

YOUNG, VAN ASSENDERP, VARNADOE & ANDERSON, P. A.
ATTORNEYS AT LAW

REPLY TO:

R. BRUCE ANDERSON
CLAY C. BROOKER
TASHA O. BUFORD
DANIEL H. COX
TIMOTHY S. FRANKLIN
DAVID P. HOPSTETTER*
C. LAURENCE KEESEY
KENZA VAN ASSENDERP
GEORGE L. VARNADOE
ROY C. YOUNG

Tallahassee

GALLIE'S HALL
225 SOUTH ADAMS STREET
SUITE 200
POST OFFICE BOX 1833 (ZIP 32302-1833)
TALLAHASSEE, FLORIDA 32301
TELEPHONE (850) 222-7206
TELECOPIER (850) 561-6834

SUNTRUST BUILDING
801 LAUREL OAK DRIVE
SUITE 300
POST OFFICE BOX 7907 (ZIP 34101-7907)
NAPLES, FLORIDA 34108
TELEPHONE (941) 597-2814
TELECOPIER (941) 597-1060

MEMORANDUM

*BOARD CERTIFIED REAL ESTATE LAWYER

OF COUNSEL
DAVID B. ERWIN
A.J. JIM SPALLA

TO: Blanca Bayo
Records & Recording

FROM: Roy C. Young *RCY/swp*

DATE: April 2, 2001

SUBJECT: Docket #010142-EM - Orlando Utilities Commission, et al. – Prehearing Statement

Enclosed please find original and 15 copies of Joint Prehearing Statement of Orlando Utilities Commission, Kissimmee Utility Authority, Florida Municipal Power Agency and Southern Company-Florida LLC for filing in the above-captioned docket.

Thank you.

RCY:swp
Enclosures

cc: Cochran Keating, Esquire

Sparrett\ouc\Bayo Joint Prehearing Statement 010142-EM Apr. 2

DOCUMENT NUMBER-DATE

04068 APR-25

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Petition for Determination) DOCKET NO. 010142-EM
of Need for proposed Stanton Energy) FILED: April 2, 2001
Center Combined Cycle Unit A by)
Orlando Utilities Commission, Kissimmee)
Utility Authority, Florida Municipal Power)
Agency and Southern Company-Florida, LLC.)
_____ /

**JOINT PREHEARING STATEMENT OF ORLANDO
UTILITIES COMMISSION, KISSIMMEE UTILITY
AUTHORITY, FLORIDA MUNICIPAL POWER AGENCY AND
SOUTHERN COMPANY-FLORIDA LLC**

Joint Petitioners Orlando Utilities Commission ("OUC"), Kissimmee Utility Authority ("KUA"), Florida Municipal Power Agency ("FMPA") and Southern Company-Florida LLC ("Southern-Florida") (collectively the "Joint Petitioners"), pursuant to Order No. PSC-01-0367-PCO-EM, hereby submit their Prehearing Statement in this matter and state as follows:

A. ALL KNOWN WITNESSES

In identifying witnesses, Joint Petitioners reserve the right to call such other witnesses as may be identified in the course of discovery and preparation for final hearing in this matter.

<u>Witness</u>	<u>Subject Matter</u>
Frederick F. Haddad (OUC, KUA and FMPA)	Description of OUC. Development of Stanton A Project. Joint Development and Power Supply Proposals and their evaluation. Project agreements. Fuel procurement.
Douglas E. Jones (Southern-Florida)	Description of Southern-Florida, its experience in development, construction and operation of electrical generating facilities, and its involvement in the Stanton A Project.

