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August 1, 2008

-VIA HAND DELIVERY -

Ms. Ann Cole, Commission Clerk
Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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08 AUG - 1 AM 11:34
COMMISSION
CLERK

Re: Docket No. 080000

Dear Ms. Cole:

On July 29, 2008, I filed with your office the original and seven (7) copies of Florida Power & Light Company's Request for Confidential Classification of Information Provided Pursuant to Staff's Report Entitled "Review of Florida Power & Light's Project Management Internal Controls for Nuclear Plant Upate and Construction Projects" (Document No. 06635-08, hereinafter referred to as the "Request"). I identified the Request for filing in Docket No. 080009-EI, but I understand that it was transferred by your office to the above docket.

FPL has subsequently discovered that the first document for which FPL is seeking confidential classification was omitted from Attachments A and B to the Request, although it is listed and described as Item 1 (Part I) in Exhibit C to the Request. I am enclosing for filing in the above docket one highlighted and two redacted copies of the omitted document and ask that you include the highlighted copy with Attachment A and the redacted copies with Attachment B to the Request. The highlighted copy is contained in a separate, sealed envelope marked "confidential."

If there are any questions regarding this transmittal, please contact me at 561-304-5639.

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- ADM
- CLK

Sincerely,

John Butler

Enclosures

cc: Counsel for Parties of Record (w/o encl.)

DOCUMENT NUMBER-DATE

06759 AUG-1 8

CONFIDENTIAL

Alstom, FPL management selected Siemens as the turbine-generator vendor for the uprates. FPL has since provided a binder payment to secure a long-lead manufacturing slot with Siemens, and was negotiating a final contract as of May 2008.

Siemens was the sole-source vendor for the initial engineering study of the turbine generator replacement evaluation, development of preliminary heat balances, and analysis of the turbine generator components and upgrades for the St. Lucie and Turkey Point units. Siemens received two lump sum contracts reserving the manufacturing slots for, one generator rotor forging for the Turkey Point Unit 3 main generator rotor, and for four low pressure rotors for the St. Lucie uprate. FPL states that Siemens was not truly a sole sourced vendor because it was selected as turbine generator supplier after FPL reviewed other potential Request For Proposals.


FPL appears to have followed its contractor selection procedures. Given the unique challenges and circumstances of the nuclear industry, FPL's use of sole source selections for the uprate project to date is in keeping with reasonable business practices.

Is an appropriate set of internal controls for contractor management and evaluation in place for the uprate project?

FPL procedures provide for basic contractor oversight by the EPU Site Project Manager, the site Technical Representative, and Contract Coordinators who administer site services. These functions coordinate contractor reviews of performance while contractors are on the site working. Upon completion of the authorized work, the Site Technical Representative is to verify the contractor has met all obligations and whether any outstanding issues related to contract deliverables exist. Technical Representatives are to determine whether billed work was completed, and determine what level of approval is needed for approval and payment.

The EPU Site Project Manager will provide oversight of the contractor progress and project work performance while the contractor is on site. If schedule delays are anticipated due to contractor challenges, the EPU Site Project Manager attempts to resolve the contractor challenge on site. If necessary, the Site Project Manager will bring in the EPU Project Director to help resolve issues and involve executive management.

In addition to providing assistance with developing and administering contracts, FPL's Nuclear Sourcing and Integrated Supply Chain completes weekly updates to the Project Contract Log and reports updated contract status to FPL executives and Project Management. Nuclear Sourcing also completes annual vendor scorecards for a selected group of FPL's largest vendors. These scorecards provide an overall rating for system-wide vendor performance for the year across all areas of FPL operations. Performance is indicated using a color rating system of: green for good performance, yellow for questionable performance, and red for poor performance. The process is intended for FPL to identify vendor performance strengths and weaknesses, and to use in discussions with vendor management when improvement is needed.



EPU Project Management indicated to audit staff that it would take aggressive steps to mitigate similar performance issues. Siemens is one of the few suppliers capable of providing the turbine equipment and services needed, and the only one evaluated by FPL that was able to meet the outage schedule for the uprate projects. FPL EPU Project Management also noted that this knowledge is helpful to management as they negotiate vendor contracts to include protection provisions. FPL noted that the need for close supervision of vendor performance, and early detection of schedule and cost related issues is understood by the EPU Project Management team.

FPL's approach to contractor oversight and evaluation appears to be appropriate to date. Proactive project management by FPL should require frequent communication and updates, demand contractor accountability, and challenge information provided by contractors.

Has FPL implemented appropriate protections from contractor cost overruns or poor performance on the uprate projects?

FPL generally protects itself from substandard contractor work by maintaining a qualified vendor list and through evaluating contractor work after major projects. Documentation of contractor performance allows FPL to identify poor performance trends with contractors, and provides a tool to use in correcting contractor performance or denying the contractor future work. The Quality Assurance function also reviews contractor performance for safety-related contracts, while the contractor is on site as discussed further in Section 2.5.

In addition to the contractor management and evaluation process previously discussed, FPL has structured its contracts and purchase orders to identify specific scope, deliverables, completion dates, terms of payment, operational terms and conditions, reports from the contractor, and work quality specifications. Standard contract terms include suspension/termination for cause or suspension/termination for convenience address the conditions under which a contractor's services may be suspended or terminated. Limit of Liability clauses specify the liability of the company and the contractor under specific conditions and situations. Contract clauses addressing changes to scope of work and schedule changes state the conditions under which changes to work scope will be accomplished. These and other FPL contract provisions help protect the company against contractor overruns and ensure that contractors perform work on time as specified.

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Public Service Commission

ACKNOWLEDGEMENT

DATE: August 1, 2008

TO: John Butler, Florida Power & Light Company

FROM: Ruth Nettles, Office of Commission Clerk

RE: Acknowledgement of Receipt of Confidential Filing

This will acknowledge receipt of a CONFIDENTIAL DOCUMENT filed in Docket Number 080000 or, if filed in an undocketed matter, concerning first document omitted from Attachment A and B to Request filed on 7/29/08 concerning "Review of FPL's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects, and filed on behalf of Florida Power & Light. The document will be maintained in locked storage.

If you have any questions regarding this document, please contact Marguerite Lockard, Deputy Clerk, at (850) 413-6770.

DOCUMENT NUMBER - DATE
06760 AUG-1 08
FPSC-COMMISSION CLERK

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