

ORIGINAL



April 2, 1999

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Enclosed for official filing in Docket No. 990325-EI on the behalf of Gulf Power Company are an original and fifteen copies of the following:

1. Prepared direct testimony of Maria Jeffers Burke. 04352-99
2. Prepared direct testimony of M. W. Howell. 04353-99
3. Prepared direct testimony of Robert G. Moore. 04354-99
4. Prepared direct testimony of Margaret D. Neyman and Michael J. Marler. 04355-99
5. Prepared direct testimony of William F. Pope. 04356-99

ACK _____
AFA 2 _____ Sincerely,
APP _____
CAF _____ *Susan D. Ritenour*
CMU _____ Susan D. Ritenour
CTR _____ Assistant Secretary and Assistant Treasurer
EAG Haff _____
LEG 1 _____ lw
LIN 5 _____ Enclosures
OPC _____
RCH _____ cc: Beggs & Lane
SEC 1 _____ Jeffrey A. Stone, Esquire
WAS _____ Hopping Green Sams & Smith
OTW _____ Richard D. Melson

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company)
to determine need for proposed) Docket No. 990325-EI
electrical power plant in Bay County)
_____)

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished
this 2nd day of April 1999 by U.S. Mail or hand delivery to the following:

Grace A. Jaye, Esquire
Staff Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0863

Gail Kamaras
LEAF
1114 Thomasville Road, Suite E
Tallahassee FL 32303



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 0007455
Beggs & Lane
P. O. Box 12950
Pensacola FL 32576
850 432-2451
Attorneys for Gulf Power Company

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 990325-EI

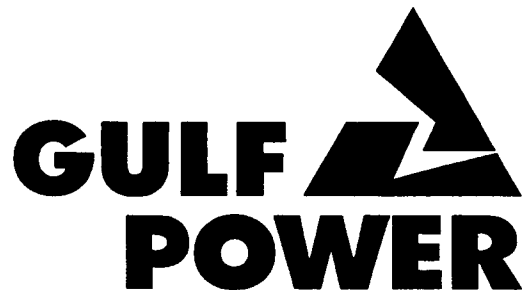
PETITION FOR NEED DETERMINATION

PREPARED DIRECT TESTIMONY

OF

MARIA JEFFERS BURKE

APRIL 5, 1999



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE
04852 APR-5 99
REG-RECORDS/REPORTING

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Direct Testimony of
4 Maria Jeffers Burke
5 Docket No. 990325-EI
6 Date Filed: April 5, 1999

7 Q. Please state your name, business address and
8 occupation.

9 A. My name is Maria Jeffers Burke and my address is
10 Southern Company Services, 600 North 18th Street,
11 Birmingham, Alabama 35202. I am Project Manager in
12 the Generation Planning and Development Department of
13 Southern Company Services (SCS). I am currently
14 responsible for supply side evaluations.

15 Q. Please describe your educational background and
16 experience.

17 A. I graduated from Auburn University in August 1986 with
18 a Bachelor of Science degree in Chemical Engineering,
19 and I am currently completing graduate work toward a
20 Masters in Business Administration from Samford
21 University. In 1986, I began my career with the
22 Southern Company at a research facility in Wilsonville,
23 Alabama as a process engineer, and then as the
24 environmental engineer. I continued my environmental
25 permitting work with Southern Electric International in

1 1990, helping to develop independent power projects
2 both domestically and internationally. I joined the
3 System Planning Department of SCS in November 1992 and
4 spent the next six years in various engineering and
5 supervisory positions. I have been involved in bid
6 evaluation since December 1996.

7

8 Q. Have you prepared an exhibit that contains information
9 to which you will refer in your testimony?

10 A. Yes. I have an exhibit consisting of 2 schedules to
11 which I will refer. This exhibit was prepared under my
12 supervision and direction. I am also sponsoring
13 Section 8 and Appendix E of the Need Study filed in
14 this docket.

