

STEEL
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REGISTERED LIMITED LIABILITY PARTNERSHIP

ORIGINAL

Steel Hector & Davis LLP
215 South Monroe, Suite 601
Tallahassee, Florida 32301-1804
850.222.2300
850.222.8410 Fax
www.steelhector.com

Charles A. Guyton
850.222.3423

October 11, 2002

VIA HAND DELIVERY

Blanca Bayó, Director
Division of the Commission Clerk
& Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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**Re: Docket Nos. 020262-EI, 020263-EI
Staff-Requested Late Filed Hearing Exhibit 18
Projected Costs of Manatee Unit 3 and Martin Unit 8 Presented on
Supplemental RFP Pricing Forms (Forms # 5)**

Dear Ms. Bayó:

At the October 3, 2002 hearing of dockets 020262-EI and 020263-EI, Dr. Steven Sim, a witness presented by Florida Power & Light Company ("FPL"), was requested by the Staff of the Florida Public Service Commission to submit a late filed exhibit, Late Filed Exhibit 18. See Tr. 460-68. Attached to this letter is that requested exhibit.

By means of this letter, FPL is not only transmitting the late-filed exhibit, but also raising an objection regarding the exhibit. Staff has requested that FPL restate costs associated with the utility's self build options onto forms designed for bidders to submit pricing information related to their proposals. The forms that FPL has been asked to complete are not intended to show costs, so the cost data requested is not properly reflected on a form designed to showing pricing information rather than cost information. Moreover, Staff has indicated that it needs this information so that it can compare FPL's cost information with bidder price information. Such an apples to oranges comparison is not a meaningful comparison, as Dr. Sim explained when this information was requested. Tr. 488-489. Finally, FPL objects to having to prepare meaningless information for Staff when Staff had the information available to it to prepare the information. In support of its objection, FPL offers the following information.

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Pages 1 of 4 through 4 of 4 present the projected costs of Manatee Unit 3 and Martin Unit 8 on the Supplemental RFP pricing forms (Form # 5). These data input forms were designed solely for presenting input data for evaluating the offer of either purchased power bids or turnkey bids with a separate version of Form # 5 for both types of bids. The proposed prices that bidders wanted to be paid for each bid were to be filled in on these forms.

Staff's request was to put the projected costs of the utility's self-build options on these forms. FPL believes that the forms are not designed to present utility self-build costs, particularly annual capital revenue requirements, in a meaningful way.

Of the two types of Form # 5, the form designed for turnkey bid prices is the more appropriate for presenting utility self-build costs. The projected costs for Manatee Unit 3 and Martin Unit 8 are presented on the turnkey bid form on pages 1 of 4 and 2 of 4, respectively. FPL believes that the form for power purchase bid prices is particularly poorly suited for presenting utility self-build annual revenue requirement costs. The "Total Capacity Cost (\$/kW-mo)" values shown for the two FPL self-build options were developed by dividing the annual revenue requirements for capital, fixed O&M, and capital replacement costs by the incremental capacity and divided by 12 months. Nevertheless, the projected costs for Manatee Unit 3 and Martin Unit 8 are presented on the power purchase bid form on pages 3 of 4 and 4 of 4.

Important Considerations:

- 1) The pricing forms for the Supplemental RFP are designed solely for capturing data input for an economic evaluation using a resource optimization tool; they are not designed, nor can they be used in a meaningful way, for comparing bids by merely inspecting the data on two bid forms.
- 2) The reason this is true is that the data on the forms, being merely input data, does not allow calculation of resource plan total costs including, but not limited to:
 - unit annual and total NPV fuel commodity and variable O&M costs based on annual dispatch of the option;
 - system annual and total NPV fuel costs that include the impact of the option on the dispatch of the other existing and future units on FPL's system;
 - unit annual and total NPV firm gas transportation costs of the option;
 - the total plan costs that depend on what an individual option is "combined with" to create a plan that meets FPL's 2005 and 2006 capacity needs;
 - the total plan costs that depend on what these combined group of 2005 and 2006 options will require in the way of "filler" units starting in 2007 through the end of the analysis period;
 - transmission integration costs for this combined group of 2005 and 2006 options;and,

- equity penalty adjustment costs for this combined group of 2005 and 2006 options.
- 3) For these reasons, even an attempt to compare “similar” resources (such as two power purchase bids) by simply comparing the data on the respective two Form # 5’s will not yield meaningful results. A meaningful comparison can only be made after the input data found on these forms is evaluated using a resource optimization tool.
- 4) Furthermore, an attempt to compare “dissimilar” resources (such as one power purchase bid and one utility self-build option) will also yield results that are not meaningful. In fact, such an effort to perform a visual comparison of the input forms will be even more difficult given the general escalating nature of power purchase capacity costs and the general declining nature of utility self-build capital costs.

