

ORIGINAL

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May 22, 2002

Blanca S. Bayó, Director
Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

By Hand Delivery

RECEIVED FPSC
02 MAY 22 PM 4:52
COMMISSION
CLERK

**Re: CONFIDENTIAL DOCUMENT FILING
Docket Nos. 020262-EI and 020263-EI**

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company are the original and seven (7) copies of Florida Power & Light Company's Request for Confidential Classification for Certain Documents and Information Filed in Connection With Its Response to Staff's First Set of Interrogatories. Please note that the original copy of the request has an Appendix ~~A~~ Appendix A, that contains CONFIDENTIAL INFORMATION. Therefore, FPL is filing the original request in a separate envelope stamped CONFIDENTIAL. The remaining copies of the request do not contain Appendix A or any other confidential information.

If you or your staff have any questions regarding this transmittal, please contact me at 2300.

** CCA note: Appendix A
detached from original
Request.*

Very truly yours,

Charles A. Guyton
Charles A. Guyton

Confidential
DOCUMENT NUMBER-DATE
05483 MAY 22 2002
COMMISSION CLERK

Enclosure

cc: All Parties of Record (w/o Appendix A)

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FPSC-BUREAU OF RECORDS

Request
DOCUMENT NUMBER-DATE
05482 MAY 22 2002

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition To Determine Need For) **Docket No. 020262-EI**
an Electrical Power Plant in Martin County)
by Florida Power & Light Company.)

In re: Petition To Determine Need For) **Docket No. 020263-EI**
an Electrical Power Plant in Manatee County)
by Florida Power & Light Company.) **Dated: May 22, 2002**

**FLORIDA POWER & LIGHT COMPANY’S REQUEST
FOR CONFIDENTIAL CLASSIFICATION FOR CERTAIN DOCUMENTS
AND INFORMATION FILED IN CONNECTION WITH ITS
RESPONSE TO STAFF’S FIRST SET OF INTERROGATORIES**

Pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code (“F.A.C.”), Florida Power & Light Company (“FPL”) hereby requests confidential classification of certain confidential information provided to the Florida Public Service Commission (“Commission”) in connection with FPL’s responses to Interrogatories Nos. 40 through 41 and the attachment to FPL’s response to Interrogatory No. 23 to Staff’s First Set of Interrogatories (the “Confidential Information”)¹. In support thereof, FPL states:

Justification for Confidential Classification

The Confidential Information is contained in FPL’s responses to Interrogatories Nos. 40 through 41 and the attachment to FPL’s response to Interrogatory No. 23 to Staff’s First Set of Interrogatories. FPL’s response to Interrogatories Nos. 40 and 41 contain contractual information regarding vendors that FPL has a duty to keep confidential. The disclosure of such information would impair FPL’s competitive interests, impair the competitive interests of FPL’s

¹ In its Notice of Intent to Request Confidential Classification, FPL stated that it would also seek confidential classification of its response to Interrogatories Nos. 42 and 43, however, FPL is not seeking confidential classification of these responses.

vendors and injure FPL's customers. FPL's customers would be injured by the disclosure of this information because disclosure would adversely affect FPL's ability to enter into competitively priced contracts with its vendors to the benefit of FPL's customers.

The material for which confidential classification is sought in the attachment to FPL's response to Interrogatory No. 23 consists of charts, that contain proprietary business information of parties that responded to a RFP issued by FPL to solicit proposals to meet FPL's 2005 and 2006 capacity needs. Such information is intended to be and has been treated by the RFP respondents and FPL as private and has not been publicly disclosed. The documents contain extensive proprietary confidential business information regarding the RFP respondents and confidential information concerning bids or other contractual data that FPL has a duty to keep confidential. The disclosure of such information would significantly impair the competitive business interests of the RFP respondents and impair their efforts to contract for goods and services on favorable terms. Additionally, such disclosure could impair FPL's ability to obtain competitive proposals for future needs. Thus, disclosure of the Confidential Information would injure the RFP respondents, FPL, and FPL's customers.

The material for which confidential classification is sought is intended to be and has been treated by FPL as private and confidential and has not been publicly disclosed. The Confidential Information for which FPL seeks confidential classification will continue to be confidential for more than eighteen months; therefore, FPL seeks confidential classification for thirty-six months with the opportunity to request continuation of the confidential classification.

An unredacted copy of the confidential documents, with all Confidential Information highlighted, is enclosed as Appendix A in an envelope marked "CONFIDENTIAL." Appendix B is composed of the same material with all Confidential Information redacted. Appendix C is a

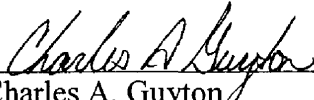
line-by-line justification of the confidential status of the Confidential Information and Exhibit D and Exhibit E consist of affidavits explaining why the Confidential Information is proprietary and confidential and why it should not be publicly disclosed.

WHEREFORE, FPL respectfully requests the Commission to give the Confidential Information identified in Appendix A confidential classification and exempt it from public disclosure.

Respectfully submitted this 22nd day of May 2002.

R. Wade Litchfield, Esq.
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By: 
Charles A. Guyton
Florida Bar No. 0398039

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing, excluding Appendix A has been furnished by hand delivery or U.S. Mail (*) this 22nd day of May, 2002 to the following:

Martha Carter Brown, Esq.
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Legal Division
Florida Public Service Commission
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Holland & Knight LLP
315 South Monroe Street, Ste. 600
Tallahassee, Florida 32301

By: 
Charles A. Guyton

APPENDIX A

APPENDIX B

Q.

For each such potential natural gas transportation provider, summarize the nature of your discussions to date and identify the facilities that would need to be constructed to provide natural gas service to the proposed units, the entity that would pay for such facilities, and the time necessary to permit and construct such facilities.

A.

The following is a summary of FPL's discussions to date which each potential natural gas transportation provider listed in response to Interrogatory No. 39:

1.

[REDACTED]

2.

[REDACTED]

3.

[REDACTED]

4.

[REDACTED]

- [REDACTED]
5. [REDACTED]
6. [REDACTED]
7. [REDACTED]

Q.

Please state the natural gas transportation costs assumed in FPL's cost-effectiveness analyses for the Martin and Manatee units and the RFP proposals that did not provide natural gas transportation cost estimates. Document and explain the basis for each of these assumptions

A.



Status of RFP Proposals Evaluation

- A 5-Step evaluation approach is being used:
 - Step 1: Ranking of individual “outside proposals” (i.e., each outside proposal + “filler” greenfield CC units to complete an expansion plan).
 - Step 2: Develop a best “outside proposals” portfolio expansion plan.
 - Step 3: Ranking of individual “FPL construction options” (each FPL option + “filler” greenfield CC units to complete an expansion plan).
 - Step 4: Develop a best “FPL option” portfolio expansion plan.
 - Step 5: Develop a best all options portfolio expansion plan using best outside proposals & best FPL options.
- The work has progressed through Step 3 (using one set of assumptions for the “filler” greenfield CC unit).
- The preliminary results through Step 3 follow.

Preliminary

Best “All Outside Proposal” Portfolio (Steps 1 & 2)

<u>Year</u>	<u>Site</u>	<u>Summer MW</u>	<u>Technology</u>	<u>Contract length</u>
2005	Palm Beach County Broward, or St Lucie *	1622	2 CC's	Turnkey
2006	Palm Beach County	465	3 CT's	25 yrs

* Developer proposed 3 identical turnkey units, one in each county shown, with identical prices. Two of these projects were selected.

Overview of FPL Construction Options

PGD Option No.	Site	(1) FPL Proposed Capacity Addition	(2) Total Capital Cost * (2005\$, \$000)	(3) Incremental Summer MW **	(4) = (2) / (3) \$/Incremental Summer kw	(5) Heat Rate (BTU/kwh) ***
1	Ft. Myers	CT-to-CC Conversion (2 x 1)	\$179,678	237	\$758	6,760
2	Martin	CT-to-CC Conversion (3 x 1)	\$281,633	515	\$547	6,800
8	Martin	CT-to-CC Conversion (4 x 1)	\$369,890	792	\$467	6,800
3	Martin	New CC (3 x 1, heavy duct firing)	\$397,285	881	\$451	6,860
4	Martin	New CC (3 x 1, moderate duct firing)	\$392,505	833	\$471	6,800
5	Martin	New CC (3 x 1, light duct firing)	\$389,288	763	\$510	6,730
9	Martin	New CC (4 x 1, moderate duct firing)	\$484,803	1,110	\$437	6,800
10	Martin	New Pet Coke (2 300 MW units)	\$840,000	600	\$1,400	10,000
6	Manatee	New CC (3 x 1, moderate duct firing)	\$393,776	833	\$473	6,800
7	Port Everglades	Repowering Units 3 and 4	\$730,771	1,296	\$564	6,630
11	Sanford # 4	Power Augmentation (1 new CT)	\$80,455	214	\$376	10,450
12	Sanford # 5	Power Augmentation (1 new CT)	\$80,455	214	\$376	10,450
Expansion Plan Filler Unit	Greenfield	New CC (2x1) ****	\$333,500	547	\$610	6,850

* Includes cost for backup fuel capability.

** Includes base and duct firing MW capabilities.

*** Heat rate for base operation.

**** Price for greenfield unit was developed on a different basis ("a market model") than the other 12 units shown above.

