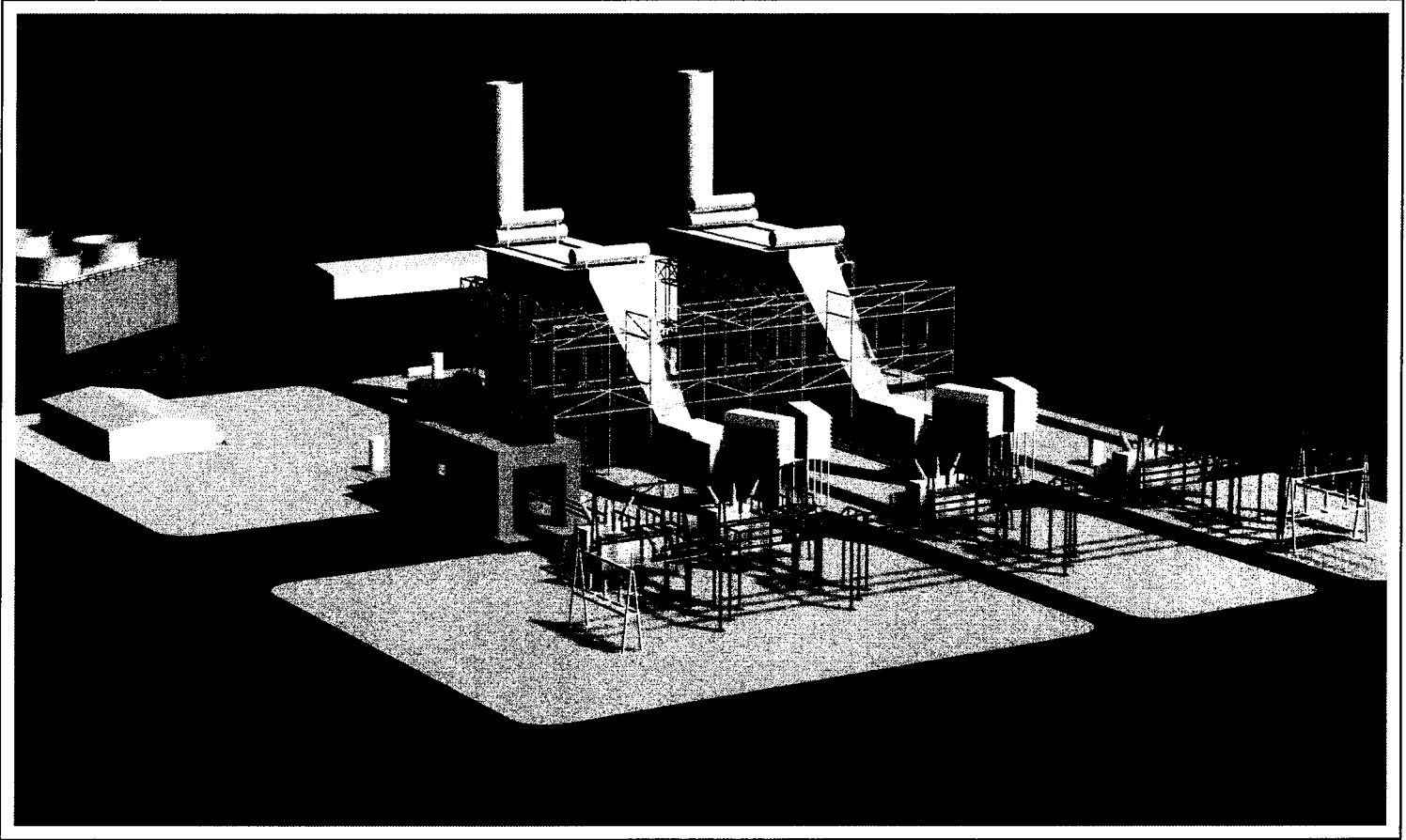


**Public Service Commission  
Docket No. 010142 - EM**

**Confidential Exhibit C - Prefiled Exhibit**



**Orlando Utilities Commission  
Curtis H. Stanton Energy Center  
Combined Cycle Unit A**

B&V Project 97185

MS-13-03

**DECLASSIFIED**

DOCUMENT NUMBER-DATE

02882 MAR-5

March 2001

FPSC-RECORDS/REPORTING



**PRIVILEGED AND CONFIDENTIAL**

August 15, 2000



Mr. Frederick F. Haddad, Jr., P.E.  
Vice President Power Resources  
Orlando Utilities Commission  
Post Office Box 3193  
Orlando, Florida 32802

**Subject: Status Report: Orlando Utilities Commission  
Proposal Evaluation - Stage Two Screening Results**

Dear Fred:

Pursuant to the terms of the agreement between Orlando Utilities Commission ("OUC") and R. W. Beck, Inc. ("Beck") and in keeping with the relevant provisions of the proposal evaluation methodology and procedures developed by Beck and OUC and memorialized on July 10, 2000 (the "Evaluation Manual"), we have completed the Stage Two Screening. Pursuant to the provision of the Evaluation Manual, Stage Two Screening was limited (i) to reviewing each respondent's proposal for consistency in the pricing content and structure with OUC's requirements; (ii) to requesting any pricing clarifications and omitted information that will not materially change the original response from a respondent; (iii) to developing a spreadsheet to calculate the annual cost of power delivered to OUC on a busbar basis for each proposal; and (iv) to preparing a letter report summarizing the Stage Two Screening.

On the basis of the results of the Stage 1 Screening and with OUC's authorization, proposals from the following companies were evaluated at Stage Two Screening:

1. Carolina Power and Light Company ("CP&L")
2. Texaco Power and Gasification and TECO Power Services ("Texaco and TECO")
3. Tractebel Power, Inc. ("Tractebel")

In order to expedite the evaluation process and with OUC's concurrence, Beck conducted clarification discussions separately by telephone with representatives of each of the three companies on Tuesday, August 1 and Wednesday, August 2. In cases where there was a need for further research by the proposer in order to provide the necessary clarification, the proposer was advised to submit the additional information in writing to Beck no later than the end of the day on Friday August 4. Information obtained from the proposers during this Stage 2 clarification process is reflected in the table included as Attachment 1, which summarizes the proposals and provides the basis for the inputs to the busbar-screening model. Additional information provided by the proposers as clarification is included as Attachment 2 to this Letter Report.

