a clear and substantial separation in cost between Turkey Point Unit 5 and all other alternatives. Including the results of the net equity adjustment analysis, the total economic benefit of Turkey Point Unit 5 relative to the next best alternative is \$271 million (CPVRR).

FPL concluded from its evaluation that Turkey Point Unit 5 is the best and most cost-effective alternative to satisfy FPL's 2007 capacity need. An independent evaluation confirmed FPL's conclusion.

FPL attempted to avoid or defer constructing the unit by considering and pursuing demand-side options reasonably available to it, but concluded that it could not avoid or defer its need to construct Turkey Point Unit 5. For all of these reasons, as more fully developed in FPL's Need Study and direct testimony, FPL respectfully requests that the Commission grant a favorable determination of need for Turkey Point Unit 5.

OPC: As Petitioner, Florida Power and Light Company (FPL) has the burden to demonstrate that its proposal for Turkey Point Unit 5 meets the requirements of Section 403.519, Florida Statutes, and Rules 28-22.080, 25-22.081 and 25-22.082, Florida Administrative Code.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

IX. ISSUES AND POSITIONS

ISSUE 1: PROPOSED STIPIULATION NUMBER 1

ISSUE 2: PROPOSED STIPULATION NUMBER 2

ISSUE 3: PROPOSED STIPULATION NUMBER 3

ISSUE 4: PROPOSED STIPULATION NUMBER 4

ISSUE 5: PROPOSED STIPULATION NUMBER 5

ISSUE 6: PROPOSED STIPULATION NUMBER 6

ISSUE 7: PROPOSED STIPULATION NUMBER 7

ISSUE 8: PROPOSED STIPULATION NUMBER 8

X. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
Moray P. Dewhurst, Leonardo E. Green, David N. Hicks, C. Martin Mennes, N. Dag Reppen Rene Silva, Steven R. Sim, Gerard J. Yupp	FPL	<u>Need Study for Electrical Power Plant 2007</u>	Detailed analysis containing (i) a description of the utility primarily affected; (ii) a description of the proposed power plant; (iii) a discussion of FPL's need for the proposed power plant; (iv) a discussion of FPL's process for determining the best available option; (v) a discussion of non-generating alternatives and the effects of DSM efforts on the timing and size of the proposed plant; (vi) an evaluation of the adverse consequences that will result if the proposed power plant is not added in the size or time sought
Moray P. Dewhurst, Steven R. Sim	FPL	<u>Need Study App. C-5</u>	Net Equity Adjustment Calculations for Proposals including Mitigation Adjustment
Leonardo E. Green, Steven R. Sim	FPL	<u>Need Study App. C</u>	Computer Models Used in Resource Planning
William E. Avera	FPL	<u>WEA-1</u>	Resume of William E. Avera

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Moray P. Dewhurst	FPL	<u>Need Study App. G</u>	Financial and Economic Assumptions
"	FPL	<u>MPD-1</u>	Standard and Poor's (S&P) article: <i>Research: Energy Merchant Debt Prospects: When "Worst-Case" Scenarios Become the "Base Case,"</i> February 2, 2004.
Leonardo E. Green	FPL	<u>Need Study App. E</u>	Load Forecast
"	FPL	<u>LEG-1</u>	FPL 2003 Mix of Revenue Classes
"	FPL	<u>LEG-2</u>	Net Energy for Load
"	FPL	<u>LEG-3</u>	Summer Peak
"	FPL	<u>LEG-4</u>	Winter Peak
"	FPL	<u>LEG-5</u>	Total Customers
"	FPL	<u>LEG-6</u>	Net Energy for Load Per Customer
"	FPL	<u>LEG-7</u>	Summer Peak Per Customer
"	FPL	<u>LEG-8</u>	Winter Peak Per Customer
"	FPL	<u>LEG-9</u>	Comparison of Summer Peak Forecasts

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
"	FPL	<u>LEG-10</u>	Comparison of Winter Peak Forecasts
"	FPL	<u>LEG-11</u>	Comparison of Net Energy for Load Forecasts
"	FPL	<u>LEG-12</u>	Comparison of Customer Forecasts
"	FPL	<u>LEG-13</u>	2003 Forecast Variances
David N. Hicks	FPL	<u>Need Study App. J</u>	Next Planned Generating Unit
"	FPL	<u>DNH-1</u>	Typical 4x1 CC Unit Process Diagram
"	FPL	<u>DNH-2</u>	FPL Operational Combined Cycle Plants & FPL Combined Cycle Construction Projects In Progress
"	FPL	<u>DNH-3</u>	Turkey Point Plant Vicinity Map
"	FPL	<u>DNH-4</u>	Turkey Point Unit 5 Proposed Power Block Area
"	FPL	<u>DNH-5</u>	Turkey Point Unit 5 Fact Sheet
"	FPL	<u>DNH-6</u>	Overall Water Balance for the Turkey Point Site
"	FPL	<u>DNH-7</u>	Turkey Point Unit 5 Expected Construction Schedule
"	FPL	<u>DNH-8</u>	Turkey Point Unit 5 Construction Cost Components

