

070432-EI

**REDACTED**

# EXHIBIT B

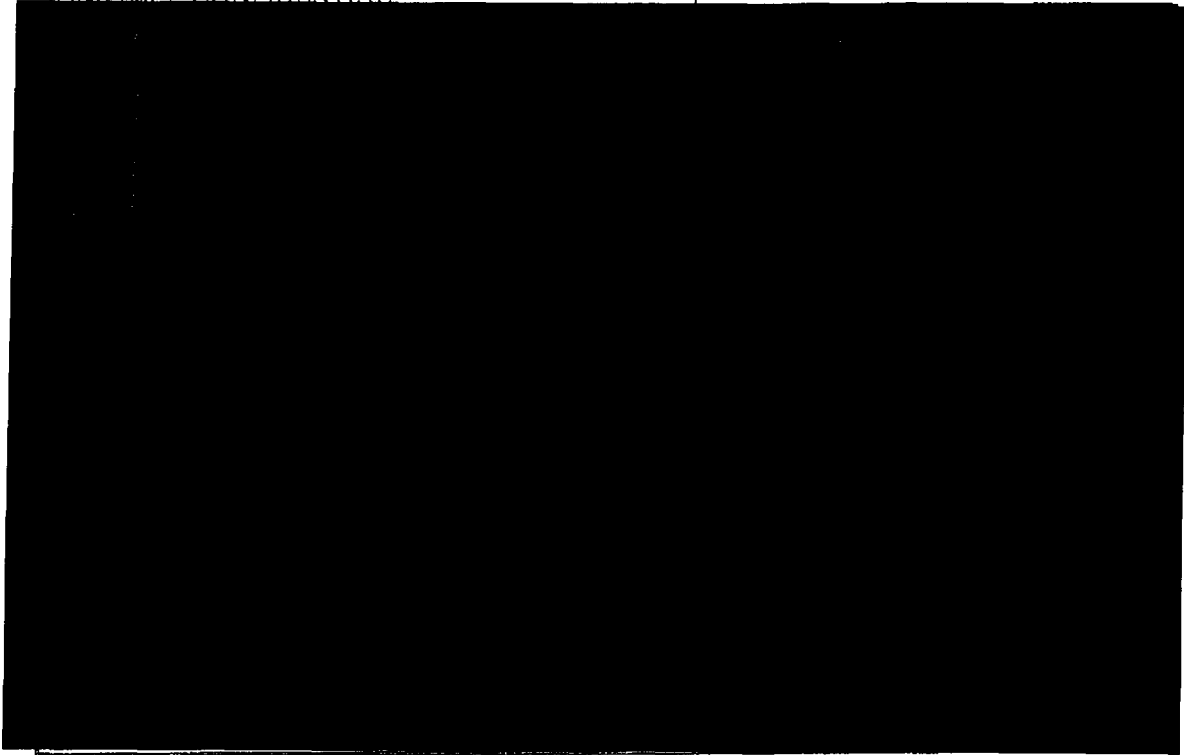
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COM \_\_\_\_\_  
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SEC \_\_\_\_\_  
OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

01702 MAR -6 g

FPSC-COMMISSION CLERK

Florida Power & Light Company  
Docket No. 070432-EI  
Staff's Second Request for Production of Documents  
Question No. 2, Attachment L  
Page 7 of 7. CONFIDENTIAL



FPL 000151

DOCUMENT NUMBER - DATE

01702 MAR-6 8

FPSC-COMMISSION CLERK

**Q.**

In order to secure its place in line for the Steam Turbine Generators (STG), Air Quality Control System (AQCS), and Engineering, Procurement and Construction (EPC) Agreements, did FPL attempt to negotiate the making of minimal deposits or down payments rather than execute contracts prior to the granting of a need determination by the Public Service Commission? If yes, please explain the results of those negotiations. If no, please explain why FPL did not attempt such negotiations.

**A.**

Negotiating a deposit or down payment unaccompanied by a contract would not be a commercially appropriate action. Rather, in response to Commission direction that FPL develop and present a coal-fired resource option, FPL was attempting to secure as soon as possible the best possible pricing in a market that was facing increasing costs and diminished vendor capacity availability. To that end, FPL developed a procurement process best suited to obtaining favorable vendor pricing and timely commitments in order to meet the projected in-service date.

The result of this process was a set of contracts that best served FPL's customers' needs by providing everything needed to deliver a state-of-the-art, highly efficient electric generating station in time to meet the projected in-service date at the lowest available cost. At the same time, these contracts expressly took into account and worked to minimize contract termination exposure for FPL and its customers.

FPL's procurement process for this project involved issuance of an RFP for the steam turbine generator, the air quality control system, the steam generator and the engineer/procure/construct contract. The RFP requested firm lump sum quotations as well as delivery and performance guarantees.

In response to the RFP, respondents provided indicative pricing and estimated delivery dates. In order to provide firm pricing and guaranteed delivery dates, each of the respondents' proposals required firm contract commitments prior to the date of the anticipated need determination. This is demonstrated, for example, in the prospective vendor documents received by FPL in the course of developing the project and produced in response to Staff's 2nd Request for Production of Documents.

FPL reviewed all of the proposals and selected the low-cost supplier for each major project component. FPL then negotiated terms with each low-cost supplier, with the objective of obtaining the best possible terms with reasonable cost and schedule certainty, while reducing

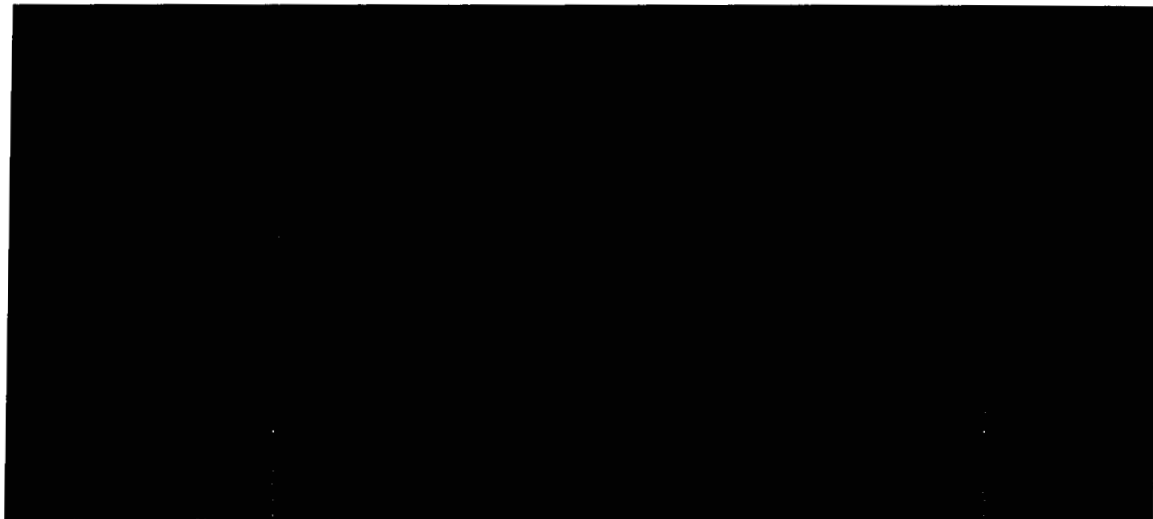
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1 termination exposure. FPL systematically challenged the suppliers in efforts to further  
2 reduce the termination exposure from that initially demanded, and had very good results.  
3

4 Negotiating minimal deposits or down payments in the context of a contract was not feasible  
5 given the scheduling constraints and the objective of locking in the best possible pricing  
6 while maintaining the project schedule. As can be seen from the bid documents received by  
7 FPL in response to its competitive solicitations, excerpts of which are produced in response  
8 to Staff's 2nd Request for Production of Documents, all of the prospective suppliers required  
9 a much higher level of contract certainty than would have been afforded by minimal deposits  
10 or down payments.