<u>Witness</u>	<u>Subject Matter</u>
Thomas O. Anderson (Southern-Florida)	General description of the Stanton A Project, its performance characteristics, its environmental profile, its EPC schedule, and the capital and O&M costs of the Project.
Paul A. Arsuaga (OUC, KUA and FMFA)	Power Supply RFP and its evaluation.
William Herrington (OUC, KUA and FMFA)	Evaluation of Joint Development Proposals.
Stephen L. Thumb (Southern-Florida)	Development and analysis of fuel forecasts for the Project.
Jill Schuepbach (OUC, KUA and FMFA)	Evaluation of DSM alternatives for OUC, KUA and FMFA.
Eric Fox (OUC)	OUC load forecast.
Myron Rollins (OUC, KUA and FMFA)	Economic assumptions and fuel price projections. Reliability criteria and need for capacity. Supply-side alternatives. Demand-side management. Consistency with Peninsular Florida's needs. Consequences of delay. Economic evaluations. Sensitivity analyses.
John E. Hearn (OUC)	OUC existing DSM programs. OUC's ability to finance Stanton A.
Abani Kumar Sharma (KUA)	Description of KUA. KUA's need for Stanton A. KUA's benefits from participation in Stanton A. KUA's ability to finance Stanton A.
Jonathan Schaefer (KUA)	KUA load forecast. KUA's existing DSM programs.
Richard L. Casey (FMFA)	Description of FMFA and the All Requirements Project. Process by which FMFA became involved in Stanton A. FMFA's load forecast and DSM programs. FMFA reliability criteria. FMFA's ability to finance Stanton A.

B. EXHIBITS

In identifying exhibits, Joint Petitioners reserve the right to use such other exhibits as may be identified in the course of discovery and preparation for final hearing in this matter.

<u>Exhibit No.</u>	<u>Witnesses</u>	<u>Description</u>
OUC-1 Composite Exhibit	Frederick H. Haddad (Sections 1A.3.1.1, 1A.3.2, 1A.3.4.3, 1A.3.9, 1A.4.0, 1A.6.1, 1A.6.2, 1A.6.4, 1A.6.5, Appendix 1A.A, Appendix 1A.B, and Section 1B2.0) Thomas O. Anderson (Sections 1A.3.1.2, 1A.3.3, 1A.3.4.1, 1A.3.4.2, 1A.3.5, and 1A.3.7) Jill Schuepbach (Sections 1A.8.0, 1B.5.2, 1C.5.2, and 1D.5.2) Eric Fox (Section 1B.4.0 and Appendix 1B.A) Myron Rollins (Sections 1A.1, 1A.2, 1A.3.5, 1A.3.8, 1A.5, 1A.6.3, 1A.7, 1A.9, 1A.10, 1A.11, 1B.1, 1B.3, 1B.6, 1B.7, 1B.8, 1C.1, 1C.3, 1C.6, 1C.7, 1C.8, 1D.1, 1D.3, 1D.6, 1D.7, 1D.8, Appendices 1A.D, 1A.E, 1B.B, 1C.A, and 1D.A) John E. Hearn (Sections 1B.5.1 and 1B.9.0) Abani Kumar Sharma (Sections 1C.2.0 and 1C.9.0) Jonathan Schaefer (Sections 1C.4.0 and 1C.5.1)	Need for Power Application Volumes 1A, 1B, 1C, and 1D

<u>Exhibit No.</u>	<u>Witnesses</u>	<u>Description</u>
	Richard L. Casey (Sections 1D.2.0, 1D.4.0, 1D.5.1, and 1D.9.0)	
OUC-2 Composite Exhibit	Frederick H. Haddad (Table 1B.2-1)	Revisions to the Need for Power Application Volume 1G
	Thomas O. Anderson (Figures 1A.3-3, 1A.3-4, and 1A.3-6)	
	Jill Schuepbach (Sections 1A.8.0 and 1B.5.2, and Table 1C.5-3)	
	Myron Rollins (Sections 1A.2 and 1A.5, Figure 1A.9-1, Sections 1B.6.2, 1B.7, and 1B.8, Appendix 1B.B, Sections 1C.1 and 1C.8, Appendix 1C.A, Sections 1D.1, 1D.3, 1D.7, and 1D.8, Appendix 1D.A, and Volume 1F Table 1A.2-1)	
	Richard L. Casey (Section 1D.2.0)	
Confidential Exhibit A Confidential Composite Exhibit	Frederick H. Haddad (Sections 1A.3.1.1, 1A.3.2, 1A.3.4.3, 1A.3.9, 1A.4.0, 1A.6.1, 1A.6.2, 1A.6.4, 1A.6.5, Appendices 1A.A and 1A.B)	Confidential Portions of Need for Power Application Volume 1F
	Thomas O. Anderson (Sections 1A.3.1.2, 1A.3.3, 1A.3.4.1, 1A.3.4.2, 1A.3.5, 1A.3.7)	
	Jill Schuepbach (Sections 1A.8.0)	

