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Hopping Green & Sams

Attorneys and Counselors

April 15, 2005

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**BY HAND-DELIVERY**

Blanca Bayó  
Director, Division of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

Re: Docket No. 041393-EI  
**CONFIDENTIAL INFORMATION ENCLOSED**

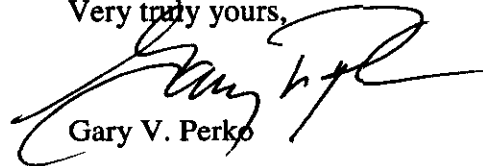
Dear Ms. Bayó:

On behalf of Progress Energy Florida, Inc. (PEF), I enclose for filing in the above docket the original and seven (7) copies of the following:

- PEF's Answer to Petition for Hearing and Request for Expedited Schedule;  
*03716-05*
- Redacted Direct Testimony of Samuel S. Waters and Exhibit No. \_\_\_ (SSW-4).  
*03717-05*
- PEF's Request for Confidential Classification for portions of Mr. Waters' testimony, along with a package containing two redacted copies of the testimony and a separate envelope labeled "CONFIDENTIAL" containing one unredacted copy of the testimony with the confidential information highlighted in yellow.  
*03718-05    03719-05    03720-05*

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning it to me. If you have any questions regarding this filing, please give me a call at 425-2359.

Very truly yours,



Gary V. Perko

Counsel for PROGRESS ENERGY FLORIDA, INC.

cc: Certificate of Service

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of Progress Energy Florida's (PEF's) Answer to Petition for Hearing and Request for Expedited Schedule, a redacted copy of the Direct Testimony of Samuel S. Waters and Exhibit No. \_\_ (SSW-4), and PEF's Request for Confidential Classification were provided by fax and U.S. Mail, postage pre-paid, to the following on this <sup>12</sup> day of April, 2005:

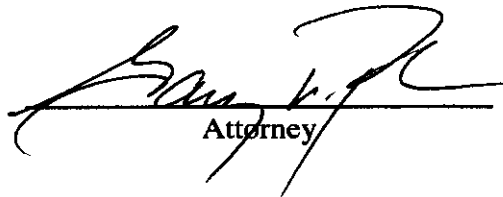
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**Appendix D**  
**Descriptions of Proposals**

050256-EM

**D.1 Calpine Energy Services, LP or "Calpine" (Bidder A)**

Bidder A proposed to sell 300 MW of firm capacity for a term of 5 or 20 years on a 7 day per week, 24 hour basis. The capacity would come from one new combined cycle unit. Energy rights come from a pooled combined cycle plant system of resources that includes an existing combined cycle as well as other resources to be built in Florida. The power delivery would commence December 16, 2007. FMPA would be required to schedule on a day-ahead basis with allowed intra-day changes. Schedules would be for a minimum of 12 hours with no more than one start per day on any Bidder A unit. Bidder A would deliver the scheduled energy into FPL, and no party would have superior capacity and energy rights to FMPA. Bidder A would be responsible for fuel procurement and transportation. Fuel entitlements for FMPA would be limited to 26,061 MMBtu/day for May through October, and 14,265 MMBtu/day for November through April. Bidder A proposed either a 5 or a 20 year contract term. Bidder A also proposes to discount the capacity payments for an existing purchase power agreement with FMPA. Nonprice aspects concerning Bidder A's proposal include the following:

1. Proven Technology: 2 x 1 F class unit.
2. Unit Power Sale.
3. Rights equal to or superior to native load on a pro rata basis.
4. Delivered to FPL interconnection.
5. Contract Term: 5 or 20 years.
6. Expected Commercial Operation Date: June 1, 2007.
7. Available on 7 x 24 basis.
8. Scheduling is day-ahead for a minimum of 12 hours, and the minimum scheduled capacity is 100 MW.
9. Bidder A is the owner/operator of an existing combined cycle unit in Florida.
10. Bidder A does not currently hold firm transportation for natural gas for this project.
11. Bidder A will negotiate credit and performance risk mitigation.
12. Below investment grade credit rating.
13. Availability guarantee of 92 percent; 2 percent penalty for each 1 percent nonperformance.

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**DECLASSIFIED**  
12-15-06  
DOCUMENT NUMBER: DATE

ALL 12-15-06  
(entire DN)

### **D.3 Southern Power Company or “Southern Power” (Bidder C)**

Bidder C made two proposals. The first proposal calls for the construction of a 311 MW natural gas unit. The project would be a 1 x 1 combined cycle configuration. Transmission interconnections would include the construction of a 230 kV switching station. The second proposal was a new 2 x 1 combined cycle unit with approximately 635 MW of nominal net generating capability. The output ratings were based on 95° F and new and clean conditions. The unit would consist of two HSRGs and one common steam turbine generator. Transmission interconnection would include the construction of a 500 kV switching station. Each project would be located in St. Lucie County, Florida, and use GE 7FA turbines with onsite backup fuel oil. Each project would use natural gas that would be supplied from either the Gulfstream pipeline or the FGT pipeline. The water source for each offer would be served from the Lower Floridan Aquifer. The proposals are for 20 year terms with a COD of January 1, 2009. Joint ownership would be a possible alternative. Initial schedule would be set at 9 a.m. each business day prior to use with a minimum duration of 16 consecutive hours not including startup and shutdown, and a minimum of 8 consecutive hours of downtime. Bidder C’s response included a daily allotment of 40,000 MBtu of firm natural gas transportation and a \$2.32/kW-mo transportation adder for the 311 MW unit and 80,000 MBtu of firm natural gas transportation and a \$2.27/kW-mo transportation adder for the 635 MW unit. Nonprice aspects concerning Bidder C’s proposal include the following:

#### **D.3.1 Option C1: 1 x 1 natural gas fired CC Unit, 311 MW**

1. Proven Technology: General Electric Frame 7FA with HRSG and turbine.
2. Unit Power Sale.
3. Bidder C is the owner/operator of a combined cycle unit in Florida.
4. Location: City of Port St. Lucie.
5. Interconnection with FPL.
6. Commercial online date is January 1, 2009.
7. Contract Term: 20 years.
8. No entity will have superior rights to FMPA.
9. Minimum schedule is 16 hours on-peak; 8 hour minimum downtime.
10. Scheduling 9:00 a.m. CST previous business day to use.
11. Scheduling in 10 MW increments.
12. Expected Availability Factor: 94.7 percent.
13. Expected Maintenance Factor: 3.4 percent.
14. Expected Forced Outage: 1.9 percent.
15. Either FMPA or Bidder C would manage fuel supply and delivery.

16. \$9.6 million dollars of transmission upgrades would be necessary and are already included in the proposal capacity pricing.
17. Guarantees for performance can be negotiated but are not included in proposal.

**D.3.2 Option C2: 2 x 1 CC Unit, 635 MW**

1. Proven Technology: Two General Electric Frame 7FAs with HRSG and a steam turbine.
2. Unit Power Sale.
3. Bidder C is the owner/operator of a combined cycle unit in Florida.
4. Location: City of Port St. Lucie.
5. Interconnection with FPL.
6. Commercial online date is January 1, 2009.
7. Contract Term: 20 years.
8. No entity will have superior rights to FMPA.
9. Minimum schedule is 16 hours on-peak; 8 hour minimum downtime.
10. Scheduling 9:00 a.m. CST previous business day to use.
11. Scheduling in 10 MW increments.
12. Availability Factor: 94.7 percent.
13. Maintenance Factor: 3.4 percent.
14. FOR: 1.9 percent.
15. Either FMPA or Bidder C would manage fuel supply and delivery.
16. \$15.6 million dollars of transmission upgrades would be necessary and are already included in the proposal capacity pricing.
17. Guarantees for performance can be negotiated but are not included in proposal.

Evaluation of Nonprice Criteria					
Nonprice Criteria	Self-Build Option	Bidder A	Bidder B	Bidder C1	Bidder C2
Components of Power Cost	Includes demand and energy components	Includes demand and energy components	Includes demand and energy components	Includes demand and energy components	Includes demand and energy components
Contract Flexibility	Economic life of unit assumed to be 30 years	5 or 20 year contract beginning December 16, 2007	Not flexible, 20 year contract beginning December 16, 2007	Not flexible, 20 year contract beginning January 1, 2009	Not flexible, 20 year contract beginning January 1, 2009
Dispatchability	Full	Restricted minimum of 100 MW, with 12 hour minimum notice, one start per day	Full, with 3 hour notice provision, no limit on starts or stops, 10 minute start	Restricted, scheduled in 10 MW increments, with 9:00 a.m. previous business day minimum notice, minimum 16 hours, 8 hour minimum downtime	Restricted, scheduled in 10 MW increments, with 9:00 a.m. previous business day minimum notice, minimum 16 hours, 8 hour minimum downtime
Fuel Risk	FMPA supplies and manages fuel	Bidder A supplies and manages fuel. Firm transportation allotment will not allow full load operation under FGT tariff	FMPA supplies and manages fuel	FMPA or Bidder C supplies and manages fuel	FMPA or Bidder C supplies and manages fuel
Firm Supply	Unit contingent power resource	Unit contingent power sale, 92 percent availability guarantee with 2 percent credit for each 1 percent nonperformance	Unit contingent power sale	Unit contingent power sale	Unit contingent power sale
Transmission	Cost to upgrade transmission facilities to be borne by ARP, transmission upgrades for interconnection included in cost estimate	Connected with FPL, necessary transmission upgrades associated with interconnection required but already included in proposed cost	Connected with FPL, \$500,000 in transmission upgrades associated with interconnection required	Connected with FPL, \$9.6 million in transmission upgrades associated with interconnection included in proposal cost	Connected with FPL, \$15.6 million in transmission upgrades associated with interconnection included in proposal cost

Evaluation of Nonprice Criteria (Continued)					
Nonprice Criteria	Self-Build Option	Bidder A	Bidder B	Bidder C1	Bidder C2
Technology	1 x 1 F class, proven	2 x 1 F class proven	GE LMS 100, unproven	GE 1 x 1 7FA, proven	GE 2 x 1 7FA, proven
Environmental Effects	Natural gas fired	Natural gas fired	Natural gas fired	Natural gas fired	Natural gas fired
Counterparty Risk	No significant risk	Indeterminent risk	Significant risk	No significant risk	No significant risk
Regulatory Risk	Need for Power process has begun	Filed site certification October 2000, expected approval June 2005	Site certificate not required	Have not begun permitting process	Have not begun permitting process
Cost Stability Risk	Capital cost may increase	Capital cost contractually determined	Capital cost contractually determined	Capital cost contractually determined	Capital cost contractually determined
Credit Risk	Not a credit risk	Credit rating less than investment grade; willing to provide letter of credit or other arrangement	No credit rating; privately held firm; willing to provide letter of credit	Wholly-owned subsidiary of large investor owned utility; willing to provide letter of credit	Wholly-owned subsidiary of large investor owned utility; willing to provide letter of credit
Construction Schedule	Risks of delay due to new construction, potential transmission upgrades	Risks of delay due to new construction, potential transmission upgrades	Risks of delay due to new construction, potential transmission upgrades	Risks of delay due to new construction, potential transmission upgrades	Risks of delay due to new construction, potential transmission upgrades