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Mr. Frederick F. Haddad, Jr., P.E.  
Orlando Utilities Commission  
August 15, 2000  
Page 2

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P. Arsuaga Exhibit No. \_\_\_\_\_ (PAA-3)  
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In order to maintain consistency in the Stage 2 Screening, it was assumed that gas commodity and gas transportation charges were the same for all proposals unless energy prices were fixed contractually. Also, transmission wheeling charges were assumed to be the same for all proposals. The CP&L proposal and TECO proposals provided delivered rates which were independent of actual transmission losses. Transmission losses in the Tractebel proposal were assumed to be 2.2 percent and are a pass through (i.e., if the actual loss percent changes, the rates will be adjusted accordingly). A list of the assumptions used in the Stage 2 Screening is included as Attachment 3.

Levelized Annual Busbar Delivered Costs					
Capacity Factor	Levelized Annual Cost (\$/MWh)				
	CP&L	Texaco/TECO A Peaking	Texaco/TECO A Intermediate	Texaco/TECO B	Tractebel
10	145.7	160.7	161.7	166.0	146.1
20	98.0	105.4	98.9	98.0	89.3
70	-	55.1	49.43	49.4	48.7
80	-	-	45.7	46.9	46.6
90	-	-	42.8	45.0	45.1

Detailed results of the Stage 2 Screening are presented in Attachment 4 to this Letter Report.

Please call me at 407-422-4911 if you have any questions.

Very truly yours,  
R. W. BECK, INC.



Paul A. Arsuaga, P.E.  
Principal and Senior Director

PAA/dmt  
Enclosures

**ATTACHMENT 1**  
**STAGE 2 BUSBAR SCREENING -**  
**SUMMARY OF PROPOSALS**

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**Dottin, Selvin**

Docket No. 010142-EM  
P. Arsuaga Exhibit No. \_\_\_\_\_ (PAA-3)  
Stage Two Screening Results  
Page 4 of 19

**From:** Saile, Thomas [thomas.saile@cplc.com]  
**Sent:** Monday, August 07, 2000 11:37 PM  
**To:** 'SDottin@rwbeck.com'  
**Subject:** OUC/KUA/FMPA RFP - CP&L 5-Year Pricing

Supplemental 2 -  
CPL.doc <<...>>

Selvin, attached is CP&L's 5-year pricing option as you requested. In order to demonstrate the impact of different operational strategies, this five-year alternative was based on a different market model resulting in a different set of operational parameters. For consistency and comparison sake, the ten-year proposal has also been restated using this same market model. Please call me if you have any questions.

<<Supplemental 2 - CPL.doc>>

It is CP&L's intention to be responsive to the Participant's energy supply needs. While there are several configurations that may meet those needs, CP&L has chosen a peaking plant for our Proposal. It should be noted that it is possible to structure the Citrus County site as a combined-cycle facility. If so requested, this could be accomplished either from the beginning or as part of a conversion that could be worked into CP&L's proposed project. Also, it is possible that a put option could be arranged so that the Participants would have the option to "return" some or all of the capacity during the term of the agreement. The point here is that only so much can be conveyed in an individual RFP proposal. Perhaps the optimum arrangement can best be determined by coming together in negotiations with the mutual aim of working-out the best project configuration for the Participants.

We appreciate the opportunity to provide this supplemental proposal information and look forward to hearing from you regarding the ongoing evaluation process. I will be out of the office tomorrow (Tuesday) so, if need be, it would be best to reach me via pager.

The consummation of the proposal provided herein is subject to the execution of a mutually agreeable contract, adequate counterparty credit facilities, and the approval of our respective managements. By accepting this proposal for review, it is agreed that this proposal in its entirety shall remain confidential, except as required to be disclosed by law and only to the extent required by law. CP&L shall be notified prior to any release of any information contained in the proposal. Please let me know if these conditions are not acceptable. This Proposal will remain valid until December 31, 2000.  
Thomas C. Saile  
Business Development Manager  
Wholesale Power Department

Carolina Power & Light  
thomas.saile@cplc.com  
(919) 546-2338  
(919) 546-2645 (fax)  
(888) 339-6140 (pager)

Docket No. 010142-EM  
P. Arsuaga Exhibit No. \_\_\_\_\_ (PAA-3)  
Stage Two Screening Results  
Page 5 of 19

**Supplemental Proposal Information  
 for CP&L's Proposal to OUC/KUA/EMPA (the Participants)  
 dated July 11, 2000**

**OVERVIEW**

- This supplemental proposal information reflects the Participants request for a five-year term option.
- To demonstrate the flexibility available from different operating/dispatch scenarios, this proposal uses a different market dispatch model to develop the pricing. This market model, while resulting in lower pricing has more operational restrictions.
- At the Participants request, the contract extension option is now based on a 2-year advanced notice. It was a 3-year notice in the original ten-year proposal.
- For the sake of consistency, the original ten-year proposal has also been restated using the same market model and extension option notice as this five-year proposal.
- Prices given below are for a contract beginning October 1, 2002

**PROPOSAL: 5-YEAR TERM**

- Unit Power Sale: 307 MWe, (2) gas-fired simple-cycle peaking combustion turbines
- 5-year term w/ 5-year renewal option (2-year notice)
- Capacity: \$5.28/KW-mo capacity charge, OR  
 \$4.92/KW-mo capacity charge w/ \$1.8M up-front lump sum extension  
 Option Premium due 01OCT2000 (Option is optional)
- Variable O&M: \$1.75/MWh
- Start-Up: \$9,000/start per unit
- Avg. starts/year: 45
- Target CF: 3%
- Capacity, Variable O&M, and Start-up prices all escalate at a flat fixed 2.5%
- All other aspects of this proposal remain the same as the original 10-year proposal

