Steel Hector & Davis
Tallahassee, Florida

Jonathan E. Sjostrom
(904) 222-2300

January 23, 1996

ORIGINAL
FILE COPY

BY HAND DELIVERY

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399-0850

RE: DOCKET NO. 960001-EI

Dear Ms. Bayó:

Yesterday, Florida Power & Light Company filed its Request for Confidential Classification Regarding December, 1995 A Schedules. Exhibit "B" to that filing was a copy of the Affidavit of Rene Silva.

Enclosed is the original Affidavit of Rene Silva. Please call me if you have any questions regarding this transmittal.

Respectfully submitted,

Jonathan Sjostrom

TAL/14186
Enclosure

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FPSC-RECORDS/REPORTING

Miami Office
41st Floor
200 South Biscayne Boulevard
Miami, FL 33131-2398
(305) 577-7000
Fax (305) 577-7001

West Palm Beach Office
1900 Phillips Point West
777 South Flagler Drive
West Palm Beach, FL 33401-6198
(407) 650-7200
Fax (407) 655-1509

Tallahassee Office
Suite 601
215 South Monroe
Tallahassee, FL 32301-1804
(904) 222-2300
Fax (904) 222-8410

AFFIDAVIT

STATE OF FLORIDA)

COUNTY OF DADE)

BEFORE ME, the undersigned authority, personally appeared Rene Silva, who being first duly sworn deposes and says:

1) My name is Rene Silva; My business address is Florida Power & Light Company, 9250 West Flagler, Miami, Florida.

2) I graduated from the University of Michigan in 1974 with a Bachelor of Science degree in Engineering Science, with a major in Nuclear Engineering. In 1978 I earned a Master of Science Degree in Mechanical Engineering from San Jose State University. In 1985 I earned a Master of Science Degree in Business Administration with a major in Finance, from the University of Miami.

3) From 1974 to 1978, I was employed by the General Electric Company, Nuclear Energy Division, where I performed design and engineering analyses related to nuclear fuel assemblies.

4) In 1978, I joined FPL as Nuclear Fuel Engineer and was responsible for negotiating contracts for the fabrication of nuclear fuel assemblies for FPL's nuclear generating plants. In 1980, I was named Supervisor of Nuclear Fuel Supply, with the responsibility for the procurement of all materials and services related to nuclear fuel.

5) In 1982, I was named Supervisor of Special Projects. In that capacity, I was involved in litigation and settlement negotiations of fuel-related disputes, development of fuel procurement and utilization strategies and strategic evaluations of generation capacity alternatives.

6) In 1986, I was named Acting Manager of Fossil Fuels and was responsible for the procurement of fuel oil, natural gas and coal for FPL's generating plants, as well as the operation and maintenance of FPL's fuel oil receiving/storage facilities.

7) In 1987, I was named Manager of Fuel Services. In that capacity I directed the development of fossil fuel price forecasts used in fuel procurement decisions, generation capacity evaluations, regulatory filings and financial planning. I participated in the development of FPL's generation

capacity strategies, the evaluation of power supply alternatives, and the investigations regarding the feasibility of alternate fossil fuels for use at FPL's plants.

8) In October of 1993, I was named Manager, Forecasting and Regulatory Response, my present position. I am responsible for fossil fuel price forecasts and regulatory filings related to fossil fuel and fossil plants. In addition, I participate in interdisciplinary team efforts to develop and implement strategies to purchase and utilize fuel more economically, now and in the future.

9) Pursuant to Commission Rule 25-22.006(4), FPL is requesting confidential classification of certain information contained in schedules A4, A6, A6a and A9 pertaining to the month of December 1995 (the "A Schedules") required to be filed in this docket pursuant to Minimum Filing Requirements set forth in Commission Directive dated April 24, 1980, and as revised by Commission Memorandum issued by the Division of Electric and Gas dated December 13, 1994.

