

Steel Hector & Davis

Tallahassee, Florida

Matthew M. Childs, P.A.
(904) 222-4448

**ORIGINAL
FILE COPY**

November 28, 1990

Mr. Steve Tribble
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399

RE: DOCKET NO. 900796-EI

Dear Mr. Tribble:

Enclosed for filing please find the original and fifteen (15) copies of Florida Power & Light Company's Prehearing Statement in the above referenced docket.

Respectfully submitted,



Matthew M. Childs, P.A.

- ACK ✓
- AFA ✓
- APP _____
- CAF MMC/eg
- CMU _____
- CTR _____
- EAG _____
- LEG 1
- LIN 6
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

cc: All Parties Of Record

RECEIVED & FILED

28
FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10597 NOV 28 1990

FPSC-RECORDS/REPORTING

Tallahassee Office
215 South Monroe
Suite 601
Tallahassee, FL 32301-1804
(904) 222-2300
Fax: (904) 222-8410

4000 Southeast Financial Center
Miami, FL 33131-2388
(305) 577-2800
Fax: (305) 358-1418

515 North Flagler Drive
1200 Northbridge Centre 1
West Palm Beach, FL 33401-4307
(305) 650-7200
Fax: (305) 655-1609

440 Royal Palm Way
Palm Beach, FL 33480
(305) 650-7200

1200 North Federal Highway
Suite 409
Boca Raton, FL 33432
(305) 394-5000
Fax: (305) 394-4858

CERTIFICATE OF SERVICE

DOCKET NO. 900796-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Prehearing Statement has been furnished to the following individuals by U. S. Mail* or Hand Delivery** this 28th day of November, 1990.

Edward A. Tellechea, Esq.**
Legal Division
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399

Jack Shreve, Esq.*
Office Of Public Counsel
111 West Madison
Suite 801
Tallahassee, FL 32399

Frederick M. Bryant, Esq.*
Moore, Williams, Bryant, Peebles
& Gautier, P.A.
P. O. Box 1169
Tallahassee, FL 32302

Frederick J. Murrell, Esq.*
1001 3rd Avenue West, Suite 375
Bradenton, FL 34205

Joseph A. McGlothlin, Esq.*
Vicki Gordon Kaufman, Esq.
522 East Park Ave.
Suite 200
Tallahassee, Florida 32301

Robert C. Williams*
Director of Engineering
7201 Lake Ellenor Drive
Orlando, FL 32809

H. G. Wells*
Director, CLG
P. O. Box 4748
Clearwater, FL 34618-4748


MATTHEW M. CHILDS, P.A.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power & Light Company for inclusion of the Scherer Unit No. 4 purchase in rate base, including an acquisition adjustment.

) DOCKET NO. 900796-EI
) FILED: November 28, 1990
)
)
)
)

FLORIDA POWER & LIGHT COMPANY'S
PREHEARING STATEMENT

FLORIDA POWER & LIGHT COMPANY ("FPL") hereby files its prehearing statement for the hearing scheduled to commence in this docket on December 11, 1990.

A. APPEARANCES

Matthew M. Childs, Esq.
John T. Butler, Esq.
Gregory N. Anderson, Esq.
Steel Hector & Davis
215 South Monroe Street
Tallahassee, Florida 32301-1804
On behalf of Florida Power & Light Company

B. WITNESSES

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
C. O. Woody	Overview of case	1, 4, 19, 20, 21
G. R. Cepero	Description of Scherer plant and terms of purchase	11, 13, 19
R. R. Denis	Results of "RFP" process	10, 19

S. S. Waters	Relationship of Scherer to FPL's Expansion Plans	2,3,4,5,6,7,8,9,19
	Rebuttal regarding evaluation process for Scherer purchase and adequacy of data	
H. A. Gower	Accounting treatment for Scherer purchase	1,14,19,20
	Rebuttal regarding limitations on Scherer recovery	
Rene Silva	Rebuttal regarding fuel issues	11,19

C. EXHIBITS

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
<u>(COW-1)</u>	Woody	Doc. No. 1--Service Area Map Doc. No. 2--Energy by Fuel Type
<u>(GRC-1)</u>	Cepero	Doc. No. 1--Plant Scherer Description Doc. No. 2--Letter of Intent-Scherer Purchase Doc. No. 3--Letter of Intent-JEA UPS and Transmission Matters
<u>(RRD-1)</u>	Denis	Doc. No. 1--Capacity RFP Summary Doc. No. 2--Capacity RFP Proposal Evaluation Criteria Doc. No. 3--Detailed Evaluation of Top 13 Proposals

(SSW-1)

Waters

- Doc. No. 1--FPL 1990 Load Forecast
- Doc. No. 2--Long Term Fossil Fuel Price Forecast
- Doc. No. 3--Cogeneration/Small Power Producer Forecast
- Doc. No. 4--Financial and Economic Assumptions
- Doc. No. 5--Generation Options: Planning Assumptions
- Doc. No. 6--Scherer Purchase-O&M Cost Assumptions
- Doc. No. 7--Capacity Plan Components
- Doc. No. 8--Loss of Load Probability
- Doc. No. 9--FPL Expansion Plans With and Without Scherer
- Doc. No. 10--Generation Option Economics

(HAG-1)

Gower

- Doc. No. 1--Calculation of Scherer Acquisition Adjustment

D. STATEMENT OF BASIC POSITION

The purchase of an undivided ownership interest in Scherer Unit No. 4 for \$953 per kilowatt of installed capacity, as proposed in FPL's petition, is a reasonable and prudent investment necessary to enable FPL to meet its forecast 1996 system load requirements. FPL should be authorized to include its Scherer Unit No. 4 purchase in rate base, including the acquisition adjustment, as those purchases are made.