11 Termination payment provisions are in fact usual and customary for major projects like the  
12 Glades Power Park. For this project, if FPL did not execute these contracts, it would have  
13 been impossible to meet the projected need. Further, had FPL waited until the company  
14 received the need order, FPL and its customers would have remained exposed to major cost  
15 and delivery risk. In executing these contracts, FPL negotiated significant reductions in  
16 termination exposure extending throughout the entire scheduled regulatory process.  
17 Moreover, whether FPL negotiated termination payments, down payments or deposits, the  
18 economic requirement from vendors would have been the same in order for them to commit  
19 to firm pricing and a project schedule that would accommodate the in-service dates.

20 FPL's success in aggressively negotiating to decrease termination exposure is clearly  
21 demonstrable. For example, the Steam Turbine Generator (STG) supplier's proposed and  
22 negotiated termination provisions are shown below;  
23



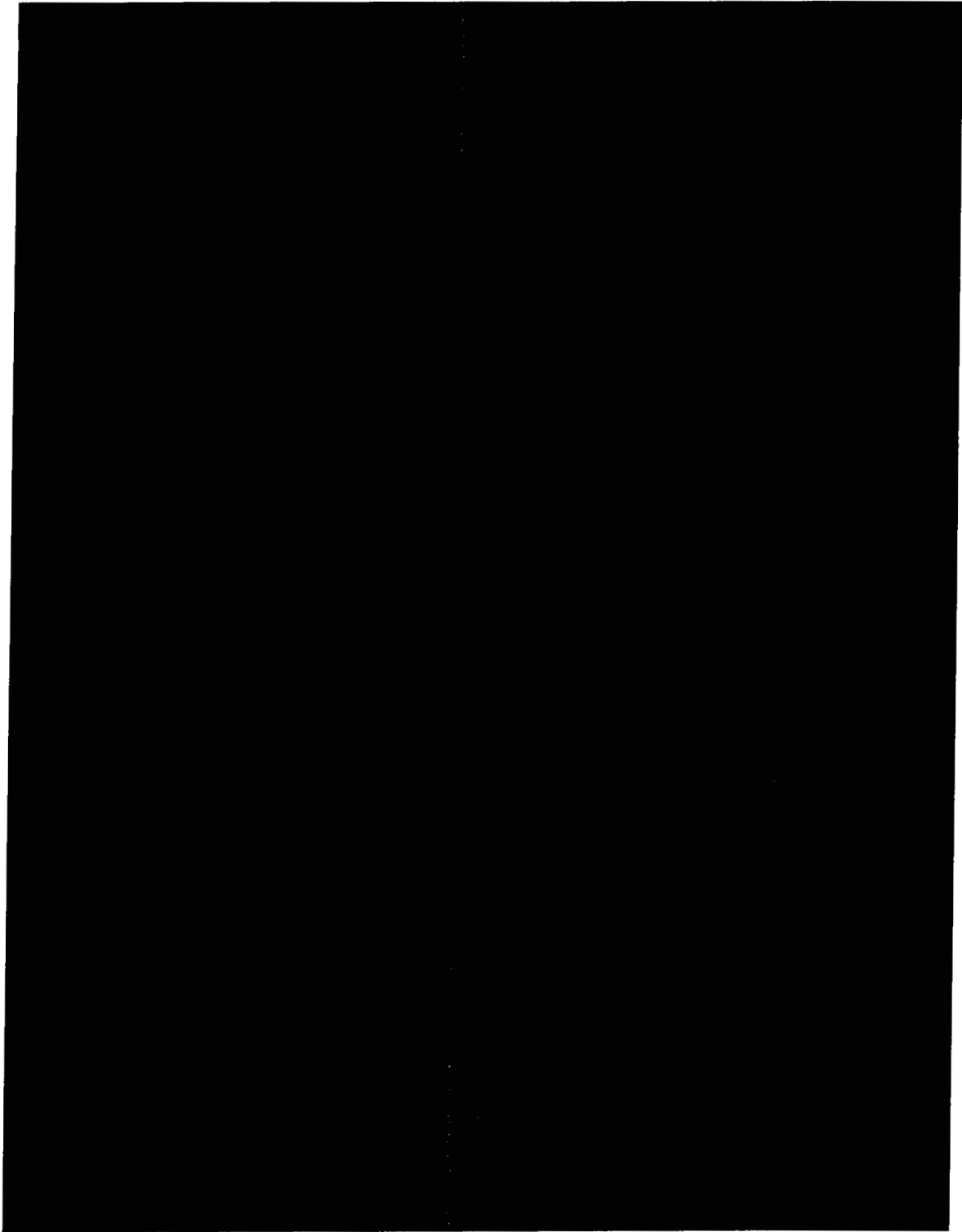
39 As can be seen, the termination exposures proposed by the steam turbine supplier were much  
40 higher than what was agreed to in the final contract at the time of the need determination, as

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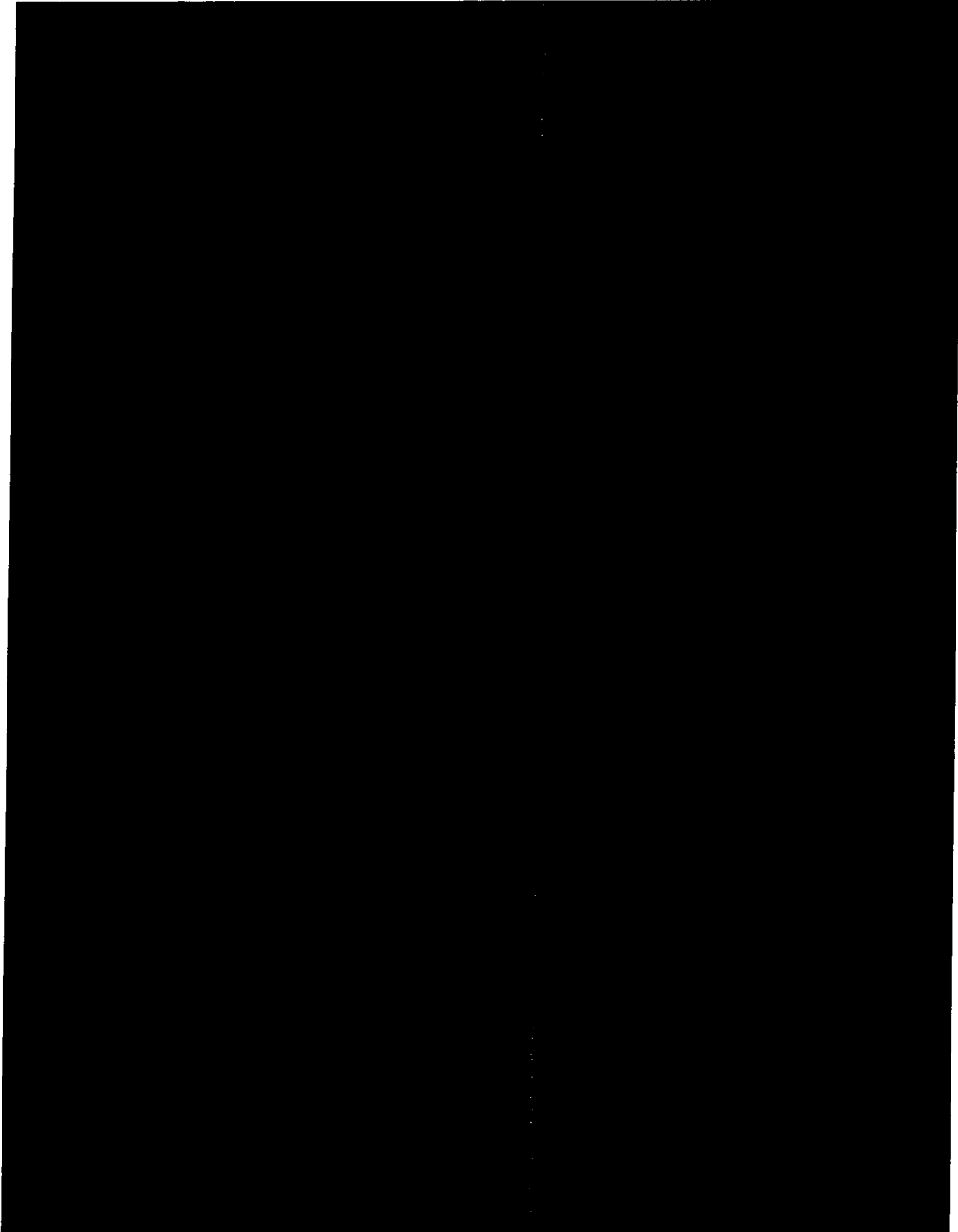
well as throughout the entire regulatory process ending at Governor's approval.