10) FPL believes it is at a competitive disadvantage since the disclosure of certain information in the A Schedules provides FPL's competitors with the ability to obtain price and cost information. FPL believes that the disclosure of this information is reasonably likely to impair FPL's ability to contract for goods and services since the information on these schedules allows a competitor to undercut FPL's sales price to a potential customer or to outbid FPL for a potential energy source.

11) FPL believes the importance of this information to competitors is demonstrated by the blossoming of publications which provide utility-reported data from the A Schedules. The disclosure of the information sought to be protected herein is creating an industry of publishers ready to serve a developing competitive market. For example, the September 18, 1995 edition of Power Markets Week, published by McGraw-Hill reported detailed information on FPL's wholesale power transactions for the month of July, reporting the names of customers, total amounts purchased, average and total price. This same story reported extensive information regarding FPL's power purchases for the same period. This information is found in the sections of the A Schedules sought to be protected here and, to FPL's knowledge, nowhere else. FPL knows of no other source similar to the A Schedules from which FPL can derive similar information with regard to its competitors. One such competitor is Enron Power Marketing who recently replaced FPL in a long term contract with New Smyrna Beach. The October 23, 1995 edition of Power Markets Week reports a spokesman for New Smyrna Beach as stating "the prices were better" and "the fuel charges from Enron are lower" as justification for canceling the

contract with FPL. True and correct copies of these articles are attached to this affidavit as Attachment 1.

12) The information which FPL seeks to protect from disclosure is data that is being treated by FPL as proprietary confidential business information. Access within the company to this information is restricted. Each of the copies of Schedules A4, A6, A6a and A9 have been marked "CONFIDENTIAL". Employees have been instructed to not make any copies of the schedules. This information has not, to the best of my knowledge, been disclosed elsewhere.

13) While FPL must protect itself from the competitive disadvantage of the disclosure of this information, FPL is also acutely sensitive to the obligation to maintain public access to information to the extent that such information does not harm competitive interests. For this reason, the information sought to be protected is only highly detailed information -- information at the level of the individual customer, unit, plant or supplier -- that would permit or encourage a competitor to target and undercut FPL's pricing or out-bid FPL for a power source available to FPL on advantageous terms. FPL does not seek protection for cumulations of the detailed, specific information.

14) Specifically, FPL is requesting confidential classification of certain information on Schedule A4 - System Net Generation and Fuel Cost, Schedule A6 - Power Sold, Schedule A6a - Gain on Economy Energy Sales, and Schedule A9 - Purchase Power. From the portions of the A4, A6 and A6a Schedules sought to be protected, FPL's competitors can determine and use the names of FPL's customers and suppliers correlated with the amounts purchased or sold, the price and the cost of wholesale transactions. Moreover, FPL's competitors can determine the economics of FPL's generating facilities and thereby undercut FPL's pricing or out bid FPL for energy sources. Suppliers of economy energy could use the information in the A9 Schedule to determine the point at which it is more economical for FPL to purchase rather than generate power and price their service nearer this margin. Thus, this information could also be used to reduce the savings FPL realizes from purchasing rather than generating power.

15) By revealing fuel cost information for each of FPL's generating plants, Schedule A4 permits FPL's competitors in the wholesale power market to learn the price at which FPL can economically sell power and thus undercut FPL's prices. The significance of the per plant figures is that these figures would permit competitors to more accurately estimate FPL's pricing. This is

so because of FPL's well known policy of economic dispatch. Barring unusual circumstances, FPL dispatches its most economical units first -- initially to satisfy its retail demand and then to sell surplus energy on the wholesale market. With the knowledge of FPL's dispatch and the fuel costs and efficiencies of FPL's remaining generating units available to supply wholesale energy, FPL's competitors are enabled to pinpoint and undercut FPL's pricing.

