

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to Determine)
Need for Hines Unit 3 in Polk)
County by Florida Power)
Corporation)

DOCKET NO. 020953-EI

Submitted for filing: November 12, 2008

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**FLORIDA POWER CORPORATION'S
PREHEARING STATEMENT**

Florida Power Corporation ("FPC" or the "Company"), pursuant to Order No. PSC-02-1310-PCO-EI, hereby submits its Prehearing Statement in this matter, and states as follows:

A. APPEARANCES

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On behalf of Florida Power Corporation.

B. WITNESSES AND EXHIBITS

In identifying witnesses and exhibits herein, FPC reserves the right to call such other witnesses and to use such other exhibits as may be identified in the course of discovery and preparation for the final hearing in this matter.

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1. WITNESSES

Direct Testimony

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
John B. Crisp	General overview of Hines Unit 3, FPC's resource planing process, FPC's identification of Hines Unit 3 as its next-planned, supply-side alternative, FPC's need for Hines Unit 3 and the Company's decision to proceed with Hines Unit 3 .	Issues 1-6
Daniel J. Roeder	FPC's RFP, the RFP process and evaluation of proposals received, and the Company's decision to proceed with Hines Unit 3.	Issues 2-4, 6
Pamela R. Murphy	FPC's fuels forecasts, the types and amounts of fuel for Hines Unit 3, and fuel transportation for Hines Unit 3.	Issues 1,2,6,7
James J. Murphy	The site and unit characteristics for Hines Unit 3, including the unit's size, equipment configuration, costs, fuel type and supply modes, and its projected in-service date.	Issues 2,6,7
John J. Hunter	The Hines Energy Complex site, the environmental benefits of the site and Hines Unit 3, and the environmental approval process associated with the construction and operation of Hines Unit 3.	Issues 2,6
W. Bart White	The transmission requirements for the addition of Hines Unit 3 at the Hines Energy Complex	Issues 1,2,6

2. EXHIBITS

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
JBC-1	John B. Crisp	FPC's Need Study for Hines 3 (with attachments), a composite exhibit
JBC-2	John B. Crisp	Forecast of Winter Demand and Reserves With and Without Hines 3
JBC-3	John B. Crisp	Florida Power System Typical Load Duration Curve (2005-2006)
JBC-4	John B. Crisp	Levelized Busbar Cost Curves
DJR-1	Daniel J. Roeder	Results of Detailed Economic Analysis
DJR-2	Daniel J. Roeder	RFP Evaluation Process
DJR-3	Daniel J. Roeder	Summary of Proposals
DJR-4	Daniel J. Roeder	Threshold Requirements
DJR-5	Daniel J. Roeder	Results of Threshold Screening
DJR-6	Daniel J. Roeder	Results of Economic Screening
DJR-7	Daniel J. Roeder	Results of Optimization Analysis
DJR-8	Daniel J. Roeder	Minimum Evaluation Requirements
DJR-9	Daniel J. Roeder	Technical Criteria
DJR-10	Daniel J. Roeder	Final Results of Technical Evaluation
PRM-1	Pamela R. Murphy	Natural Gas Forecast Compared to Other Industry Forecasts
PRM-2	Pamela R. Murphy	Base, High and Low Case Natural Gas Forecasts
PRM-3	Pamela R. Murphy	Fuel Price Forecast for Hines

PRM-4	Pamela R. Murphy	Gas Transportation Options
JJM-1	James J. Murphy	Hines Energy Complex Map
JJM-2	James J. Murphy	Site Arrangement – Overall Plan
JJM-3	James J. Murphy	Site Arrangement – Power Block Area
JJM-4	James J. Murphy	Typical Combined-Cycle Schematic
JJM-5	James J. Murphy	Installed Cost Estimate for Hines 3
JJM-6	James J. Murphy	Project Schedule for Hines 3

C. FPC'S STATEMENT OF BASIC POSITION

FPC seeks an affirmative determination of need for Hines Unit 3 to enable the Company to meet its obligation to maintain electric system reliability and integrity and to continue to provide adequate electricity to its ratepayers at a reasonable cost.

Through FPC's planning process, the Company identified Hines 3 as its next-planned generating addition. The Company needs Hines Unit 3 to meet its 20% Reserve Margin planning criterion for the Winter 2005/2006.

Hines Unit 3 will be a state-of-the-art, highly efficient, environmentally benign unit, and it will be built at a site planned and well suited for expansion of FPC's generation system. Because Hines Unit 3 will be located at the Hines Energy Complex, it also benefits from the economies of scale achieved from using the existing facilities for the operation of Hines units 1, 2, and 3, adding to the cost-effectiveness of the plant.

Moreover, the plant is the most cost-effective alternative available to FPC. FPC determined to seek approval to build Hines 3 only after conducting an internal review of supply-side and demand-side options and after soliciting and evaluating competing proposals submitted by interested third-party suppliers. After a thorough analysis of the bids it received in response to its Request for Proposals, FPC concluded that Hines Unit 3 was the most cost-effective supply-side alternative available to FPC to meet its need for power. Following a detailed economic analysis, Hines Unit 3 was found to be over \$92 million (2002 dollars) less expensive than the least cost alternative proposal. The least cost Greenfield Proposal (another combined cycle plant) was found to be more than \$187 million (2002 dollars) more expensive than Hines Unit 3.

The Company has attempted to avoid or defer constructing the unit by considering and pursuing demand-side options reasonably available to it, but the Company has nonetheless concluded that it cannot avoid or defer its need to build the unit.