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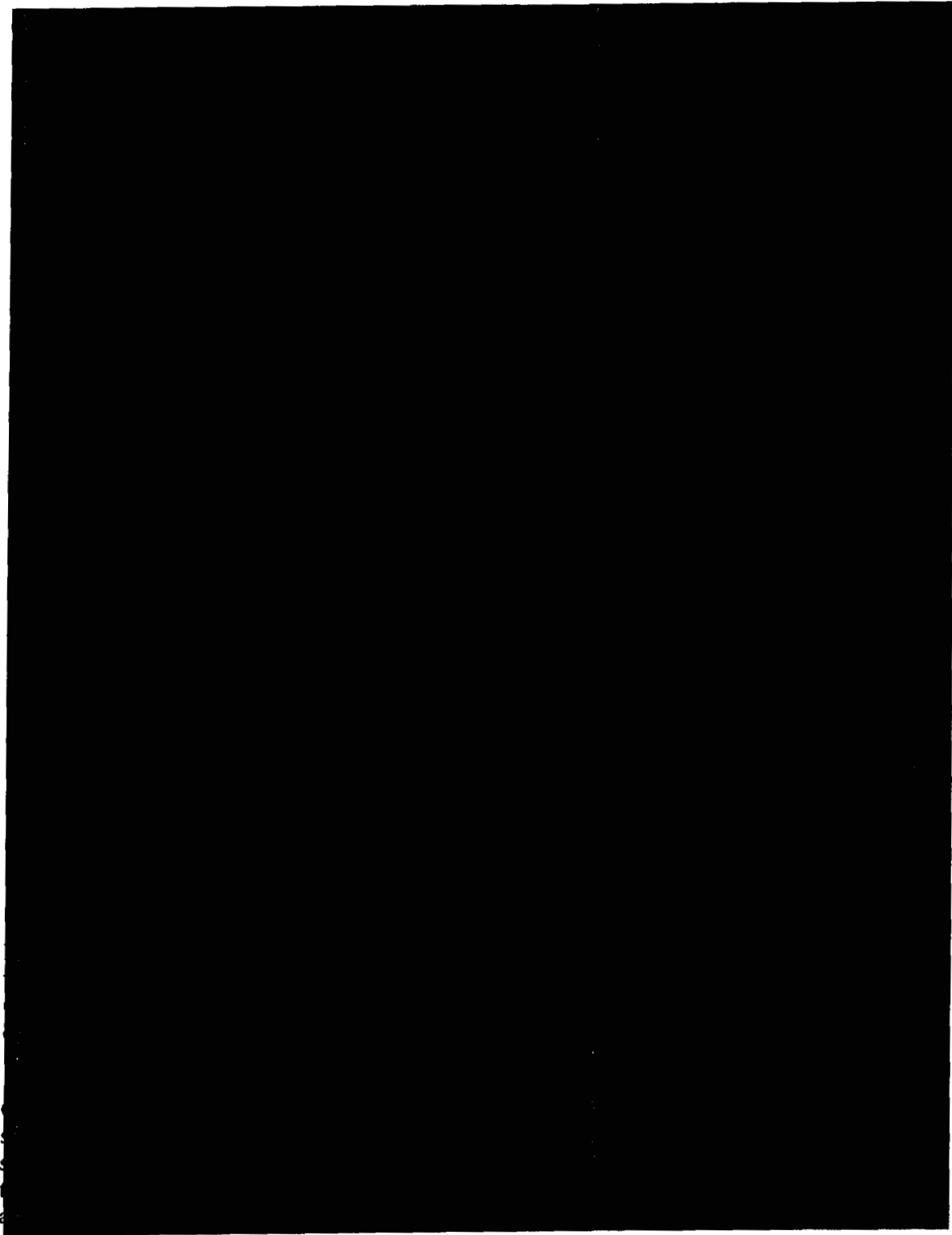
**FPL GPP  
EPC AGREEMENT  
(continued)**



**FPL GPP  
EPC AGREEMENT  
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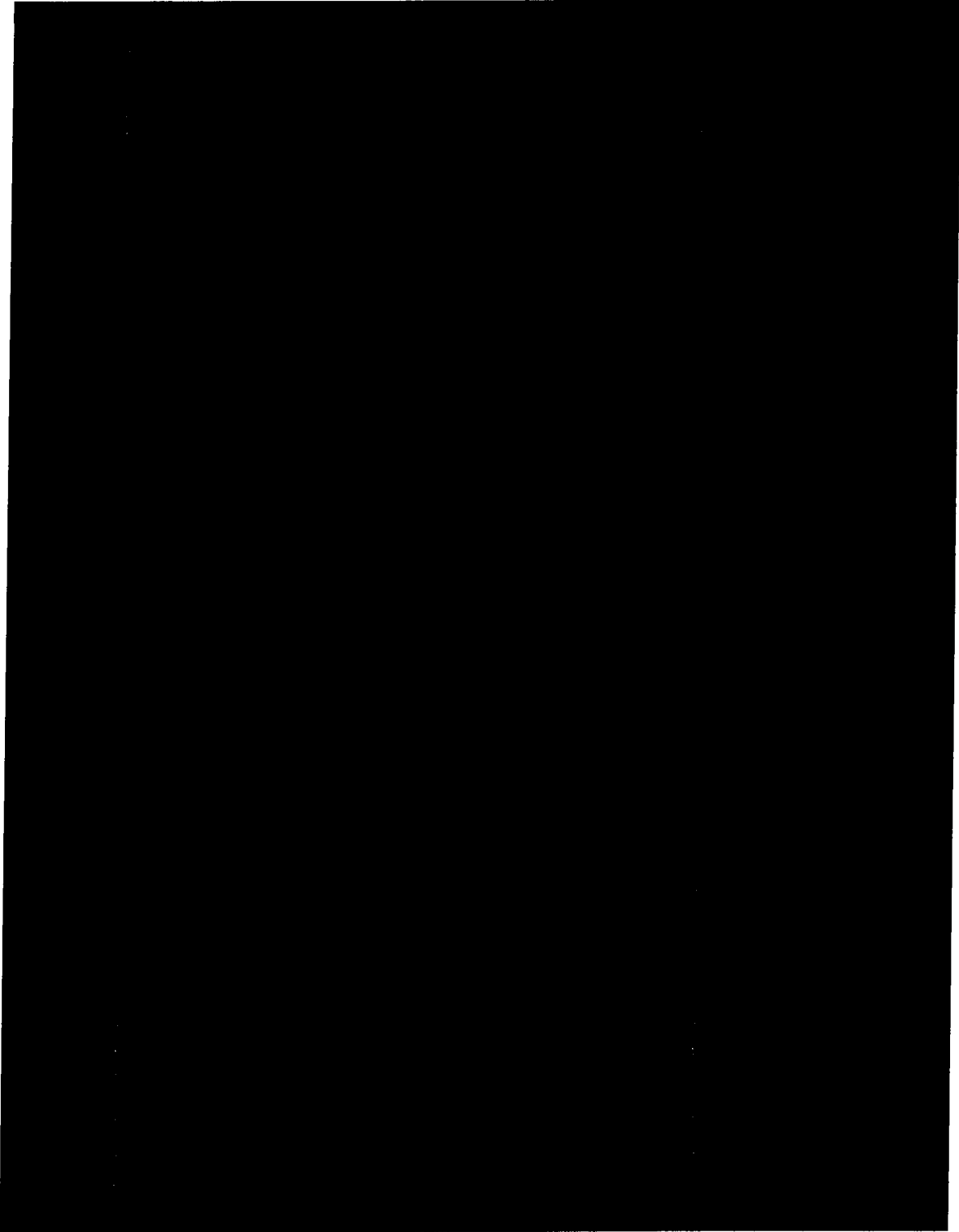


