



030884

October 6, 2003

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

RECEIVED - PSC
OCT - 7 PM 12:06
COMMISSION
CLERK

RFP Participants and Interested Parties

Subject: TRANSMITTAL OF ADDENDUM THREE TO FPL's 2003 RFP.

Dear Ms. Bayo and other Recipients:

Addendum Three to Florida Power & Light's (FPL) 2003 Request for Proposals (RFP) is published to change certain specified portions of the RFP, Section E of Addendum Two and the draft PPA (Appendix A to the RFP). FPL is posting the following RFP changes in response to suggestions raised at the September 30, 2003 Agenda Conference. Also, FPL is filing a copy with the Commission.

The following identifies the areas being revised; the affected sections of RFP documents are annotated in parentheses. A summary of all changes to the RFP is provided as Section F of Addendum Three.

- **Evaluation Fee (RFP Section III.B)**
In response to suggestions offered at the Agenda Conference regarding evaluation fees, a provision has been added to accommodate variations to a proposal for a reduced fee. The terms "Proposal" and "Variation" are defined.
- **Financial Security Requirements (RFP Sections II.H.1)b), II.H.4 {Table}, and III.E.5).**
In response to suggestions expressed at the Agenda Conference regarding the cumulative impact on potential Proposers of the minimum financial viability and security requirements, FPL has made several changes. First, the minimum financial viability requirement for new generation proposals has been lowered to BBB-/Baa3. Second, the posting requirements for Completion Security and the Form of Security requirements have been revised to mitigate the impact on potential Proposers. So, the revisions result in a larger potential field of Proposers, a graduated and less demanding posting of security and significantly lower amounts of liquid security required of creditworthy Proposers.

AUS _____
CAF _____
CMP _____
COM _____
CTR _____
ECR _____
GCL _____
OPC _____
MMS _____
SEC _____
OTH _____

RECEIVED & FILED

FPC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

09705 OCT-7 8

FPC-COMMISSION CLERK

- **Regulatory Modifications (RFP Section III.E.15), and draft PPA Section 17.7.1)**
As suggested at the Agenda Conference, the language of the Bid Rule has been inserted into the Regulatory Modification provision.
- **Exceptions to the draft PPA (RFP Section III.F paragraphs 2 and 3)**
In response to questions raised at the Agenda Conference, FPL modified language to eliminate any inference that failure to state exceptions constitutes contractual acceptance of terms and conditions. Further, Proposers are only required to state exceptions to terms and conditions they deem "material."
- **Dual Fuel Minimum Requirement (RFP Section III.E.11) and Addendum Two, Section B).**
At the Agenda Conference the Commission may have been left with the mistaken impression that FPL was requiring two firm gas transportation contracts as one means to satisfy its dual fuel requirement. To clarify its original Dual Fuel Capability requirement and to avoid implying that Proposers might be limited to only one alternative, FPL has restated the Dual Fuel Capability requirement in its entirety. The restated requirement calls for the same continuity and operability requirements that FPL requires of its next planned generating unit.

Sincerely,



William G. Walker, III
Vice President, Regulatory Affairs

Enclosure

cc:

Chairman Lila A. Jaber
Commissioner J. Terry Deason
Commissioner Braulio L. Baez
Commissioner Rudolph "Rudy" Bradley
Commissioner Charles M. Davidson
Office of the Public Counsel
Florida Partnership for Affordable Competitive Energy

Addendum Three

Changes to Request for Proposal

This Addendum Three to FPL's 2003 Request for Proposals (RFP) is published to change certain specified portions of the RFP, Section B of Addendum Two and Section 17.7.1 of the draft PPA (Appendix A to the RFP). The provisions contained in this Addendum Three supersede those contained in the RFP. In addition, the provisions contained in Section E of this Addendum Three supersede Section B of Addendum Two. Except for Section B of Addendum Two, which has been superseded in its totality by Section E of Addendum Three, the provisions of all three Addenda remain in effect.

