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December 4, 2000

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Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

Re: Docket No.: _____ - EC

Dear Ms. Bayo:

On behalf of Seminole Electric Cooperative, Inc., enclosed for filing and distribution are the original and 15 copies of the following:

- Seminole Electric Cooperative, Inc.'s Request for Confidential Classification and Motion for Permanent Protective Order.

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me in the envelope provided. Thank you for your assistance.

Sincerely,

Joe A. McGlothlin

Joseph A. McGlothlin

JAM/bae
Enclosure

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Determination of Need for the Osprey Energy Center in Polk County by Seminole Electric Cooperative, Inc. and Calpine Construction Finance Company, L.P.	)	**DOCKET NO. [illegible]-EC**
	)	**FILED: December 4, 2000**

Seminole Electric Cooperative, Inc.'s Request for Confidential Classification and Motion for Permanent Protective Order

Seminole Electric Cooperative, Inc. (Seminole), pursuant to section 366.093, Florida Statutes, and rule 25-22.006(4), Florida Administrative Code, files this request for confidential classification and a permanent protective order regarding certain information contained in Volume I of the Exhibits to its Joint Petition for Determination of Need filed in this docket on December 4, 2000 as well as in the prefiled direct testimony of Garl Zimmerman. As grounds therefor, Seminole states:

1. On December 4, 2000 Seminole and Calpine Construction Finance Company, L.P. (Calpine) filed a Joint Petition to Determine Need for the Osprey Energy Center in Polk County (Joint Petition). Contained within Volume I of the Exhibits to the Joint Petition and in the testimony of Garl Zimmerman are certain commercially sensitive, confidential business information which relates to the manner in which Seminole ranked and evaluated responses to its Request for Proposals (RFP) which resulted in the selection of the Calpine proposal.

2. This information on the ranking and assessment of RFP responses for which Seminole seeks confidential classification is of the type which is to be protected from public

disclosure pursuant to section 366.093, Florida Statutes, and is therefore exempt from section 119.07(1), Florida Statutes.

3. The specific information for which Seminole seeks confidential classification is contained in Volume I to the Exhibits to the Joint Petition and in the prefiled direct testimony of Garl Zimmerman. Redacted versions of this information are attached as Exhibit A. One copy of the confidential information subject to this request, highlighted in transparent ink, has been attached as Exhibit B. **Exhibit B has been placed in a separate envelope marked "Confidential" and should be given confidential treatment by the Commission.** There is only one copy of Exhibit B, which is attached to the original filing copy hereof.

The information for which confidential classification is sought is described below.

- the ranking by average annual cost (nominal $/Mwh) of peaking capacity bids received, shown on Table 9 of Volume I of the Exhibits to the Joint Petition (page 24, lines 16-20) and Exhibit No. ___ (GSZ-4) (lines 5-9) to Garl Zimmerman's direct prefiled testimony;

- a dollar comparison in total revenue requirements among the top bidders shown at page 14, lines 7-8 of Garl Zimmerman's direct prefiled testimony;

- the dollar savings to Seminole from the Calpine project shown at page 15, line 18 of Garl Zimmerman's direct prefiled testimony;

- a ranking by dollar amount of the top bidders based on savings in present value revenue requirements, shown on Table 11 of Volume I of the Exhibits to the Joint Petition (page 29, lines 4-7) and Exhibit No. ___ (GSZ-5) (lines 4-7) to Garl Zimmerman's direct prefiled testimony;

- a dollar comparison of the top proposals based on total system revenue requirements shown at page 28, lines 2, 6 of Volume 1 of the Exhibits to the Joint Petition.

Each of the justifications set forth below applies to the information for which confidential information is sought, described above.

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- a dollar comparison of the top proposals based on total system revenue requirements shown at page 28, lines 2, 6 of Volume 1 of the Exhibits to the Joint Petition.

Each of the justifications set forth below applies to the information for which confidential information is sought, described above.

4. The above information is proprietary, confidential business information, as defined in section 366.093(3), Florida Statutes, in that it is controlled by Seminole representatives; is treated by Seminole as private; disclosure would harm Seminole's operations by limiting its ability to bring its current RFP process to a satisfactory conclusion as well as to engage in meaningful solicitations in the future; and the information has not been disclosed other than on a "need to know" basis within Seminole.

5. The information described above is in the nature of a trade secret, section 366.093(3)(a), because it is secret, of value for use in Seminole's business, of advantage to Seminole over those who do not possess it, and because Seminole takes measures to prevent its disclosure. *See*, section 812.081(c) (definition of "trade secret").

