

By

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL
RECORDS AND
REPORTING

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In re: Florida Power & Light Company's) DOCKET NO. 991266-EI
Request for Confidential Classification)
In Connection with the Review of the) Filed: December 17, 1999
FGT Contract)

**FIRST AMENDED REQUEST FOR
CONFIDENTIAL CLASSIFICATION**

NOW, BEFORE THIS COMMISSION, through undersigned counsel, comes Florida Power & Light Company ("FPL") and, pursuant to rule 25-22.006 of the Florida Administrative Code and section 366.093 of the Florida Statutes, hereby submits its First Amended Request for Confidential Classification of certain information provided to the Florida Public Service Commission ("FPSC" or "Commission") staff ("Staff") in connection with Staff's review of the selection of Florida Gas Transmission as a natural gas transporter for FPL's Fort Myers plant (hereinafter the "Review"). In support of its Request, FPL states as follows:

1. Petitioner's name and address are:

Florida Power & Light Company
P.O. Box 029100
Miami, Florida 33102-9100

Orders, notices, or other pleadings related to this request should be served on:

AFA
APP
CAF
CMU
CTR
EAG
LEG
MAS
OPC
RRR
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WAW
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FPSC-RECORDS/REPORTING

2. In connection with the Review, Staff obtained access to various FPL reports and other documents. Based on the information and documents provided, Staff prepared a report entitled "Review of Florida Power & Light Company's Contractor Selection Process for Transportation of Natural Gas" (the "Report"). The Report incorporates certain information that FPL deems to be proprietary confidential business information within the meaning of Section 366.093(3) of the Florida Statutes.

3. On August 31, 1999, FPL filed with the Commission its Request for Confidential Classification in the above-referenced matter. FPL's initial filing consists of the Request for Confidential Classification and Exhibits A through D.

4. Upon further review of the materials for which FPL has sought confidential treatment, FPL hereby submits its First Amended Request for Confidential Classification narrowing the scope of its request.

5. The following exhibits are included herewith and made a part hereof:

a. First Amended Composite Exhibit A consists of all documents for which FPL seeks confidential treatment, whether in whole or in part. All information in Exhibit A that FPL asserts is entitled to confidential treatment has been highlighted. Composite Exhibit A is submitted separately in a sealed folder or carton marked "CONFIDENTIAL."

b. First Amended Composite Exhibit B consists of edited versions of all documents for which FPL seeks confidential treatment. All information FPL asserts is entitled to confidential treatment has been blocked out in Composite Exhibit B.

c. First Amended Exhibit C is a table containing a line-by-line and page-by-page identification of the information for which confidential treatment is sought, and, with regard to each document or portions thereof, references to the specific statutory basis or bases for the claim of

confidentiality and to the affidavits in support of the requested classification. Exhibit C is sometimes referred to hereinafter as the "Justification Table."

6. First Amended Exhibits A, B and C replace Exhibits A, B and C submitted August 31, 1999. Exhibit D, the affidavit of Rene Silva, remains unaltered as filed and is incorporated herein.

7. FPL seeks confidential protection for the information highlighted in Exhibit A. FPL submits that the highlighted information is proprietary confidential business information within the meaning of section 366.093(3). Pursuant to section 366.093, such information is entitled to confidential treatment and is exempt from the disclosure provisions of the public records law. Thus, once the Commission determines that the information in question is proprietary confidential business information, the Commission is not required to engage in any further analysis or review such as weighing the harm of disclosure against the public interest in access to the information.

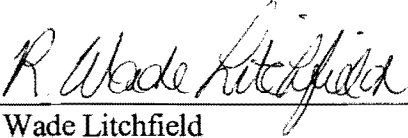
8. The information for which FPL seeks confidential classification consists principally of the evaluation criteria employed by FPL in selecting natural gas transportation services for Fort Myers, and also includes information specific to the bids received. Much of the bid information was submitted to FPL pursuant to obligations of confidentiality. As Mr. Silva indicates in the attached affidavit, the disclosure of such information would impair the efforts of the utility contract for goods and services on favorable terms. In addition, the disclosure of bid information would impair the competitive business of the provider of such information.

