

M E M O R A N D U M

January 8, 1996

TO: DIVISION OF APPEALS
 DIVISION OF AUDITING AND FINANCIAL ANALYSIS
 DIVISION OF COMMUNICATIONS
 DIVISION OF ELECTRIC AND GAS
 DIVISION OF RESEARCH
 DIVISION OF WATER AND WASTEWATER
 DIVISION OF LEGAL SERVICES

FROM: DIVISION OF RECORDS AND REPORTING (WILLIAMS)

RE: CONFIDENTIALITY OF CERTAIN INFORMATION

DOCUMENT NO: 00259-96 Test. of Brian Killian; 00260-96

Exhibit RK-3 and 00261-96 Exhibit RK-5 of Brian Killian
testimony

DESCRIPTION: Testimony and Exhibits of Brian Killian

SOURCE: PANDA-KATHLEEN, L.P./PANDA ENERGY CORP.

DOCKET NO.: 950110-EI

The above material was received with a request for confidentiality (attached). Please prepare a recommendation for the attorney assigned to the case by completing the section below and forwarding a copy of this memorandum, together with a brief memorandum supporting your recommendation, to the attorney. Copies of your recommendation should also be provided to the Division of Records and Reporting and to the Division of Appeals.

Please read each of the following and check if applicable.

The document(s) is (are), in fact, what the utility asserts it (them) to be.

**ORIGINAL
FILE COPY**

**FPSC DOCKET NO. 950110-EI
NON-REDACTED BRIAN KILLIAN TESTIMONY**

DOCUMENT NUMBER-DATE

00259 JAN-88

FPSC-RECORDS/REPORTING

1

2 . Document No. 2 is Panda's response to that
3 questionnaire, which it delivered to Florida Power in
4 October 1991.

5

6 . Document No. 3 is Florida Power's "Evaluation Of
7 Standard Offer Proposals," dated November 1991.

8

9 . Document No. 4 is a Florida Power document entitled
10 "Negotiated Contract For The Purchase Of Firm Capacity
11 And Energy From A Qualifying Facility," which was
12 provided to Panda in February 1991.

13

14 Document No. 5 is an internal Florida Power study,
15 entitled " Cogeneration Review; an Assessment of Florida Power's
Qualifying Facility (CoGeneration) Purchases," dated December, 1991.

16 . Document No. 6 is Panda's Quarterly Progress Report to
17 Florida Power, dated June 20, 1994.

18

19 . Document No. 7 is a June 23, 1994 letter from Ted
20 Hollon to David Gammon.

21

1 inconsistent with its previous representations and its
2 November 1991 ranking process.

3
4 Q. Do you know of any reason for this remarkable change in
5 attitude by Florida Power?

6
7 A. In an internal, confidential December 1993 document
8 entitled "Cogeneration Review," Florida Power
9 essentially declared its intention to limit, if not
10 undermine, QF contracts whenever possible. See
11 "Cogeneration Review," dated December 1993 (attached
12 hereto as "Exhibit 5"). In that document, in
13 discussing the QF contracts it had already bound itself
14 to for nearly 1,100 MW of capacity, Florida Power
15 declared that "at the present time, the QF contracts
16 are not cost effective when compared to FPC built
17 natural gas fired combined cycle units.... [Florida
18 Power's] resources need to be assigned to properly
19 evaluate and implement, if feasible, all of the options
20 available to increase the cost-effectiveness of the QF
21 contracts. These contracts pose a significant threat

1 to FPC's competitive position." See Cogeneration
2 Review at 4, 5. There, Florida Power cited several
3 miscalculations it had made on issues such as the
4 capacity dropout rate and the cost-effectiveness of its
5 avoided cost projection. At no time did it refer to
6 any problem due to Panda or any other QF.

7
8 Q. What did Panda do to try to resolve this dispute?

9
10 A. Florida Power demonstrated its revised attitude
11 following Panda's June 3, 1994 application to the
12 Florida Department of Environmental Protection ("FDEP")
13 for an Air Permit for Construction of the facility with
14 a nominal output of 115 MW. In that application,
15 Panda had submitted two configurations: one based on
16 the General Electric ("GE") 7EA Combustion turbine and
17 the other based on the ABB Power Generation ABB 11N1.

18
19 Representatives of Panda and Florida Power met on June
20 22, 1994 to discuss the excess energy which could be
21 produced by either of those configurations. At that