In closing, FPL is transmitting Late-filed exhibit 18 as requested, but it is also raising an objection as to its admissibility. It is an improper use of a form designed to report pricing rather than costs, and the comparison Staff suggests that it will undertake is not meaningful and could be misleading. Dr. Sim was instructed not to explain his exhibit, so he cannot explain on the exhibit how the use of the exhibit may be misleading, so FPL has raised an objection as to this exhibit and its use.

Respectfully submitted,



Charles A. Guyton
Attorney for Florida Power
& Light Company

CAG/gc
Enclosures
cc: Counsel for Parties of Record (w/enclosures)

NOTE: FPL objects to the provision of the Late Filed Hearing Exhibit in that FPL does not feel it allows for a meaningful comparison. Please see Dr. Sim's testimony on pages 488-489, and FPL's transmittal letter which accompanies this exhibit.

Proposal Code Number: Manatee 3 - FPL Self-Build

Type of Generating Unit (Combustion Turbine, etc.): Combine Cycle

Operational Mode	Summer Capacity at 95 deg.F (MW)	Winter Capacity at 35 deg.F (MW)	Heat Rate at 75° F 100% Load, HHV (BTU/kwh)
Base Operation	984	1074	6850
Additional Operational Mode	Incremental Summer Capacity at 95 deg F (MW)	Incremental Winter Capacity at 35 deg.F (MW)	Incremental Heat Rate at 95° F 100% Load, HHV (BTU/kwh)
Duct Firing	96	95	8770
Peak Firing	27	28	5600
Other (specify)			
Total Capacity=	1107	1197	

Fuel Information:

Primary Type of Fuel: Natural Gas

Date (month/day/year) of Capacity 6/1/2005

Total price (total dollars) \$551,148,000

Projected average annual fixed O&M cost (\$/ total Summer kW) \$3.16

Projected average annual variable O&M costs (\$/mWh) \$0.041

Projected average annual capital replacement cost (total dollars/year) \$13,216,389

So2 emission rate (lbs/mmBtu) 0.0055

Start-up Costs (\$/Startup) 16,000

Availability and Outage Information:

Contract Year	Equivalent Availability Factor (%)	Equivalent Forced Outage Rate (%)	Planned Outage Hours * (hrs/yr)
2005	97*	1	168
2006	97*	1	168
2007	97*	1	168
2008	97*	1	168
2009	97*	1	168
2010	97*	1	168
2011	97*	1	168
2012	97*	1	168
2013	97*	1	168
2014	97*	1	168
2015	97*	1	168
2016	97*	1	168
2017	97*	1	168
2018	97*	1	168
2019	97*	1	168
2020	97*	1	168
2021	97*	1	168
2022	97*	1	168
2023	97*	1	168
2024	97*	1	168
2025	97*	1	168
2026	97*	1	168
2027	97*	1	168
2028	97*	1	168
2029	97*	1	168
2030	97*	1	168

Start-up Cost
Year (\$)

2001	_____
2002	_____
2003	_____
2004	_____
2005	_____
2006	_____
2007	_____
2008	_____
2009	_____
2010	_____
2011	_____
2012	_____
2013	_____
2014	_____
2015	_____
2016	_____
2017	_____
2018	_____
2019	_____
2020	_____
2021	_____
2022	_____
2023	_____
2024	_____
2025	_____
2026	_____
2027	_____
2028	_____
2029	_____
2030	_____

Proposed Capacity and/or Energy Delivery Date: 6/1/2005 Contract End Date: N.A. Yrs. Difference

* Availability of base and duct firing operational modes is 97% while availability of peak firing modes is 1%.

NOTE: FPL objects to the provision of the Late Filed Hearing Exhibit in that FPL does not feel it allows for a meaningful comparison. Please see Dr. Sim's testimony on pages 488-489, and FPL's transmittal letter which accompanies this exhibit.