003 NDI

Preliminary

Results of Individual FPL Option-Based Expansion Plans (Step 3)

<i>Ranking</i>	<i>Site</i>	<i>FPL Construction Options</i>	<i>Difference from lowest cost plan (2001 - 2030 2001\$ \$ millions)</i>
1)	Martin	New CC (4x1, moderate)	---
2)	Martin	CT-to-CC conversion (4x1)	36
3)	Martin	New CC (3x1, heavy)	80
4)	Martin	New CC (3x1, moderate)	136
5)	Manatee	New CC (3x1, moderate)	139
6)	Martin	New CC (3x1, light)	165
7)	Martin	Pet Coke (2 300 MW units)	260
8)	Martin	CT-to-CC conversion (3x1)	484
9)	Pt. Everglades #3	Repowering	561
10)	Ft. Myers	CT-to-CC conversion (2x1)	613
11) & 12)	Sanford 4 & 5	Power Augmentation (1 CT)	732

Summary (So Far)

- Too early for definitive results, but based on the preliminary results, FPL construction options as a group appear to be the more economic choices with only a couple of outside proposals able to compete.
- However, results to-date are being significantly driven by the choice of a \$610/kw, 2x1 Greenfield CC unit as the “filler” unit in the expansion plan. It is more expensive (\$100 to \$170/kw more) than any other FPL construction option being considered for 2005 & 2006. The use of this “filler” unit favors larger units and longer term options (both characteristic of FPL’s options) more than if a less expensive “filler” unit were used.
- In addition, further work is needed to evaluate how long it takes before options with the lowest 30-year revenue requirements become the least expensive option.
- Finally, TOP has been handed a list of the best outside proposals so that they can begin to estimate transmission integration costs. A list of the best FPL options will soon be given to them also.

RFP Proposal Analysis Results
(as of 11/30/01)

Overview of Results

- Analyses are nearly complete. Some work remains but the final outcome appears clear.
- Several FPL construction options at Martin are the most economical choices.
- These FPL options at Martin are better than their competition by substantial margins:

<u>Best "All Martin" FPL Plan versus:</u>	<u>Differential (millions, NPV)</u>
Best "not all at Martin" FPL plans	66 - to - 222
Best FPL and outside combination plan	150 - to - 306
Best Everglades repowering plan	249 - to - 405
Best all outside FPL plan	367 - to - 523

FPL Construction Options

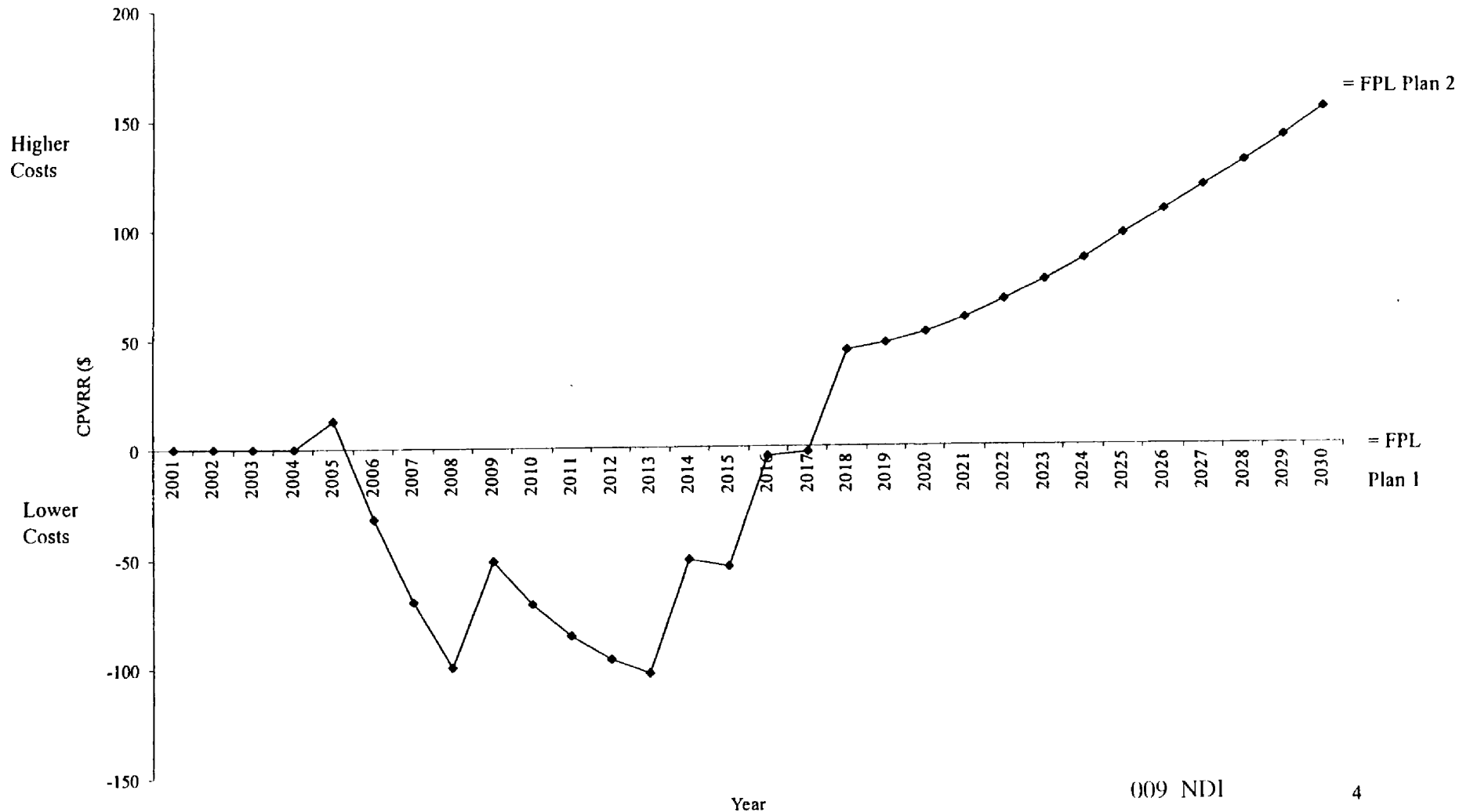
(w/o Transmission Integration Costs)

- The 4 best FPL construction plans are:

<u>Plan</u>	<u>Year</u>	<u>Site</u>	<u>Option</u>	<i>Difference from FPL's Best Plan (millions, NPV 2001 - 2030)</i>
1	2005	Martin	600 MW Pet Coke & 4x1 Conversion	----
	2006	Manatee	New 3x1 CC	
2	2005	Martin	New 4x1 CC & 4x1 Conversion	156
	2006	----	None	
3	2005	Martin	New 4x1 CC & 3x1 Conversion	222
	2006	Ft. Myers	2x1 Conversion (w/Gulfstream gas)	
4	2005	Martin	New 4x1 CC	
	2006	Manatee	New 4x1 CC	244

- However, Plan 1 (containing the Martin pet coke option) takes 14 years before it is better than Plan 2 as shown on the next page.

Comparison of Cumulative Costs Over Time: FPL Plans 1 & 2 (w/o Transmission Integration Costs)



Repowering of Port Everglades 3 & 4

(w/o Transmission Integration Costs)

- The two top FPL construction plans compare to the best plan with Port Everglades repowering as follows:

<u>Plan</u>	<u>Year</u>	<u>Site</u>	<u>Option</u>	<i>Difference from FPL's Best Plan (millions, NPV 2001 - 2030)</i>
1	2005	Martin	600 MW Pet Coke & 4x1 Conversion	----
	2006	Manatee	New 3x1 CC	
2	2005	Martin	New 4x1 CC & 4x1 Conversion	156
	2006	----	None	
Repowering Plan	2005	Pt. Everglades Martin	Repowering 3 & 4 4x1 Conversion	
	2006	Pt. Everglades	Repowering 4	405

- A breakdown of the cost differences between Plan 2 & the Repowering Plan on the next page shows why repowering Pt. Everglades is more expensive.

Port Everglades Repowering vs. FPL's Best Plan

(w/o Transmission Integration Costs)

- The best plan that included repowering of Port Everglades units 3 & 4 differs from FPL's Plan 2 (i.e., the best plan w/o pet coke) by cost component as follows:

Differences in Repowering Plan vs. FPL Plan 2 (w/o Pet Coke)
(millions, NPV, 2001 - 2030)

Capital	225
System Fuel	(415)
Variable O & M	(4)
Fixed O & M	55
Gas Firm Transportation Cost	388
Total Difference =	<hr/> 249

Possible Adjustment to Port Everglades Costs

(w/o Transmission Integration Costs)

Differential in Repowering Plan vs. FPL Best Plan 2 (w/o Pet Coke)
(millions, NPV, 2001 - 2030)

	Incremental	Cumulative
Base Differences	—	249
Potential Adjustments: 1) Assume environmental costs needed at Port Everglades 3 & 4 *,**	(210)	39
2) Assume Gulfstream firm transportation costs instead of FGT's ***	(60)	(21)