15 Counsel: We ask that Ms. Burke's Schedules
16 1 and 2 be marked for
17 identification as Exhibit _____
18 (MJB-1).

19

20 Q. Ms. Burke, what is the purpose of your testimony in
21 this proceeding?

22 A. The purpose of my testimony is to describe the process
23 employed by SCS in issuing the Gulf Power Request for
24 Proposals (RFP), in receiving responses, in evaluating
25 the offers and in comparing those offers to self-build

1 options.

2

3 Q. Please describe your role as it relates to
4 solicitations for capacity resources made on behalf of
5 the Southern companies.

6 A. In my current position, I am responsible for the
7 evaluation of both short-term and long-term supply side
8 offers for the Southern operating companies. This
9 analysis includes selecting an appropriate production
10 cost modeling tool, verifying the assumptions used in
11 the analysis, preparing the final rankings, and
12 checking all numbers used in the evaluation. However,
13 my responsibilities usually begin earlier in the
14 process, understanding the appropriate regulatory
15 environment and drafting the RFP document for internal
16 review.

17

18 Q. What solicitations have you been involved in prior to
19 the one performed on behalf of Gulf Power Company
20 seeking alternatives for their Smith Unit 3?

21 A. Since assuming responsibility for supply-side
22 evaluations in December 1996, I have been involved in
23 two other solicitations: a Southern system solicitation
24 issued in March 1997 for short-term needs, and an
25 informal market test for Alabama Power. As a result of

1 these solicitations, Southern became concerned that
2 large amounts of relatively inexpensive purchased power
3 were not going to be available much longer, and that
4 the market would soon begin to extract a premium for
5 capacity.

6
7 Q. What role did you play in the Gulf Power solicitation?

8 A. For the Gulf Power solicitation, I was directly
9 involved in the early stages of the solicitation,
10 helping Gulf Power Company draft and issue the RFP
11 document. After the proposals were received from those
12 that responded to the RFP, I was responsible for
13 distributing copies of the proposals within the
14 evaluation team, conducting the generation cost
15 analysis of the proposals, and completing a relative
16 ranking for the proposals. I was also responsible for
17 the comparison of Gulf Power's self-build alternative
18 to the proposals.

19
20 Q. How was the RFP distributed?

21 A. As a normal course of business, SCS maintains a mailing
22 list of developers who are active in the Southeastern
23 United States. This list was updated for Gulf Power
24 Company's RFP and used by SCS to issue the RFP on
25 behalf of Gulf Power Company. The original

1 distribution of the RFP on August 21, 1998 included
2 approximately 100 potential respondents.

3 Additionally, Gulf Power Company published a
4 notice in appropriate local and statewide newspapers
5 and at least one national trade journal. Gulf Power's
6 objective was to attract any interested developers who
7 may not have been on Southern's original distribution
8 list.

9

10 Q. How many proposals were received?

11 A. On October 16, 1998, SCS received, on behalf of Gulf
12 Power, four offers from three separate respondents.
13 The proposals were of various terms and MW sizes, but
14 all offers were in the form of new generating
15 facilities:

- 16 ♦ A combined cycle unit in Hardee County, FL
- 17 ♦ A combustion turbine facility in Holmes County, FL
- 18 ♦ A combined cycle unit in Holmes County, FL
- 19 ♦ A family of cogeneration facilities in Mobile, AL and
20 in Santa Rosa County, FL

21

22 Q. What would you regard as your overall objective in
23 performing the analysis of the alternatives proposed as
24 they are compared to Gulf Power Company's self-build
25 option?

1 A. It is my responsibility to ensure that Gulf Power's
2 customers get to take full advantage of the most cost-
3 effective supply-side alternative available. One of
4 our objectives on the bid evaluation team is to ensure
5 that all respondents are treated consistently and
6 fairly. To accomplish that objective, SCS used only
7 the specific information directly provided by the
8 respondents in evaluating their proposals. In cases
9 where information was incomplete, an estimate favorable
10 to the respondent was made in the initial stage of the
11 evaluation process until the respondent was able to
12 clarify the specifics of the offer.