9. Upon a finding by the Commission that the material in Exhibit A for which FPL seeks confidential treatment is proprietary confidential business information within the meaning of section 366.093(3), pursuant to section 366.093(4) such materials should not be declassified for at least eighteen (18) months or such other period as may be established by the Commission and

should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business.

WHEREFORE, for the above and foregoing reasons, as more fully set forth in the supporting materials and affidavits included herewith, Florida Power & Light Company respectfully requests that its Request for Confidential Classification be granted.

Respectfully submitted,



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Exhibit A
(Filed Separately)

Exhibit B

policies and procedures (e.g., human resources, corporate level operations, product inspection procedures for fuel oil, and nuclear operations).

FPL has further stated that its system relies heavily on employee empowerment: providing personnel with a thorough understanding of their job and giving them the authority to get the job done. According to FPL, guidance is provided to the employees throughout their efforts by way of coaching, critical review, and debriefing after completion of a project.

In its review, staff found that the philosophy expressed by FPL is still prevalent, as it applies to the Natural Gas Transportation Group. It is this philosophy that permitted FPL staff to engage in a twenty-year contract without issuing a timely Request-for-Proposal to the pipeline marketplace.

2.3 FPL's Goals and Objectives for This Transportation Contract

In mid-1997, there was a recognition by FPL forecasters that the system would need increased megawatt capacity if they were to meet load requirements in the general time frame of 2002-2003. Given this forecast, it was decided that one or more current plants would need to be modified to produce additional cost-effective power. The modification options soon narrowed down to replacing some existing gas/oil fired units with larger ones that burned only gas, which FPL determined to be the most economically-sound approach for its situation. This process resulted in a separate RFP being issued on March 5, 1998, and a contract being signed on September 11, 1998, with General Electric Corporation for the new combustion-turbines.

The primary goal of the transportation contract was to secure a firm commitment for the transportation of natural gas to meet FPL's deadline to have a pipeline in place. FPL sought to be ready to transport partial test volumes of gas to the Fort Myers plant by October 2000 and the full volume by the in-service date of May 1, 2001.

According to FPL, its Fuel Management Group's primary objectives in its evaluation of the proposals from ANR and FGT were focused on the company's desire to accomplish the following:

- 24 ◆
- 25 ◆
- 26 ◆
- 27 ◆
- 28 ◆
- 29 ◆
- 30 ◆
- 31 ◆
- 32 ◆
- 33 ◆



On August 7, 1998, FGT agreed to a delivery capability of 260,000 mmbtu/day, and it also agreed in principle to the concept of ramping the delivery quantities during the start-up period in October 2000. (This ramping concept required FERC's approval, which FGT did not yet have.) On October 28, 1998, FGT filed for approval to provide the ramp-up volumes required by FPL, as shown in Exhibit 4.

FGT's Scheduled "Ramp-up" Capacity From Start of Turbine Testing to Full In-Service Date	
MONTH-YEAR	MMBTU/day
Oct. 2000	40,000
Nov. 2000	40,000
Dec. 2000	40,000
Jan. 2001	80,000
Feb. 2001	120,000
Mar. 2001	160,000
Apr. 2001	200,000
May 2001	255,000

EXHIBIT 4

Source: FPSC Analysis (DR-1)

At the point when FGT was selected (September 25, 1998), FGT had agreed to construct a new pipeline from the Tampa area to the Fort Myers plant. It made no commitment to the construction of a Fort Myers to West Palm Beach pipeline, which had been an earlier option. However, FGT did agree to provide capacity for the delivery of 255,000 mmbtu/day of natural gas to the Fort Myers plant. It also agreed to an option to deliver 256,000 mmbtu/day to the Sanford plant.

American Natural Resources (Volume)

From the outset, American Natural Resources offered a total incremental volume capacity of [redacted] On August 21, 1998,

ANR announced [redacted]

enable FPL to [redacted]

(Exhibit 4)

FPL would have the right to take up to the quantities set forth each period.