<u>Exhibit No.</u>	<u>Witnesses</u>	<u>Description</u>
	Myron Rollins (Sections 1A.1, 1A.2, 1A.3.5, 1A.3.8, 1A.5, 1A.6.3, 1A.7, 1A.9, 1A.10, 1A.11, Appendices 1A.D, 1A.E, 1B.B, 1C.A, and 1D.A)	
Confidential Exhibit B Confidential Composite Exhibit	William Herrington (August 8, 2000 Letter from William H. Herrington to Fred Haddad)	Joint Development and Power Purchase RFP Evaluations
	Paul A. Arsuaga (August 2, 2000 Letter from Selvin Dottin to Frederick F. Haddad and August 8, 2000 Letter from Paul A. Arsuaga to Frederick F. Haddad)	
Confidential Exhibit C Confidential Composite Exhibit (PAA-3 and PAA-4)	Paul A. Arsuaga	Revised Power Purchase Evaluations
DEJ-1	Douglas E. Jones	Organizational Chart of The Southern Company
PAA-1	Paul A. Arsuaga	Professional Resume of Paul A. Arsuaga
PAA-2	Paul A. Arsuaga	Evaluation Guidelines
SLT-1	Stephen L. Thumb	Mr. Thumb's Resume
SLT-2	Stephen L. Thumb	Update to Forecast for Crude Oil
SLT-3	Stephen L. Thumb	Comparison of Natural Gas Price Forecasts
JAS-1	Jill Schuepbach	FIRE Model Results

C. BASIC POSITION

The Joint Petitioners seek an affirmative determination of need for the proposed Stanton Energy Center Combined Cycle Unit A ("Stanton A" or the "Project") to meet the obligations of OUC, KUA and FMPA to maintain electric system reliability and integrity and to continue to allow OUC, KUA and FMPA to provide adequate electricity to their ratepayers at a reasonable cost. Stanton A is a highly efficient, state-of-the-art, natural gas-fired electrical power plant the output of which will either be owned by OUC, KUA and FMPA, or fully committed by Southern-Florida to OUC, KUA and FMPA pursuant to Power Purchase Agreements ("PPAs"). As demonstrated in the Need for Power Application, as revised, Stanton A is needed for electric system reliability and integrity before the summer of 2004 when, absent Stanton A, the reserve margins of OUC, KUA and FMPA would drop below their reserve margin criteria. Further, the F class technology of Stanton A is the most efficient generating technology that is in reliable commercial operation and will provide adequate electricity at a reasonable cost to OUC, KUA, FMPA and Peninsular Florida. In addition, the Project is the most cost-effective alternative available to OUC, KUA and FMPA. The decision to seek approval of the Project was made only after OUC, KUA and FMPA analyzed: (1) responses to a Request for Proposals ("RFP") for joint development projects utilizing sites available at the Stanton Energy Center and/or Cane Island; (2) responses to a second RFP for power supply proposals from any source and/or technology, other than units built at the Stanton Energy Center; and (3) OUC self-build alternatives. No cost-effective conservation measures were found that could mitigate the need for Stanton A. For all these reasons, as more fully developed in the Need for Power Application, as revised, and supporting appendices, and the pre-filed testimony filed by the Joint Petitioners in this docket, the Commission should grant a favorable determination of need for Stanton A.

D. STATEMENT OF ISSUES AND POSITIONS

LEGAL ISSUES:

ISSUE 1: Are the Orlando Utilities Commission, Kissimmee Utility Authority, Florida Municipal Power Agency, and Southern Company-Florida, LLC, "applicants" within the meaning of Section 403.519, Florida Statutes?

Joint Petitioners'

Position: Yes. OUC, KUA, and FMPA are "electric utilities" within the meaning of Section 403.519, Florida Statutes. Therefore, OUC, KUA and FMPA are proper applicants for a determination of need. Moreover, Southern-Florida, as the entity that will operate, and jointly own Stanton A, is an appropriate non-need joint applicant pursuant to past decisions of the Commission, including the Commission's recent decision in In re: Petition for determination of need for the Osprey Energy Center in Polk County by Seminole Electric Cooperative and Calpine Construction Finance Company, L.P., Docket No. 001748-EC, Order No. PSC-01-0421-FOF-EC (Feb. 21, 2001),

and the Florida Supreme Court's opinion in Nassau Power Corp. v. Deason, 641 So. 2d 396 (Fla. 1994).

