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RECORDS AND REPORTING

Hon. Blanca S. Bayo  
Director Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

In re Docket No:001521-EU  
VIA Fax and regular mail

Dear Ms Bayo

At the November 30<sup>th</sup> workshop parties were invited to submit comments in this docket. The CASR suggests rule drafts. This letter contains comments from the Florida Industrial Power Users Group (FIPUG). I have attached a suggested revision to section (1) & (2) of the rule and added a new subsection (6)..

In our opinion Florida is on the brink of a serious capacity shortfall, a circumstance of which the Commission is well aware. The attached extract from testimony filed in docket 981890-EU compares the Florida reserve margin in 1999 to that of other reliability council areas. The PSC staff's draft review of ten year site plans filed in December of this year at page 8 expresses concern over the fact that Florida's reserve margin is composed primarily of non-firm service, ie people instead of machines.

I will not dwell upon the compelling factors that have discouraged Florida's utilities from investing in new capacity, but it is apparent that for at least 10 years construction has not kept pace with growth in demand.

*Belak* When Rule 25-6.035 was last amended one of the purposes was to make it clear that the Commission was exercising its authority under § 366.05(1) *Florida Statutes* to govern the adequacy of generating capacity at a time when FERC was becoming more active in exercising its jurisdiction over the use of the transmission system. The legislature gave the FPSC authority to govern adequacy of capacity. The rule under consideration is the only place where the Commission has acted to exercise that authority.

The proposed rule change on the surface removes the express 15% reserve requirement and leaves only the general vague requirement that each utility "shall maintain sufficient generating capacity ... to

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McWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, DECKER, KAUFMAN, ARNOLD & STEEN  
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meet all reasonable demands for service..." A specific requirement is displaced in favor of a general unenforceable criteria. The reserve sharing portion of the rule for peninsula Florida utilities relates to the vague criteria, "the loss of generation that would result from the most severe single contingency."

FPL has recommended language that further emasculates the Commissions authority. It proposes that the Commission expressly provide that **" The planned reserve margin herein established is to maintain equitable reserve sharing among electric utilities, not to set a prudent level of reserves."**

FIPUG believes that the Commission should not abandon the legislative mandate to insure adequate capacity at a time when capacity is short and the machinations of competitive wholesale market are subjugating the priority of retail customers to the utilities' opportunity to profit on wholesale sales. The attached rule proffer will protect the state's regulatory authority against federal preemption and protect retail customers from losing use priority to the power plants their rates support.

Sincerely yours,



John W. McWhirter, Jr.

**Q HOW DOES THE FRCC COMPARE WITH THE OTHER RELIABILITY COUNCILS?**

**A** As shown the following table and illustrated in Figure 1, the FRCC 1999 summer available capacity exceeds firm load by the smallest margin of any of the nine NERC reliability councils.

TABLE 3				
Description	Net Operable Capacity & IPPs	Summer Projected Total Internal Demand	Amount Capacity Exceeds Demand	Percent
FRCC	38,068	37,060	1,008	2.7%
MAIN	51,078	48,157	2,921	6.1%
ERCOT	57,699	53,569	4,130	7.7%
MAPP	41,154	36,779	4,375	11.9%
SPP	42,393	37,803	4,590	12.1%
MACC	56,188	49,807	6,381	12.8%
SERC	149,667	143,058	6,609	4.6%
ECAR	101,760	93,991	7,769	8.3%
NPCC	114,436	94,744	19,692	20.8%
WSCC	156,396	132,261	24,135	18.2%
Total	808,839	727,229	81,610	11.2%

## FIPUG PROPOSED RULE REVISIONS

### 25-6.035 Adequacy of Resources.

(1) Each electric utility shall maintain sufficient generating capacity, supplemented by regularly available generating and non-generating resources, in order to meet all reasonable demands for service and provide a reasonable reserve for emergencies. Each electric utility shall also coordinate the sharing of energy reserves with other electric utilities in Peninsular Florida.

(a) To achieve an equitable sharing of energy reserves, Peninsular Florida utilities shall be required to maintain, at a minimum, a 20% planned reserve margin. No more than 50% of the reserve margin shall be composed of non firm resources. The planned reserve margin for each utility shall be calculated as follows:

$RM = [(C - L)/L]*100$  where;

"RM" - Is defined as the utility's percent planned reserve margin;

"C" - Is defined as the aggregate sum of the rated dependable peak-hour capabilities of the resources that are expected to be available at the time of the utility's annual peak; and

"L" - Is defined as the expected firm peak load of the system for which reserves are required.

(b). The following shall be utilized as the operating reserve standard for Peninsular Florida's utilities: operating reserves shall be maintained by the combined Peninsular Florida system at a value equal to or greater than the loss of generation that would result from the most severe single contingency. The operating reserves shall be allocated among the utilities in proportion to each utility's maximum demand for the preceding year, and plus the summer gross Southeastern Electric Florida Reliability Coordinating Council (SEFRCC) capability of its largest unit or ownership share of a joint unit, whichever is greater. Fifty percent shall be allocated on the basis of demand and fifty percent on the basis of the summer gross SERC FRCC capability of the largest unit. Operating reserves shall be fully available within ten minutes. At least 25% of the operating reserves shall be in the form of spinning reserves which are automatically responsive to a frequency deviation from normal.

(2) Treatment of Purchased Power. Only reliable firm purchase power agreements of greater than 120 day's duration may be included as a resource for purposes of calculating a planned or operating reserve margin. A utility may petition for waiver of

this requirement based on the very high availability of specific non-firm purchases.

... ( no change in sections 3-5)

(6) No utility may interrupt its non firm customers at a time when it is making wholesale sales unless there is an emergency or replacement power from the wholesale market to serve the non firm load is less expensive than the power sold.

Specific Authority 366.05(1) FS.

Law Implemented 366.03, 366.04(2)(c), 366.04(5), 366.055, FS.

History--New 7-29-69, Formerly 25-6.35, Amended 9/5/96.

Statutory reference:

**366.05 Powers.--**

(1) In the exercise of such jurisdiction, the commission shall have power to ... require repairs, improvements, additions, and extensions to the plant and equipment of any public utility when reasonably necessary to promote the convenience and welfare of the public and secure adequate service or facilities for those reasonably entitled thereto;... ; and to adopt rules pursuant to ss. 120.536(1) and 120.54 to implement and enforce the provisions of this chapter.