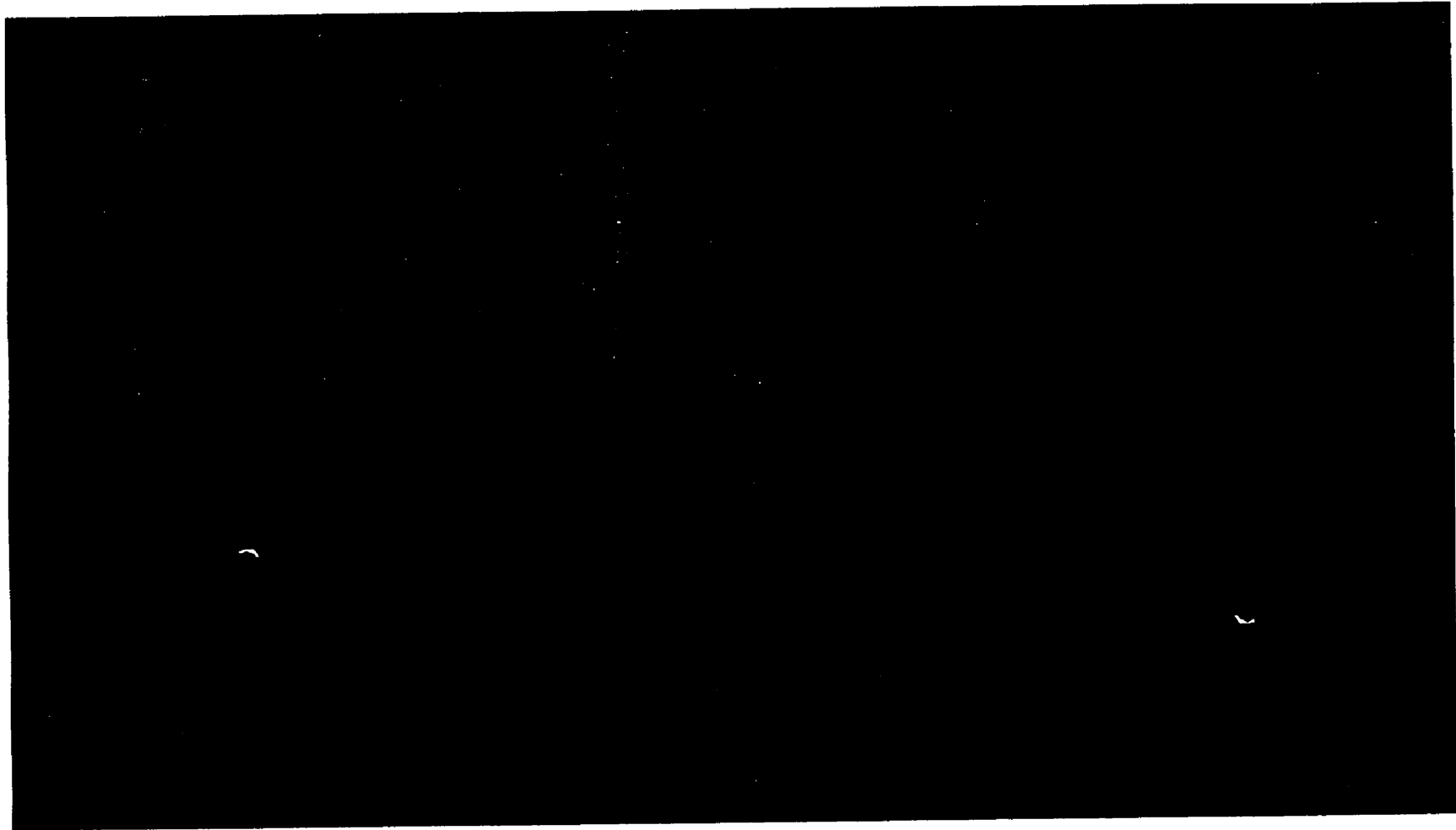
* Assumes \$100 million in capital and \$9 million/yr in additional O&M.

** Changes in MW output and heat rate at Everglades resulting from the installation of environmental cleanup equipment mean that analyses of all proposals, FPL and outside FPL, should be redone.

*** Recent letter from Gulfstream states \$0.70 - to - \$0.80/ mmBTU for firm gas to Port Everglades. Value above assume \$0.70/mmBTU. Uncertainty exists about meeting the 2005 date.

“Outside FPL” Proposals

(w/o Transmission Integration Costs)



Update: How Many MW are Really Needed

- The projection of MW needed for 2005 (1,150 MW) & 2006 (600 MW) that was published in the RFP was based on forecasts and projections used in the 4/2001 Site Plan.
- Recent changes in both the firm load forecast and in projected total capacity (both increasing by approx. 350 - 400 MW), have resulted in this MW need remaining essentially unchanged.
- However, the increase in projected total capacity is primarily due to the “extension” (from what was assumed at the time the Site Plan was published) of the new power purchase agreement with Reliant’s 3 CT facility in FPC’s service territory. This extension adds 447 MW in both 2005 and 2006. Transmission constraints may limit the amount of MW that FPL can actually receive which, in turn, would increase our need.
- Therefore, we may need to address this by bringing into service one or more of the new CT’s being added as part of an FPL construction option as a “stand alone” unit to maintain reserve margins (particularly in 2004).

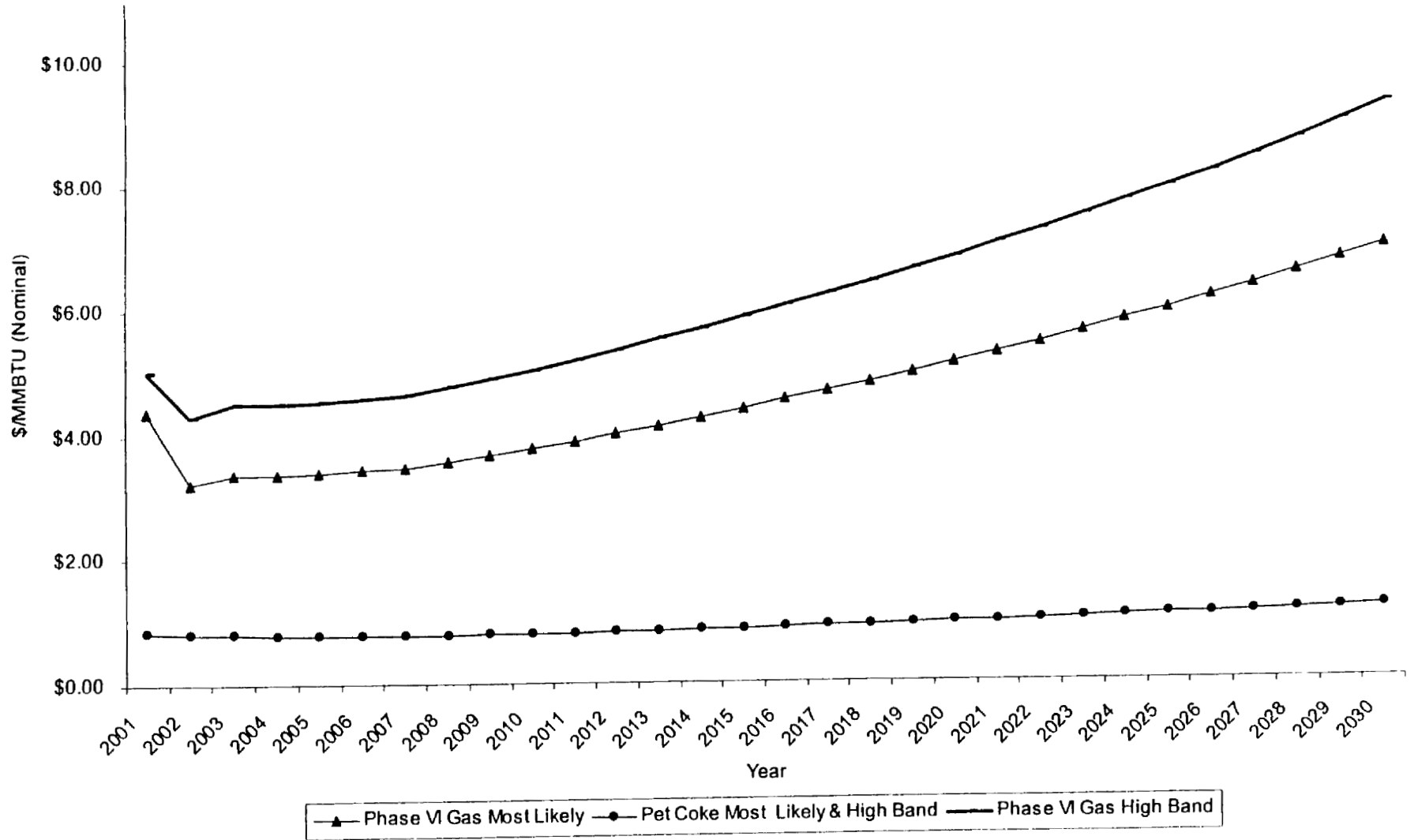
Overview of FPL Construction Options

PGD Option No.	Site	(1) FPL Proposed Capacity Addition	(2) Total Capital Cost * (2005\$, \$000)	(3) Incremental Summer MW **	(4) = (2) / (3) \$/Incremental Summer kw	(5) Heat Rate (BTU/kwh) * * *	FGT	Gulfstream
1	Ft. Myers	CT-to-CC Conversion (2 x 1)	\$179,678	237	\$758	6,760		x (?) x
2	Martin	CT-to-CC Conversion (3 x 1)	\$281,633	515	\$547	6,800		x
8	Martin	CT-to-CC Conversion (4 x 1)	\$369,890	792	\$467	6,800		x
3	Martin	New CC (3 x 1, heavy duct firing)	\$397,285	881	\$451	6,860		x
4	Martin	New CC (3 x 1, moderate duct firing)	\$392,505	833	\$471	6,800		x
5	Martin	New CC (3 x 1, light duct firing)	\$389,288	763	\$510	6,730		x
9	Martin	New CC (4 x 1, moderate duct firing)	\$484,803	1,110	\$437	6,800		x
10	Martin	New Pet Coke (2 300 MW units)	\$840,000	600	\$1,400	10,000	NA	NA
6	Manatee	New CC (3 x 1, moderate duct firing)	\$393,776	833	\$473	6,800		x
7	Port Everglades	Repowering Units 3 and 4	\$730,771	1,296	\$564	6,630	x	
11	Sanford # 4	Power Augmentation (1 new CT)	\$80,455	214	\$376	10,450	x	
12	Sanford # 5	Power Augmentation (1 new CT)	\$80,455	214	\$376	10,450	x	
Expansion Plan Filler Unit	Green field	New CC (4x1) ****	\$499,303	1,110	\$450	6,800	x	

- * Includes cost for backup fuel capability.
- ** Includes base and duct firing MW capabilities.
- *** Heat rate for base operation.
- **** RAP estimate

Backup Info

Comparison Of Forecasted Fuel Costs



Load Forecast

Mid Band Forecast 92 degree

Year	Load Forecast at the time RFP was issued (dated 8/00)		Load Forecast Used In RFP Analysis (dated 9/29/01)	
	(1M) Winter	(2M) Summer	(3M) Winter	(4M) Summer
2004	20,555	19,964	19,976	20,226
2005	20,986	20,433	20,418	20,719
2006	21,413	20,918	20,854	21,186

High Band Forecast 94 degree

Year	Load Forecast at the time RFP was issued (dated 8/00)		Load Forecast Used In RFP Analysis (dated 9/29/01)	
	(1H) Winter	(2H) Summer	(3H) Winter	(4H) Summer
2004	20,952	20,905	20,371	20,638
2005	21,389	21,393	20,818	21,138
2006	21,822	21,898	21,260	21,612