**PROPOSAL: 10-YEAR TERM** (restated based on the same market model as the requested 5-year proposal above)

- Unit Power Sale: 307 MWe, (2) gas-fired simple-cycle peaking combustion turbines
- 10-year term w/ 5-year renewal option (2-year notice)
- Capacity: \$5.09/KW-mo capacity charge, OR  
 \$4.65/KW-mo capacity charge w/ \$3.9M up-front lump sum extension  
 Option Premium due 01OCT2000 (Option is optional)
- Variable O&M: \$1.75/MWh
- Start-Up: \$9,000/start per unit
- Avg. starts/year: 45
- Target CF: 3%
- Capacity, Variable O&M, and Start-up prices all escalate at a flat fixed 2.5%
- All other aspects of this proposal remain the same as the original 10-year proposal

**Clarification Questions Regarding Teco/  
Proposals in Response to Orlando Utilities Com.  
Dated May 24, 2000**

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The following questions and answers were based on a telephone conversation and subsequent follow-up between Ms. Rebecca T. Alex of TECO/Texaco and Mr. Paul A. Arsuaga of R. W. Beck.

**Proposal A**

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1. With regard to Teco/Texaco Proposal A, is the peaking capacity in addition to the intermediate option?

Yes, the peaking proposal must be taken together with the intermediate proposal.

2. Pricing is for a 10-year term. How would the pricing change for 5-year term with the option to renew another 5 years, if exercised at the end of year 3?

Teco/Texaco will provide pricing for such an option. (Pricing was provided in August 4 addendum).

3. What are the pricing terms for the five-year extension period at the end of the 10-year term?

These pricing terms will be provided.

4. Please confirm that the minimum requirements for the intermediate structure is that purchaser will take is 25% of peak and super peak hours, and the minimum requirement of peaking structure is 50% of super peak hours.

Yes, those are the minimum requirements.

5. How did you calculate the transmission rate?

Calculation of the transmission rate was based on appropriate transmission tariffs.

6. Is the transmission cost a pass through?

Yes, transmission costs will be passed through to the purchaser.



**Clarification Questions Regarding Teco/T  
Proposals in Response to Orlando Utilities Comm  
Dated May 24, 2000**

---

7. **Confirm that the capacity rate is fixed for the term of the contract.**

Yes, the transmission rates for proposal A is firm for the contract term. The capacity rate for Proposal B was shown incorrectly to increase on the pricing proposal form. This rate will remain at \$7.23/kW-month, for the 10-year proposal. As stated before, new pricing will be provided for 5-year term with optional 5-year renewal.

8. **Confirm the energy costs are fixed contractually at 2.5% per year.**

Yes, the rates will increase at 2.5% per year and are not tied to inflation.

9. **Is the energy rate based on delivered energy? What happens if the transmission loss rate changes?**

Yes, the energy rates are based on delivered energy. If loss percentage changes, rates will remain the same.

10. **Is the \$4.17/kW-month rate for peak and super peak capacity?**

Yes, that is correct.

11. **Is the \$6.67 rate for intermediate capacity?**

Yes, that is correct.

12. **Please explain how energy is calculated for each category, peaking, super peak, and intermediate.**

Each hour is designated as peaking, super peak, or intermediate. In each hour, the purchaser will pay for the amount of energy taken in each category, based on the amount of energy taken, and the rate for the type of hour.

13. **What is maximum capacity factor of which we can take energy under the proposal? What are limitations on this proposal?**

The only limitation of the maximum capacity factor is forced outages, and planned maintenance. The availability is estimated to be 93% of the time.

**Clarification Questions Regarding Tractebel P  
Proposals in Response to Orlando Utilities Comm.  
Dated May 24, 2000**

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- 7. Are the gas fuel and transportation costs a "pass through"?**

Tractebel is willing to fix the gas transportation costs, provided it obtains gas transportation from Gulf Stream.

- 8. Are all environmental related costs, allowances, etc. included in return?**

Yes, unless environmental laws change between now and when the agreement is executed.

- 9. Are startup costs to be added if less than 52 starts per year, if not, do we add the \$21,300 for starts above 52, for example?**

If starts are less than 52, the \$2,300 per start is applicable. If starts are above 52, the \$21,300/start is applicable.

Paul A. Arsuaga

**Attachment 3**  
**ORLANDO UTILITIES COMMISSIO**  
**PURCHASE POWER PROPOSAL EVALUATION**  
**STAGE 2 ASSUMPTIONS**

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Discount Rate – 8%  
Annual Inflation Rate – 2.5%  
Gas Commodity – See below

Natural Gas Fuel Price \$/MMBtu	
1999 – 2.21	2007 – 3.26
2000 – 2.32	2008 – 3.41
2001 – 2.44	2009 – 3.57
2002 – 2.57	2010 – 3.69
2003 – 2.70	2011 – 3.81
2004 – 2.84	2012 – 3.94
2005 – 2.97	2013 – 4.07
2006 – 3.11	2014 – 4.21