Proposal Code Number: Martin 8 - FPL Self-Build

Type of Generating Unit (Combustion Turbine, etc.): Combine Cycle

Operational Mode	Summer Capacity at 95 deg.F (MW)	Winter Capacity at 35 deg.F (MW)	Heat Rate at 75° F 100% Load, HHV (BTU/kwh)
Base Operation	984	1074	6850
Additional Operational Mode	Incremental Summer Capacity at 95 deg.F (MW)	Incremental Winter Capacity at 35 deg.F (MW)	Incremental Heat Rate at 95° F 100% Load, HHV (BTU/kwh)
Duct Firing	96	95	8770
Peak Firing	27	28	5600
Other (specify)			
Total Capacity=	1107	1197	

Fuel Information:
Primary Type of Fuel: Natural Gas

Date (month/day/year) of Capacity:	<u>6/1/2005</u>
Total price (total dollars):	<u>\$438,815,000</u>
Projected average annual fixed O&M cost (\$/ total Summer kW)	<u>\$2.18</u>
Projected average annual variable O&M costs (\$/mWh)	<u>\$0.041</u>
Projected average annual capital replacement cost (total dollars/year)	<u>\$6,614,017</u>
So2 emission rate (lbs/mmBtu)	<u>0.0055</u>
Start-up Costs (\$/Startup)	<u>16,000</u>

Year	Start-up Cost (\$)
2001	_____
2002	_____
2003	_____
2004	_____
2005	_____
2006	_____
2007	_____
2008	_____
2009	_____
2010	_____
2011	_____
2012	_____
2013	_____
2014	_____
2015	_____
2016	_____
2017	_____
2018	_____
2019	_____
2020	_____
2021	_____
2022	_____
2023	_____
2024	_____
2025	_____
2026	_____
2027	_____
2028	_____
2029	_____
2030	_____

Availability and Outage Information:

Contract Year	Equivalent Availability Factor (%)	Equivalent Forced Outage Rate (%)	Planned Outage Hours * (hrs/yr)
2005	97*	1	168
2006	97*	1	168
2007	97*	1	168
2008	97*	1	168
2009	97*	1	168
2010	97*	1	168
2011	97*	1	168
2012	97*	1	168
2013	97*	1	168
2014	97*	1	168
2015	97*	1	168
2016	97*	1	168
2017	97*	1	168
2018	97*	1	168
2019	97*	1	168
2020	97*	1	168
2021	97*	1	168
2022	97*	1	168
2023	97*	1	168
2024	97*	1	168
2025	97*	1	168
2026	97*	1	168
2027	97*	1	168
2028	97*	1	168
2029	97*	1	168
2030	97*	1	168

Proposed Capacity and/or Energy Delivery Date: 6/1/2005 Contract End Date: N.A Yrs. Difference

* Availability of base and duct firing operational modes is 97% while availability of peak firing modes is 1%.

Proposal Code Number: Manatee 3 County: Manatee

Type of Generating Unit (Combustion Turbine, etc.): Combined Cycle

Type of Project: Self-Build

Guaranteed Firm Capacity (Net MW) and Heat Rates:

Operational Mode	Summer Capacity at 95 deg F (MW)	Winter Capacity at 35 deg F (MW)	Heat Rate at 75° F 100% Load, HHV (BTU/kwh)
Base Operation	984	1074	6850
Additional Operational Mode	Incremental Summer Capacity at 95 deg F (MW)	Incremental Winter Capacity at 35 deg F (MW)	Incremental Heat Rate at 95° F 100% Load, HHV (BTU/kwh)
Duct Firing	96	95	8770
Peak Firing	27	28	5600
Other (specify)			
Total Capacity**	1107	1197	

Fuel Information:

Primary Type of Fuel: Natural Gas

Guaranteed Startup Prices: 16000 \$/Startup (Cold Starts)

- Combined Cycle Unit
- Combustion Turbine
- System Sale

Availability and Outage Information:

Contract Year	Equivalent Availability Factor (%)	Equivalent Forced Outage Rate (%)	Planned Outage Hours * (hrs/yr)
2005	97*	1	168
2006	97*	1	168
2007	97*	1	168
2008	97*	1	168
2009	97*	1	168
2010	97*	1	168
2011	97*	1	168
2012	97*	1	168
2013	97*	1	168
2014	97*	1	168
2015	97*	1	168
2016	97*	1	168
2017	97*	1	168
2018	97*	1	168
2019	97*	1	168
2020	97*	1	168
2021	97*	1	168
2022	97*	1	168
2023	97*	1	168
2024	97*	1	168
2025	97*	1	168
2026	97*	1	168
2027	97*	1	168
2028	97*	1	168
2029	97*	1	168
2030	97*	1	168

Capacity Cost:

Contract Year	for Base Operational Mode	for Duct-Firing Operational Mode	for Power Augmentation Operational Mode	for Other (specify) Operational Mode	Year	Start-up Cost (\$)
	Total Capacity Cost (\$/kw-month)	Total Capacity Cost (\$/kw-month)	Total Capacity Cost (\$/kw-month)	Total Capacity Cost (\$/kw-month)		
2005	9.57				2001	
2006	9.30				2002	
2007	9.00				2003	
2008	8.72				2004	
2009	8.45				2005	
2010	8.20				2006	
2011	7.97				2007	
2012	7.75				2008	
2013	7.54				2009	
2014	7.33				2010	
2015	7.13				2011	
2016	6.93				2012	
2017	6.74				2013	
2018	6.54				2014	
2019	6.36				2015	
2020	6.17				2016	
2021	5.99				2017	
2022	5.82				2018	
2023	5.65				2019	
2024	5.49				2020	
2025	5.36				2021	
2026	5.29				2022	
2027	5.26				2023	
2028	5.24				2024	
2029	5.22				2025	
2030	3.63				2026	

Energy Pricing:

Contract Year	Fuel Commodity Price (if applicable) * (\$/mmBTU)	Fuel Transportation Cost (if applicable) ** (\$/mmBTU)	(for Base Operational Mode) Variable O&M (\$/MWH)	(for all Other Operational Modes) Variable O&M (\$/MWH)
2005	FPL Fuel Forecast	Gulfstream	0.041	0.041
2006	FPL Fuel Forecast	Gulfstream	0.042	0.042
2007	FPL Fuel Forecast	Gulfstream	0.043	0.043
2008	FPL Fuel Forecast	Gulfstream	0.044	0.044
2009	FPL Fuel Forecast	Gulfstream	0.046	0.046
2010	FPL Fuel Forecast	Gulfstream	0.047	0.047
2011	FPL Fuel Forecast	Gulfstream	0.048	0.048
2012	FPL Fuel Forecast	Gulfstream	0.049	0.049
2013	FPL Fuel Forecast	Gulfstream	0.050	0.050
2014	FPL Fuel Forecast	Gulfstream	0.052	0.052
2015	FPL Fuel Forecast	Gulfstream	0.053	0.053
2016	FPL Fuel Forecast	Gulfstream	0.054	0.054
2017	FPL Fuel Forecast	Gulfstream	0.056	0.056
2018	FPL Fuel Forecast	Gulfstream	0.057	0.057
2019	FPL Fuel Forecast	Gulfstream	0.058	0.058
2020	FPL Fuel Forecast	Gulfstream	0.060	0.060
2021	FPL Fuel Forecast	Gulfstream	0.061	0.061
2022	FPL Fuel Forecast	Gulfstream	0.063	0.063
2023	FPL Fuel Forecast	Gulfstream	0.064	0.064
2024	FPL Fuel Forecast	Gulfstream	0.066	0.066
2025	FPL Fuel Forecast	Gulfstream	0.068	0.068
2026	FPL Fuel Forecast	Gulfstream	0.069	0.069
2027	FPL Fuel Forecast	Gulfstream	0.071	0.071
2028	FPL Fuel Forecast	Gulfstream	0.073	0.073
2029	FPL Fuel Forecast	Gulfstream	0.075	0.075
2030	FPL Fuel Forecast	Gulfstream	0.077	0.077

Proposed Capacity and/or Energy Delivery Date

6/1/2005

Contract End Date

NA

Yrs Difference

* Availability of base and duct firing operational modes is 97% while availability of peak firing modes is 1%.

Proposal Code Number: Martin 8 County: Martin

Type of Generating Unit (Combustion Turbine, etc.): Combined Cycle

Type of Project: Self-Build

Guaranteed Firm Capacity (Net MW) and Heat Rates :

Operational Mode	Summer Capacity at 95 deg F (MW)	Winter Capacity at 35 deg F (MW)	Heat Rate at 75° F 100% Load, HHV (BTU/kwh)
Base Operation	984	1074	6850
Additional Operational Mode	Incremental Summer Capacity at 95 deg F (MW)	Incremental Winter Capacity at 35 deg F (MW)	Incremental Heat Rate at 95° F 100% Load, HHV (BTU/kwh)
Duct Firing	96	95	8770
Peak Firing	27	28	5600
Other (specify)			
Total Capacity=	1107	1197	

Fuel Information:

Primary Type of Fuel: Natural Gas

Guaranteed Startup Prices: 16000 \$/Startup (Cold Starts)