FPL GPP  
EPC AGREEMENT  
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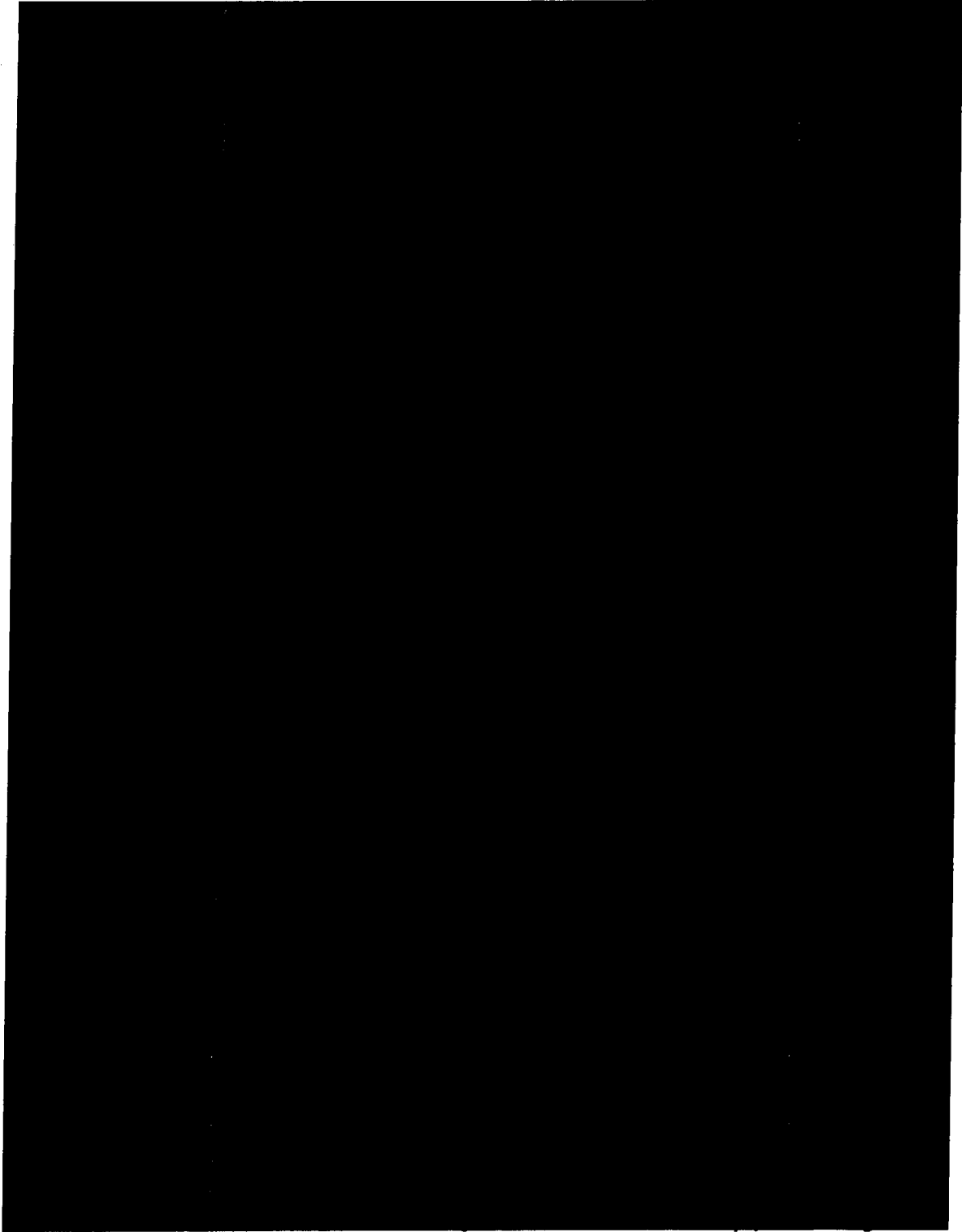