Mid Band Forecast 92 degree

Year	Difference Between Forecasts	
	(3M) - (1M) Winter	(4M) - (2M) Summer
2004	(579)	262
2005	(568)	286
2006	(559)	268

High Band Forecast 94 degree

Year	Difference Between Forecasts	
	(3H) - (1H) Winter	(4H) - (2H) Summer
2004	(581)	(267)
2005	(571)	(255)
2006	(562)	(286)

High Band - Mid Band Forecast

Year	Load Forecast at the time RFP was issued (dated 8/00)		Load Forecast Used In RFP Analysis (dated 9/29/01)	
	(1H) - (1M) Winter	(2H) - (2M) Summer	(3H) - (3M) Winter	(4H) - (4M) Summer
2004	397	941	395	412
2005	403	960	400	419
2006	409	980	406	426

Issues For Comparison of PPE Repowering vs. Martin/Manatee Plan

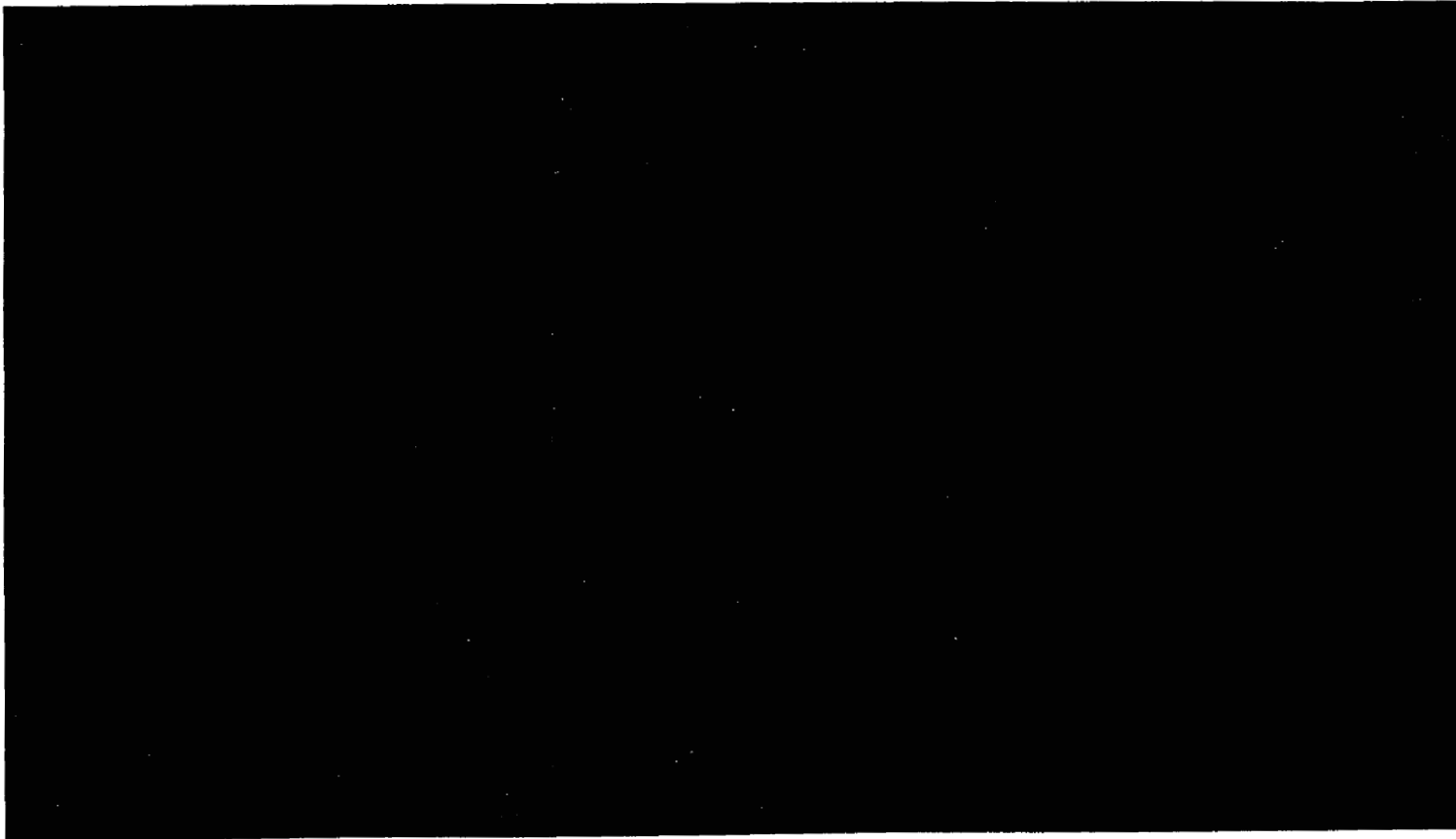
Quantitative

- “Regulated” Economics
- “Unregulated” Economics
- Factors Affecting Relative Economics:
 - Gas Transportation Costs
 - Transmission Integration Costs (Pricing)
 - Potential Environmental Cleanup Costs

Qualitative

- Environmental Cleanup Consequences
- Political Goodwill
- Meeting CT Commitment
- Regulatory Approvals (Timing & Effort)

**“Regulated” Economic Comparisons
(Analyses results as of 12/10/01)
w/o Transmission Integration**



“Regulated” Economic Comparison of Repowering vs Martin/Manatee (Best FPL Plan)

- Regulatory precedent for Determination of Need or Rate Base (Scherer) proceedings at PSC suggest a need to have PVRR comparisons for life of unit (25 years)
- PVRR comparison normally includes all costs of alternatives (including transmission integration and gas transportation)

This analysis yields the following results (using revised repowering costs):

Repowering PPE 3,4 exceeds Martin/Manatee costs by: \$760 million, NPV

Sources of Differential:

Capital	=
System Fuel	=
O & M	=
Gas Trans.	=
Trans. Int	= \$240

Total = \$760

“Regulated” Economic Comparison of Repowering vs Martin/Manatee (Best FPL Plan) cont.

If we can “credit” repowering:

Initial Differential vs Martin/Manatee	\$760 Million NPV
Less	
"Potential" Environmental costs	\$210 million
"Rolled In" transmission	\$240 million
Gulfstream firm gas	\$60
Repowering still exceed Martin/Manatee by from a regulated perspective	\$250 Million NPV

Note: Repowering will not necessarily avoid a Need Determination proceeding because additional capacity is needed (And an RFP has been issued and bids received which may lead to contesting of results by bidders.)

“Unregulated” Economic Comparison of PPE Repowering vs. Martin//Manatee

Compare “Total” costs of alternatives:

	<i>Fixed Costs</i>			<i>Variable Costs</i>		Operating Cost @ 90% C.F. \$/MWH	
	Installed \$/kw	Fixed O&M \$/kw - yr	Fuel Trans. \$/MMBTU	Variable O&M cents/kwh	Fuel cents/kwh		
Martin/Manatee							
w/o trans integration	464	13.04	0.60	0.037	23.19	39.42	
w/ trans integration	487	13.04	0.60	0.037	23.19	39.92	
Repowering							
w/o trans integration	396	12.92	0.76	0.008	22.95	38.82	(38.37) *
w/ trans integration	489	12.92	0.76	0.008	22.95	40.82	(40.37) *

*Assumes \$0.70/MMBTU from Gulfstream as per their latest correspondence.

“Unregulated” Economic Analysis cont.

Potential Gains* of Repowering in a deregulated environment

w/o transmission integration, Gulfstream gas: \$470 Million, NPV

Potential gain of unrepowered unit \$276 Million, NPV

* Assumes market price set by new combined cycle that is represented by FPL's 3x1 CC unit at Manatee option (approx. 830 MW, \$450/kw, 6800 heat rate).

Qualitative Factors

Environmental Cleanup Consequences

- Positive story in Broward County for repowering, but will increase pressure at Cape Canaveral, Riviera, Manatee, maybe Turkey Point, which may be even less economic.
- May force action on PPE 1, 2 with additional costs

Political goodwill

- Main impact in Broward, may help with transmission siting, Con: transmission battles and/or extra costs passed on to Broward County customers only may negate goodwill.

Meeting CT Commitment

- Repowering plan will use 2 more CT's than Martin/Manatee Plan (8 vs.6)

Regulatory Approvals

- No real advantage. Repowering plan still requires additional capacity which will go through Need Determination. Repowering could be dragged in.
- May be greater risk to shareholders if we don't go through Need Determination and wait for cost recovery approval.