6. Further, such information regarding Seminole's assessment and ranking of competitive bids relates directly to Seminole's competitive interests and its ability to secure the most cost-effective options for its Members in the marketplace. Disclosure of such information would directly impair Seminole's competitive interests both currently and in the future. Section 366.093(3)(e).

7. The bid ranking and assessment information Seminole seeks to protect is competitively and commercially valuable to Seminole. The negotiations between Seminole and Calpine to complete the definitive agreement are ongoing. Further, if the information were to be made public, it would provide these bidders and others with valuable insight into Seminole's evaluation and assessment process which could be used in future RFP responses. Thus, disclosure of this information would harm Seminole and such information should not be disclosed to the public.

8. Potential bidders regard their pricing proposals as confidential and competitively

sensitive. During the RFP process Seminole committed to the potential respondents that Seminole would safeguard the competitively sensitive aspects of responses as confidential, as permitted by applicable law. The bidders whose information is the subject of the comparisons would be reluctant to respond to an RFP if they did not have confidence that the confidentiality of their commercially sensitive information, such as pricing proposals, would be protected. Such a lack of confidence could result in fewer responses to an RFP and potentially higher costs to Seminole and its Members.

WHEREFORE, Seminole requests that the Commission enter an order classifying the information described here in as confidential and protecting it from disclosure.

Joseph A. McGlothlin
Vicki Gordon Kaufman
McWhirter Reeves McGlothlin
Davidson Decker Kaufman Arnold
& Steen, PA
117 South Gadsden Street
Tallahassee, Florida 32301

Attorneys for Seminole Electric
Cooperative, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Seminole Electric Cooperative, Inc.'s Request for Confidential Classification and Motion for Permanent Protective Order has been furnished by (*) hand delivery or U.S. Mail this 4th day of December 2000, to the following parties of record:

(*) Robert Elias
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

(*) R. Scheffel Wright
Landers & Parsons, P.A.
310 West College Avenue
Tallahassee, Florida 32301

Joseph A. McGlothlin

Joseph A. McGlothlin

A. The Calpine Osprey proposal, which was ranked No. 1 in the preliminary analysis, retained its position as the most cost-effective submittal. The more detailed simulation indicated that Seminole would employ its 350 MW commitment of Osprey capacity at an initial capacity factor of 60% and that it would increase to 70% over the period 2004-2008. Compared to the second, third, and fourth best proposals, the Calpine Osprey bid will save Seminole $_____, $_____, and $_____ in total revenue requirements, (net present value) over the period 2004-2008 respectively. The results are shown on Exhibit No. _____ (GSZ-5). The values in Exhibit No. _____(GSZ-5) reflect the fact that the bids offered varying amounts of capacity. We also compared the bids after expressing each in terms of the equivalent 350 MW offer. The results are shown in Volume I, Section C of the Exhibit to the Joint Petition.

Q. What did Seminole do next?

A. We compared the Calpine proposal with the self-build option.

Q. How did you develop the cost of the self-build option?

A. We began with the direct construction costs provided to us by Black and Veatch. We developed the revenue requirements by making certain assumptions regarding loan amounts, interest rates, and term of the loan. Because we have not firmed up fuel or fuel transportation arrangements for a self-build option, we assumed the fuel and fuel transportation costs would be equivalent to those of the Calpine facility, thereby enabling us to compare the self-build to Calpine on a fixed cost basis only.

Q. Please elaborate on the financial assumptions you employed.

A. Seminole traditionally has evaluated financing assuming a 30-year loan guaranteed by the Rural Utilities Services ("RUS"). Seminole developed the costs using this method, but also looked at an RUS-guaranteed 6% loan having a payback period of 17 years. This will be the amount of time remaining on the Seminole - Member Wholesale Power Contract in 2004. As a sensitivity, Seminole also, looked at a non-RUS guaranteed loan with 7 % interest.

Q. Did you make any assumptions regarding the proposed power purchase transaction on Seminole's cost of capital?

A. We assumed there would be no impact.

Q. Please explain.

A. RUS is the primary source of our funding. The criterion that RUS applies to gauge risk relates to interest coverage ratings. In our experience, RUS does not regard a power purchase agreement as more risky financially than construction and ownership.

Q. Once you fully developed the revenue requirements of the self-build option, how did it compare with the Calpine proposal?

A. When viewed on a five-year basis, the Calpine proposal was more cost-effective, saving Seminole $_____ over the initial term. This is the pertinent time frame for the analysis, in view of the reopener provision to which Calpine and Seminole have agreed.

Q. What happened after Seminole determined that the Calpine proposal is its best alternative to meet its 2004 need for capacity?