The following identifies the areas being revised in this Addendum Three; the affected sections of RFP documents are annotated in parentheses. A summary of all changes to the RFP is provided as Section F of this Addendum Three.

- Evaluation Fee (RFP Section III.B)
- Financial Security Requirements (RFP Sections II.H.1)b), II.H.4 {Table}, and III.E.5).
- Regulatory Modifications (RFP Section III.E.15), and draft PPA Section 17.7.1)
- Exceptions to the draft PPA (RFP Section III.F paragraphs 2 and 3)
- Dual Fuel Minimum Requirement (RFP Section III.E.11) and Addendum Two, Section B).

NOTICE: In that this information has been provided following the cutoff date for questions, a new cutoff date is established for questions pertaining to this Addendum Three. The last date to submit questions regarding this Addendum Three will be Friday, October 10, 2003.

A. Evaluation Fee (RFP Section III.B)

The following supersedes the language of RFP Section III.B.

The RFP Evaluation Fee is a cost-based value reflecting the costs incurred for each proposal evaluated during previous RFP's. In order for a proposal to be evaluated, a non-refundable check of \$10,000 made out to "Florida Power & Light Company" must be submitted to the FPL RFP Contact Person at the same time and date (no later than 4:00 p.m. EDT on October 24, 2003) as the proposal. One proposal consists of a site, a technology, a fuel source, one base capacity level, one term (e.g., 10 years) and one price submittal. Each proposal must be accompanied by the \$10,000 RFP evaluation fee. If more than one proposal is submitted by a specific Proposer, then a separate, non-refundable \$10,000 fee must accompany each proposal. Proposals deemed ineligible or otherwise non-responsive after an initial review will not be evaluated further and 75% of the fee will be refunded.

A Proposer may also elect to submit variations of capacity, term and/or price related to a specific proposal (a single variation is defined as a change in any one, two or all three of

capacity, term and/or price) for an additional fee of \$5,000 per variation. There is no limitation to the number of variations submitted, as long as each variation is accompanied by a \$5,000 fee. Proposals and the related variations deemed ineligible or otherwise non-responsive after an initial review will not be evaluated further and 75% of the fees received will be refunded.

B. Financial Security Considerations.

1. Completion Security (RFP Section II.H.1.b)

Item II.H.1).b) is revised as follows.

- b) Completion Security must be posted in accordance with the following Milestone Schedule and remain in place up to and including the Capacity Delivery Date.

Event	Cumulative amount per MW
Commencement Date of PPA	\$119,000
Irrevocable Orders Placed (nlt February 1, 2005)	\$140,000
Firm Fuel Agreement Executed (nlt June 1, 2005)	\$148,000
Financing Closed (nlt October 1, 2005)	\$188,000

2. Form of Security (RFP Section II.H.4)

The table on page 16 of the RFP is revised as follows.

Unsecured Debt Rating	% of Tangible Net Worth
AAA+/Aaa1 to AA-/Aa3	20%
A+/A1 to A-/A3	15%
BBB+/Baa1 to BBB-/Baa3	10%
BB+/Ba1 and below or unrated	0%

3. Financial Viability Minimum Requirement (RFP Section III.E.5)

Item III.E.5)a) is revised as follows.

- a) For proposals supported by newly built generation (greenfield, brownfield, turnkey) Proposer or guarantor of Proposer must possess a senior unsecured debt rating of no less than "BBB-" from Standard & Poor's or "Baa3" from Moody's Investors Service with a "stable" outlook. In submitting a proposal, a Proposer agrees to provide Completion Security and Performance Security described in section II.H.

C. *Regulatory Modifications (RFP Section III.E.15)*

Item III.E.15) of the RFP is revised as follows.