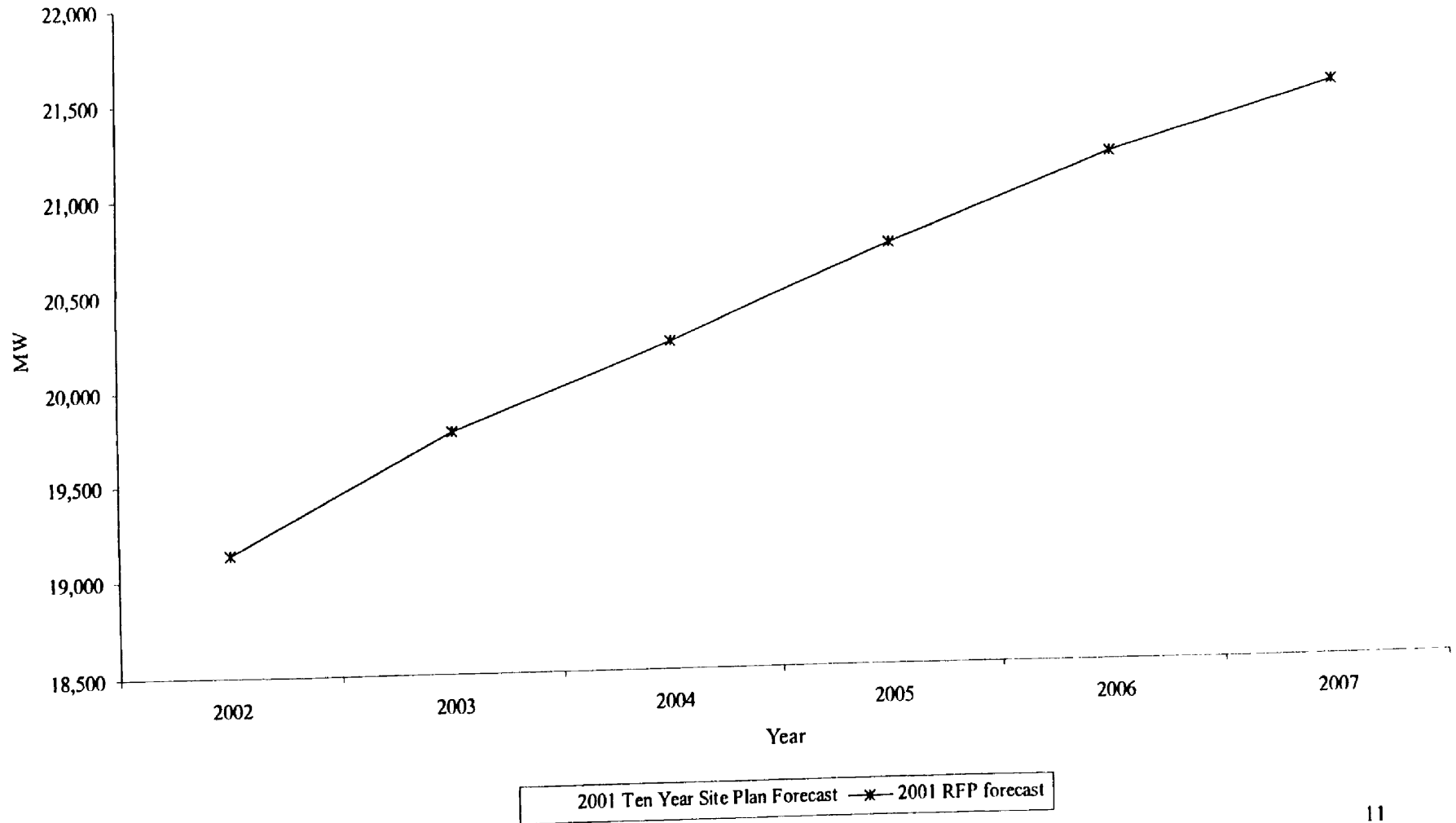
Backup

Capacity Additions

<u>Plan w/o Repowering</u>			<u>Plan w/ Repowering</u>	
	Unit	Incremental MW (approx.)	Unit	Incremental MW (approx.)
2005	Martin Conversion (4x1)	790	Repower PPE3	645
	Manatee New CC (4x1)	1,110	Martin Conversion (4x1)	790
2006	(none)	<u>0</u>	Repower PPE4	<u>645</u>
	Total MW added =	1,900		2,080

Joe Step answers

Comparison of Load Forecasts 2001 Ten Year Site Plan vs. 2001 RFP



<u>Year</u>	Site Plan Load Forecast & Purchase Assumptions w/ Martin 4x1 conversion and Manatee 4x1 <u>New CC</u>	Current Load Forecast & Purchase Assumptions w/Martin 4x1 conversion and Manatee 4x1 <u>New CC</u>
2004	21.9	20.5
2005	24.2	24.1
2006	20.9	20.9



FPL's 2001 RFP Process

Presented to:

**Corporate Communications
December 4, 2001**

**Sam Waters
Director, Resource Planning**

Why Issue An RFP?

25-22.082 Selection of Generating Capacity.

(2) Prior to filing a petition for determination of need for an electrical power plant pursuant to Section 403.519, Florida Statutes, each investor-owned electric utility shall evaluate supply-side alternatives to its next planned generating unit by issuing a Request for Proposals (RFP).

FPL's Capacity & Energy RFP

Overview

- 2 parts to RFP:
 - 1) firm capacity
 - 2) identify potential for energy from renewables
- Part 1: Firm Capacity: - designed to meet FPL's capacity needs for 2005 & 2006
 - for 2005 = 1,150 MW
 - for 2006 = 600 MW
 - total = 1,750 MW
 - Acceptable bids = a) 3 - year minimum firm purchase bids
 - b) turnkey bids (greenfield sites)
 - c) Other terms bidders believe may be of value to FPL
 - Quoted FPL prices = last year's cost estimates (from Site Plan) for Martin 5, Martin 6, Midway CC, and 2 CT - to - CC conversions (at Martin and Ft. Myers).
 - FPL reserves the right to match or beat any/all bids.
 - Lowest total cost option difficult/impossible to really determine due to new transmission regulations.
- Part 2: Non-Firm Energy from Renewables: - designed to fulfill stipulated agreement w/LEAF from last DSM Goals docket to identify potential suppliers of renewable energy and cost. No commitment to contract at this point.

FPL's Capacity & Energy RFP

Schedule

<u>Date</u>	<u>Milestone</u>
August 13, 2001	Release RFP
August 24, 2001	Pre-Bid Workshop
August 31, 2001	Notice of Intent to Bid received
September 28, 2001	Proposals received
November, 2001	Short List announced & contract negotiations begin
March, 2002	Winner (s) announced
May, 2002	Determination of Need and/or Cost recovery filing
June, 2005	New capacity in-service

Status of RFP Proposals Evaluation

- A 5-Step evaluation approach is being used:

Step 1: Ranking of individual “outside proposals” (i.e., each outside proposal + “filler” greenfield CC units to complete an expansion plan).

Step 2: Develop a best “outside proposals” portfolio expansion plan.

Step 3: Ranking of individual “FPL construction options” (each FPL option + “filler” greenfield CC units to complete an expansion plan).

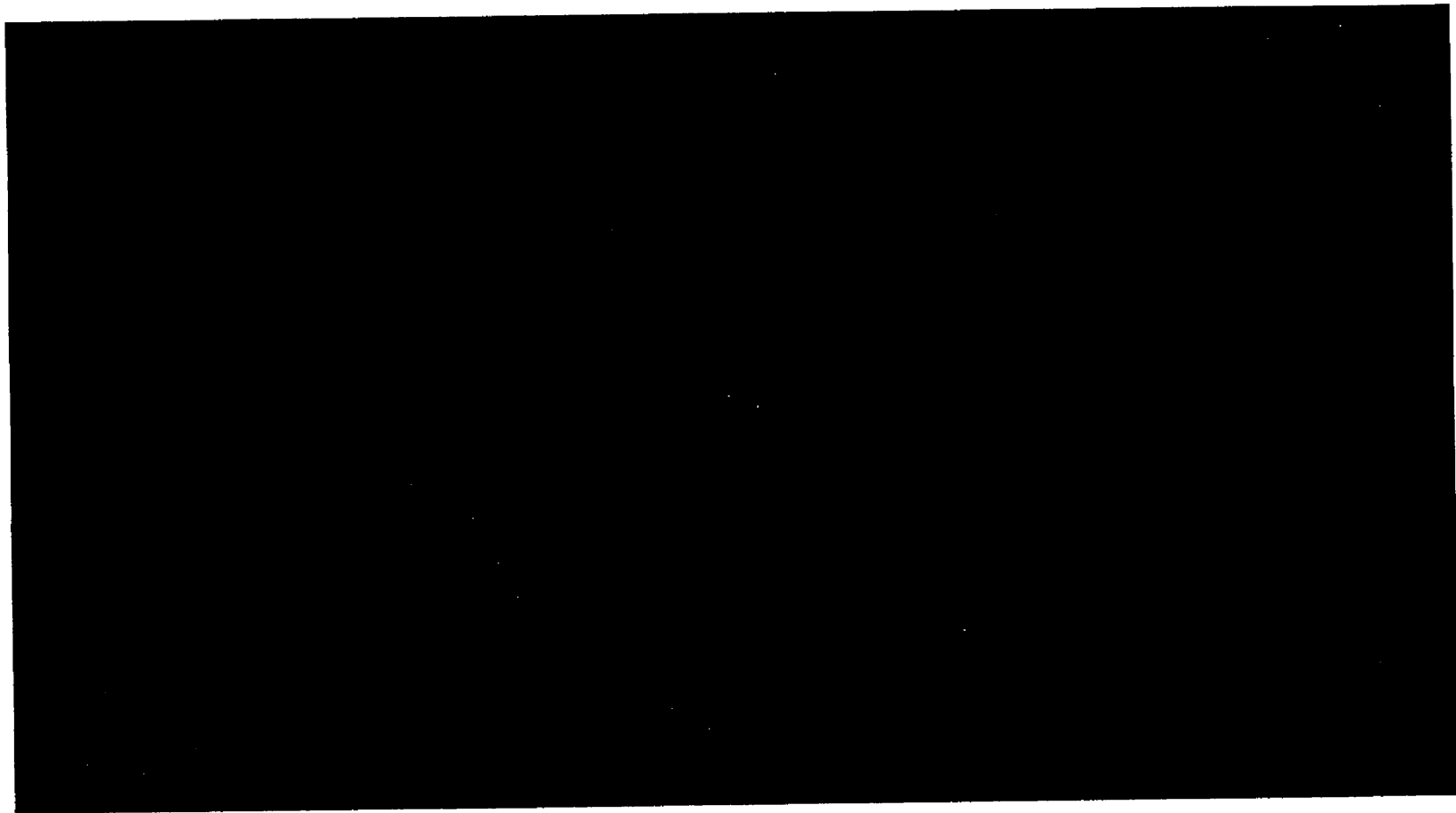
Step 4: Develop a best “FPL option” portfolio expansion plan.

Step 5: Develop a best all options portfolio expansion plan using best outside proposals & best FPL options.

- The work has progressed through Step 4 (as of 11/27)

- The preliminary results follow.