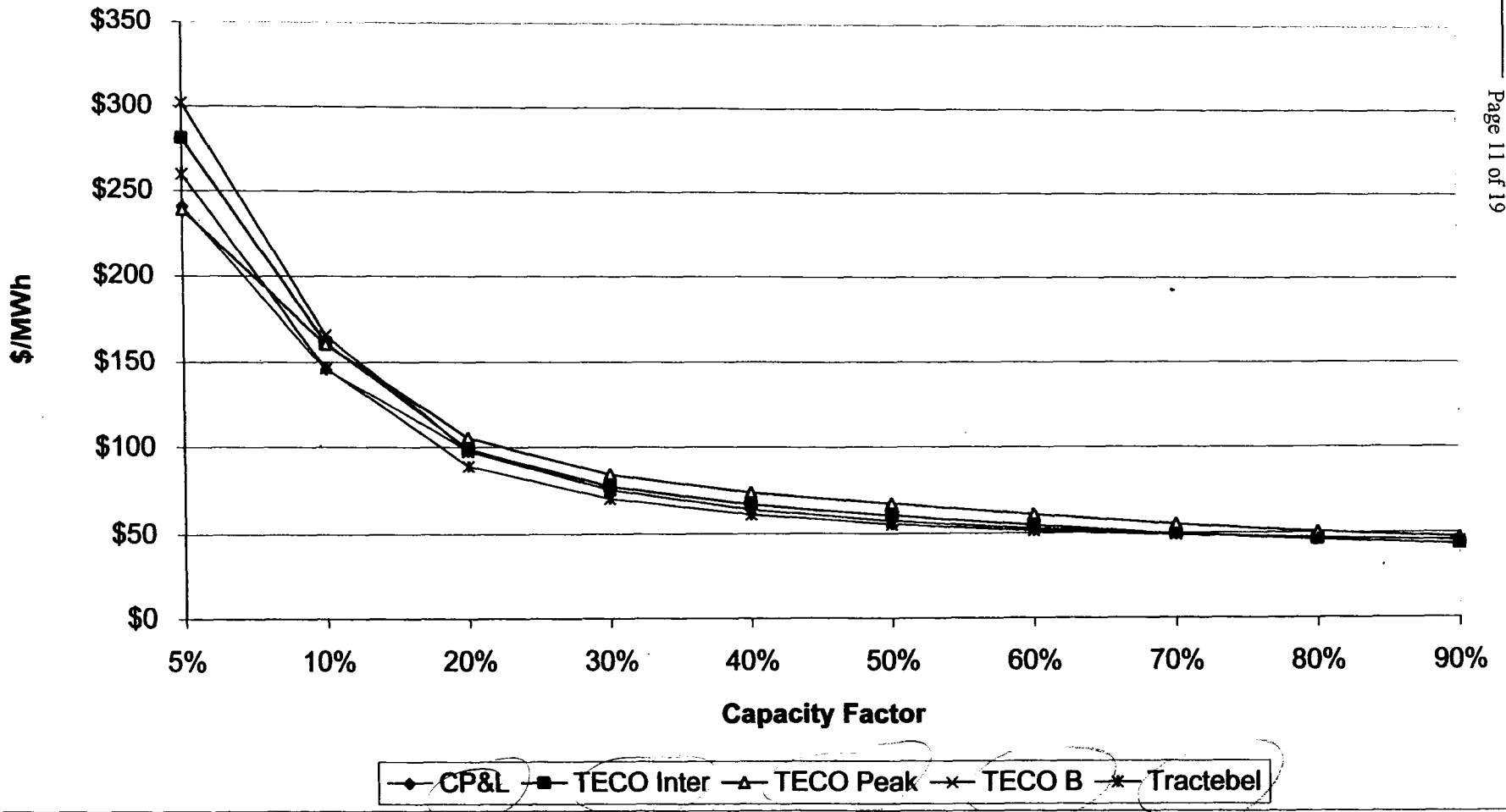
Gas Transportation - \$0.75/MMBtu  
Transmission Losses – 2.2% (Tractebel Proposal Only)  
Number of Starts Per Year – 25 for Peaking Resources  
10 for Base Load Resources

Transmission Wheeling Charges - \$1.20/kW-month

Evaluation Period - October 1, 2003 to September 30, 2013. TECO/Texaco project is not available until April 1, 2004 and the existing Reliant PPA was assumed to provide power during that period. Tractebel Project is not available until October 1, 2004 and the Reliant PPA was assumed to provide power for the first year of this proposal.

- Reliant PPA -
- Option fee \$460,000
  - Heat Rate – 10,800 BTU/kWh
  - Fixed Cost - \$4.96/kW-month
  - Capacity Factor – Same as proposal

# Proposal Evaluation Stage Two Screening Total Levelized Cost



50% Levelized Cost		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&L	\$0.00														
	0	\$0.00													
	0	\$0.00													
	0	\$0.00													
	0	\$0.00													
TECO Inter	\$60.17				29.02	29.87	30.08	30.51	30.94	30.25	29.57	30.04	30.53	31.02	31.53
TECO Peak	\$67.51				30.73	32.78	33.38	33.98	34.58	34.38	34.18	34.83	35.52	36.22	36.94
TECO B	\$57.13				27.55	28.99	27.48	28.01	28.53	29.09	29.51	29.93	30.39	30.84	31.33
Tractebel	\$55.17				28.53	24.07	24.59	25.15	25.70	26.28	30.98	31.42	31.90	32.38	32.89

60% Levelized Cost		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&L	\$0.00														
	0	\$0.00													
	0	\$0.00													
	0	\$0.00													
	0	\$0.00													
TECO Inter	\$54.39				32.12	31.92	32.39	32.88	33.37	32.75	32.13	32.88	33.21	33.77	34.34
TECO Peak	\$61.04				33.98	35.33	36.01	36.68	37.35	37.20	37.07	37.81	38.57	39.35	40.15
TECO B	\$52.60				30.79	29.60	30.18	30.81	31.44	32.12	32.62	33.12	33.67	34.22	34.80
Tractebel	\$51.38				32.50	26.84	27.46	28.13	28.79	29.48	34.28	34.79	35.36	35.93	36.54

70% Levelized Cost		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&L	0														
	0														
	0														
	0														
TECO Inter	\$49.43				34.93	33.60	34.11	34.64	35.18	34.60	34.02	34.61	35.20	35.81	36.44
TECO Peak	\$55.13				36.79	37.01	37.73	38.45	39.15	39.05	38.98	39.75	40.56	41.40	42.25
TECO B	\$49.36				34.03	32.20	32.89	33.62	34.38	35.14	35.73	36.32	36.95	37.59	38.28
Tractebel	\$48.68				36.46	29.62	30.34	31.11	31.87	32.68	37.55	38.17	38.83	39.49	40.20