16) The competitive harm worked by the disclosure of this information is visited directly and, in most cases totally, upon FPL's customers. Virtually all of the "profit" realized from wholesale power sales and "savings" from wholesale purchases is passed directly through to the customer as reduced fuel cost. (100% of the profit and savings from OS transactions is passed through to the customers. In schedule C and X transactions, 80% of the profit or savings is passed to the customer and 20% is retained as profit by FPL.) Because competition exists now and will continue to increase, FPL must eliminate disclosure of information that could be used by its competitors to put FPL at a competitive disadvantage and harm both FPL and its customers.

RENE SILVA

Sworn to (or affirmed) and subscribed before me this 22nd day of January, 1996 by Rene Silva who is personally known to me. In witness whereof, I have hereunto set my hand and seal in the State and County aforesaid.

Notary Public
State of Florida
My Commission Expires:

NOTARY PUBLIC STATE OF FLORIDA
LOURDES L. CUINN
My Comm Exp. 3/30/98
Bonded By Service Ins
No. CC360387
[X] Personally Known [ ] Other I.D.

McGraw-Hill's

Power Mark

October 23, 1995

Rene Silva Affidavit
Attachment 1
Page 1 of 3

Markets–East, Midwest, South

PEPCO OPENING UP SECOND DOOR TO PJM, SEEN GIVING APS 'A RUN FOR ITS MONEY'

Spot market prices for bulk power in the eastern U.S. continued their decline of the last few weeks, with little relief in sight until heating loads pick up, most sources said.

In market developments, several industry sources commented on a noticeable increase in marketing activity taking place on the Washington, D.C.-based Potomac Electric Power (PEPCO) system in recent weeks, opening a long-closed door for power to flow from the southern U.S. into the Mid-Atlantic region.

A more aggressive attitude at PEPCO, armed with a new sales tariff that went into effect this fall, apparently is coming at the expense of Allegheny Power System. Until now,

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PRICES OF SPOT ELECTRICITY WEEK ENDING OCTOBER 20
(per MWh)

	Range	Index
Western Markets		
Calif.-Oregon border	\$10.00 to \$14.75	\$14.00
Mid-Columbia	\$12.00 to \$14.00	\$13.75
Midway	\$15.00 to \$17.00	\$16.00
Mead	\$14.00 to \$16.50	\$15.00
Four Corners	\$13.00 to \$16.00	\$15.00
Palo Verde	\$13.25 to \$17.00	\$15.00
Northeastern Markets		
NEPOOL	\$18.00 to \$21.00	\$19.50
NYPP	\$18.00 to \$22.00	\$20.25
PJM	\$20.00 to \$23.50	\$21.25
Midwestern, Southern Markets		
ECAR	\$16.00 to \$20.00	\$18.50
SERC	\$14.00 to \$22.00	\$18.75
SPP	\$14.00 to \$18.00	\$16.25

NOTE: Ranges and index prices for on-peak non-firm electricity are based on prices of actual transactions obtained in confidential surveys of buyers and sellers.

The California-Oregon border, Mid-Columbia, Midway, Palo Verde, Mead and Four Corners represent prices for daily prescheduled on-peak non-firm transactions at those points. Prices for NEPOOL, NYPP, PJM, ECAR, PJM, SERC and SPP are for daily non-firm transactions within those market areas.

The index prices are *Power Markets Week's* assessments of where the bulk of dealmaking occurred. The assessments are based on a variety of statistical measures of the transactions gathered, including averages, medians, modes (most frequently occurring prices), and, where possible, volume-weighted averages.

ENRON TO REPLACE FP&L AS SUPPLIER FOR FLA. MUNI; 'PRICES WERE BETTER'

Enron Power Marketing has signed an agreement to provide firm power to the Utilities Commission of New Smyrna Beach, which canceled a similar contract with Florida Power & Light, according to Ron Vaden, the municipal utility's supervising engineer of power supply and planning.