Section 15 of Rule 25-22.082, Florida Administrative Code provides: "If the Commission approves a purchase power agreement as a result of the RFP, the public utility shall be authorized to recover the prudently incurred costs of the agreement through the public utility's capacity, and fuel and purchased power cost recovery clauses absent evidence of fraud, mistake, or similar grounds sufficient to disturb the finality of the approval under governing law." Should FPL, at any time during the term of a contract entered into based on this RFP, fail to obtain or is denied the authorization of the FPSC, or the authorization of any other legislative, administrative, judicial or regulatory body which now has, or in the future may have, jurisdiction over FPL's rates and charges, to recover from its customers all of the payments required to be made to the seller under the terms of such a contract or any subsequent amendment hereto, FPL may, at its sole option, adjust the payments made under such contract to the amount(s) which FPL is authorized to recover from its customers. In the event that FPL so adjusts the payments to which the seller is entitled under such a contract, then, the seller may, at its sole option, terminate such a contract upon ninety (90) days notice to FPL. If such determination of disallowance is ultimately reversed and such payments previously disallowed are found to be recoverable, FPL shall pay all withheld payments. The seller acknowledges that any amounts initially received by FPL from its customers, but for which recovery is subsequently disallowed and charged back to FPL, may be offset or credited, against subsequent payments to be made by FPL to the seller under such a contract.

If, at any time, FPL receives notice that the FPSC or any other legislative, administrative, judicial or regulatory body seeks or will seek to prevent full recovery by FPL from its customers of all payments required to be made under the terms of such a contract or any subsequent amendments to such a contract, then FPL shall, within thirty (30) days of such action, give notice thereof to the seller. FPL shall use reasonable efforts to defend and uphold the validity of such a contract and its right to recover from its customers all payments required to be made by FPL hereunder, and will cooperate in any effort by the seller to intervene in any proceeding challenging, or to otherwise defend, the validity of such a contract and the right of FPL to recover from its customers all payments to be made by it hereunder.

Section 17.7.1 of the draft PPA is revised as follows.

Section 15 of Rule 25-22.082, Florida Administrative Code provides: "If the Commission approves a purchase power agreement as a result of the RFP, the public utility shall be authorized to recover the prudently incurred costs of the agreement through the public utility's capacity, and fuel and purchased power cost recovery clauses absent evidence of fraud, mistake, or similar grounds sufficient

to disturb the finality of the approval under governing law.” Notwithstanding anything to the contrary in this Contract, if FPL, at any time during the term of this Contract, fails to obtain or is denied the authorization of the FPSC, or the authorization of any other legislative, administrative, judicial or regulatory body which now has, or in the future may have, jurisdiction over FPL's rates and charges, to recover from its customers all of the payments required to be made to Seller under the terms of this Contract or any subsequent amendment hereto, FPL may, at its sole option, adjust the payments made under the Contract to the amount(s) which FPL is authorized to recover from its customers. In the event that FPL so adjusts the payments to which Seller is entitled under this Contract, then, Seller may, at its sole option, terminate this Contract upon ninety (90) days notice to FPL. If such determination of disallowance is ultimately reversed and such payments previously disallowed are recovered, FPL shall pay all withheld payments. Seller acknowledges that any amounts initially received by FPL from its customers, but for which recovery is subsequently disallowed and charged back to FPL, may be offset or credited, against subsequent payments to be made by FPL to Seller under this Contract.

D. Exceptions to the PPA (RFP Section III.F)

Paragraphs 2 and 3 of RFP Section III.F are revised as follows.

Inclusion of this information with a proposal will be used to compare proposals to one another and will facilitate negotiations by allowing FPL to evaluate the specific core issues of the exceptions, rather than addressing generic or conceptual comments. A more detailed discussion of the non-price evaluation is provided in Appendix B, Step 5. FPL reserves the right to request from a Proposer whether or to what extent FPL's contemplated rejection of a particular exception would affect the pricing.

If a Proposer fails to state exceptions and pose alternative language to the material terms set forth in the RFP and draft PPA, FPL shall assume that a Proposer has no specific objection to such terms and conditions.

E. Dual Fuel Minimum Requirement

Section B of Addendum Two is superseded by this Section E of Addendum Three. Section III.E.11 of the RFP is revised as follows.