80% Levelized Cost		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&L	0														
	0														
	0														
	0														
TECO Inter	\$45.71				37.74	36.28	35.83	36.40	36.98	36.45	35.92	36.55	37.19	37.86	38.53
TECO Peak	\$50.89				39.80	38.68	39.45	40.21	40.96	40.90	40.86	41.70	42.56	43.44	44.34
TECO B	\$48.92				37.26	34.80	35.59	36.43	37.27	38.16	38.84	39.51	40.24	40.98	41.75
Tractebel	\$48.65				40.43	32.39	33.21	34.09	34.96	35.88	40.83	41.54	42.28	43.05	43.86

90% Levelized Cost		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&L	0														
	0														
	0														
	0														
TECO Inter	\$42.82				40.55	38.95	37.55	38.16	38.79	38.30	37.82	38.49	39.19	39.90	40.62
TECO Peak	\$47.25				42.41	40.38	41.17	41.97	42.76	42.75	42.76	43.64	44.55	45.48	46.43
TECO B	\$45.03				40.50	37.41	38.29	39.24	40.18	41.19	41.94	42.70	43.52	44.34	45.22
Tractebel	\$45.07				44.39	35.17	36.09	37.07	38.05	39.08	44.12	44.91	45.76	46.61	47.52

**CONFIDENTIAL**

**TABLE 1  
ORLANDO UTILITIES COMMISSION  
REQUEST FOR POWER SUPPLY PROPOSALS DATED MAY 24, 2000  
STAGE 2 BUSBAR SCREENING - SUMMARY OF PROPOSALS**

		<b>Carolina Power &amp; Light</b>	<b>Texaco &amp; TECO</b>	<b>Tractebel</b>
1	Number of Proposals	One proposal	Two proposals with differing pricing mechanisms for the same project:	One proposal
2	Technology	Two (2) simple cycle F class combustion turbines	Three-on-one integrated gasification combined cycle (IGCC) "F" class CTs	Two-on-one combined cycle "C" class CTs
3	Manufacturer	General Electric	General Electric	Siemens Westinghouse
4	Project Location	Citrus County, FL	Eagle Energy Project located in southwest Polk County, FL	Fort Myers, FL
5	Transmission System(s)	Florida Power Corporation	Florida Power Corporation	Florida Power & Light
6	Delivered Capacity	308,220 kW. Includes losses	490 MW. Combination of intermediate and peaking option must not exceed 500 MW	651.5 MW. Includes a deduct of 2.19% or 14.5 MW for losses
7	Contract Period	5 years (10/1/2002 - 9/30/2007) with a 5 year optional term (10/1/2007 - 9/30/2012). Two year notice for 5 year option is required	5 years (4/1/2004 - 3/31/2009) with a 5 year optional term (4/1/2009 - 3/31/2014). Two year notice for 5 year option is required	5 years (10/1/2004 - 10/1/2009). OUC will have unilateral right to extend contract for additional 5 years
8	Capacity Rate	Contractually fixed rate is proposed. Rate starts at \$5.09 per kW-mo. in year 1 and escalates at 2.5% per year thereafter	<p align="center"><i>Proposal A</i></p> <p><u>Intermediate Structure</u> - Fixed, constant rate of \$8.33/kW-mo. for first 5 years and \$6.67/kW-mo. for 5 year optional period</p> <p><u>Peaking Structure</u> - Fixed, constant rate of \$5.42/kW-mo. for first 5 years and \$4.17/kW-mo. for optional 5 year period</p> <p align="center"><i>Proposal B</i></p> <p>Pricing is \$9.00/kW-mo. for term of agreement</p>	Capacity charge without losses for fixed capital recovery is fixed at \$4.69/kW-mo. for the duration of the 5 year contract and then fixed at \$7.73/kW-mo. for the optional 5 year period. In addition, a fixed O&M charge and a fuel capacity charge are proposed.
9	Transmission Rates	Current FPC tariff is included for the duration of the contract. CP&L proposes to apply the actual tariff rates as they may change from time to time to the delivered capacity to calculate the transmission charge to OUC.	Fixed at \$1.22/kW-mo. for duration of contract. This price is based on FPC's tariff	Fixed at \$1.36134/kW-mo. For the te period. Fee based on FP&L FLOASI! effective June 2000

Docket No. 010142-EM  
 P. Arsunaga Exhibit No. \_\_\_\_\_  
 Stage Two Screening Results  
 Page 13 of 19

(PAA-3)

		<b>Carolina Power &amp; Light</b>	<b>Texaco &amp; TECO</b>	<b>Tractebel</b>
10	Heat Rate	11,500 mmBtu/MWh This heat rate is guaranteed for contract term. CP&L is willing to discuss the use of a curve to reflect degradation instead of a levelized fixed heat rate	No heat rates are provided for Proposal A as energy prices are fixed. A guaranteed fixed heat rate of 7,000 mmBtu/MWh is proposed for Proposal B.	Annual guaranteed heat rates are proposed
11	Variable O&M Rate	Contractually fixed rate is proposed. Rate starts at \$1.75 per MWh in first year and escalates at 2.5% per year thereafter. Rate includes variable O&M charge	Included in energy rate	Variable O&M rate provided. Rate escalates uniformly from \$1.82/MWh in the first year to \$2.06 in year ten
12	Fuel Commodity Price	Pass through fuel cost arrangement proposed based on Gas Daily "Daily Price Survey" for Henry Hub daily midpoint index plus \$0.12/mmBtu. Commodity price would be subject to renegotiation at the end of the primary term to reflect market conditions	Not applicable to Proposal A. For Proposal B - Gas Daily Index FGT Zone 3	Henry Hub commodity price minus \$0.01/mmBtu plus gas transportation
13	Fuel Transportation Rate	Transportation cost would be adjusted to reflect actual FGT transportation rate and fuel retainage factor as of the commercial operations date and as of any change in FGT's rate or fuel retainage factor thereafter. A small fuel management fee will also be included. Transportation rate is based on non firm gas. Project capital cost includes site back-up fuel oil storage facilities	Not applicable to Proposal A. For Proposal B - \$0.75/mmBtu	\$3.02/kW-mo. (approximately equal to \$0.60/mmBtu at 90 percent capacity factor)
14	Start-up Costs	Proposal is based on 150 starts per year. \$9,000 per start in 2003, escalated at 2.5% per year	Start-up costs included in capacity and energy charges	\$2,300 each for up to 52 starts per year. \$21,000 each for 53 to 300 starts per year. \$41,600 each for over 300 starts per year. The above costs will be in effect for the first year of operation and will escalate annually based on CPI
15	Must Run Level	None	There is a minimum amount of hours required per year for the peaking and intermediate components of Proposal A	Project is not required to be dispatched particular time by OUC, but when dispatched, it cannot be operated below minimum output of 72% of rated capacity to emissions constraints
16	Operating Constraints	Yes. Based on allowable emissions, CP&L estimates that the annual operating hours may be limited to between 1,500 and 3,000 per year.	Operate in accordance with manufacturer's suggested operating procedures	See above