13
14 Q. What steps are taken with regard to the security and
15 confidentiality of the proposals?

16 A. For the Gulf Power RFP, I distributed copies of all
17 proposals received ONLY to bid evaluation team members.
18 Distributed copies were numbered, and team members were
19 requested to make no additional copies. All team
20 members were required to keep proposals secure, or
21 return them to me at day's end.

22
23 Q. Please describe how the alternative offers were
24 initially economically screened?

25 A. After the four proposals passed the responsiveness

1 screening, which verifies that all mandatory components
2 of the offers were included with the proposal, then the
3 economic portion of the analysis began. The initial
4 screening of the offers was a "generation only"
5 evaluation. All offers were analyzed using PROVIEW®, a
6 production cost and optimization model. Specifically,
7 a PROVIEW® case was created for each proposal and
8 compared to a base case without that generation
9 facility. The difference between these production cost
10 simulations was considered the "energy savings" for
11 that offer. Fixed capital and O&M costs for the
12 alternative were also totaled and the net cost was
13 present valued across a twenty-year horizon. These
14 initial screening results are shown in Schedule MJB-1.

15
16 Q. Prior to the completion of the initial screening of the
17 various alternatives to Smith Unit 3, did you and the
18 other SCS employees working on the evaluations have any
19 questions about the proposals?

20 A. Yes, the initial screening of the proposals is usually
21 the most difficult because information is not shared
22 uniformly. In some cases, assumptions had to be made
23 about an offer to effectively analyze the proposal for
24 the initial screening. SCS-Generation Planning and
25 Development and SCS-Transmission Planning reviewed the

1 offers during the initial screening and identified the
2 additional information they would need to conduct their
3 detailed analysis.

4
5 Q. The Gulf RFP made reference to transmission impacts and
6 you mention above that SCS-Transmission Planning
7 reviewed the offers during the initial screening. At
8 what point did any transmission system impacts become a
9 factor in the RFP evaluation process?

10 A. Although SCS-Transmission Planning reviewed the offers
11 during the initial screening, it was not until the
12 detailed evaluation phase that the transmission system
13 impacts were incorporated into the process. For the
14 Gulf Power RFP, a relative transmission evaluation was
15 conducted for all of the proposals and any necessary
16 transmission improvement costs were identified, and
17 ultimately include in the economic analysis. It was
18 necessary for Transmission Planning to initiate their
19 review of the offers during the early part of the
20 analyses to adequately assess any system impacts
21 associated with the offers. The initial screening was
22 a "generation only" analysis based on the information
23 strictly provided by the respondents in relation to the
24 RFP issued on Gulf's behalf and, therefore, any
25 transmission impacts were not included.

1 Q. Did you contact the respondents to the RFP process
2 asking them to clarify your assumptions about their
3 proposals?

4 A. Yes, all respondents were contacted in writing on
5 November 19, 1998 and asked for the additional
6 information needed to fully evaluate their offer. Most
7 of the uncertainty at this stage of the analysis
8 concerned the reliability of the fuel supply, unit
9 ratings, unit heat rates, and overall availability of
10 the offers. Therefore, the questions were categorized
11 into generation, fuel, transmission, and structure
12 questions.

13
14 Q. As a result of this dialogue with the respondents, were
15 any of the original proposals modified?

16 A. Yes, most of the original proposals were modified and
17 two of the respondents made additional proposals for
18 consideration under this RFP. This resulted in a
19 total of nine proposals being carried forward in the
20 final stages of the evaluation.

21
22 Q. After receiving the answers to your clarifying
23 questions, was there a need to perform the analysis
24 again to include this additional information?

1 A. Yes, each time a respondent provided updated
2 information the analysis was repeated to ensure that
3 the value of that revision was included in the relative
4 ranking of the offers.

5
6 Q. At what point did you evaluate Gulf's Smith Unit 3
7 option?