3.2.2 Pricing Structure

The final cost comparisons shown in Exhibit 5 indicate that FPL negotiated a competitive price-point between FGT and ANR. In the latter weeks of the negotiation, FPL was exchanging letters of agreement with both companies, which helped drive the cost and performance factors in FPL's favor.

COST	ANR	FGT
	(August 1, 1998)	(August 25, 1998)
Average Cost	[redacted]	[redacted]
Overall Cost	[redacted]	[redacted]

EXHIBIT 5

Source: FPSC Analysis (DR-1)

Florida Gas Transmission (Price)

2 FGT has two designated pricing structures for transportation rates: an FTS-1 schedule and an FTS-2 schedule. FPL had contracts under both schedules prior to the Fort Myers contract.

3 ◆ The FTS-1 schedule represents FGT's Phase I and Phase II expansion periods. The
4 FTS-1 schedule contains current contracts that began in August 1990 and will expire
5 in July 2015. The FTS-1 maximum charge for natural gas transmission is
6 \$0.40/mmbtu.

7 ◆ The FTS-2 schedule grew out of FGT's Phase III expansion, which started in about
8 1993. This schedule governs current FPL contracts that first began in March 1995 and
9 will expire in July 2015. The FTS-2 charge for natural gas transmission is
10 \$0.80/mmbtu. (Note: The portion of the FTS-2 Phase III contract that covers the
11 transportation capacity originally contracted for, will expire in February 2010.)

12 ◆ The FTS-2 schedule will now also encompass FGT's Phase IV, at least for the Fort
13 Myers plant. As part of the negotiations, FPL was able to persuade FGT to establish
14 the rates for this additional new capacity under the umbrella of the FTS-2 rate
15 schedule, which already existed. The additional transportation capacity, added under
16 this Phase IV contract in the November 17, 1998 agreement, will start on May 1,
17 2001, and will expire April 30, 2021. It will be phased in as follows:

18	▶	Phase IV In-Service through 12/31/2001:	\$0.7436/MMBtu/d
19	▶	2002:	\$0.7436/MMBtu/d
20	▶	2003:	\$0.7436/MMBtu/d
21	▶	2004:	\$0.7760/MMBtu/d
22	▶	Post-2004 maximum Base Rate Cap:	\$0.8000/MMBtu/d

American Natural Resources (Price)

23 The final amendment to ANR's offer was made on September 13, 1998. [REDACTED]

24 [REDACTED]

25 which already had an established rate schedule. i.e., the FTS-2 contract schedule. However, the price
26 quotations offered by ANR can be seen in Exhibit 5.

27 As seen in Exhibit 6, ANR's pricing involved two separate price figures: [REDACTED]

28 [REDACTED]

29 [REDACTED] ANR also had other stipulations or contingencies

30 such as a [REDACTED], and it was also interested in a [REDACTED]

31 FGT did not negotiate as openly for the Sanford plant contract, but FPL threw in an option

32 [REDACTED] the Sanford plant business [REDACTED] However, [REDACTED]

33 [REDACTED] while confirming that it was

34 [REDACTED]

3.3 Qualitative Analysis

This section pertains to those factors for which judgement must be applied by the evaluators. While experience and good faith may play a role, the decision maker(s) must ultimately weigh the risks (perceived and real) of the vendor not being able to perform in a timely manner. Any failure to perform the original installation on time or to perform reliably throughout the contract could be a major problem for FPL in meeting its service commitments.