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
C. Martin Mennes	FPL	<u>Need Study App. A</u>	Interconnection with Other Utilities
N. Dag Reppen	FPL	<u>Need Study App. K</u>	Transmission Integration Cost Estimates
"	FPL	<u>Need Study App. L</u>	Transmission Capacity Loss Estimates
"	FPL	<u>Need Study App. N</u>	Increased Operating Cost Estimates
"	FPL	<u>NDR-1</u>	Summary of Requirements and Cost for Upgrades or New Construction
"	FPL	<u>NDR-2</u>	Transmission Loss Estimates
"	FPL	<u>NDR-3</u>	Increased Operating Cost Estimates in Southeast Florida
Rene Silva	FPL	<u>Need Study App. B</u>	Unit Capabilities
"	FPL	<u>Need Study App. D</u>	2003 RFP
"	FPL	<u>Need Study App. H</u>	2003 RFP Notices and News Release
"	FPL	<u>Need Study App. I</u>	2003 RFP Questions and Answers

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
"	FPL	<u>Need Study App. O</u>	Non-Economic Evaluation
"	FPL	<u>RS-1</u>	A list of the four organizations that responded to FPL's RFP, and the number and type of proposals submitted by each
"	FPL	<u>RS-2</u>	A list of proposals received by FPL in response to its RFP, and the capacity, technology and term of each proposal
"	FPL	<u>RS-3</u>	Rankings of Portfolios Prior to Announcement of Finalist, including all costs
"	FPL	<u>RS-4</u>	Summary of Unsatisfied Minimum Requirements for each of the proposed projects
"	FPL	<u>RS-5</u>	Final Rankings After Best and Final Offer, including all costs
Steven R. Sim	FPL	<u>Need Study App. M</u>	Transmission Capacity and Energy Loss Cost Estimates
"	FPL	<u>Need Study App. P</u>	Approved DSM Programs
"	FPL	<u>Need Study App. C-1</u>	Summary of Proposal Information
"	FPL	<u>Need Study App. C-2</u>	EGEAS Runs for all Portfolios – TP CC 5

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
"	FPL	Need Study App. C-3	EGEAS Runs for all Portfolios – TP 4 CTs & Proposal 4 before Best and Final Offer
"	FPL	Need Study App. C-4	EGEAS Runs for all Portfolios – TP 4 CTs & Proposal 4 after Best and Final Offer
"	FPL	SRS-1	Projection of FPL’s 2007 Capacity Need
"	FPL	SRS-2	FPL’s Commission-Approved DSM Goals
"	FPL	SRS-3	Summary of FPL Self-Build Options Considered
"	FPL	SRS-4	Summary of Evaluation of FPL Construction Options to Meet 2007 Need: Top 5 Options
"	FPL	SRS-5	List of Organizations Submitting Proposals
"	FPL	SRS-6	Summary of Proposals
"	FPL	SRS-7	Summary of Portfolios Evaluated
"	FPL	SRS-8	FPL Rankings of Portfolios - EGEAS Costs Only
"	FPL	SRS-9	FPL Rankings of Portfolios - EGEAS & Transmission-Related Costs Only
"	FPL	SRS-10	Calculation of Peak Hour Loss Cost for the FPL 4 CT & Proposal 4 Portfolio

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
"	FPL	<u>SRS-11</u>	Calculation of Annual Energy Loss Cost for the FPL 4 CT & Proposal 4 Portfolio
"	FPL	<u>SRS-12</u>	FPL Rankings of Portfolios Prior to Short List Announcement -All Costs
"	FPL	<u>SRS-13</u>	FPL Final Rankings of Portfolios After Best and Final Offer from Short List Proposer
"	FPL	<u>SRS-14</u>	FPL Final Rankings of Portfolios
Alan S. Taylor	FPL	<u>AST-1</u>	Resume of Alan S. Taylor
"	FPL	<u>AST-2</u>	Sedway Consulting's Independent Evaluation
Gerard J. Yupp	FPL	<u>Need Study App. F</u>	Fuel Forecast

The parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

XI. PROPOSED STIPULATIONS

The following are proposed stipulations to which FPL and Staff agree, and to which OPC has no objection.

1. FPL has complied with all aspects of Rule 25-22.082, Florida Administrative Code, "Selection of Generating Capacity." In a September 2003 preliminary RFP objections proceeding initiated by PACE, the Commission concluded that PACE's objections to FPL's RFP did not demonstrate that FPL's RFP violated the Bid Rule. The uncontested evidence filed by FPL in this docket shows FPL complied with the Bid Rule.