8 A. I received the site specific Smith Unit 3 cost
9 estimates on October 27, 1998. As I will discuss in a
10 moment, this submission did not include gas
11 transportation costs. The evaluation process was
12 designed so that the evaluation of the self-build
13 alternative would follow the same evaluation procedure
14 that the proposals had already been through. This
15 process design was created to ensure that the analysis
16 procedure would not have a bias toward or away from the
17 self-build alternative. The bid evaluation team also
18 requested additional information from the self-build
19 team when necessary.

20
21 Q. You mentioned earlier that Gulf's self-build submission
22 did not include gas transportation costs. How were
23 these costs factored into the analysis?

24 A. Originally, Gulf Power's plan included an estimated \$90
25 million cost for construction of a gas pipeline to the

1 Bay County site. In September 1998, SCS issued a
2 separate RFP for Firm natural gas service to the Smith
3 site. The offers received in response to that Natural
4 Gas RFP were generally less costly than Gulf's original
5 plan. Information from this solicitation was used in
6 the evaluation of the self-build proposal. Having
7 multiple fuel supply alternatives allows Gulf Power to
8 negotiate among the vendors to achieve a significantly
9 lower pipeline cost for the facility than what was
10 originally estimated.

11
12 Q. You mentioned earlier that your overall objective is to
13 identify the most cost effective supply-side
14 alternative. Do you consider the results of your
15 evaluation to have achieved this goal?

16 A. Yes. The evaluation of alternatives for the Gulf Power
17 solicitation did provide Gulf Power with accurate
18 relative rankings of the proposals and the self-build
19 alternative.

20
21 Q. What were the results of your evaluation?

22 A. The results of the evaluation reveal that the 540 MW
23 self-build Smith Unit 3 is the most cost-effective
24 alternative for the customers of Gulf Power Company.

25 Referring to my Schedule MJB-2, this table outlines all

1 of the final offers and their relative rankings after
2 the detailed evaluation. One can see from this
3 schedule that Gulf's Smith Unit 3 had a much lower cost
4 than any of the competing offers. In fact, these
5 relative rankings prepared by my team indicate more
6 than \$90 million accumulated NPV(2002\$) savings over
7 the next best alternative.

8

9 Q. Does this conclude your testimony?

10 A. Yes it does.

11

12

13

14

15

16

17

Gulf Power Company

RFP Initial Screening Results

Summer Rating MW	Proposal	Location	NPV Total Cost \$/kW (2002\$)
500	Combined Cycle	Holmes County, FL	273.8
486	Combustion Turbine	Holmes County, FL	332.1
350	Family of Cogeneration Facilities	Mobile, AL and Santa Rosa County, FL	432.3
532	Combined Cycle	Hardee County, FL	565.2

Gulf Power Company

RFP Relative Ranking – Detailed Evaluation

Rank	MW	Bidder	NPV Total Cost \$/kW (2002\$)
1	540	Smith Unit 3	279
2	486	Respondent B CT (20 Year Pricing)	496
3	500	Respondent B CC (10 Year Pricing)	505
4	532	Respondent C	511
5	500	Respondent B CC (7 Year Pricing)	522
6	486	Respondent B CT (10 Year Pricing)	527
7	486	Respondent B CT (7 Year Pricing)	539
8	500	Respondent B CC (20 Year Pricing)	553
9	350	Respondent A	592
10	532	Respondent C (Fixed Energy)	616

AFFIDAVIT

STATE OF ALABAMA)
)
COUNTY OF JEFFERSON)

Docket No. 990325-EI

Before me the undersigned authority, personally appeared Maria Jeffers Burke, who being first duly sworn, deposes, and says that she is a Project Manager in the Generation Planning And Development of Southern Company Services, an Alabama corporation, that the foregoing is true and correct to the best of his knowledge, information, and belief. She is personally known to me.

Maria Jeffers Burke
Maria Jeffers Burke
Project Manager – SCS Generation Planning
And Development

Sworn to and subscribed before me this 25th day of
March, 1999.

Agnes R. O'Berry Miller
Notary Public, State of Alabama at Large

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Apr. 11, 1999.
BONDED THRU NOTARY PUBLIC UNDERWRITERS