Preliminary
Best “All Outside Proposal” Portfolio (Steps 1 & 2)



Overview of FPL Construction Options

PGD Option No	(1) Site	(2) FPL Proposed Capacity Addition	(3) Total Capital Cost * (2005\$, \$000)	(4) Incremental Summer MW **	(4) = (2) / (3) \$/Incremental Summer kw	(5) Heat Rate (BTU/kwh) ***
1	Ft. Myers	CT-to-CC Conversion (2 x 1)	\$179,678	237	\$758	6,760
2	Martin	CT-to-CC Conversion (3 x 1)	\$281,633	515	\$547	6,800
8	Martin	CT-to-CC Conversion (4 x 1)	\$369,890	792	\$467	6,800
3	Martin	New CC (3 x 1, heavy duct firing)	\$397,285	881	\$451	6,860
4	Martin	New CC (3 x 1, moderate duct firing)	\$392,505	833	\$471	6,800
5	Martin	New CC (3 x 1, light duct firing)	\$389,288	763	\$510	6,730
9	Martin	New CC (4 x 1, moderate duct firing)	\$484,803	1,110	\$437	6,800
10	Martin	New Pet Coke (2 300 MW units)	\$840,000	600	\$1,400	10,000
6	Manatee	New CC (3 x 1, moderate duct firing)	\$393,776	833	\$473	6,800
7	Port Everglades	Repowering Units 3 and 4	\$730,771	1,296	\$564	6,630
11	Sanford # 4	Power Augmentation (1 new CT)	\$80,455	214	\$376	10,450
12	Sanford # 5	Power Augmentation (1 new CT)	\$80,455	214	\$376	10,450
Expansion Plan Filler Unit	Greenfield	New CC (4x1)	\$499,303	1,110	\$450	6,800

* Includes cost for backup fuel capability.

** Includes base and duct firing MW capabilities.

*** Heat rate for base operation.

Preliminary

Best "All FPL Proposal" Portfolio (Steps 3 & 4)

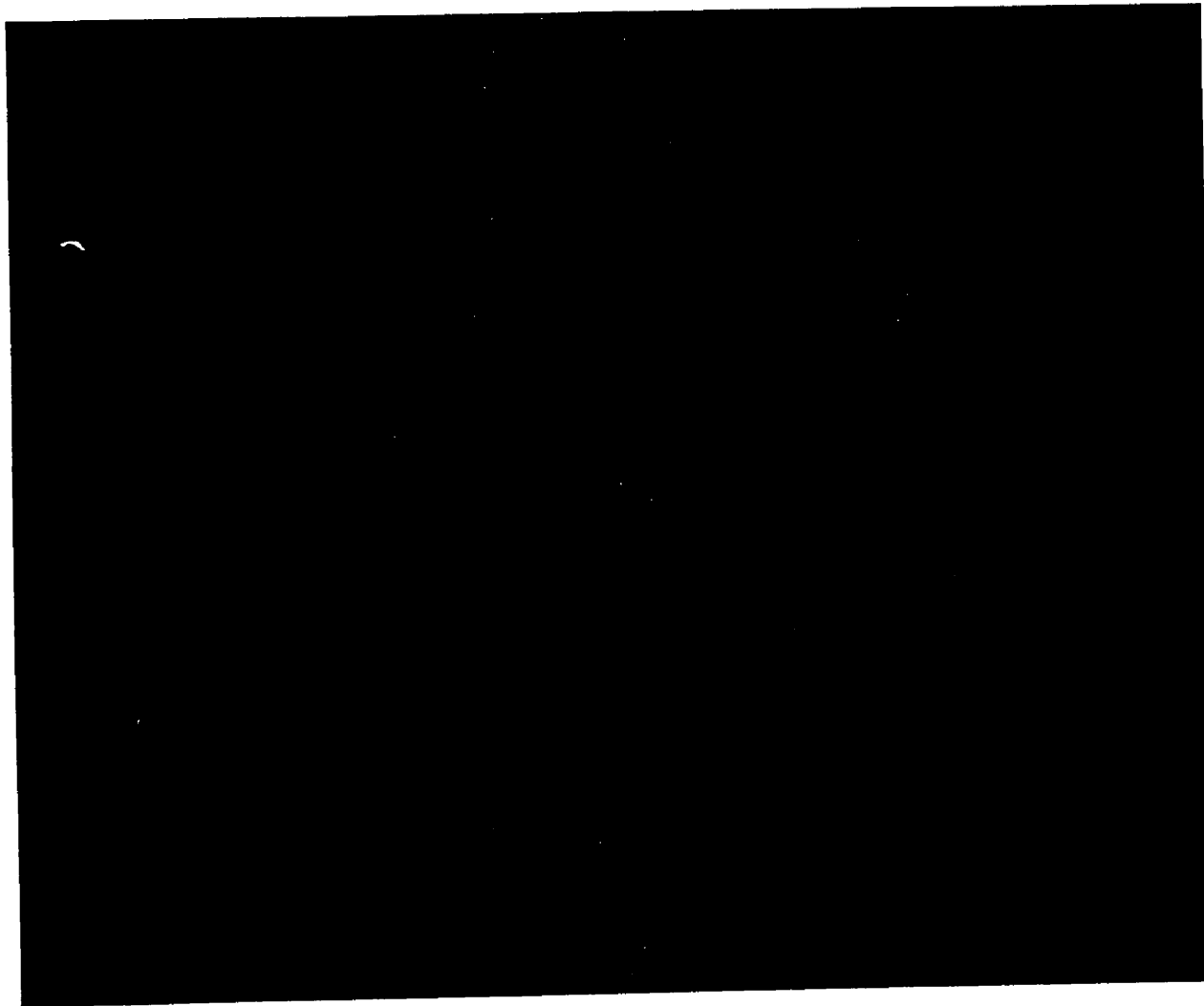
<u>Year</u>	<u>Site</u>	<u>Summer MW</u>	<u>Technology</u>
2005	Manatee Martin	1,110 <u>792</u> 1,902	New 4X1 CC Unit Conversion of 2 CTs
2006	No additions	0	

Summary

- Based on the preliminary results, FPL construction options as a group appear to be the more economic choices with only a couple of outside proposals able to compete. Repowering does not appear to be the most economic of FPL's options.
- Further work is needed to evaluate how long it takes before options with the lowest 30-year revenue requirements become the least expensive option.
- TOP has been handed a list of the best FPL options so that they can begin to estimate transmission integration costs. A list of the best outside options will be given to them also.
- Renewable proposals have been forwarded to FPL Marketing for evaluation as part of FPL's Green Pricing program.

- Review of RFP Results
- Results of Previous Analyses
- Alternative Need Filing Strategies
- Negotiation Alternatives
- Characteristics Of Bids

Review of RFP Results



Results of Previous Analyses

	<u>Study</u>	<u>System Total Cost (CPVRR, Millions)</u>	<u>Best Plan Differential</u>	<u>Presented to PSC</u>
1989	Martin, Lauderdale	34,326	32	Need Filing
1990	Scherer 4	42,805	15 - 500	Acq. Adj.
1990	Indiantown		90	Need Filing
1992	Cypress	39,687	100	Need Filing
1998	Fort Myers	27,989	166	Rate Case
1998	Sanford	28,045	18	Rate Case
2002	Manatee/Martin	41,054	12	Need Filing

* Magnitude of CPVRR value varies according to number of years costs are discounted back.

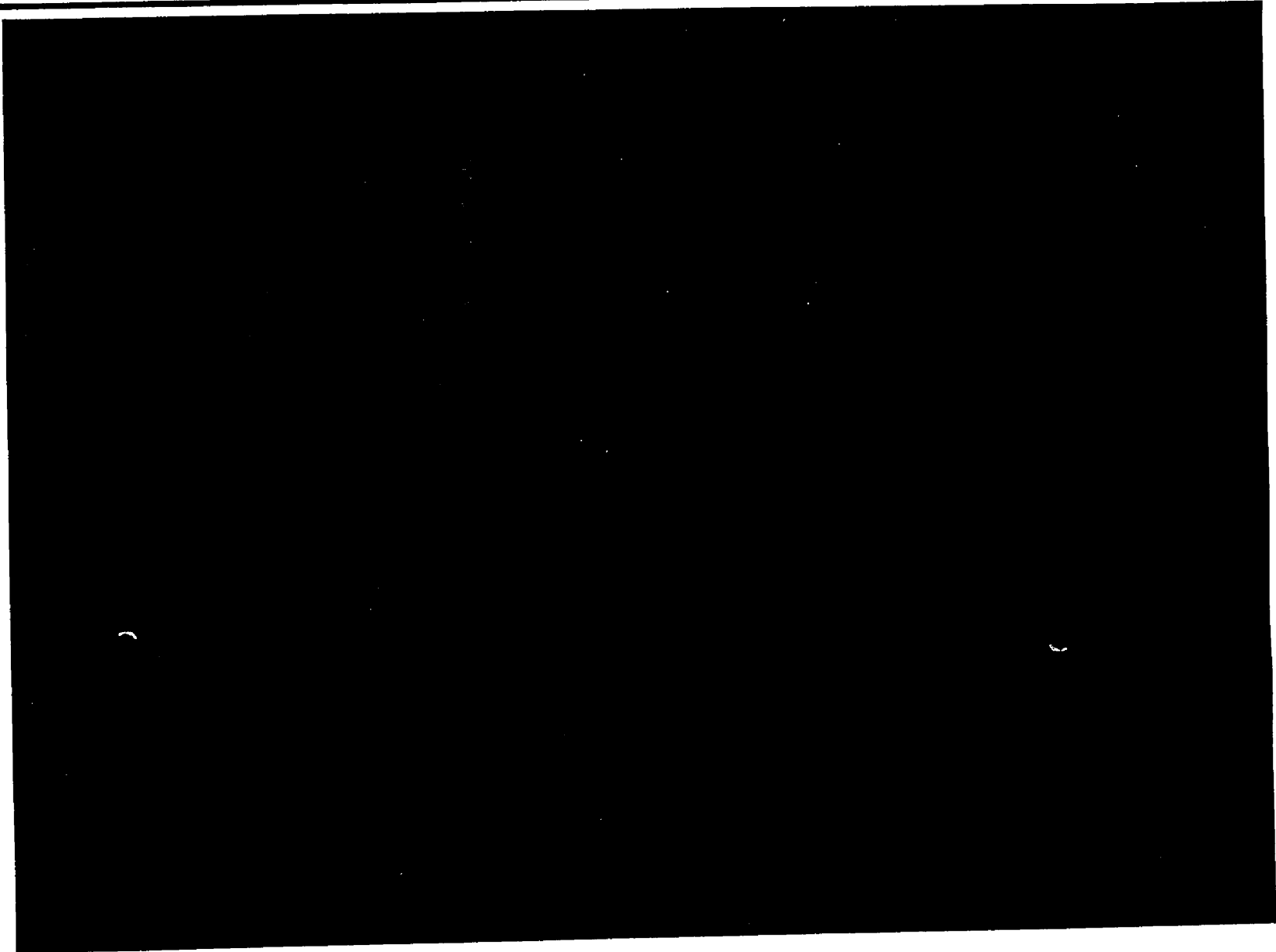
Alternative Need Filing Strategies

- Strategy 1: File Manatee & Martin for 2005 in-service
- Strategy 2: File Manatee, defer Martin & negotiate for 2006 Need (600 MW)
- Strategy 3: File Martin, defer Manatee & negotiate for 2005 (350 MW) & 2006 needs (600 MW)