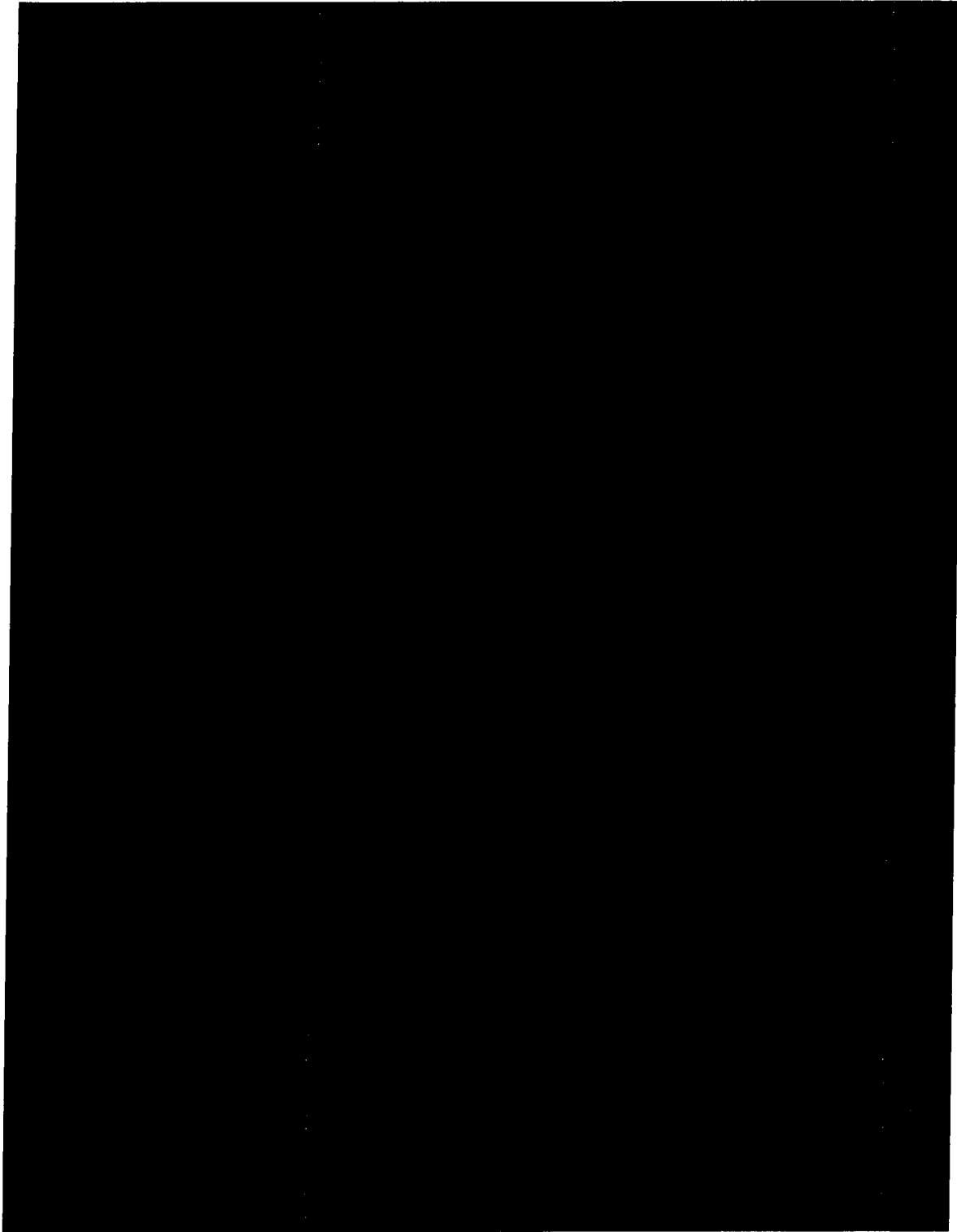
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EPC AGREEMENT**  
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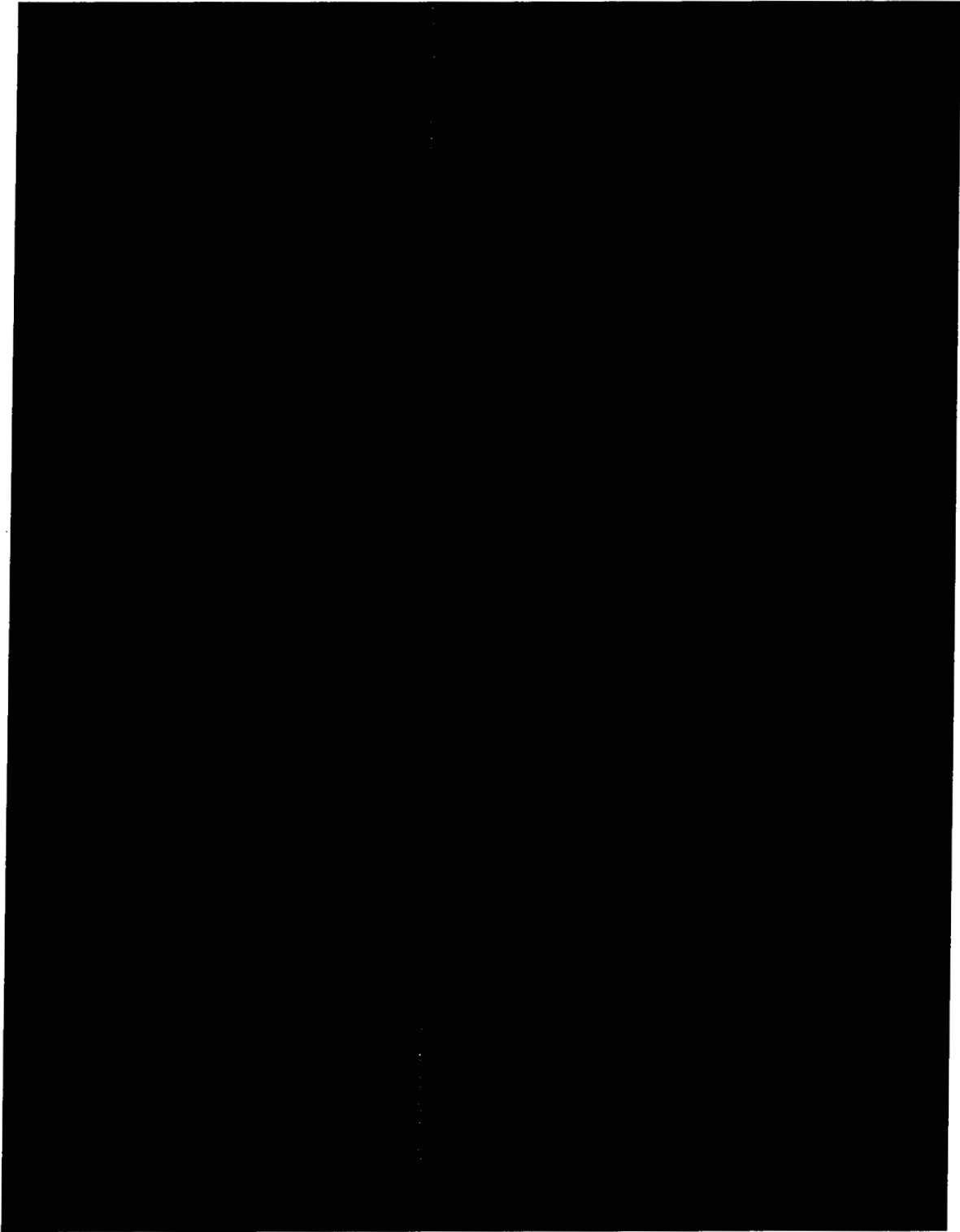
**FPL GPP  
EPC AGREEMENT**  
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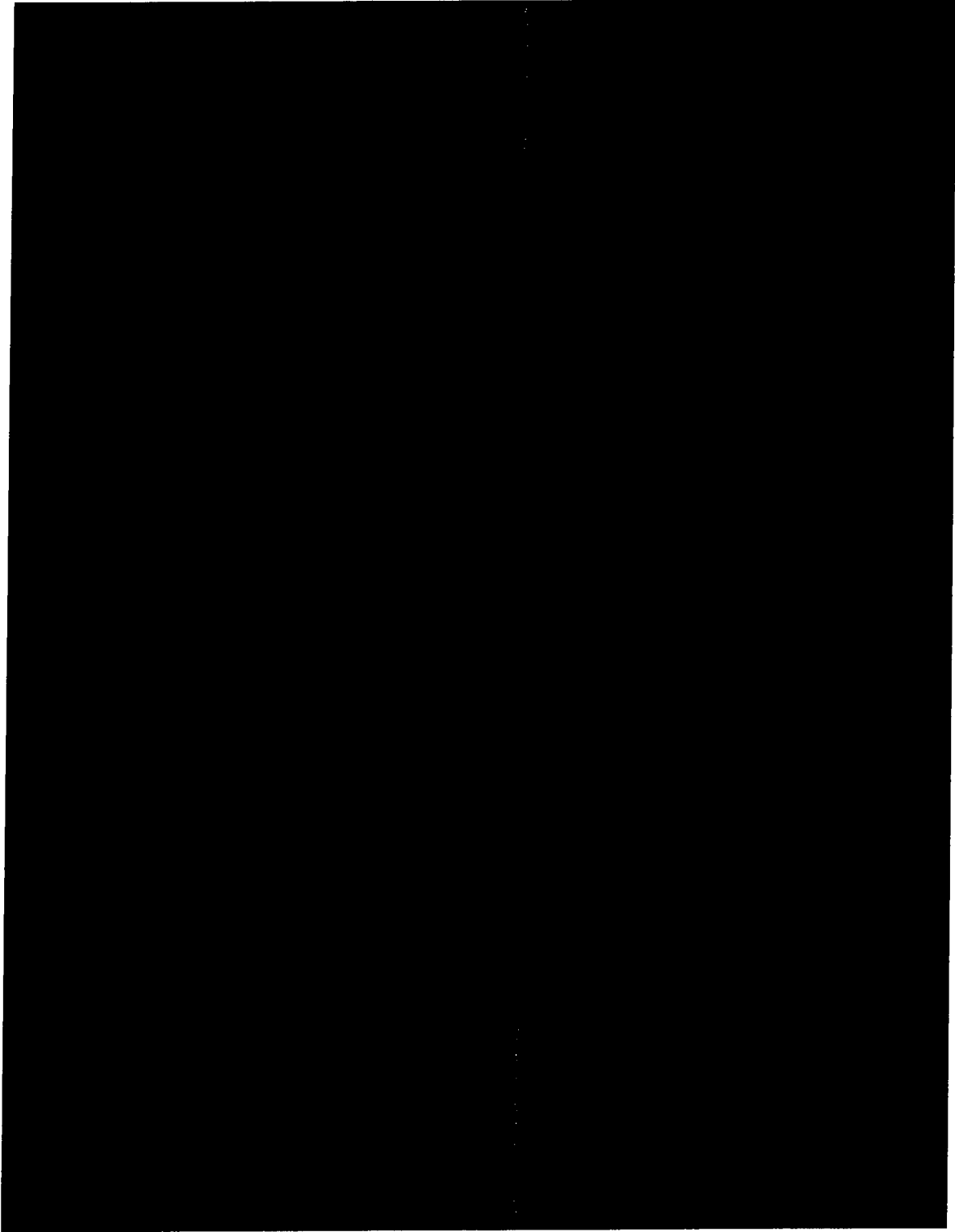
FPL GPP  
EPC AGREEMENT  
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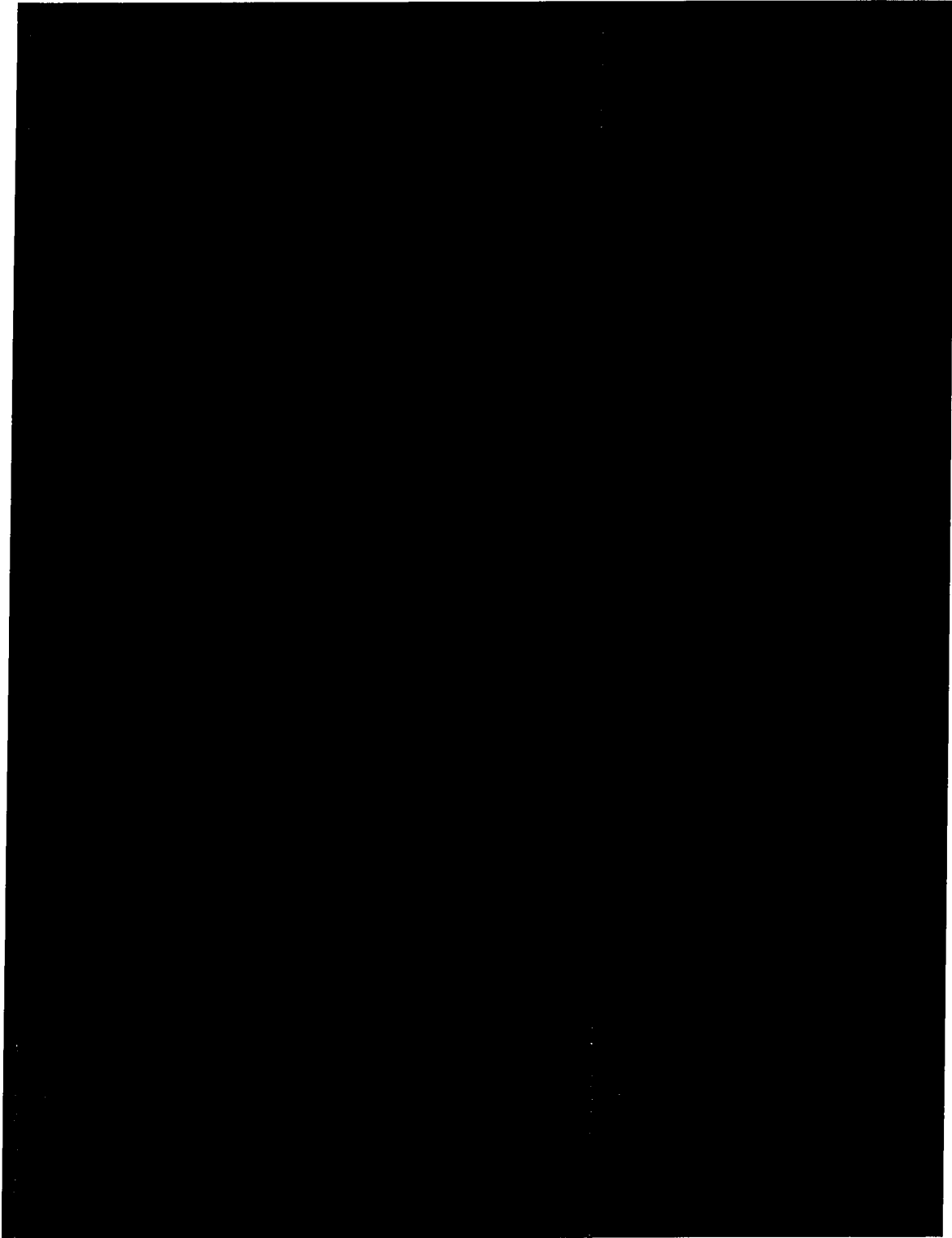