The data shown in Exhibit 6, which also appeared in FPL's June 1998 briefing, discloses not only price and volume comparisons but also some performance comparisons. In the case of [REDACTED] Staff found no evidence that [REDACTED]. It can be seen here [REDACTED] potential supply sources. The final in-service date of May 1, 2001, was not firmed up until some time after ANR's proposal in April 1998. However, during the negotiation process, FPL redefined the effective in-service date to be October 1, 2000. This was the date by which the pipeline had to be in place at the Fort Myers plant. In order for FPL to test its newly installed combustion turbines

FPL's [REDACTED] Comparison - ANR vs FGT June 1998		
	ANR	FGT
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Term of Contract (in Years)	[REDACTED]	[REDACTED]
Ability to [REDACTED] in Florida	Only if a tie to FGT system is constructed	Yes, with some constraint as to amount delivered south of Fort Pierce
Supply	Mobile Bay with limited ties to other pipelines	Mobile Bay with extensive on-shore connections
Gas Deliverability for [REDACTED]	[REDACTED]	[REDACTED]

EXHIBIT 6

Source: FPSC Analysis (DR-1)

1 prior to going into full-service operation, it had to have a minimum amount (40,000 mmbtu/day) of
2 natural gas at the plant.

3 FGT could get a pipeline to the Fort Myers plant fairly quickly by extending its current
4 system pipeline southward from Tampa to Fort Myers. [REDACTED] segment of
5 pipeline from FGT's West Palm Beach station westward to Fort Myers and then [REDACTED]
6 [REDACTED] had its mainline (across the Gulf of Mexico) in
7 place at the plant.

8 To reach Fort Myers from compressor station #21, both FGT and ANR would have had
9 to lay pipe through marshland and residential neighborhoods at the Palm Beach end. This would
10 involve a time-consuming process laden with complex environmental permitting and multiple levels
11 of government approvals. However, [REDACTED] an east-west pipeline between its
12 compressor station #21 at West Palm Beach and Fort Myers.

13 **3.3.1 Florida Gas Transmission Performance and Reliability** 14 **Factors**

15 FGT was definitely a vendor that was well known to FPL. The two companies had many
16 years of experience with each other, and, in fact, FGT was a current contract supplier under both a
[REDACTED]

- 17 ◆ FGT's pipeline system from the Mobile Bay area to a point South of Tampa was
18 already in the ground.
- 19 ◆ FGT only needed to lay a new pipeline from the Tampa Bay area to service the
20 Fort Myers plant.
- 21 ◆ With approximately 75 miles of pipeline to construct, the reliability of its on-
22 time completion was more probable.
- 23 ◆ This short segment was the only one for which additional FERC permission was
24 required. However, FGT also had to deal with state and county rights of way
25 for the extension from Tampa Bay to the Fort Myers plant.
- 26 ◆ Another reliability factor that impressed FPL was FGT's performance in
27 responding to the Perry, Florida, gas line explosion on August 14, 1998. FGT
28 controlled it within 24 hours, and its customers had their gas restored.

29 **3.3.2 American Natural Resources Performance and** 30 **Reliability Factors**

31 While ANR was known to FPL from prior attempts to penetrate the Florida market in the
late 1980's and early 1990's, FPL had no operating experience with the company. ANR, which
currently has no pipelines installed within the state of Florida, would have to lay new 30-inch line

1 from the Mobile Bay area to the Fort Myers plant. [REDACTED] nearly all of the proposed pipeline
2 would be underwater [REDACTED].

3 [REDACTED] no first-hand experience with
4 [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED] routing if there was
8 [REDACTED]

9 [REDACTED] The acceptance of ANR's proposal would have provided FPL
10 with a true alternative source of natural gas transportation to south Florida. This would have
11 ensured a competitive alternative for the future, which was one of FPL's stated goals.

12 As shown in the following list, [REDACTED]

13 ◆ In order for ANR to be able to meet the October 2000 start-up date, it would have
14 had to install about 120 miles of underground pipeline from FGT's compressor
15 station #21, located in West Palm Beach, Florida, westward to the Fort Myers plant.
16 Installation of this segment would have been required [REDACTED]
17 [REDACTED]

18 ◆ ANR proposed to reach [REDACTED]
19 [REDACTED] for the initial transportation of the gas required. ANR
20 wanted to [REDACTED] required during the
21 initial period.

22 ◆ [REDACTED]
23 [REDACTED] feed line to Florida would have to be installed underwater through the Gulf
24 of Mexico to the Fort Myers area. This pipeline, which would have been
25 approximately 550 miles of 30-inch line, would then have proceeded up the
26 Caloosahatchee river a few miles to the Fort Myers plant.