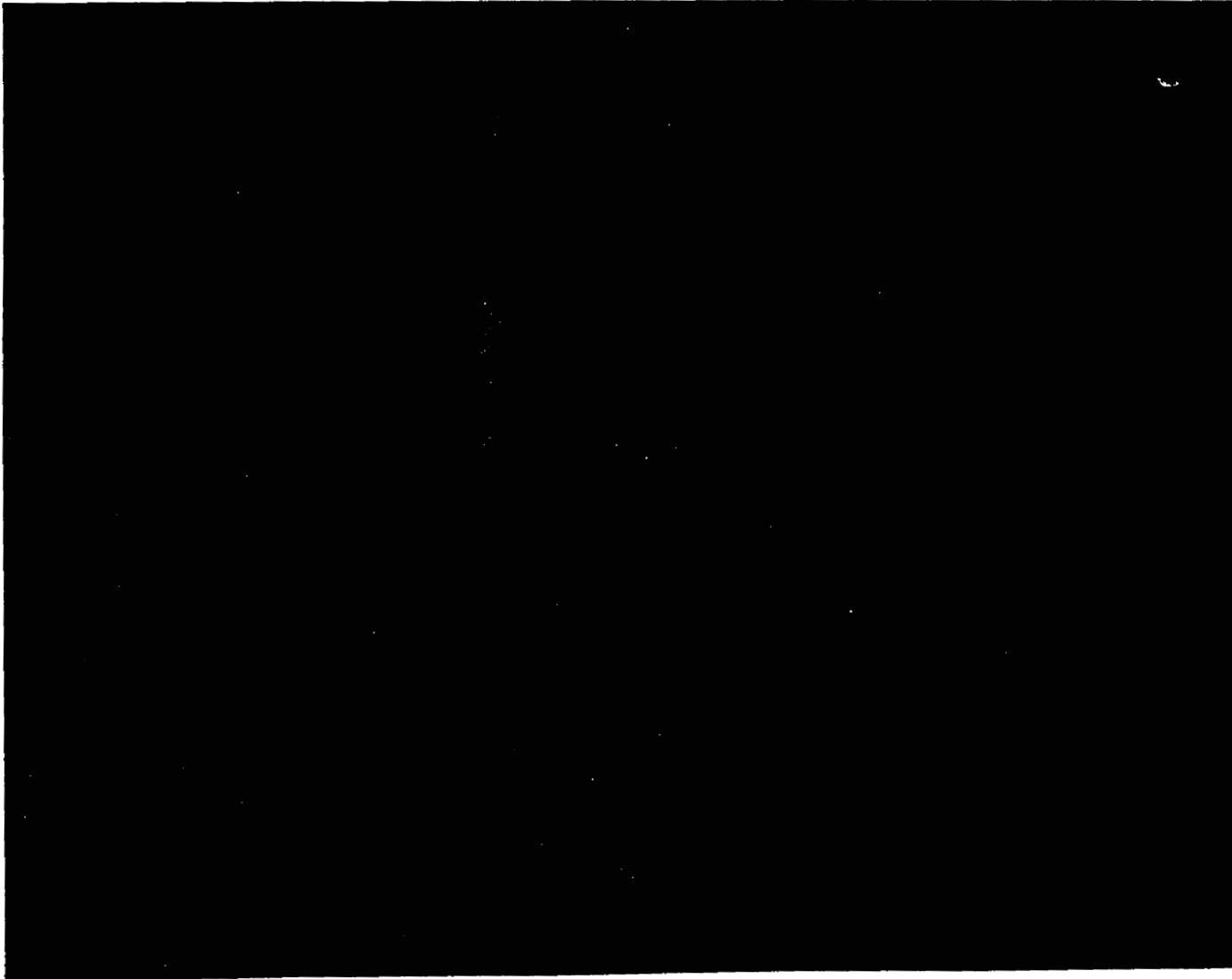
Manatee is critical path for 2005.

Need Filing after 3/15 may lose hearing date and jeopardize in-service by Summer 2005.

Negotiation Alternatives



Characteristics of Bids





FPL's 2001 RFP Process

Presented to:

**Operating Committee
January 28, 2002**

**Sam Waters
Director, Resource Planning**

047 NDI

FPL's 2001 RFP Process

- **Reason for issuing an RFP**
- **Overview of the RFP**
- **Evaluation Process**
- **Results**
- **Next Steps**

Why Issue An RFP?

25-22.082 Selection of Generating Capacity.

(2) Prior to filing a petition for determination of need for an electrical power plant pursuant to Section 403.519, Florida Statutes, each investor-owned electric utility shall evaluate supply-side alternatives to its next planned generating unit by issuing a Request for Proposals (RFP).

FPL's Capacity & Energy RFP

Overview

2 parts to RFP:

- 1) firm capacity
- 2) identify potential for energy from renewables

Part 1: Firm Capacity:

- designed to meet FPL's capacity needs for 2005 & 2006

for 2005 = 1,150 MW

for 2006 = 600 MW

total = 1,750 MW

- Acceptable bids = a) 3 - year minimum firm purchase bids
 - b) turnkey bids (greenfield sites)
 - c) Other terms bidders believe may be of value to FPL
- Quoted FPL prices = last year's cost estimates (from Site Plan) for Martin 5, Martin 6, Midway CC, and 2 CT - to - CC conversions (at Martin and Ft. Myers).
- FPL reserves the right to match or beat any/all bids.
- Lowest total cost option difficult to really determine due to new transmission regulations.

Part 2: Non-Firm Energy from Renewables:

- designed to fulfill stipulated agreement w/LEAF from last DSM Goals docket to identify potential suppliers of renewable energy and cost. No commitment to contract at this point.

FPL's Capacity & Energy RFP

Schedule

<u>Original Date</u>	<u>Actual Date</u>	<u>Milestone</u>
August 13, 2001		Release RFP
August 24, 2001		Pre-Bid Workshop
August 31, 2001 received		Notice of Intent to Bid
September 14, 2001	September 28, 2001	Proposals received
November, 2001 Contract	January, 2002	Short List announced & negotiations begin
March 2002		Winner (s) announced
May 2002		Determination of Need and/or Cost recovery filing
June 2005		New capacity in-service

Summary of Bids Received

Capacity Bids

15 Developers submitted nearly 30 projects totalling more than 14,000 MW. With pricing variations, more than 80 alternatives were proposed.

All but 2 projects (system sales) were natural-gas fired. Of the natural-gas fired proposals, two were CTs, the rest combined cycle.

Heavy concentration of projects from St. Lucie Co. south. One Bahamas project.

Renewable Bids

4 projects were proposed totalling 584,189 MWh.

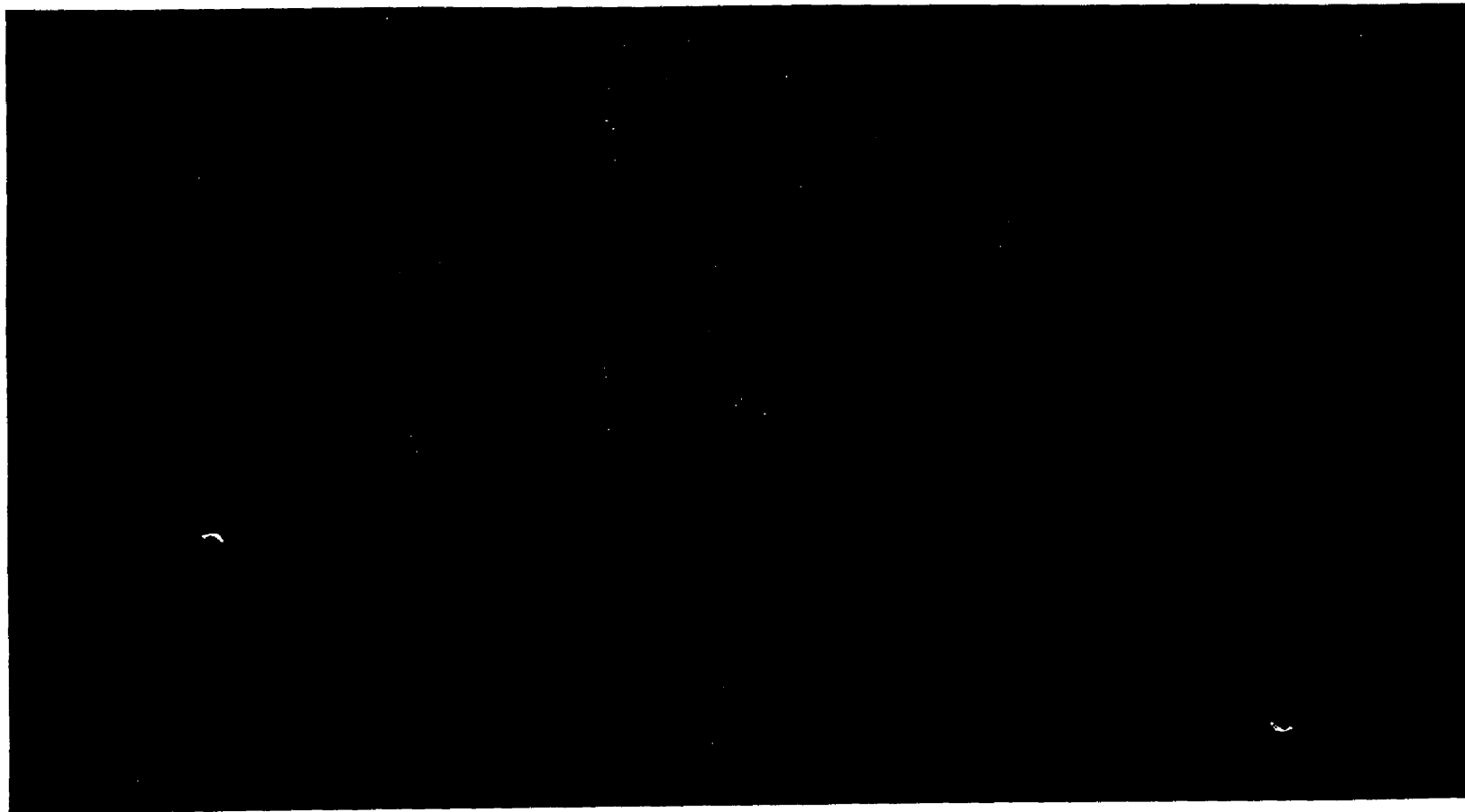
3 Biomass projects (incl. Okeelanta, Osceola), 1 landfill gas project.