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EPC AGREEMENT  
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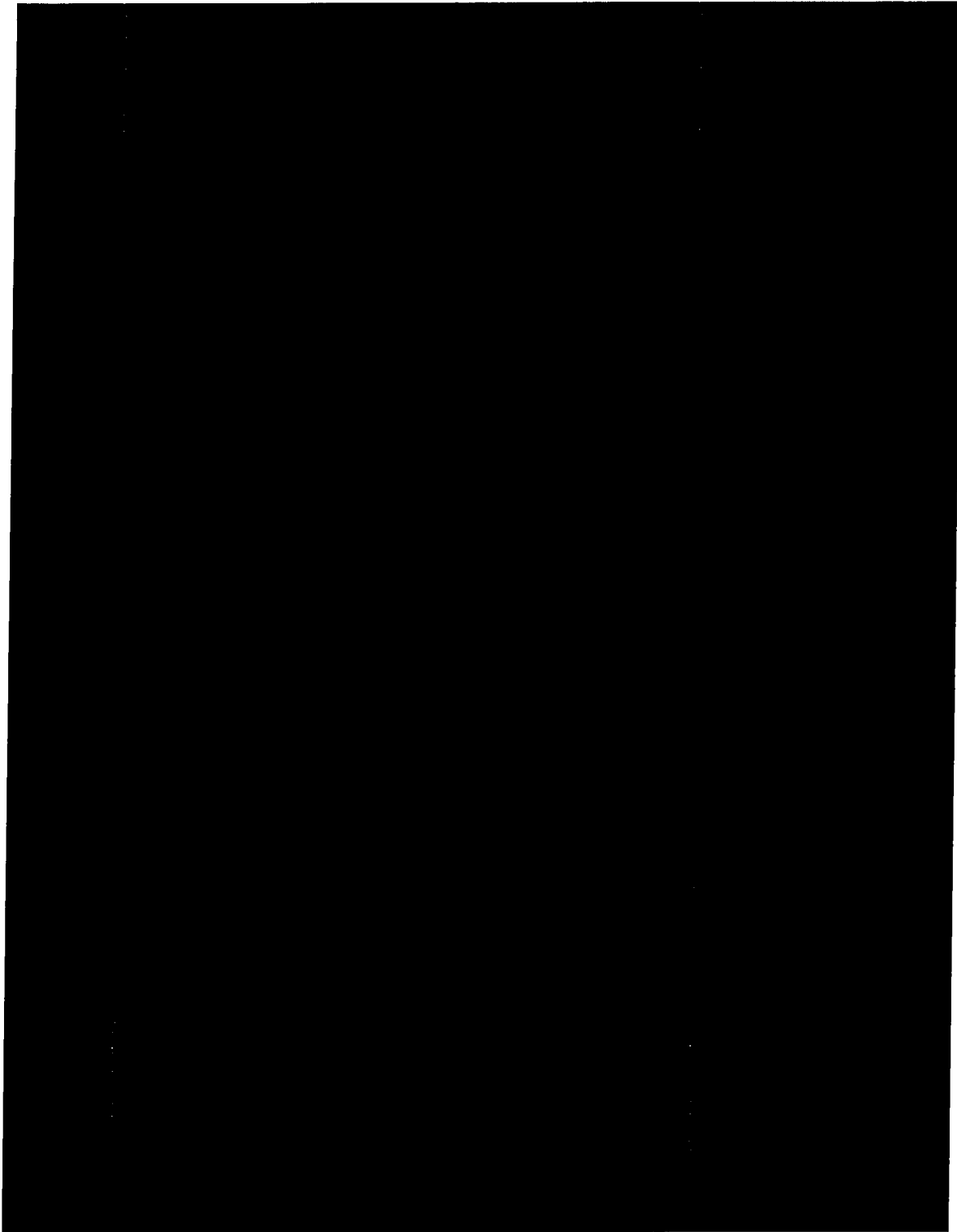
FPL GPP  
EPC AGREEMENT  
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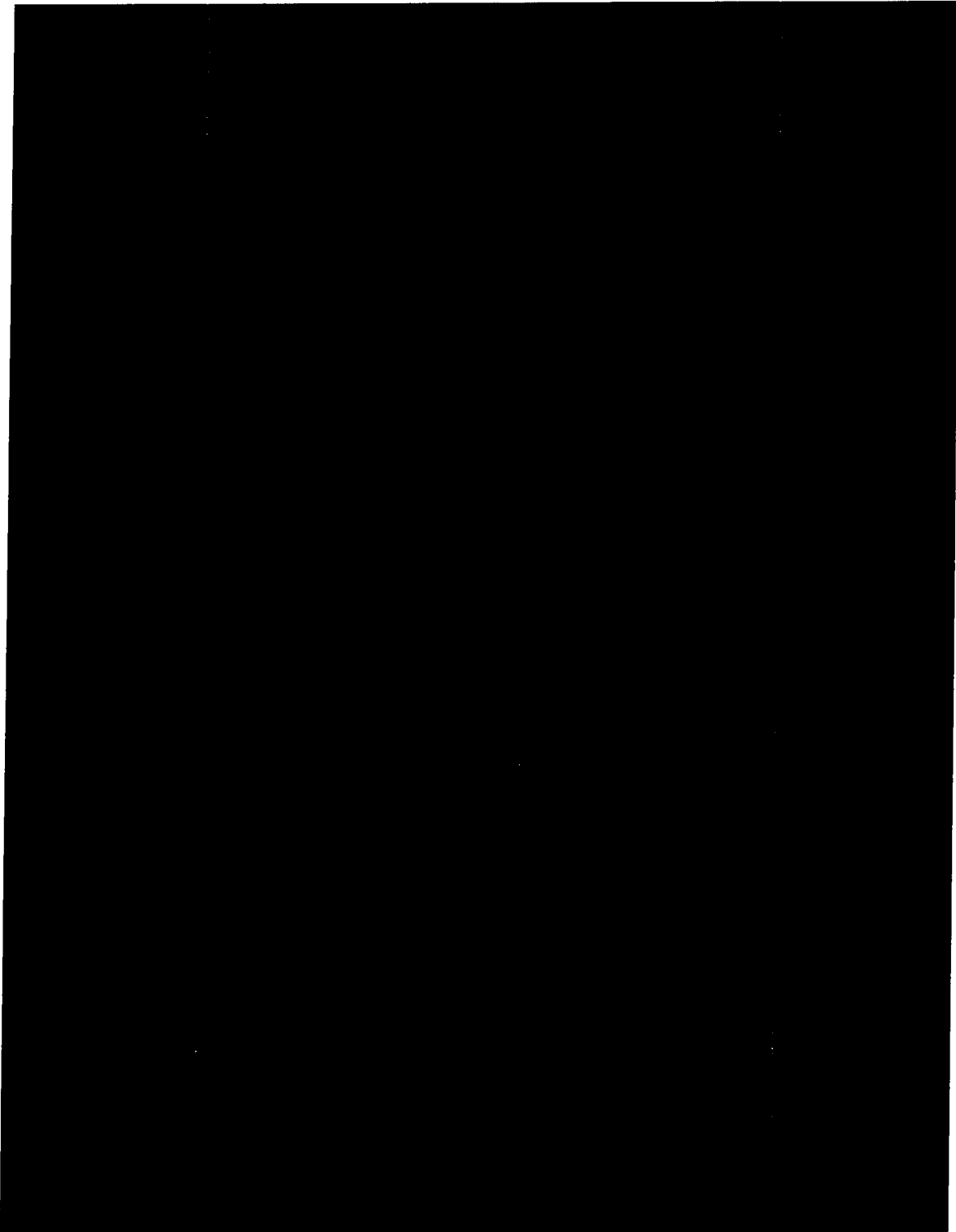
**FPL GPP  
EPC AGREEMENT**  
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FPL GPP  
EPC AGREEMENT  