	Fuel Type	Carolina Power & Light	Texaco & TECO	Tractebel
17		Primary fuel is natural gas. Secondary fuel is No. 2 fuel oil via truck delivery with on-site storage	Primary fuel is synthesis gas produced from petroleum coke. No. 2 fuel will serve as backup	Primary fuel is natural gas (not clear whether backup is available)



## ATTACHMENT 2

# PROPOSAL CLARIFICATIONS

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**Dottin, Selvin**

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**From:** Saile, Thomas [thomas.saile@cplc.com]  
**Sent:** Friday, August 04, 2000 10:05 PM  
**To:** 'SDottin@rwbeck.com'  
**Subject:** OUC RFP - Supplemental Information 1

Supplemental 1  
CPL.doc  
Selvin, in follow-up to our telephone discussions on Tuesday (8/1), enclosed are CP&L's written responses to the questions generated in that telephone call.

The 5-year pricing figures will be available on Monday. Please call me if you have any questions.

<<Supplemental 1 - CPL.doc>>

Thomas C. Saile  
Business Development Manager  
Wholesale Power Department  
Carolina Power & Light  
thomas.saile@cplc.com  
(919) 546-2338  
(919) 546-2645 (fax)  
(888) 339-6140 (pager)

**Q3 What is the basis for the \$1.22/KW-mo transmission charge shown in Column B of the Pricing Proposal Form?**

**A3** This transmission charge starts with the FPC transmission tariff rate of \$1.193/KW-mo. and is adjusted for losses as follows: Adjusted Transmission Rate = Tariff Rate / (1- Loss Factor). The Loss Factor, per FPC's transmission tariff, currently equals 1.84%. This transmission charge will track any changes in the FPC transmission tariff.

Scheduling System Control and Dispatch along with Reactive and Frequency Response ancillary services are included in this transmission charge. Other ancillary services will not be required due to the dynamic scheduling of these units as described in Question A-2 (c) in *Attachment A*.

**Q4 Clarify any limitations on the operation of the unit.**

**A4** The Participants shall have first-call rights on these units. Although it may not have been clear in the original proposal, it is anticipated that CP&L will seek a full PSD environmental permit for these generation units, therefore, limited hours of operation due to the environmental permit are not expected.

Other areas limiting operations include scheduling parameters, manufacturer's recommendations, maintenance requirements, equipment failure/force majeure, and natural gas availability. See Question A-5 in *Attachment A* and Page 3 of 3 in the *Unit Sale Data Form* for information on the scheduling parameters.

This proposal was prepared so as to give the Participants the broad range of operational flexibility that was requested in the RFP. Flexibility can be added, although not explicitly quoted, in the form of an option fee for the right to reduce the Contract Capacity during the contract term. Another example of potential flexibility is converting the peaking facility to combined-cycle at some point during the contract term. Please let us know if the Participants are interested in such options.

**Q5 Explain any limitations relating to start-ups.**

**A5** Given the market dispatch model CP&L used to develop this proposal, start-ups can be as many as 150 per year. As long as start-ups are less than this amount the proposed Variable O&M and Start-Up Prices are appropriate. Alternate market dispatch models could be used which would result in lower Variable O&M and Start-Up Prices but would have fewer starts allowed.

**Q6 How will the guaranteed heat rate be implemented?**

**A6** This proposal intends to guarantee a fixed heat rate for the duration of the contract term. As shown on the *Proposal Pricing Form*, 11.5 mmBtu/MWh is that heat rate. This heat rate will be multiplied by the total gas price (Index + Index Adder + Transportation) in \$/mmBtu to determine one portion of the Energy Price. Variable O&M and Start-Up costs are the other components of the Total Energy Price.

With this approach CP&L assumes all risks of heat rate degradation. Other approaches are possible if the Participants were interested in sharing the heat rate risk. Please let us know if the Participants are interested in such an alternative approach.

**Q7** Is a 5-year term available?

**A7** Yes, this will be provided separately.

**Q8** Clarify how gas pricing will be determined.

**A8** Gas pricing is a combination of gas commodity cost plus gas transportation cost. The gas commodity cost starts with *Gas Daily's* "Daily Pricing Survey" for Henry Hub daily midpoint Index. To this Index a locational basis differential of 12¢/mmBtu is added. This sum represents the gas commodity's market price in the central Florida area.

NOTE: it is CP&L's suggestion that an alternative index be used with a lesser basis differential. This alternative is the *Gas Daily* FGT Z2 daily midpoint Index plus 2¢/mmBtu.

Gas pipeline transportation cost is the sum of FGT's ITS-1 tariff Usage Charge (33.75¢/mmBtu) plus the FGT ITS-1 tariff Fuel Reimbursement Charge (2.99%) plus a Fuel Management Fee (3¢/mmBtu). The FGT tariff figures will track FGT's tariff if it changes; the figures given are the current values. The Fuel Management Fee will escalate at the proposed 2.5% escalation factor.