E. STATEMENT OF ISSUES AND POSITIONS

ISSUE NO. 1: Should FPL be permitted to include the difference between the purchase price of Scherer Unit No. 4 and the depreciated original cost to Georgia Power as an acquisition adjustment, consistent with the phased purchase of the unit? (Public Counsel) (Staff was to revise this issue further to address it being accorded "rate base treatment.")

FPL POSITION: Yes, it should. (Woody, Gower)

ISSUE NO. 2: Does FPL, as an individual utility interconnected with the statewide grid, exhibit a need for the additional capacity provided by Scherer Unit No. 4? (Staff)

FPL POSITION: Yes, it does. (Waters)

ISSUE NO. 3: Is the capacity to be provided by the purchase of Scherer Unit No. 4 reasonably consistent with the needs of peninsular Florida taking into consideration timing, impacts on the reliability and integrity of the peninsular Florida grid cost diversity and other relevant factors? (Staff)

FPL POSITION: Yes, it is. (Waters)

ISSUE NO. 4: How does the purchase of Scherer Unit No. 4 impact the reliability and integrity of FPL's electric system? (Staff)

FPL POSITION: FPL's proposed purchase of an undivided share of Scherer Unit No. 4 will allow FPL to continue to meet its system reliability criteria and assure the integrity of FPL's electric system. Moreover, the purchase will help reduce FPL's dependence on oil at an earlier date, provide capacity in 1991 to allow for the upgrade of the Turkey Point Nuclear Station emergency power system and increase FPL's capacity gradually, thus increasing FPL's flexibility for responding to changes in load conditions or construction requirements. (Woody, Waters)

ISSUE NO. 5: How does the purchase of Scherer Unit No. 4 impact the fuel diversity of FPL's system? (Staff)

FPL POSITION: FPL's proposed purchase of an undivided interest in Scherer Unit No. 4 will help improve the fuel diversity of FPL's system in comparison to the present supply mix. (Waters)

ISSUE NO. 6: Has FPL reasonably considered alternative supply side sources of capacity? (Staff)

FPL POSITION: Yes, it has. (Waters)

ISSUE NO. 7: Does FPL's power supply plan reasonably consider the ability of conservation or other demand side alternatives to mitigate the need for the capacity represented by the purchase of Scherer Unit No. 4? (Staff)

FPL POSITION: Yes, it does. (Waters)

ISSUE NO. 8: Is the purchase of Scherer Unit No. 4 the most cost effective means of meeting FPL's capacity needs, taking into account risk factors as part of the cost effectiveness analysis? (Staff)

FPL POSITION: Yes, it is. (Waters)

ISSUE NO. 9: Will FPL be able to deliver electricity from Scherer Unit No. 4 to its load centers in the same time frames that it is proposing to add investment to rate base? (Public Counsel)

FPL POSITION: Yes, it will. (Waters)

ISSUE NO. 10: What is the cost of any necessary transmission facilities or upgrades and who will bear such cost? (Nassau)

FPL POSITION: The existing transmission facilities are adequate to transmit power generated by FPL's share of Scherer Unit No. 4 into Florida. However, the Southern Companies have agreed in their letter of intent with FPL to use best reasonable efforts to improve and upgrade the transmission facilities comprising the intertie with Florida. (Denis)

ISSUE NO. 11: Are the fuel supply and transportation costs presented in FPL's economic analysis for Scherer Unit No. 4 reasonable and prudent? (Coalition of Local Government)

FPL POSITION: Yes, they are. (Cepero, Silva)

ISSUE NO. 12: Does the schedule being followed by the Commission in this case afford all interested parties adequate opportunity to protect their interests? (Public Counsel) (Procedural issue identified, although Public Counsel to file a motion to slow procedural schedule.)

FPL POSITION: Yes, it does.

ISSUE NO. 13: What effect, if any, has the Scherer Unit No. 4 purchase had on the upgrade to the Southern/Florida interface? (Public Counsel)

FPL POSITION: FPL's proposed purchase of an undivided interest in Scherer Unit No. 4 will facilitate the upgrade of the Southern/Florida interface. (Cepero)

ISSUE NO. 14: Under what circumstances should the portion of the purchase price of assets in excess of book value (the acquisition adjustment) be given rate base treatment such that amortization may be included in operating expenses and the unamortized acquisition adjustment may be included in rate base? (FPL) (We are to assess whether this issue can be subsumed by Issue 1.)