ISSUE 2: Is the output of Stanton Energy Center Unit A fully committed for use by Florida retail electric customers in compliance with the Florida Supreme Court's decision in Tampa Electric Co. et. al. v. Garcia, 25 Fla. L. Weekly S294 (April 20, 2000)?

Joint Petitioners'

Position: Yes. The output of proposed Stanton A is fully committed for use by Florida retail electric customers in compliance with the Florida Supreme Court's decision in Tampa Electric Co. et. al. v. Garcia. Thirty-five percent of the Stanton A capacity will be owned by OUC, KUA and FMPA, with the remaining 65 percent of the capacity owned by Southern-Florida. Under the PPAs Southern-Florida will sell all of its capacity from the Project to OUC, KUA and FMPA for a minimum term of 10 years. The PPAs also provide OUC, KUA and FMPA with unilateral options to acquire Southern-Florida's capacity for a term of up to 30 years. See In re: Petition for determination of need for the Osprey Energy Center in Polk County by Seminole Electric Cooperative and Calpine Construction Finance Company, L.P., Docket No. 001748-EC, Order No. PSC-01-0421-FOF-EC (Feb. 21, 2001).

Orlando Utilities Commission (OUC)

ISSUE 3: Is Stanton Energy Center Unit A needed, taking into account the Orlando Utilities Commission's need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

OUC

Position: Yes, OUC fails to meet its capacity requirements for a 15 percent reserve margin in 2004 without Stanton A. OUC is precluded from installing other options until at least 2005 due the delivery schedule for combustion turbines.

Witnesses: Frederick F. Haddad, Eric Fox, and Myron Rollins

ISSUE 4: Is Stanton Energy Center Unit A needed, taking into account the Orlando Utilities Commission's need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?

OUC

Position: Yes. Stanton A is the most cost-effective option available to OUC. Stanton A is highly efficient and takes advantage of existing

infrastructure at Stanton Energy Center to lower the cost of installation. The proven technology is also very reliable.

Witnesses: Frederick F. Haddad, Eric Fox, Myron Rollins, and John E. Hearn

ISSUE 5: **Is Stanton Energy Center Unit A the most cost-effective alternative available to meet the needs of the Orlando Utilities Commission, as this criterion is used in Section 403.519, Florida Statutes?**

OUC

Position: Yes. Stanton A provides the most cost-effective solution to satisfy OUC's forecast capacity requirements. The joint development project results in over \$6.6 million in cumulative present worth savings over the self-build alternative which is the next most cost-effective alternative.

Witnesses: Frederick F. Haddad, Paul A. Arsuaga, William Herrington, Stephen L. Thumb, Myron Rollins, and John E. Hearn

ISSUE 6: **Are there any reasonable conservation measures taken by or reasonably available to the Orlando Utilities Commission, as this criterion is used in Section 403.519, Florida Statutes?**

OUC

Position: No. OUC evaluated in detail the most cost-effective demand-side management measures from FPL's 2000 Demand-Side Management Plan. None of the potential measures passed the rate impact test after running the PSC-approved Florida Integrated Resource Evaluator (FIRE) model. Thus, OUC has concluded that there are no cost-effective conservation measures reasonably available that would avoid or defer the need for Stanton A.

Witnesses: Jill Schuepbach, Myron Rollins, and John E. Hearn

Kissimmee Utility Authority (KUA)

ISSUE 7: **Is Stanton Energy Center Unit needed, taking into account the Kissimmee Utility Authority's need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?**

KUA

Position: Yes, KUA fails to meet its capacity requirements for a 15 percent reserve margin beginning in 2004 without Stanton A.