NOTE: The energy pricing example given in the answer to question A-10(d) in *Attachment A* had a typographical error in it. While the total energy price of \$46.62/MWh was appropriate, the error was in the fuel retainage portion of the Pipeline Transportation formula. The correct fuel retainage should have been \$0.11/mmBtu (2.99% fuel retainage).

**Q9** Is on-site oil storage included in the proposal?

**A9** Yes, this was included to enhance the availability of the generation units.

**PRIVILEGED AND CONFIDENTIAL**

August 23, 2000

Mr. Frederick F. Haddad, Jr., P.E.  
Vice President Power Resources  
Orlando Utilities Commission  
Post Office Box 3193  
Orlando, Florida 32802



**Subject: Status Report: Orlando Utilities Commission Proposal Evaluation  
Revised Stage Two Screening Results**

Dear Fred:

Pursuant to the terms of the agreement between Orlando Utilities Commission ("OUC") and R. W. Beck, Inc. ("Beck") and in keeping with the relevant provisions of the proposal evaluation methodology and procedures developed by Beck and OUC and memorialized on July 10, 2000 (the "Evaluation Manual"), we have completed the Stage Two Screening. Pursuant to the provision of the Evaluation Manual, Stage Two Screening was limited (i) to reviewing each respondent's proposal for consistency in the pricing content and structure with OUC's requirements; (ii) to requesting any pricing clarifications and omitted information that will not materially change the original response from a respondent; (iii) to developing a spreadsheet to calculate the annual cost of power delivered to OUC on a busbar basis for each proposal; and (iv) to preparing a letter report summarizing the Stage Two Screening.

On the basis of the results of the Stage 1 Screening and with OUC's authorization, proposals from the following companies were evaluated at Stage Two Screening:

1. Carolina Power and Light Company ("CP&L")
2. Texaco Power and Gasification and TECO Power Services ("Texaco and TECO")
3. Tractebel Power, Inc. ("Tractebel")

In order to expedite the evaluation process and with OUC's concurrence, Beck conducted clarification discussions separately by telephone with representatives of each of the three companies on Tuesday, August 1 and Wednesday, August 2. In cases where there was a need for further research by the proposer in order to provide the necessary clarification, the proposer was advised to submit the additional information in writing to Beck no later than the end of the day on Friday August 4. Information obtained from the proposers during this Stage 2 clarification process is reflected in the table included as Attachment 1, which summarizes the proposals and provides the basis for the inputs to the busbar-screening model. Additional information provided by the proposers as clarification is included as Attachment 2 to this Letter Report.

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Mr. Frederick F. Haddad, Jr., P.E.  
Orlando Utilities Commission  
August 23, 2000  
Page 2

In order to maintain consistency in the Stage 2 Screening, it was assumed that gas commodity and gas transportation charges were the same for all proposals unless energy prices were fixed contractually. Also, transmission wheeling charges were assumed to be the same for all proposals. The CP&L proposal and TECO proposals provided delivered rates which were independent of actual transmission losses. Transmission losses in the Tractebel proposal were assumed to be 2.2 percent and are a pass through (i.e., if the actual loss percent changes, the rates will be adjusted accordingly). A list of the assumptions used in the Stage 2 Screening is included as Attachment 3.

Levelized Annual Busbar Delivered Costs					
Capacity Factor	Levelized Annual Cost (\$/MWh)				
	CP&L	Texaco/TECO A Peaking	Texaco/TECO A Intermediate	Texaco/TECO B	Tractebel
10	145.7	160.7	161.7	166.0	145.6
20	98.0	105.4	98.9	98.0	88.7
70	-	55.1	49.43	49.4	48.1
80	-	-	45.7	46.9	46.1
90	-	-	42.8	45.0	44.5

Detailed results of the Stage 2 Screening are presented in Attachment 4 to this Letter Report.

Please call me at 407-422-4911 if you have any questions.

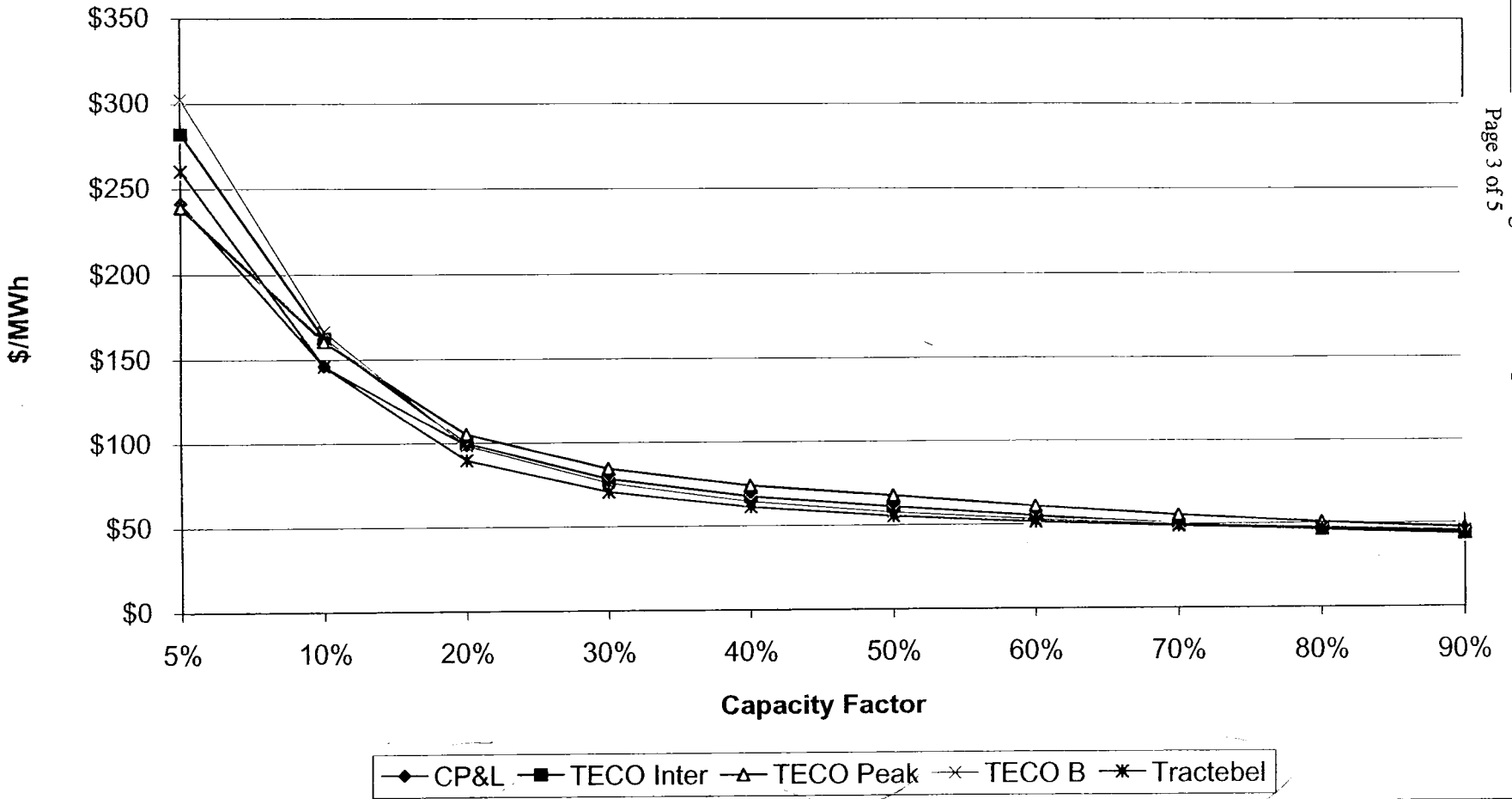
Very truly yours,  
R. W. BECK, INC.

