

the parties mentioned previously, FPL will continue negotiations with interested parties as deemed appropriate.

Conclusion and Additional Requirements

FPL argues that the record shows that Turkey Point 6 and 7 is the best available base-load option to enhance fuel diversity and help FPL achieve reductions in CO₂ emissions. FPL contends that the evidence demonstrates that Turkey Point 6 and 7 is the preferred alternative in nearly all future fuel cost and environmental compliance cost scenarios. Accordingly, FPL argues that based on the record evidence, the Commission should grant its petition to determine the need for Turkey Point 6 and 7.

OPC did not file a brief with respect to this issue. JEA and Seminole contend that the Commission should grant FPL's petition to determine the need for Turkey Point 6 and 7 based on the resolution of the foregoing issues.

The Krasowskis argue that FPL's petition should not be granted. Instead, the Krasowskis contend that they expect the Commission will continue to pursue innovative energy efficiency and conservation strategies, and develop programs to increase the use of clean renewable generating options.

We hereby approve FPL's petition for determination of need for Turkey Point 6 and 7 for the following reasons:

First, FPL demonstrated a need for additional capacity by 2018. Turkey Point 6 and 7 will add 2,200-3,040 MW of nuclear fueled base-load generating capacity which is needed to keep pace with the increasing demand for reliable power and the steady population growth in the State of Florida.

Next, Turkey Point 6 and 7 represents a critical component in FPL's efforts to develop fuel diversity and reduce dependence on natural gas. A more balanced fuel portfolio will result in less volatile total fuel costs over time.

In addition, relatively stable nuclear fuel costs will shield ratepayers against volatile price fluctuations. Similarly, the lack of emissions during operation will guard against future environmental compliance costs.

The evidence shows that despite FPL's proposed incremental increase of an additional 1,899 MW, more than 5,000 MW of cost-effective incremental DSM would still be needed to meet FPL's demand needs.

Lastly, FPL's analysis illustrates a high probability of customer savings during the life of Turkey Point 6 and 7. Additional analyses requested by our staff illustrated reasonable probability of customer savings within 20 years of commercial operation of Turkey Point 6 and

7. Therefore, the fuel and environmental benefits of Turkey Point 6 and 7 could continue beyond the analysis presented in this proceeding.

Based on the foregoing, we find that FPL has demonstrated a need for Turkey Point 6 and

7. FPL shall provide a long-term feasibility analysis as part of its annual cost recovery process which, in this case, shall also include updated fuel forecasts, environmental forecasts, break-even costs, and capital cost estimates. In addition, FPL should account for sunk costs. Providing this information on an annual basis will allow us to monitor the feasibility regarding the continued construction of Turkey Point 6 and 7.

Advance Forging Reservation Payments

FPL seeks concurrence from this Commission that it should proceed with making advance forging reservation payments to Japan Steel Works, either directly or indirectly, prior to the completion of the Rule 25-6.0423, F.A.C., cost recovery proceeding in 2008. According to FPL, in this proceeding, we should acknowledge the necessity for FPL to make such payments in order to mitigate the risks associated with the overall project schedule. FPL proposes that the prudence of the commercial arrangement itself, i.e. contractual terms, including price terms, portability, or other compensatory aspects should be determined in the ordinary course of the annual cost recovery proceeding. FPL further clarifies that the effect of our decision would prevent further review and consideration of whether that commitment should have been made in the time frame contemplated. Finally, FPL witness Olivera stated that FPL is seeking our approval for FPL to engage in such payment commitments in order to meet the timeline of the project. FPL also states that it is not seeking a determination of the prudence of the commercial arrangements, including the contractual terms, including price terms, portability, or other compensatory aspects as part of this proceeding.

Advance forging reservation payments must be made years in advance of producing the ultra-heavy forgings for nuclear reactor plant components. FPL asserts that it would have to make the forging reservation payments in June 2008, after reactor design selection is complete, in order to maintain the proposed 2018 and 2020 in-service dates. Japan Steel Works holds an effective monopoly for such forgings. FPL witness Scroggs stated that the commercial arrangements for the advance forging reservations are still being negotiated. It is unclear whether payments will be remitted to a reactor designer, either Westinghouse or General Electric, or directly to Japan Steel Works. Westinghouse's current negotiations with Japan Steel Works, conducted on behalf of FPL, indicate that FPL's reservation payments for the forgings for two AP1000 reactors would be \$8 to \$12 million, in 2007 dollars. FPL estimates the forging reservation payments for Turkey Point 6 and 7 would be \$16 million. The estimate is based on the addition of \$3 million to the \$12 million estimate, as determined by FPL witness Scroggs, to account for uncertainties in both the underlying estimate and the ultimate reactor design chosen, and an additional \$1 million due to price escalation and rounding.

Forging reservation payments could possibly be tradable. Forging reservation payments have been made in the past by FPL for other power plant forgings, but the forging reservation