RFP Proposals Evaluation

• A 5-Step evaluation approach was used:

- Step 1: Ranking of individual “outside proposals” (i.e., each outside proposal + greenfield CC units to complete an expansion plan).
- Step 2: Develop a best “outside proposals” portfolio expansion plan.
- Step 3: Ranking of individual “FPL construction options” (each FPL option + greenfield CC units to complete an expansion plan).
- Step 4: Develop a best “FPL option” portfolio expansion plan.
- Step 5: Develop a best all options portfolio expansion plan using best outside proposals & best FPL options.

Best “All Outside Proposal” Portfolio (Steps 1 & 2)



Overview of FPL Construction Options

	(1)	(2)	(3)	(4) = (2) / (3)	(5)	
PGD Option No.	FPL Proposed Capacity Addition	Total Capital Cost * (2005\$, \$000)	Incremental Summer MW **	\$/Incremental Summer kw	Heat Rate (BTU/kwh) ***	
	Ft. Myers	CT-to-CC Conversion (2 x 1)	\$179,678	237	\$758	6,760
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Expansion Plant/Filler Unit	Greenfield	New CC (4x1)	\$499,303	1,110	\$450	6,800

* Includes cost for backup fuel capability.

** Includes base and duct firing MW capabilities.

*** Heat rate for base operation.

Best "All FPL Proposal" Portfolio (Steps 3&4)

<u>Year</u>	<u>Site</u>	<u>Summer MW</u>	<u>Technology</u>
2005	Manatee Martin	1,107 <u>789</u> 1,896	New 4X1 CC Unit Conversion of 2 CTs to 4X1 CC
2006	No additions	0	

Note: Martin CC replaced by Manatee

Best “Combination” Portfolio (Step5)

<u>Year</u>	<u>Site</u>	<u>Summer MW</u>	<u>Technology</u>	<u>Contract Length</u>
5	Martin (FPL) Palm Beach Co.	789 <u>465</u> 1,254	Conversion of 2 CTs CT	N/A 25 yrs
6	Okeechobee Co.	526	CC	3 yrs

Economic Analysis of Alternatives

Comparison of Best "Combination" Portfolio to "All FPL" Portfolio:

Net NPV Savings (Loss) w/o Equity Penalty:	(\$65 million)
Net NPV Savings (Loss) with Equity Penalty	(\$123 million)

Comparison includes capital, fuel, system impacts, transmission integration and startup costs.

Comparison of Best "All Outside Proposal" Portfolio to "All FPL" Portfolio:

Net NPV loss > \$200 million dollars. Integration costs, startup costs and equity penalty not applied and analysis terminated.

Next Steps

- Both FPL projects require certification under the Power Plant Siting Act, which includes a Determination of Need Filing with the FPSC.
 - Environmental filing with DEP in February
 - Need filing with FPSC March 8, Hearings end of May

Expect very active intervention from bidders.

- Ten Year Site Plan, to be filed April 1, will detail the new Martin/Manatee plan.
- Evaluate possible transfer of Martin/Manatee projects to FPLE

APPENDIX C

APPENDIX C

**Florida Power & Light Company
Line-By-Line Confidentiality Justification**

Document Title	Page Number	Line Description	Justification
Attachment to FPL's Response to Interrogatory No. 23	013 NDI	lines 1 - 13	§366.093(3)(d) & (e)
same	021 NDI	lines 1 - 13	same
same	031 NDI	lines 1 - 8	same
same	042 NDI	lines 1 - 10	same
same	045 NDI	lines 1 - 13	same
same	046 NDI	lines 1 - 15	same
same	054 NDI	lines 1 - 8	same
FPL's Response to Interrogatory No. 40	060 NDI	Paragraphs 1 - 4	§366.093 (d) & (e)
same	061 NDI	Paragraphs 4 - 7	same
FPL's Response to Interrogatory No. 41	062 NDI	Paragraph A	same

EXHIBIT D

EXHIBIT D

AFFIDAVIT OF J. P. STEPENOVITCH

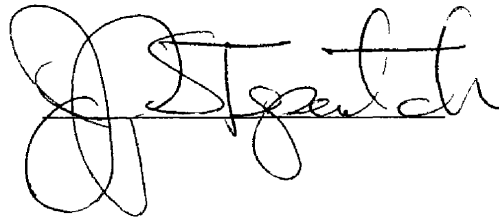
STATE OF FLORIDA)
)
COUNTY OF PALM BEACH)

BEFORE ME, the undersigned authority, this day personally appeared J. P. Stepenovitch, who, first being duly sworn, deposes and states:

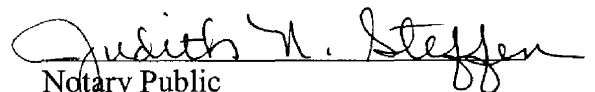
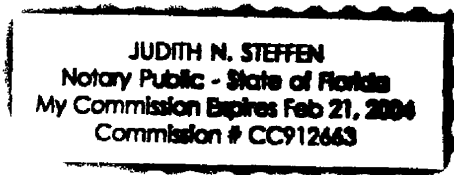
My name is J. P. Stepenovitch. I am employed by Florida Power & Light Company (“FPL”) as a Director, Energy Marketing & Trading. In my role as Director of a group that is responsible for energy marketing & trading, I provided answers to interrogatories nos. 40 and 41.

I am familiar with Confidential Appendix A. I have reviewed Florida Power & Light Company’s Request for Confidential Classification for Certain Documents and Information Filed in Connection With its Response to Staff’s First Set of Interrogatories. The representations FPL makes therein regarding Confidential Information are true and correct. The information that FPL identifies therein as Confidential Information is proprietary and confidential, the disclosure of which would be harmful to FPL, FPL’s vendors and FPL’s customers. This information is treated by FPL as confidential. It will continue to be confidential for at least thirty-six months.

FPL seeks to protect contractual information with its vendors as confidential. This information includes specific contractual terms, the disclosure of which would impair the competitive interests of FPL and FPL’s vendors. Disclosure of this information would impair FPL’s ability to enter into competitively priced contracts with its vendors, which would ultimately harm FPL’s customers.



Sworn to and subscribed before me this 21st day of May 2002, by J. P. Stepenovitch, who is personally known to me.



Notary Public
State of Florida
Commission or Serial No. CC912663
My Commission Expires 2/21/04

EXHIBIT E

EXHIBIT E

AFFIDAVIT OF STEVE R. SIM

STATE OF FLORIDA)
)
COUNTY OF DADE)

BEFORE ME, the undersigned authority, this day personally appeared Steve R. Sim, who, first being duly sworn, deposes and states:

My name is Steve R. Sim. I am employed by Florida Power & Light Company (“FPL”) as a Supervisor in the Resource Assessment & Planning Department. In my role as Supervisor of a group that is responsible for evaluating the proposals received in response to FPL’s RFP, I am responsible for reviewing the confidential charts contained in the attachment to FPL’s response to Staff’s Interrogatory No. 23.

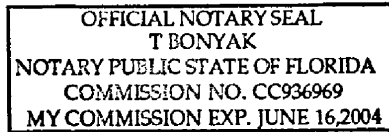
I am familiar with Confidential Appendix A. I have reviewed Florida Power & Light Company’s Request for Confidential Classification for Certain Documents and Information Filed in Connection With its Response to Staff’s First Set of Interrogatories. The representations FPL makes therein regarding Confidential Information are true and correct. The information that FPL identifies therein as Confidential Information is proprietary and confidential, the disclosure of which would be harmful to the RFP respondents, FPL and FPL’s customers. This information is treated by FPL as confidential. It will continue to be confidential for at least thirty-six months.

FPL seeks to protect bid information provided to FPL by RFP respondents as confidential. The RFP respondents requested that FPL treat their RFP bid terms as confidential,

and FPL has such an obligation. Disclosure of this information would impair the competitive interests of the RFP respondents and jeopardize their ability to negotiate contract terms. Disclosure of this information also would impair FPL's prospective ability to solicit capacity proposals, to the detriment of FPL's customers. This type of information is in all the documents in the attachment to FPL's response to interrogatory no. 23 for which FPL seeks confidential classification.

Steven R. Sim

Sworn to and subscribed before me this 21 day of May 2002, by S. SIM, who is personally known to me.



T Bonyak
Notary Public
State of Florida
Commission or Serial No. CC936969
My Commission Expires JUNE 16, 2004