11) Dual Fuel Capability

Standard Approach

Just as FPL's next planned generating unit has on-site distillate fuel oil capability, all newly built gas-fired generation proposals must include the capability to operate on distillate oil as a secondary fuel to satisfy system reliability and service continuity needs. FPL considers that for gas-fired generation proposals the fuel continuity and operability characteristics of on-site distillate fuel oil capability is an effective approach to meet system reliability and service continuity needs.

Proposals supported by newly built gas-fired generation unit(s), and the proposed prices for such proposals, shall reflect the necessary equipment to meet the following secondary fuel continuity and operability characteristics. The distillate oil inventory must be immediately accessible to the facility, sized to provide 72 hours of continuous operation at full capacity (as rated on distillate oil), and must be independent of the primary fuel supply. The facility must be able to start up on distillate fuel oil and operate at full capacity for a minimum of seventy-two (72) continuous hours. Additionally, the unit(s) must be able to make the transition from the natural gas to distillate fuel oil without disconnecting electrically from the grid. These are the same continuity and operability requirements that FPL requires of its own next planned generating unit.

Due to the sequence of the permitting process, FPL recognizes that Proposers are unable to ascertain the success of permitting the facility for full use of distillate oil capability. However, Proposers will be required to make commercially reasonable efforts to seek permits and authorizations necessary to support up to 500 hours of operation per year on distillate fuel oil.

Alternate Approach

A proposal supported by newly built gas-fired generation may offer an alternate approach to meet system reliability and service continuity needs as effectively as the installation and use of a distillate fuel oil storage and operation system. FPL considers that the electric system reliability and service continuity provided by on-site distillate fuel oil capability is the standard to which alternate approaches will be compared. The Proposer must describe in detail how the alternate approach, applied to Proposer's facility, will provide the same or better level of electric system reliability and service continuity that would be provided by on-site fuel oil capability. FPL will determine whether the Proposer's alternate approach is in fact as effective in meeting FPL's system reliability and service continuity needs as the installation and use of an on-site distillate fuel oil storage and operation system.

If FPL determines that the proposed alternate approach is as effective as distillate fuel oil capability, the dual fuel capability minimum requirement will be deemed to have been met by the proposal.

If FPL determines that the proposed alternate approach is not as effective in meeting FPL's system reliability and service continuity needs as on-site distillate oil capability, FPL will offer the Proposer a one-time opportunity to modify the proposal to include on-site distillate fuel oil capability so that the proposal may meet this minimum requirement. As part of such a modification, the Proposer may, but is not required to, modify the proposal capacity price to include the capital cost upgrade necessary to add on-site distillate fuel oil capability. If a Proposer chooses not to provide the required dual fuel capability in a form acceptable to FPL, the proposal will be deemed to have not met this minimum requirement and will not be further evaluated.

F. RFP Document Change Summary.

The following lists all changes that have been made to the RFP, Addenda and draft PPA since publication on August 25, 2003. If you are missing any information please contact the RFP Contact Person, Steve Scroggs at 305-552-4199.

Date	Change	Affected Document	Affected Section	Published As
9/4/2003	Index Method	RFP	App. D - Forms	Addendum One
9/12/2003	Question Cutoff Date to 9/30/03	RFP	II.G	Addendum Two, Note
9/12/2003	Fuel Forecast	RFP	II.D	Addendum Two, Section A
9/12/2003	Expanded Dual Fuel Capability	RFP	III.E.11)	Addendum Two, Section B (superseded)
10/06/2003	Evaluation Fee	RFP	III.B	Addendum Three, Section A
10/06/2003	Financial Viability and Security	RFP	II.H.1)b) II.H.4) III.E.5)	Addendum Three Section B
10/06/2003	Regulatory Modifications	RFP Draft PPA	III.E.15) 17.7.1	Addendum Three Section C
10/06/2003	Exceptions	RFP	III.F	Addendum Three Section D
10/06/2003	Revise Dual Fuel Capability	RFP Addendum 2	III.E.11) Sec. B	Addendum Three Section E
10/06/2003	Question Cutoff Date to 10/10/03	RFP	II.G	Addendum Three Note