Vaden said the muni exercised an option in its four-year power sales contract with FP&L and canceled the agreement on June 1, which means it will cease taking power from FP&L as of June 1 next year, when the new deal with Enron will start.

With the exception of price, which was the motivating factor for the change, the amount of power and schedule for delivery were essentially the same for both contracts.

"We did a four-month contract [with Enron during the summer for 5 MW] to get our feet wet with power marketers," Vaden explained. "We were satisfied. The prices were better." He added, "For a small utility, (power marketers)

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VA. SCC RULING AGAINST SIEMENS SHOWS PROBLEMS FACED BY MERCHANT PLANTS

The Virginia State Corporation Commission, in a ruling that shows the difficulties faced by merchant plant developers, last week rejected Siemens Power Ventures' plan for a 185-MW, gas-fired project in Loudoun County because the commission found no identified need for its capacity and energy.

New York City-based SPV, the non-utility power development unit of Siemens AG, proposed development of the \$70-million plant in June, asserting it would operate the project as a demonstration facility for Siemens's new V84.3 combustion turbine for 18 months, then run it as a merchant plant selling capacity and energy to a variety of buyers in the Mid-Atlantic and Southeast regions (PMW, 26 June, 1).

In the weeks after its announcement, however, the developer downplayed the merchant-plant part of its proposal, and suggested it would operate the project in a demonstration mode for several years.

The SCC's eight-page ruling (Case No. PUE910081) rejected arguments by SPV that the commission has no jurisdiction over the proposed plant since it was not a "public utility" and, alternatively, that the SCC should refrain from asserting its jurisdiction on the grounds that SPV's operation of the plant would not affect the public interest.

The commission said state statutes define an entity like fornia Cities Consortium, which comprises 11 cities (PMW, 28 Aug. 7). The cities last summer hired New Energy Ventures of Pasadena to develop a purchasing pool that will put together portfolios for both natural gas and electricity in an effort similar to that announced in July by the Association of Bay Area Governments (PMW, 31 July, 6).

NEV intends to have the electricity portfolio ready for consortium members to take advantage of cheaper power if the California Public Utilities Commission approves a restructuring plan that would give the cities direct access to wholesale suppliers.

"If you can't get excited about something like that, you have to be brain dead. It is a window of opportunity...and those of you in the industry, we ask for your help," Boulgarides said. "We want direct access, bilateral contracts, aggregation without limits, no stranded costs, and cost-based wheeling."

Sponsored by NewsData Corporation, the conference explored a wide range of issues pertaining to transmission access and "the new electric marketplace," stemming from FERC's notice of proposed rulemaking on open access.

"There isn't a lot of sympathy for the electric industry in the rest of the country because they've already gone through" the pain of deregulation and layoffs, Hesse said. She dismissed the California PUC's poolco restructuring proposal as "just another form of monopoly regulation."

Indeed, the new electric marketplace may well become a world of bilateral contracts with no need for a central power pool like poolco, predicted Mike Burke, senior vice president of New Energy Ventures. Nor will there be any need for an independent system operator, as generators hook up with power marketers to sell their power.

Buyers' agents will play a significant role in the new market, and successful power sellers will interface with retail customers and aggregators as well as wholesale brokers, Burke said.

Meanwhile, the breakup of utilities' information monopoly will pose an even greater challenge than structural changes in the industry, he predicted.

The Northwest, surprisingly, has become a leader in the development of a competitive power market because of the Bonneville Power Administration, which has 200 wholesale contracts, most of them due to expire in 2001. "BPA is seeing fierce competition for its 2.5-cent wholesale power," said Walt Pollock, BPA's vice president of marketing, conservation, and production.

In fact, BPA is trading with five times more customers today than five years ago, and the number of transactions and trading partners on the California-Oregon intertie has doubled in the past year with the removal of technical barriers, he said.

ENRON TO REPLACE FP&L AS SUPPLIER
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have opened up a competitive market and we are not as much a captured customer as we were."