For all these reasons, as more fully developed in FPC's Need Study (and the Confidential Section of that Study) and supporting appendices and tables, and its pre-filed testimony and exhibits, FPC respectfully requests that the FPSC grant a favorable determination of need for Hines Unit 3.

D. FPC'S STATEMENT OF ISSUES AND POSITIONS

1. FACTUAL ISSUES

Issue 1: Is there a need for the proposed Hines Unit 3, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

FPC: Yes. Through FPC's planning process, the Company identified Hines 3 as its next-planned generating addition. The Company needs Hines Unit 3 to meet its 20% Reserve Margin planning criterion for the Winter 2005/2006.

Witnesses: Crisp (need and load forecast), P. Murphy (FPC's fuels forecast), and White (FPC's Transmission System)

Issue 2: Is there a need for the proposed Hines Unit 3, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?

FPC: Yes. As stated above, Florida Power needs Hines Unit 3 to meet its 20% Reserve Margin planning criterion for the Winter 2005/2006. Moreover, FPC determined to seek approval to build Hines Unit 3 only after conducting an internal review of supply-side and demand-side options and after soliciting and evaluating competing proposals submitted by

interested third-party suppliers. After a thorough analysis of the bids it received in response to its Request for Proposals, FPC concluded that Hines Unit 3 was the most cost-effective supply-side alternative available to FPC to meet its need for power.

Witnesses: Crisp, Roeder, P. Murphy, White, J. Murphy, and Hunter

Issue 3: Has Florida Power Corporation met the requirements of Rule 25-22.082, Florida Administrative Code, “Selection of Generating Capacity”?

FPC: Yes. FPC complied with all aspects of the “bid rule.” After a thorough analysis of the bids it received in response to its Request for Proposals, FPC concluded that Hines Unit 3 was the most cost-effective supply-side alternative available to FPC to meet its need for power.

Witnesses: Crisp, Roeder

Issue 4: Is the proposed Hines Unit 3 the most cost-effective alternative available, as the criterion is used in Section 403.519?

FPC: Yes. The detailed economic analysis found Hines 3 to be over \$ 92 million (2002 dollars) less expensive than the least cost alternative proposal. The least cost Greenfield Proposal (another combined cycle plant) was found to be more than \$187 million (2002 dollars) more expensive than Hines Unit 3.

Witnesses: Crisp, Roeder

Issue 5: Are there any conservation measures taken by or reasonably available to Florida Power Corporation which might mitigate the need for the proposed power plant?

FPC: No. The Company has attempted to avoid or defer constructing the unit by considering and pursuing all demand-side options reasonably available to it, but the Company has nonetheless concluded that it cannot avoid or defer its need to build the unit.

Witness: Crisp

Issue 6: Based on the resolution of the foregoing issues, should the Commission grant Florida Power Corporation's petition to determine the need for the proposed Hines Unit 3?

FPC: Yes. For the foregoing reasons, as more fully developed in the testimony and exhibits filed by FPC in this proceeding, the Commission should grant FPC's petition for a determination of need for the proposed Hines Unit 3.

Witnesses: Crisp, Roeder, J. Murphy, P. Murphy, White, Hunter

Issue 7: Has Florida Power Corporation adequately ensured the availability of fuel commodity and transportation to serve Hines Unit 3?

FPC: Yes. Hines 3 will have the ability to obtain natural gas from two interstate gas pipelines, and will also be constructed so that distillate oil can be used as back-up fuel.

Witnesses: P. Murphy, J. Murphy

Issue 8: Should this docket be closed?

FPC: Yes, following the issuance of an affirmative determination of need for Hines Unit 3.

2. LEGAL ISSUES

None at this time.

3. POLICY ISSUES

None at this time.

E. STIPULATED ISSUES

F. PENDING MOTIONS

None at this time.

G. FPC'S REQUESTS FOR CONFIDENTIAL CLASSIFICATION

FPC's Request for Confidential Classification, dated October 28, 2002. This request seeks confidential classification of certain responses to Staff's discovery pursuant to Fla. Stat. 366.093 and Rule 25-22.006.

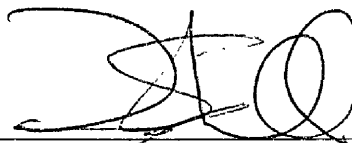
FPC has been served with discovery requests by Staff that will require FPC to provide some confidential business information in response. Such information will be marked as confidential, and, pursuant to the Order Establishing Procedure in this proceeding, FPC requests confidential classification of such information. FPC further requests (i) immediate notification of any confidential designation objected to by Staff and notification of what, if any, designated confidential information Staff intends to use at the hearing in this proceeding, and (ii) the return of any confidential information provided in response to Staff's discovery requests that Staff does not intend to use at the hearing in this proceeding. Staff, through its counsel, has agreed to this method of handling any confidential business information produced by FPC in response to Staff's discovery requests in this proceedings.

Pursuant to the Order Establishing Procedure, Order No. PSC-02-1310-PCO-EI, dated September 26, 2002, any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. It is exempt from the public records act pending a formal ruling on the request or the return of the information to the person providing it, which shall be done if the information is not made part of the evidentiary record in this proceeding.

H. REQUIREMENTS OF PREHEARING ORDER THAT CANNOT BE MET

None at this time.

Respectfully submitted this 12th day of November 2002.



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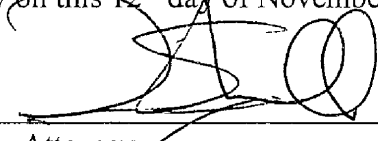
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT a true and correct copy of the foregoing has been served by U.S. Mail to the interested parties of record as listed below on this 12th day of November, 2002.



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