FPL POSITION: Rate base treatment is appropriate when the asset is useful to the acquiring utility in providing service to its customers, and the acquisition of the asset results in benefits to those customers in comparison to the available alternatives. (Gower)

ISSUE NO. 15: Legal Issue - Can the Commission authorize the inclusion of the projected investment in Scherer Unit No. 4 in FPL's rate base in advance of FPL's assumption of ownership of the unit? (Public Counsel)

FPL POSITION: FPL proposes to purchase its undivided interest in Scherer Unit No. 4 in a series of installments and to include the purchase price for each such installment in rate base when that installment is complete. FPL will pay \$953 per kilowatt of installed capacity for its interest in Scherer Unit No. 4. The Commission has authority to authorize FPL's proposed treatment of the Scherer purchase.

ISSUE NO. 16: Legal Issue - Does the contract that Nassau Power has with FPL for 435 MW have priority to the transmission capacity available to FPL that would be preempted by the Scherer Unit No. 4 purchase? (Nassau) (Staff and FPL will object to this issue)

FPL POSITION: The reference to a "priority to the transmission capacity available to FPL" is unclear. The relevant consideration is the effect of location on the value to FPL of energy and capacity from the available supply alternatives. The term "preempted" is inappropriate here. Access to transmission capacity should be given to the most cost-effective power-supply alternatives. Neither failure to provide access to an alternative that is not cost-effective nor failure to provide access free of charge is "preemption".

ISSUE NO. 17: Legal Issue - Whether it is FPL's responsibility to provide adequate transmission capacity for the projects on its system. (Nassau) (Staff and FPL will object to this issue)

FPL POSITION: FPL's responsibility is to provide reasonably sufficient, adequate and efficient service to its customers. Part of that obligation is to insure that adequate transmission facilities are available for providing that service. The cost of transmission facilities must be considered in determining which power-supply alternatives are least costly, and there is no obligation to provide transmission facilities to alternatives that are not cost-effective.

ISSUE NO. 18: Legal Issue - Should the Florida Public Service Commission address transmission access disputes that may arise with the Scherer purchase? (FMPA) (Staff and FPL will object to this issue)

FPL POSITION: As a general matter, proper issues of transmission access brought before the Commission should be addressed by it. However, FPL is in no position at this time to assess what issues FMPA would raise or whether they would be proper.

ISSUE NO. 19: Ultimate Issue - Is the purchase of the undivided ownership interest in Scherer Unit No. 4 as proposed in FPL's petition a reasonable and prudent investment necessary to enable FPL to meet its forecast 1996 system load requirements? (FPL)

FPL POSITION: Yes, it is. (Woody, Cepero, Denis, Waters, Gower, Silva)

ISSUE NO. 20: Ultimate Issue - Should FPL be authorized to include the purchase of its undivided share of Scherer Unit No. 4 including the acquisition adjustment in rate base? (FPL)

FPL POSITION: FPL should be authorized to include its Scherer Unit No. 4 purchases in rate base, including the acquisition adjustment, as those purchases are made. (Woody, Gower)

ISSUE NO. 21: Ultimate Issue - In the event FPL's petition is approved, should the Commission impose guarantee requirements on the electrical output of the unit and delivery to FPL and limit the amount of total investment, operation and maintenance expenses and fuel costs that will be allowed for recovery through rates? (Public Counsel)

FPL POSITION: No, it should not. The Commission should review FPL's estimates of the costs associated with purchasing and operating its portion of Scherer Unit No. 4 to determine if they are reasonable and prudent. If the Commission determines that the estimates are reasonable and that, based on these estimates, the purchase is prudent, then the Commission should approve the purchase. Of course, the Commission also may review in the future actual costs of operating the plant, such as fuel costs, to ensure the reasonableness and prudence of those actual expenditures, taking into consideration all factors surrounding the expenditures at the time they are made. It would be inappropriate to limit such a review to a comparison of the actual expenditures to the estimates that have been made at this time, as Public Counsel of apparently suggests in this issue. (Woody)

ISSUE NO. 22: Legal Issue - In determining the appropriate role of the proposed Scherer Unit No. 4 acquisition in FPL's expansion plans, should the Commission rely on relevant findings made in Docket No. 890973-EI (Ft. Lauderdale plant repowering--determination of need), Docket No. 890794-EI (Martin Units No. 3 and 4--determination of need) and Docket No. 900004-EU (planning hearing)? (new FPL issue)

FPL POSITION: Yes, it should. Only if parties present evidence demonstrating that, due to changed circumstances, those findings are no longer valid or relevant should the Commission not rely on the findings.

F. STIPULATED ISSUES

FPL is aware of no stipulated issues at this time.

G. MOTIONS

Other than the motions of Florida Municipal Power Association and Nassau Power Corporation to intervene, FPL is aware of no outstanding motions at this time.

H. OTHER MATTERS

FPL is aware of no other matters requiring attention of the prehearing officer at this time.

Respectfully submitted,

STEEL HECTOR & DAVIS
215 South Monroe Street
Tallahassee, Florida 32301-1804
(904) 222-2300

Attorneys for Florida Power &
Light Company

By: 

Matthew M. Childs, P.A.
John T. Butler
Gregory N. Anderson