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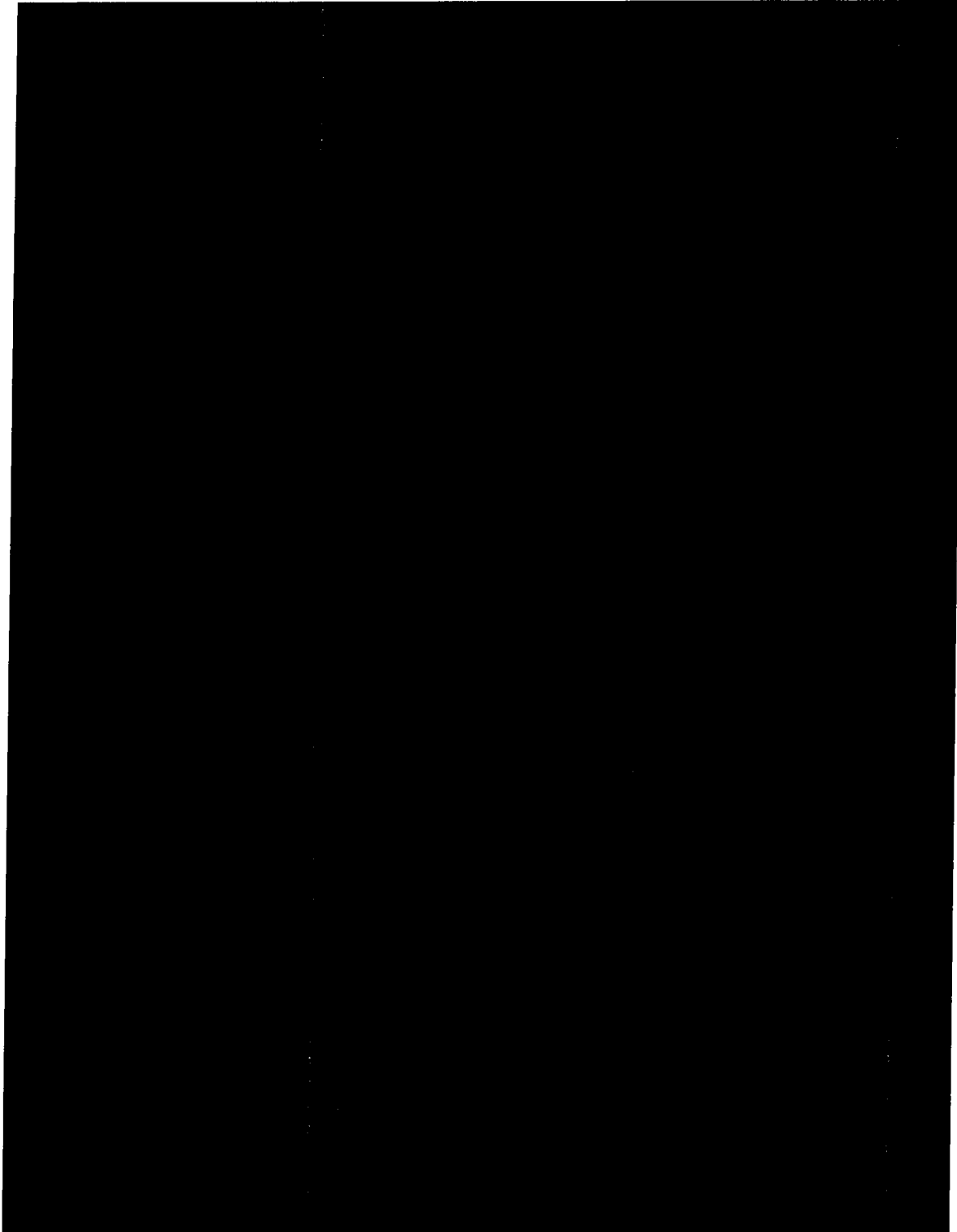
FPL GPP  
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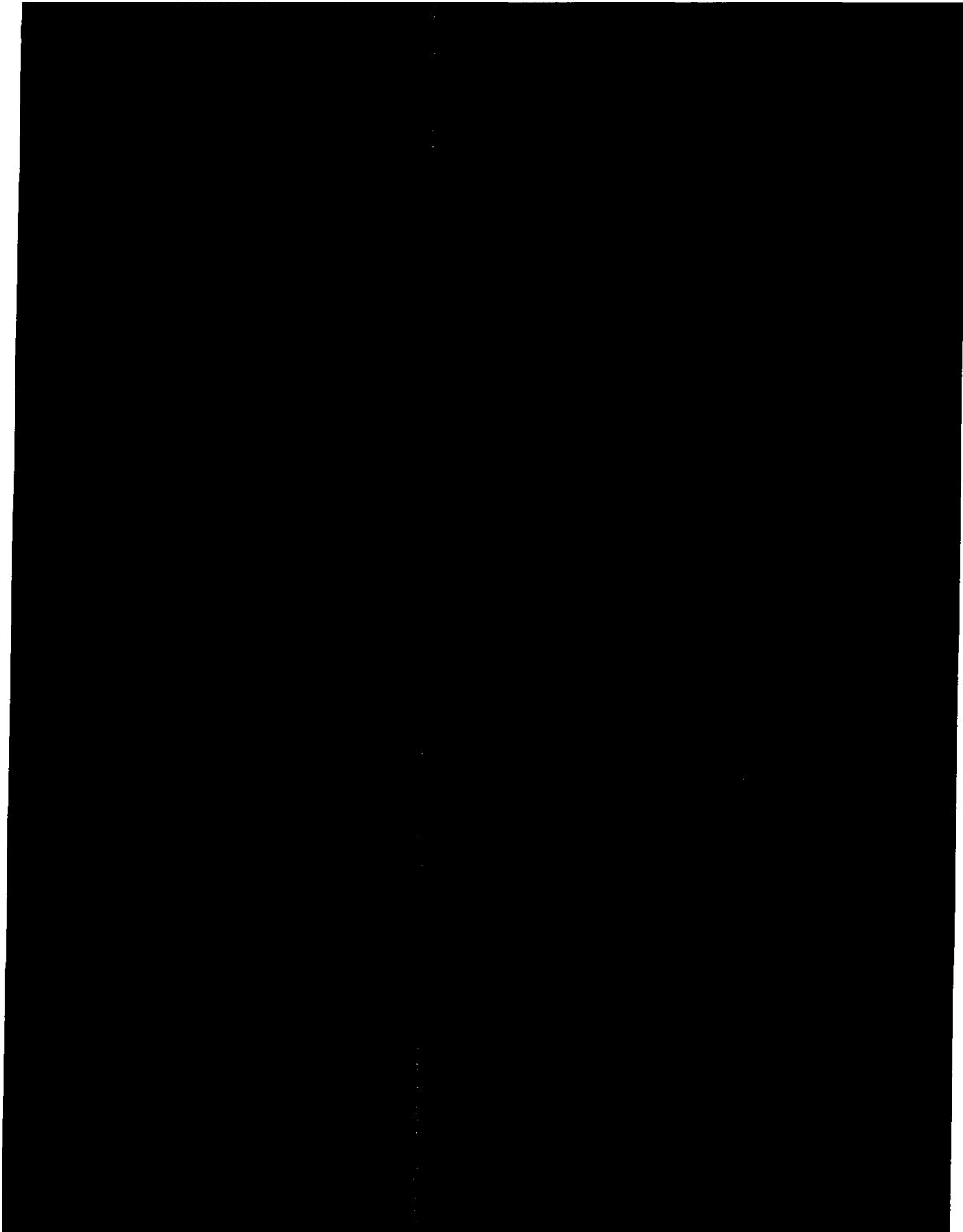
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FPL GPP  
EPC AGREEMENT  
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FPL GPP  
EPC AGREEMENT  
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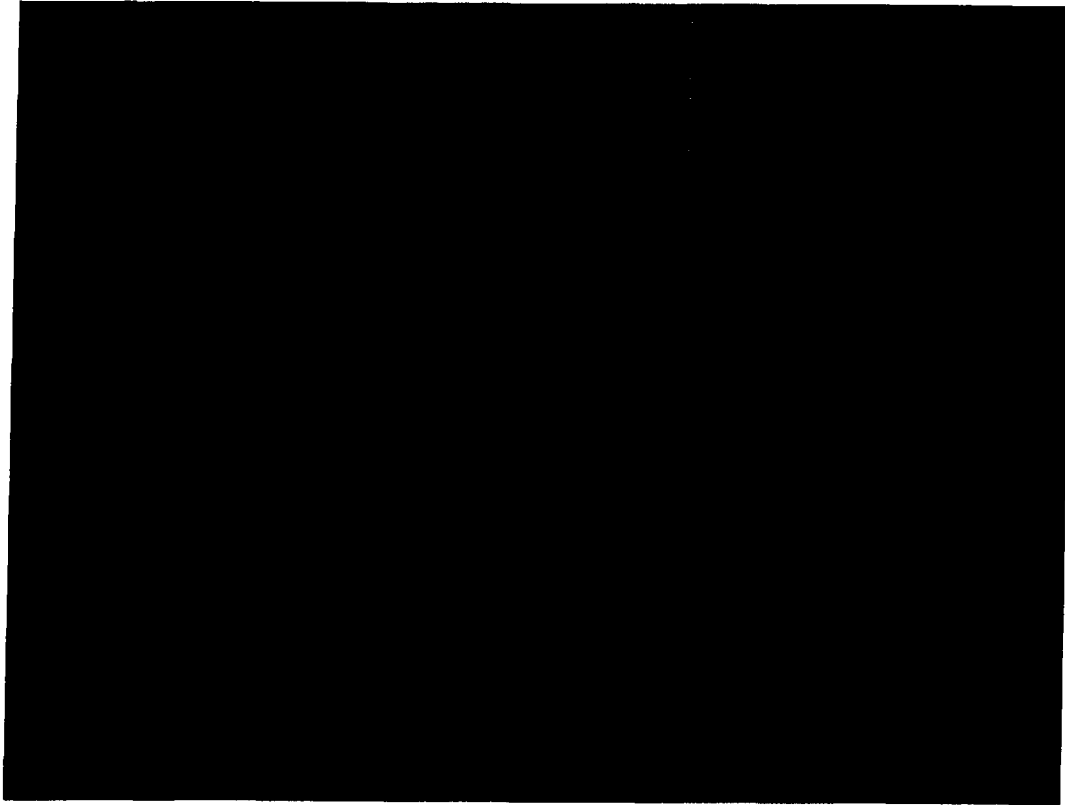
**EXHIBIT C  
CRITICAL MILESTONES**