Docket No. _____
Witness: Garl S. Zimmerman
Exhibit No. ___ (GSZ-4)

Table 9 **Ranking of Peaking Capacity Bids**	
Average Annual Cost (Nominal $/MWh)	Rank
$_____	1
$_____	2
$_____	3
$_____	4
$_____	5

Docket No. _____
Witness: Garl S. Zimmerman
Exhibit No. ___ (GSZ-5)

Table 11
Calpine Osprey : Savings (PVRR) when compared to:

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Seminole self-build	2004-2008	350	$_____

Peaking - Peaking capacity bids were evaluated in three stages. First, the bids were compared against each other in order to rank the offers based on overall cost. To derive the utilization characteristics necessary to the analysis, Seminole simulated the addition of a combustion turbine to Seminole's resources for the period June, 2004 - December, 2008. The operational parameters for a GE 7 FA unit were used in the simulation, as all but one of the respondents based their proposals on this unit. (The other bidder offered capacity from GE 7EA turbines, which are very similar to the 7FA in operation.) Fuel costs were considered to be a pass-through. The quoted demand costs ($/MW) proved to be the critical variable for peaking capacity, as other variables - fuel costs, hours of operation, start-up costs were equal or substantially similar. Using demand costs plus fixed values for energy, service hours, and the number of unit starts for each bid, Seminole calculated an average annual cost in nominal dollars per megawatt hour. The results of this analysis are shown in the Table 9.

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Ranking of Peaking Capacity Bids

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Next, the bid ranked No. 1 was compared to the cost of equivalent additional PR purchases. This analysis indicated that the least cost bid was not economically superior to the existing PR contract.

4. These results confirmed the economic advantage of the No. 1 bid, which produced total system revenue requirements that were lower than Bids No. 3 and No. 4, by $_____ and $_____ respectively (in 2004 dollars). Seminole also concluded from these studies that the No. 2 ranked bid was economically superior to Bids No. 3 and No. 4. The last study compared the No. 1 ranked bid to the No. 2 ranked bid with 350 MW of capacity. The comparison showed that bid No. 1 would save Seminole $_____ ($_____ per 100 MW) in system revenue requirements over the 4-1/2 year period, as compared to the No.2 bid.

As a result of this second phase evaluation process, the No. 1 ranked bid was confirmed as the least-cost intermediate capacity alternative. The next three bids retained their original positions as No. 2, No. 3 and No. 4.

Finally, Seminole compared the costs of the No. 1 ranked bidder to the turnkey self-build engineers' estimates prepared by Black and Veatch. Seminole analyzed the self-build alternatives under several forecasts of future financial conditions. The financing options included Rural Utilities Services ("RUS") guaranteed financing at 6% interest with a 30-year loan period; RUS guaranteed financing at 6% with a 17-year loan period (the time remaining on the Seminole-Member Wholesale Power Contract); and non-RUS guaranteed financing at 7% interest. When comparing the costs of the self-build option with the power purchase option, Seminole assumed that purchasing power instead of constructing a unit would have no effect on Seminole's cost of capital. It has been Seminole's experience that RUS, Seminole's principal source of financing, does not regard the purchase option as more risky than the self-build option. Unit cost averages for the first five years of ownership and over the loan terms were compared with the costs of the No. 1 ranked purchase power offer. The results of the analysis are summarized in Table 11.

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Note: The above self-build cost assumes that the capacity not needed by Seminole could be sold for the time period not needed. For purposes of the comparison, costs were based on the assumption that each bidder would offer 350MW.

After taking comparative costs and strategic concerns into account, the No. 1 ranked bid, submitted by Calpine, was selected as the preferred Seminole option to fulfill the 2004 need.

6. MEMORANDUM OF UNDERSTANDING

Based on the results of the evaluation of competing proposals, Seminole and Calpine negotiated basic commercial terms, which are reflected in the Memorandum of Understanding, a copy of which is included as Appendix I-C to Volume 1 of Exhibits to the Joint Petition. (The public version has been redacted to protect confidential, commercially sensitive terms.)

The terms to which Seminole and Calpine have agreed provide significant benefits to Seminole. While Seminole is acquiring 350MW of firm capacity, the pricing provisions in the MOU reflect the efficiencies and economies of scale that are associated with a 500+ MW class unit. Seminole's ability to purchase optional firm capacity (to the extent it has not been firmly committed to others) enhances its strategic flexibility. Because Calpine intends to bring the unit on line prior to

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EXHIBIT B

CONFIDENTIAL COPY

(placed in separate marked envelope)