Witnesses: Myron Rollins, Abani Kumar Sharma, and Jonathan Schaefer

ISSUE 8: **Is Stanton Energy Center Unit needed, taking into account the Kissimmee Utility Authority’s need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?**

KUA

Position: Yes. Stanton A is the most cost-effective option available to KUA. Stanton A is highly efficient and takes advantage of existing infrastructure at Stanton Energy Center to lower the cost of installation. Participation in Stanton A offers KUA the opportunity for economy of scale savings associated with a larger unit. The proven technology is also very reliable.

Witnesses: Myron Rollins, Abani Kumar Sharma, and Jonathan Schaefer

ISSUE 9: **Is Stanton Energy Center Unit A the most cost-effective alternative available to meet the needs of the Kissimmee Utility Authority, as this criterion is used in Section 403.519, Florida Statutes?**

KUA

Position: Yes. Stanton A provides the most cost-effective solution to satisfy KUA’s forecast capacity requirements. The joint development project results in a projected \$1.62 million cumulative present worth savings over the self build alternative and over \$20 Million cumulative present worth savings if an identical unit was not available as a self-build alternative.

Witnesses: Paul A. Arsuaga, William Herrington, Stephen L. Thumb, Myron Rollins, and Abani Kumar Sharma

ISSUE 10: **Are there any reasonable conservation measures taken by or reasonably available to the Kissimmee Utility Authority that might mitigate the need for Stanton Energy Center Unit A, as this criterion is used in Section 403.519, Florida Statutes?**

KUA

Position: No. KUA is already implementing several demand-side management programs and the energy and capacity savings associated with these measures are incorporated in KUA’s load forecast. In addition, KUA evaluated in detail the most cost-

effective demand-side management measures from FPL's 2000 Demand-Side Management Plan. Three of these FPL most cost-effective measures are already being offered by KUA. None of the next most cost-effective FPL conservation measures passed the rate impact test from running the PSC-approved Florida Integrated Resource Evaluator (FIRE) model. Thus, KUA has concluded that there are no cost-effective conservation measures reasonably available that would avoid or defer KUA's need for Stanton A.

Witnesses: Jill Schuepbach, Myron Rollins, and Jonathan Schaefer

Florida Municipal Power Agency (FMPA)

ISSUE 11: Is Stanton Energy Center Unit A needed, taking into account the Florida Municipal Power Agency's need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

FMPA

Position: Yes, FMPA fails to meet its capacity requirements for an 18 percent summer reserve margin beginning in 2003. In 2004 the reserve margin would fall to an estimated 7.3 percent without Stanton A.

Witnesses: Myron Rollins and Richard L. Casey

ISSUE 12: Is Stanton Energy Center Unit A needed, taking into account the Florida Municipal Power Agency's need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?

FMPA

Position: Yes. Stanton A is the most cost-effective option available to FMPA. Stanton A is highly efficient and takes advantage of existing infrastructure at Stanton Energy Center to lower the cost of installation. The proven technology is also very reliable.

Witnesses: Myron Rollins and Richard L. Casey

ISSUE 13: Is Stanton Energy Center Unit A the most cost-effective alternative available to meet the needs of the Florida Municipal Power Agency, as this criterion is used in Section 403.519, Florida Statutes?

Position: Yes. Stanton A provides the most cost-effective solution to satisfy FMPA's forecast capacity requirements. The joint development project results in a projected \$38.7 million cumulative present worth savings over the 20 year evaluation period relative to the next most cost-effective alternative.

Witnesses: Paul A. Arsuaga, William Herrington, Stephen L. Thumb, Myron Rollins and Richard L. Casey

ISSUE 14: **Are there any reasonable conservation measures taken by or reasonably available to the Florida Municipal Power Agency, as this criterion is used in Section 403.519, Florida Statutes?**

FMPA

Position: FMPA evaluated in detail the most cost-effective demand-side management measures from FPL's 2000 Demand-Side Management Plan. None of the potential measures passed the rate impact test after running the PSC-approved Florida Integrated Resource Evaluator (FIRE) model. Thus, FMPA has concluded that there are no cost-effective conservation measures reasonably available that would avoid or defer the need for Stanton A.