	Date	
	<u>Unit 1</u>	<u>Unit 2</u>
1. Mobilize for Construction .....		
2. Start Piling .....		
3. Start Circ Water Pipe Installation .....		
4. EPC Turnover Collector Yard Area to FPL, Site Filled and Compacted to Within 6 Inches of Final Grade.....		
5. Boiler Foundations Complete .....		
6. Steam Turbine Foundation Complete .....		
7. Critical AQCS Foundations Complete.....		
8. Set First Major Steam Turbine Component .....		
9. Boiler Steel Ready for Pressure Parts .....		
10. All 4.160 kv & 13.8 kv Switchgear Complete, Tested & Ready for Energization .....		
11. Cable Pulls 50% Complete .....		
12. Material Handling Ready to Receive Coal.....		
13. Complete Boiler Hydro.....		
14. Coal Silos and Material Handling Equipment Ready for Fill .....		
15. Complete Boiler Chemical Clean.....		
16. DCS Functionally Operational and Checkout Started.....		
17. Steam Turbine on Turning Gear .....		
18. Complete Hydro for All Pipe Systems Required for Steam Blow .....		
19. Mechanical Completion .....		
20. First Fire on Oil.....		
21. Complete Steam Blow .....		
22. Steam Turbine Sync.....		
23. First Fire on Coal .....		
24. Complete Performance Test on First Fuel.....		
25. Complete Performance Test on Second Fuel .....		
26. Provisional Acceptance.....		

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**EXHIBIT BB**

**TERMINATION PAYMENT SCHEDULE**



4-16-07

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