2. There is a need for the proposed Turkey Point Unit 5, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes. Absent the timely addition of Turkey Point Unit 5, FPL's summer reserve margins will fall to 14.7 percent in the summer of 2007, well below the Commission-approved 20 percent reserve margin planning criterion. Further, the addition of Turkey Point Unit 5 will enhance FPL's operating flexibility and system reliability in Southeast Florida by reducing the growing imbalance between generation and load in this region.
3. There is a need for the proposed Turkey Point Unit 5, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes. Turkey Point Unit 5 will be a highly efficient and reliable, state-of-the-art unit producing low-cost electricity for FPL's customers. It is the lowest cost option available to meet the 2007 needs of FPL's customers.
4. There are no additional conservation measures taken by or reasonably available to Florida Power & Light Company which might mitigate the need for the proposed Turkey Point Unit 5. In assessing its 2007 need, FPL assumed implementation of all reasonably achievable, cost-effective conservation and load management measures previously determined by the Commission to be available to FPL.
5. The proposed Turkey Point Unit 5 is the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes. In evaluating its next planned generating unit, FPL quantified and evaluated each alternative's impact on FPL's system production costs and transmission-related costs. Ultimately, FPL selected the Turkey Point combined cycle option as the best, most cost-effective alternative and identified it as its next planned generating unit.

FPL also engaged in an extensive capacity solicitation process through its RFP in compliance with the Bid Rule. Proposals received in response to its RFP were used to develop candidate portfolios in configurations that satisfied the 2007 need. FPL's and the independent evaluator's extensive economic evaluations of these proposals included quantifying and considering generation-related costs, transmission-related costs (including transmission interconnection and integration costs, energy and capacity losses and increased operational costs), as well as the impact of each portfolio on FPL's capital structure minus mitigating factors offered by purchased power options. FPL calculated each option's transmission-related costs by calculating the revenue requirements associated with transmission interconnection and integration for each option as well as each option's impact on FPL's transmission losses and costs of operating less efficient gas turbines in Southeast Florida.

The impact of purchased power portfolios on FPL's capital structure was recognized by an equity adjustment according to the methodology contained in the RFP. Because rating agencies treat a portion of a purchasing utility's firm capacity payment as an off-balance sheet obligation, the equity adjustment represents a real cost associated with purchasing power that must be recognized in assessing purchased power options. Purchased power options provide some mitigation, through completion and performance security, to potential costs the purchasing utility might otherwise incur through a self-build alternative. This mitigating value was estimated and factored into the evaluation. The value of the mitigation is applied in the equity adjustment calculation to offset the cost of portfolios containing purchased power options. The sum of each portfolio's generation costs, transmission costs, and cost impact on capital structure minus the mitigating factors represented the total system costs to FPL customers for the portfolio.

Final cost comparisons from the RFP evaluation demonstrated that Turkey Point Unit 5 offered a \$271 million (cumulative present value revenue requirements, CPVRR) advantage compared to the next most competitive proposal. An independent evaluation confirmed FPL's conclusions. Turkey Point Unit 5 is FPL's best, most cost-effective alternative for meeting the 2007 needs of FPL's customers.

6. Based on the resolution of the foregoing issues, and as more fully developed in FPL's Need Study and direct testimony, the Commission should grant Florida Power & Light Company's petition to determine the need for the proposed Turkey Point Unit 5.
7. If an affirmative determination of need is granted, FPL should be required to annually report the budgeted and actual cost compared to the \$580.3 million estimated total in-service cost of Turkey Point Unit 5. Although the Bid Rule does not require that a utility annually report budgeted and actual costs associated with a proposed power plant, FPL is amenable to providing such information on an annual basis. Some costs may be higher than estimated and other costs may be lower, but FPL agrees that providing this information on an annual basis will allow Commission Staff to monitor FPL's progress towards achieving its estimated total cost of \$580.3 million. The categories to be reported are: Major Equipment/EPC, Permitting, Transmission Interconnection and Integration, FGT Infrastructure Upgrades, Operations and Start-Up, Project Management, Owners Costs, and AFUDC. In providing this information by category FPL wants to clarify that the capital cost used in the evaluation that resulted in selecting Turkey Point Unit 5 as the most cost-effective resource option to meet FPL's 2007 need is the total estimated cost of \$580.3 million and that any underruns in one category will be used to off-set any overruns in another category. Per the Bid Rule, FPL would need to demonstrate that costs in addition to the \$580.3 million were prudently incurred and due to extraordinary circumstances for such additional costs to be recoverable. If, on the other hand, the actual total cost is less than \$580.3 million, customers will receive the benefit of such cost underruns.

8. Following the issuance of an affirmative determination of need for Turkey Point Unit 5, this docket should be closed.

XII. PENDING MOTIONS

There are no pending motions at this time.

XIII. PENDING CONFIDENTIALITY MATTERS

There is one pending confidentiality matter: FPL's Request for Confidential Classification for Certain Information Provided in Connection with FPL's Response to Staff's First Set of Interrogatories, dated May 7, 2004.

XIV. RULINGS


1. Opening statements, to the extent they are made, shall be limited to ten minutes for each party.
2. The Notice of Voluntary Dismissal, filed by Calpine on May 21, 2004, is hereby acknowledged.
3. FPL's withdrawal of its Motions to Compel, filed on May 6, 2004 and May 18, 2004, respectively, is hereby acknowledged.

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It is therefore,

ORDERED by Commissioner Rudolph "Rudy" Bradley, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Rudolph "Rudy" Bradley, as Prehearing Officer, this 27th day of May, 2004



RUDOLPH "RUDY" BRADLEY
Commissioner and Prehearing Officer

(S E A L)

JSB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.