Witnesses: Jill Schuepbach and Myron Rollins

Mixed Factual, Legal and Policy Issues:

ISSUE 15: **Based on the resolution of the foregoing issues, should the Commission grant the joint petition for determination of need by the Orlando Utilities Commission, Kissimmee Utility Authority, Florida Municipal Power Agency, and Southern Company-Florida, LLC, for Stanton Energy Center Unit A?**

Joint Petitioners'

Position: Yes. The Commission should grant the joint petition for determination of need for Stanton A because Stanton A is the most cost-effective option available to meet OUC, KUA and FMPA's needs beginning in 2003. There are no cost-effective conservation or demand-side measures available to offset the need. Stanton A will provide OUC, KUA and FMPA adequate electricity at a reasonable cost and Stanton A will contribute to the reliability and integrity of OUC, KUA, and FMPA's systems as well as Peninsular Florida

Witnesses: Frederick F. Haddad, Douglas E. Jones, Thomas O. Anderson, Paul A. Arsuaga, William Herrington, Stephen L. Thumb, Jill Schuepbach, Eric Fox, Myron Rollins, John E. Hearn, Abani Kumar Sharma, Jonathan Schaefer, and Richard L. Casey

ISSUE 16: Should this docket be closed?

Joint Petitioners'

Position: Yes. This docket should be closed following issuance of the Commission's order addressing the joint petition for determination of need upon expiration of the time for seeking rehearing and/or filing a notice of appeal.

E. Stipulated Issues

Joint Petitioners and Commission staff agree that the issues identified above should be the issues addressed by the Commission in this proceeding. However, Joint Petitioners and Commission staff have not, at this time, stipulated as to any positions on these issues.

F. Pending Motions and Other Matters Upon Which Action Is Sought

Other than the requests for confidential classification identified below, Joint Petitioners are not aware of any pending motions or other matters upon which Commission action is sought.

G. Pending Requests or Claims for Confidentiality

The following requests for confidential classification are currently pending before the Commission:

Orlando Utilities Commission's Request for Confidential Classification – filed January 31, 2001.

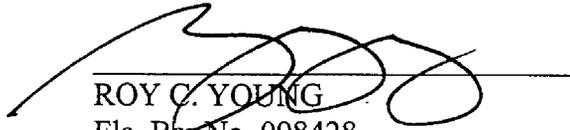
Southern-Florida's Request for Confidential Classification – filed January 31, 2001.

Orlando Utilities Commission's Second Request for Confidential Classification – filed March 5, 2001.

H. Requirements of Order Establishing Procedure

At this time, Joint Petitioners are not aware of any requirements of the Order Establishing Procedure with which they cannot comply.

Respectfully submitted this 2nd day of April, 2001.



ROY C. YOUNG
Fla. Bar No. 098428
Tasha O. Buford
Fla. Bar No. 512788
Young, Van Assenderp, Varnadoe &
Anderson, P.A.
225 S. Adams Street, Suite 200
P.O. Box 1833
Tallahassee, FL 32302-1833
(850) 222-7206

THOMAS B. TART
Fla. Bar No. 113120
General Counsel
Orlando Utilities Commission
300 S. Orange Avenue
Orlando, FL 32801
(407) 423-9123

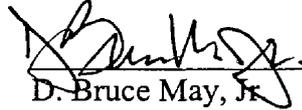
**ATTORNEYS FOR ORLANDO
UTILITIES COMMISSION**

ROY C. YOUNG
Fla. Bar No. 098428
Tasha O. Buford
Fla. Bar No. 512788
Young, Van Assenderp, Varnadoe &
Anderson, P.A.
225 S. Adams Street, Suite 200
P.O. Box 1833
Tallahassee, FL 32302-1833
(850) 222-7206

**ATTORNEYS FOR KISSIMMEE
UTILITY AUTHORITY**

FREDERICK M. BRYANT
Fla. Bar No. 0126370
General Counsel
Florida Municipal Power Agency
2061-2 Delta Way
Tallahassee, FL 32303
(850) 297-2011

**ATTORNEY FOR FLORIDA
MUNICIPAL POWER AGENCY**



D. Bruce May, Jr.
Fla. Bar No. 035473
Holland & Knight LLP
315 S. Calhoun Street, Suite 600
Tallahassee, FL 32302-0810
(850) 224-7000

**ATTORNEYS FOR SOUTHERN
COMPANY-FLORIDA LLC**