27 ◆ Based on the [REDACTED] it would appear
28 that [REDACTED] but it is
29 reasonable to assume that [REDACTED]
30 [REDACTED]

31 ◆ As with FGT, ANR would also require numerous state and county right-of-way
32 permits, in addition to agreements with multiple landowners for any West Palm
33 Beach extension (FGT's Station #21 to the Fort Myers plant).

3.4 FPL's Summary of Stated Objectives

2. As previously stated in Section 2.3, FPL documented the following ten objectives that it
3 considered in its comparison of the proposals from FGT and ANR:

- 4 ♦ [REDACTED]
- 5 ♦ [REDACTED]
- 6 ♦ [REDACTED]
- 7 ♦ [REDACTED]
- 8 ♦ [REDACTED]
- 9 ♦ [REDACTED]
- 10 ♦ [REDACTED]
- 11 ♦ [REDACTED]
- 12 ♦ [REDACTED]
- 13 ♦ [REDACTED]

14 The following statements from the FPL evaluators address their perception of the outcome
15 of this evaluation in relationship to the company's objectives entering the contracting process.
16 These statements are included verbatim.

17 [REDACTED]

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]
29 [REDACTED]

30 [REDACTED]

31 [REDACTED]
32 [REDACTED]
33 [REDACTED]
34 [REDACTED]
35 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

FPL's Conclusion

Based on the results of the evaluation, as summarized above, it is recommended that FPL conduct negotiations with FGT, and if it reaches final agreement on all key issues, contract with FGT.

Exhibit C

**AMENDED
EXHIBIT C**

COMPANY: Florida Power & Light Company
TITLE: List of Confidential Workpapers
DATE: September 2, 1999

**FLORIDA
STATUTE
366.093(3)
Subsection:**

WKPAPER NO. DESCRIPTION PAGE NO. CONF. Y/N LINE NO./ COL. NO. AFFIANT

WKPAPER NO.	DESCRIPTION	PAGE NO.	CONF. Y/N	LINE NO./ COL. NO.	FLORIDA STATUTE 366.093(3) Subsection:	AFFIANT
	Review of FPL Contractor Selection Process					
		10	Y	Line Nos. 24, 25, 26, 27, 28, 29, 30,31, 32, 33	(d) (e)	Rene Silva
		20	Y	Line Nos. 24, 25, 26, 27, 28, 38, Cols. B, C; 39, Cols. B, C.	(d) (e)	Rene Silva
		21	Y	LineNos23,24, 27, 28, 29, 30, 32, 33, 34	(d) (e)	Rene Silva
		22	Y	Line Nos8, 9, 10, 14.5, line 15-cols A,B, C;15.5,col. B; line 16- col. B,C; line 17-cols. B, C; line 18-cols A, line 19-col. A; line 21-cols A,B, C;	(d) (e)	Rene Silva
		23	Y	Line Nos. 4, 5, 6, 11, 15, 16,	(d) (e)	Rene Silva
		24	Y	Line Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 12, 16, 17, 18, 19, 20, 22, 23, 27, 28, 29, 30	(d) (e)	Rene Silva

Fuel Cost Recovery Clause

AMENDED
EXHIBIT C

Audit Control No. 99-033-4-1

WKPAPER NO.	DESCRIPTION	NO. OF PAGES	CONF. Y/N	LINE NO./ COL. NO.	FLORIDA STATUTE 366.093(3) Subsection:	AFFIANT
		25	Y	Line Nos.4,5,6,7,8,9, 10,11,12,13,17, 18,19,20,21,22, 23,24,25,26,27, 28,29,30,31,32, 33,34,35	(d) (e)	Rene Silva
		26	Y	All of Page 26	(d) (e)	Rene Silva
		27	Y	All of Page 27	(d) (e)	Rene Silva
		28	Y	Line Nos. 1, 2, 3, 4 5, 6	(d) (e)	Rene Silva