Combined Cycle Unit
Combustion Turbine
System Sale

Availability and Outage Information:

Contract Year	Equivalent Availability Factor (%)	Equivalent Forced Outage Rate (%)	Planned Outage Hours * (hrs/yr)
2005	97*	1	168
2006	97*	1	168
2007	97*	1	168
2008	97*	1	168
2009	97*	1	168
2010	97*	1	168
2011	97*	1	168
2012	97*	1	168
2013	97*	1	168
2014	97*	1	168
2015	97*	1	168
2016	97*	1	168
2017	97*	1	168
2018	97*	1	168
2019	97*	1	168
2020	97*	1	168
2021	97*	1	168
2022	97*	1	168
2023	97*	1	168
2024	97*	1	168
2025	97*	1	168
2026	97*	1	168
2027	97*	1	168
2028	97*	1	168
2029	97*	1	168
2030	97*	1	168

Capacity Cost:

	for Base Operational Mode	for Duct-Firing Operational Mode	for Power Augmentation Operational Mode	for Other (specify) Operational Mode	Year	Start-up Cost (\$)
	Total Capacity Cost (\$/kw-month)	Total Capacity Cost (\$/kw-month)	Total Capacity Cost (\$/kw-month)	Total Capacity Cost (\$/kw-month)	2001	
2005	10.24				2002	
2006	9.93				2003	
2007	9.57				2004	
2008	9.24				2005	
2009	8.92				2006	
2010	8.62				2007	
2011	8.34				2008	
2012	8.06				2009	
2013	7.80				2010	
2014	7.54				2011	
2015	7.29				2012	
2016	7.04				2013	
2017	6.79				2014	
2018	6.54				2015	
2019	6.29				2016	
2020	6.05				2017	
2021	5.82				2018	
2022	5.58				2019	
2023	5.35				2020	
2024	5.13				2021	
2025	4.94				2022	
2026	4.82				2023	
2027	4.73				2024	
2028	4.65				2025	
2029	4.58				2026	
2030	2.75				2027	
					2028	
					2029	
					2030	

Energy Pricing:

Contract Year	Fuel Commodity Price (if applicable) * (\$/mmBTU)	Fuel Transportation Cost (if applicable) ** (\$/mmBTU)	(for Base Operational Mode) Variable O&M (\$/MWH)	(for All Other Operational Modes) Variable O&M (\$/MWH)
2005	FPL Fuel Forecast	Gulfstream	0.041	0.041
2006	FPL Fuel Forecast	Gulfstream	0.042	0.042
2007	FPL Fuel Forecast	Gulfstream	0.043	0.043
2008	FPL Fuel Forecast	Gulfstream	0.044	0.044
2009	FPL Fuel Forecast	Gulfstream	0.046	0.046
2010	FPL Fuel Forecast	Gulfstream	0.047	0.047
2011	FPL Fuel Forecast	Gulfstream	0.048	0.048
2012	FPL Fuel Forecast	Gulfstream	0.049	0.049
2013	FPL Fuel Forecast	Gulfstream	0.050	0.050
2014	FPL Fuel Forecast	Gulfstream	0.052	0.052
2015	FPL Fuel Forecast	Gulfstream	0.053	0.053
2016	FPL Fuel Forecast	Gulfstream	0.054	0.054
2017	FPL Fuel Forecast	Gulfstream	0.056	0.056
2018	FPL Fuel Forecast	Gulfstream	0.057	0.057
2019	FPL Fuel Forecast	Gulfstream	0.058	0.058
2020	FPL Fuel Forecast	Gulfstream	0.060	0.060
2021	FPL Fuel Forecast	Gulfstream	0.061	0.061
2022	FPL Fuel Forecast	Gulfstream	0.063	0.063
2023	FPL Fuel Forecast	Gulfstream	0.064	0.064
2024	FPL Fuel Forecast	Gulfstream	0.066	0.066
2025	FPL Fuel Forecast	Gulfstream	0.068	0.068
2026	FPL Fuel Forecast	Gulfstream	0.069	0.069
2027	FPL Fuel Forecast	Gulfstream	0.071	0.071
2028	FPL Fuel Forecast	Gulfstream	0.073	0.073
2029	FPL Fuel Forecast	Gulfstream	0.075	0.075
2030	FPL Fuel Forecast	Gulfstream	0.077	0.077

Proposed Capacity and/or Energy Delivery Date

6/1/2005

Contract End Date

NA

Yrs Difference

* Availability of base and duct firing operational modes is 97% while availability of peak firing modes is 1%.