*Paul A. Arsuaga*

Paul A. Arsuaga, P.E.  
Principal and Senior Director

PAA/dmt

# Proposal Evaluation Stage Two screening Total Levelized Cost



**Orlando Utilities Commission  
Total Proposed Cost by Capacity Factor  
(\$/MWh)**

Discount Rate 8.0%  
CP&I Term, yrs. 8  
Others Term, yrs. 10

Capacity Factor															
5%	Levelized Cost	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&I	\$240.95			10.73	10.99	11.24	11.51	11.79	12.07	12.36	12.64	12.92	13.21	13.51	
TECO Inter	\$281.12				12.97	15.01	15.08	15.11	15.18	14.08	12.99	13.05	13.11	13.16	13.22
TECO Peak	\$239.11				9.63	12.70	12.80	12.89	12.98	12.22	11.47	11.57	11.67	11.78	11.89
TECO B	\$302.14				12.97	15.27	15.32	15.38	15.43	15.48	15.53	15.57	15.61	15.66	15.71
Tractebel	\$259.27				10.69	11.65	11.82	11.70	11.77	11.84	16.15	16.21	16.27	16.33	16.39
10%	Levelized Cost	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&I	\$145.68			12.84	13.18	13.62	13.87	14.24	14.61	15.00	15.35	15.70	16.07	16.44	
TECO Inter	\$181.87				14.82	18.97	17.08	17.16	17.27	16.24	15.21	15.32	15.43	15.55	15.67
TECO Peak	\$160.75				14.69	16.33	16.54	16.72	16.89	16.23	15.58	15.78	15.99	16.21	16.43
TECO B	\$166.02				14.69	16.58	16.67	16.78	16.88	17.00	17.08	17.18	17.28	17.35	17.44
Tractebel	\$145.58				12.68	12.91	13.03	13.16	13.28	13.41	17.76	17.86	17.97	18.07	18.18
20%	Levelized Cost	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&I	\$98.05			17.07	17.58	18.07	18.59	19.13	19.69	20.27	20.78	21.28	21.78	22.32	
TECO Inter	\$98.92				18.44	20.28	20.48	20.64	20.83	19.89	18.95	19.18	19.37	19.58	19.80
TECO Peak	\$105.44				18.99	21.03	21.35	21.66	21.94	21.41	20.88	21.22	21.57	21.92	22.29
TECO B	\$97.97				17.83	19.18	19.38	19.59	19.80	20.02	20.19	20.38	20.54	20.72	20.92
Tractebel	\$88.73				16.64	15.63	15.85	16.06	16.31	16.64	20.98	21.16	21.36	21.56	21.76
30%	Levelized Cost	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CP&I	\$75.68			21.29	21.97	22.62	23.30	24.03	24.76	25.53	26.17	26.82	27.50		
TECO Inter	\$77.39				21.97	23.41	23.67	23.93	24.20	23.35	22.49	22.79	23.09	23.39	23.71
TECO Peak	\$84.37				22.90	24.94	25.36	25.77	26.16	25.73	25.31	25.76	26.22	26.69	27.17
TECO B	\$76.28				21.07	21.78	22.08	22.39	22.71	23.04	23.30	23.55	23.82	24.09	24.39
Tractebel	\$69.78				20.60	18.34	18.66	19.00	19.33	19.68	24.20	24.47	24.76	25.04	25.35



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CPAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TECO Inlet	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63	\$66.63
TECO Peak	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83	\$73.83
TECO B	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94	\$63.94
Trachabel	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30	\$60.30
CPAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TECO Inlet	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37	\$50.37
TECO Peak	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51	\$67.51
TECO B	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13	\$57.13
Trachabel	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62	\$34.62
CPAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TECO Inlet	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39	\$54.39
TECO Peak	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04	\$61.04
TECO B	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60	\$32.60
Trachabel	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63	\$30.63
CPAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TECO Inlet	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43	\$49.43
TECO Peak	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13	\$55.13
TECO B	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36	\$49.36
Trachabel	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12	\$46.12
CPAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TECO Inlet	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71	\$45.71
TECO Peak	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89	\$50.89
TECO B	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92	\$46.92
Trachabel	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09	\$46.09
CPAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TECO Inlet	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82	\$42.82
TECO Peak	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26	\$47.26
TECO B	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03	\$46.03
Trachabel	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51	\$44.51