Under the terms of the agreement, the muni will buy intermediate and peaking power from Enron during eight months of the year, as follows: 10 MW from June through September; 10 MW in December; 25 MW in January and February; and 10 MW in March. "This is a real good advantage for us," Vaden said. "We can step our purchases up and down for our extra residential customers in the winter, and still follows our load and maintains our reserve margin."

New Smyrna will pay Enron a capacity charge of $3,99- per MW/month during the periods it is scheduled to receive power, plus an energy or fuel charge for the power it actually accepts. Vaden said that represents a saving of about 15% from what it was paying FP&L, which had a demand charg of $4,700 per MW/month.

"Not only that," Vaden said, "but the fuel charges from Enron are lower."

Vaden said the city is in the process of negotiating anot er power sales agreement with Enron, but declined to relea any details until the deal is completed.

An FP&L spokesman confirmed the muni had exercise its option to cancel the contract but had no comment on Er ron's power sales activities in the state. Enron did not respond to request for a comment.

DERIVATIVES

FERC'S SANTA QUESTIONS IF COMMISSION CAN, SHOULD REGULATE RISK MANAGEME

Commissioner Donald Santa hinted last week that he i skeptical the Federal Energy Regulatory Commission cou properly regulate derivatives or enforce companies' discipline in participating in price-risk management markets.

Speaking to a Houston conference on integrated gas ar electric power marketing, Santa said he has not yet looked any staff analysis or pleadings opposing the New York M canule Exchange's petition for a declaratory order that FE has no jurisdiction over electricity futures contracts (PMV Oct. 6).

But beyond the question of the commission's authorit under the Federal Power Act is the issue of whether FERC should regulate risk management services when they are c fered by marketers, Santa said.

"Obviously, we cannot ignore the financial debacles have occurred in other sectors of the global economy in c nection with reckless speculation in financial derivatives, asserted, but then cautioned that the commission should c fine its concerns and assess how much it can do about the

"Is our concern that some 'snake oil salesman' power marketer will induce a poor defenseless wholesale purch to buy a risk-management contract?" Santa queried. "Is it that being a FERC-approved power marketer gives a deri tives seller an air of legitimacy that may facilitate the sed tion of unsuspecting customers?"

Even if the concerns are well founded, however, "ho much of the market can we reach with our regulation?"

A danger with derivatives is in purchasers crossing t line between hedging and speculation, according to Sant but he questioned whether regulating marketers will do a thing to discipline the buyers of derivatives.

Additionally, he suggested, the Securities & Exchan Commission and the Commodity Futures Trading Comm er, as Houston Lighting & Power, in particular, suffered from outages. HL&P lost the 580-MW, coal-fired Parish Unit 8 and the 770-MW Cedar Bayou Unit 1 in the middle of the week. Texas Utilities Electric was making up most of the difference, but sources said TU was apparently keeping its prices down to make sure it kept the business.

The flow of power to HL&P was adding a few dollars to the price of hourly, non-firm energy, according to one source, and keeping north-to-south transfer facilities heavily loaded.

ERCOT also was beginning to see the effect of fall maintenance schedules, which left fewer options than usual for replacing the units that were down. HL&P, for example, already had its 780-MW Cedar Bayou Unit-3 on a scheduled outage.

An unofficial accounting of recent use of the new HVDC East Tie shows that marketers sent a total of about 52,000 MWh of power out of Texas across the tie between Aug. 11, when the first marketer deal was done, and the end of the month.

Only three marketers made use of the tie: Electric Clearinghouse moved about 26,000 MWh; LG&E Power Marketing, 13,900 MWh; and Enron Power Marketing, 12,400.

Sources reported that marketers had moved nothing across the tie since Sept. 2.

One utility source noted, however, that marketers were making some competitive offers to move power into Texas across the tie this week, as the situation in ERCOT tightened. "We're getting close to the point where it's possible," said one source.

HEAT WAVE ALLOWED FLA. IOUs TO TURN THE TABLES: BIG SALES AT HIGH PRICES

The heat wave that blanketed the Southeast U.S. in July allowed Florida's two largest investor-owned utilities, which frequently import energy from the rest of the Southeast in the summer, to sell almost $8-million worth of power out of state, according to various reports filed with the state Public Service Commission.

During July, temperatures were actually lower in Florida than the rest of the Southeast, where the mercury frequently hit 100 degrees. With some excess generation, Florida Power & Light and Florida Power took advantage of higher prices they could get to the north, selling to players that frequently export power into Florida.

FP&L, the state's largest utility, sold the most economy power to Southern Company, a total of 131,374 MWh at a very attractive average price of $42.69/MWh, for a total of $5.6-million. In addition, it made off-system sales to Oglethorpe Power of 28,602 MWh at an average price of $34.81/MWh for a total of $995,720.

To put that into perspective, in June, FP&L made no off-system sales to Oglethorpe and its total economy sales amounted to only 31,469 MWh at an average price of $28.93/MWh for a total of $910,451, so its power sales income was nearly eight times higher in July.

During the same period, FP&L spent about the same amount to purchase power as it did in June, $4.9-million for 246,719 MWh at an average price of $20.01/MWh. Tampa Electric was its biggest provider.

In July, Florida Power, the state's second-largest utility, sold roughly three times as much as it did in June—thank Oglethorpe and the Southeastern Power Authority. Its tot economy and off-system sales in July were 115,347 MW an average price of $20.21/MWh for a total of $2.3-milli A month earlier, it sold 44,085 MWh at an average price $17.66/MWh for a total of $778,758.

Oglethorpe bought 34,805 MWh at an average price $25.49 MWh for a total of $887,024 from Florida Power July. SEPA purchased 32,376 MWh but at an average pri of only $14.28/MWh for a total of $462,302.

During July, Florida Power bought about twice as mu as it did in June, 49,050 MWh at an average price of $30 MWh for a total of $1.5-million.

TECO, which sold only to utilities within the state, sold more power, 97,783 MWh more than FP&L, but at a lower erage price, $20.24/MWh, for a total of $4-million. The pre ous month it sold 133,287 MWh at an average of $19.45/M for a total of $2.6-million. In July, TECO bought 1,311 MW an average of $39.96/MWh for a total of $52,383.

WESTERN PLAYERS SEE MORE COMPETITI

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the previous week to $17.25/MWh and at the California gon border, the index fell 50 cents to $18/MWh. In the Southwest, which saw cooler temperatures and lower hu ity, the PMW index fell three dollars to $19/MWh. Mid in Southern California was the only index point in the W that did not move last week, staying at $21/MWh.

Most sources said the market should stay less than $ MWh through the end of the month, but one source said believed prices would be dropping soon because of a "f of block offers" for October he has received priced at a $17/MWh.

"If [the players] thought it would do better, we wou get block offers," he said. "Prices will probably drop."

He alluded to "market influences" including fish pro tion measures that were neither weather driven or mark driven that would affect Northwest utilities including B the near term. But he would not elaborate on how those fluences would impact the market.

BPA said it has remained in the market this late into year mostly because of the good water year that booste hydro generation. A BPA source also said the mild Nor west summer added to its surplus.

But a California buyer said BPA was keeping price down below $20/MWh in an effort to stay competitive untypical for Bonneville to be in this time of year and to be this low," the source said. "I can't remember the time they were in the market in September."

He said power marketers were forcing BPA and the r investor-owned utilities to be more competitive with spo BPA is now trying to beat the marketers, who previously cheap BPA power and sold it for a higher price, he said.

"BPA doesn't like the middle man coming in," he "They are getting more aggressive and trying to beat marketers."

He also pointed out that BPA was losing some of tomers to other suppliers and probably would have et